**SENATE RULES COMMITTEE** AB 2771
Office of Senate Floor Analyses
(916) 651-4171

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THIRD READING

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Bill No: AB 2771
Author: Committee on Business and Professions
Amended: 8/13/26 in Senate
Vote: 21

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SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 11-0, 6/29/26
AYES: Wahab, Choi, Archuleta, Arreguín, Caballero, Grayson, Menjivar, Niello, Smallwood-Cuevas, Strickland, Umberg

SENATE EDUCATION COMMITTEE: 7-0, 7/1/26
AYES: Pérez, Ochoa Bogh, Cabaldon, Choi, Cortese, Gonzalez, Reyes

SENATE APPROPRIATIONS COMMITTEE: 5-0, 8/13/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Seyarto, Dahle

ASSEMBLY FLOOR: 76-0, 5/14/26 - See last page for vote

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**SUBJECT:** California Private Postsecondary Education Act of 2009

**SOURCE:** Author

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**DIGEST:** This bill extends the operations of the Bureau for Private Postsecondary Education (BPPE or Bureau) and California Private Postsecondary Education Act of 2009 (the Act) for four years until January 1, 2031, and makes numerous technical changes, statutory improvements, and policy reforms in response to issues raised during the BPPE's sunset review oversight process.

**ANALYSIS:**

Existing law establishes the Act until January 1, 2023, and requires the BPPE to , among other things, review, investigate and approve private postsecondary institutions, programs and courses of instruction pursuant to the Act and authorizes BPPE to take formal actions against to take formal actions against an institution/school to ensure compliance with the Act and even seek closure of an institution/school if determined necessary. The Act requires unaccredited degree granting institutions to be accredited by an accrediting agency recognized by the United States Department of Education (USDE). The Act also provides for specified disclosures and enrollment agreements for students, requirements for cancellations, withdrawals and refunds, and requires BPPE to administer the Student Tuition Recovery Fund (STRF) to provide refunds to students affected by the possible closure of an institution/school. (Education Code (EDC) § 94800 *et.seq*)

This bill:

1) Makes various changes to the BPPE and the Act in response to issues raised during the BPPE's sunset review oversight process. Among other changes, this bill:

    a) Updates exemptions provisions, including the process BPPE undertakes to verify exemptions and requiring certain institutions that train individuals to receive a commercial drivers' license, which are exempt from the Act, to be BPPE-approved.

    b) Updates requirements for degree granting institutions to be accredited and makes various changes to the process for provisionally approved schools.

    c) Authorizes the Bureau to deny an application for an approval to operate from an institution that would be owned by, have persons in control of, or employ institutional managers engaged in specified conduct that would subject an approved school to discipline, among various other limitations.

    d) Requires an institution to demonstrate continued compliance with minimum operating standards to obtain renewal of an approval to operate. Requires out-of-state institutions to register with the Bureau before enrolling students in a distance program.

    e) Enhances various students' protections like prohibiting an institution from withholding documentation required for licensure as a means of collecting a debt and requiring students to receive specified information about the institution and information about financial aid from USDE. Requires institutions under an income share agreement to refund specified withdrawing students' 100 percent of the total charges based on the unattended portion of the period of attendance the student was charged.

f) Updates various provisions related to STRF eligibility and repeals the current requirement that STRF not exceed $25 million and authority for the Bureau to collect STRF assessments when the fund falls below $20 million and instead requires the Bureau to strive to maintain a fund balance in the STRF between $15 million and $25 million.

g) Requires approved institutions to provide BPPE with specified information about specified judgments, settlements, bankruptcy, felony charges, civil actions, or arbitrations within 30 days.

h) Enhances BPPE enforcement against an institution operating or offering or providing educational programs without proper Bureau approval.

i) Subjects out-of-state institutions that fail to comply with the new registration requirement for distance programs to the Bureau's fine penalties.

j) Makes various technical and conforming changes.

**Background**

The Bureau for Private Postsecondary Education (BPPE) is tasked, pursuant to the California Private Postsecondary Act (Act) with responsibility for oversight of private postsecondary educational institutions operating with a physical presence in California. While the Legislature has amended the Act several times, it has consistently directed BPPE to make protection of the public the highest priority in performing duties and exercising powers. Today, the Act expresses Legislative intent that, among other student protections, BPPE:

- Ensure minimum educational quality standards and opportunities for success for California students attending private postsecondary schools in California;
- Provide meaningful student protections through essential avenues of recourse for students;
- Establish a regulatory structure that provides an appropriate level of oversight;
- Provide a regulatory structure that ensures all stakeholders have a voice and are heard in policymaking by the Bureau;
- Ensure accountability and oversight by the Legislature through program monitoring and periodic reports;
- Prevent harm to students and the deception of the public that results from fraudulent or substandard educational programs and degrees.

BPPE also actively investigates and combats unlicensed activity, administers the STRF, and conducts outreach and education activities for students and private postsecondary educational institutions within the state. Within BPPE exists the Office of Student Assistance and Relief (OSAR), established by SB 1192 (Hill, Chapter 593, Statutes of 2016) which advances the rights of students at private postsecondary educational institutions and assist students who have suffered economic loss due to unlawful activities or the closure of an institution.

*Oversight Hearings and Sunset Review of Licensing Boards and Programs.* In March 2026, the Senate Business, Professions and Economic Development Committee and the Assembly Committee on Business and Professions (Committees) began their comprehensive sunset review oversight of 10 regulatory entities including the Bureau. This bill is the sunset review vehicle for the Bureau for Private Postsecondary Education, authored by the Assembly Committee on Business and Professions. This bill extends the Bureau's sunset date and enacts technical changes, statutory improvements, and policy reforms in response to issues raised during the Bureau's sunset review oversight process.

*BPPE Budget.* One primary issue discussed in regards to continued operations of BPPE is its fiscal status. During its 2021-2022 sunset review, the Bureau and the Department of Consumer Affairs proposed increasing annual fees. In the absence of fee increases, the Bureau received a $12 million loan from the Bureau of Automotive Repair to mitigate the Bureau's financial woes, pursuant to Control Section 14.00 of the Budget Act of 2022. In Fiscal Year (FY) 2022-23, the Legislature provided the Bureau with $24 million from the General Fund to cover the Bureau's budget shortfall through FY 2024-25, including paying back the loan from the Bureau of Automotive Repair. The Legislature also directed the Bureau to propose a new fee structure that would sustainably support the Bureau's operations. The Bureau contracted with the Foundation for California Community Colleges (FoundationCCC) to "consider potential revenue sources beyond the typical licensing-fee models." In its 2024 report to the Legislature, the FoundationCCC offered several non-fee-based recommendations for minimizing the Bureau's budget constraints but concluded that annual fee increases were necessary for the Bureau to remain solvent.

According to the Bureau, it has already implemented the changes recommended by the FoundationCCC and now requires statutory approval to modify its fee structure. More than 90% of the Bureau's revenue stems from annual fees which were last increased in 2018 by SB 1192 (Hill, Chapter 593, Statutes of 2016). Coupled with increased application fees, the Bureau believes that these changes will generate sufficient revenue for the Board to remain solvent through FY 2030-31. This bill responds to the issue of solvency by increasing various BPPE fees, including: increasing application fees; increasing approval to operate renewal fees; increasing programmatic change fees; increasing the annual fee from .55% of the campus' total gross revenue not to exceed $60K to now .75% of the campus' total gross revenue not to exceed $80K; increasing the fee for out-of-state schools to register with BPPE; and increasing the fee for BPPE to handle complaints for an independent institution of higher education. Since its inception, the Bureau has been charged with numerous responsibilities amid an ever-changing, increasingly uncertain higher education ecosystem. The Bureau needs financial resources necessary to fulfill its statutory mandates, chiefly the protection of the public.

*Student Protections.*

a) Students who enroll in unaccredited degree programs have less certainty that their investment will be worthwhile. Moreover, students enrolled in provisionally approved degree programs are in an especially precarious situation if their program is suspended or surrendered. According to the Bureau, teach-out or transfer options may not be available because many institutions will not accept degree-level credits from unaccredited institutions. This bill establishes a two-year waiting period before institutions can reapply for provisional approval and limits enrollment of international students in provisionally approved degree programs at 25%.

b) In its 2024 Bureau funding study, the FoundationCCC stated that the Bureau has little authority to monitor or act against registered institutions for inappropriate activity or against unregistered institutions that unlawfully enroll California students in online programs. The FoundationCCC concluded that "Lack of authority in this area is a significant limitation to BPPE's ability to enforce California law." Consequently, the FoundationCCC alleges that institutions are incentivized to close their in-person facilities and offer their programs entirely online. Whereas the Bureau may fine in-state institutions operating without the Bureau's approval up to $100,000, the Bureau does not have the authority to pursue unregistered institutions doing business in California. This bill repeals the existing requirements and authorizes the Bureau to request, and requires registered institutions to provide, information the Bureau deems necessary to determine whether the institution's registration should be revoked or be subjected to conditions.

c) EDC § 94909 and EDC § 94913 require institutions to provide prospective students with school catalogs and student brochures prior to enrollment. However, the Bureau reports that institutions have been using alternative documents (e.g., handbooks) to convey pertinent information. For example, the Bureau notes that attendance policies disclosed in school catalogs, as required by law, may be further elaborated in a student handbook. To ensure that students receive all the necessary information prior to signing an enrollment agreement, the Bureau proposes expanding the law to require handbooks and other student-facing materials to be provided to students before enrollment. This bill requires institutions to provide handbooks and other student-facing materials to students before enrollment. This bill requires institutions to retain a copy of the College Financing Plan with students' other records. This bill removes the School Performance Fact Sheet attestation from future enrollment agreements and requires that enrollment agreements be dated at the time of signing, specify how instruction will be provided, and include the date classes begin.

   EDC § 94897(s) and Civil Code § 1788.93 prohibit schools from refusing, delaying, or inflating the costs of academic transcripts due to students' unpaid debts, but these protections do not extend to other types of student records, such as diplomas, certifications of completion, clinical training documents, or licensing verification forms. For example, the BBC requires applicants to provide a "Proof of Training Document" as evidence of their training. However, under current law, institutions have no legal obligation to provide this form to students and can withhold it as leverage for payment. This bill prohibits institutions from withholding Proof of Training documents.

*Exemptions*

a) The Bureau requested amendments to the Act to tighten a number of specified exemptions that the law provides for various types of institutions and educational programs. This bill clarifies and narrows exemptions as recommended by the Bureau and also addresses a loophole in the regulation of certain private postsecondary programs related to commercial driving by removing commercial driving programs that provide training or curriculum for Class A, B, or C commercial driving licenses from being eligible for an exemption, except for any employer-administered commercial drivers license training program if the employer has more than 250 truck drivers.

b) EDC § 94874.7 requires the Bureau to establish a process for verifying an institution's exempt status. Verification is voluntary and requires submitting an application and paying a $250 application fee. According to the Bureau, operators of "zombie universities" have applied for verification of their exempt status and used Bureau documents to indicate to consumers that their programs are of good quality and/or low risk. This bill authorizes the Bureau to deny verification of an exemption or determine that it is unable to verify an exemption, prohibits the Bureau from verifying an exemption if the institution had a previous approval to operate and has an outstanding disciplinary action, or if the institution offers one or more programs designed to lead to licensure that do not hold board approval, and clarifies that the Bureau's decision is not subject to appeal.

*STRF.* The Bureau believes clarification would improve its ability to administer STRF. According to the Bureau, economic harm may not appear until after a student's enrollment ends so economic loss should be connected to enrollment. The Bureau wishes to use federal relief program eligibility as the basis for determining whether a student was harmed by a school closure or other unlawful activity, thereby streamlining the Bureau's determination process. The Bureau also wishes to further streamline STRF eligibility determinations by considering enforcement actions by other governmental entities, such as the AG, the Federal Trade Commission, and the Consumer Financial Protection Bureau, as well as private litigation. The Legal Aid Foundation of Los Angeles recommends clarifying that students who were promised loan discharge by the USDE, but were unable to obtain those loan discharges, are also eligible for STRF relief. The Bureau proposes amending the law to allow attestations from STRF applicants and government agency findings to be used in determining STRF eligibility. According to the Bureau, the intent is to streamline relief and reduce the burden on both applicants and the Bureau. This bill streamlines and clarifies STRF eligibility determinations as requested by the Bureau.

**Comments**

The California Association of Private Postsecondary Schools (CAPPS), "question[s] if the dozens of changes contained in AB 2771 will result in additional pressure for the BPPE to seek larger fee increases and/or state support, and if any analysis was done to calculate the financial impact. We urge the legislature to pursue changes that will streamline the Bureau versus adding more workload pressures." CAPPS also states that it has "consistently sought information on the number of BPPE regulated ownership entities, in addition to campuses and branches, to better understand the Bureau's regulatory scope and responsibilities." According to CAPPS, STRF funds have historically been used solely to support students, not to pay for BPPE operations and staff. CAPPS does not agree with allowing student fees to pay for "the BPPE's increasing budget woes" and states "it is odd and troublesome that the law would give the BPPE the ability to fluctuate the STRF account between $15 and $25 million dollars. Again, these are student dollars that should be accounted for in a data driven manner that would give students more predictability and transparency." CAPPS also believes the law should implement a risk based regulatory approach to prioritize oversight resources based on institutional risk, including appropriate differentiation between accredited and nonaccredited institutions and that it should maintain transparency in enforcement actions by retaining requirements for public reporting of restraining orders, interim suspension orders, and disciplinary actions.

Ember Education also comments on BPPE operations and the Act. Ember notes that "the proposed fee structure disproportionately burdens large multi-campus institutions— particularly those operating accredited, high-value allied-health programs with high tuition but low operating margins. The recommended fee changes rely heavily on raising annual-revenue-based fees and increasing per-campus caps from $60,000 to $80,000. These changes do not correspond to the true drivers of BPPE workload and would result in a 35% fee increase for SJVC and Carrington. To improve alignment between BPPE revenue and actual costs, we recommend: increase transactional licensing and approval fees..increase the minimum campus location fee to $10,000…increase administrative citation fines…maintain current caps for annual revenue fees. The existing campus and institutional caps ($60,000 and $750,000, respectively) reflect the limited correlation between campus revenue and BPPE oversight work. We oppose the proposed increase in the campus cap to $80,000. Adopting these more targeted changes would still increase our annual fees by approximately 20% but would do so in a manner that is more equitable and operationally grounded."

Northeastern University requests amendments to the Act that will "grant highly qualified institutions like Northeastern relief from dilatory and duplicative degree program approvals and authorize such institutions to place a surety bond on file with the Bureau in lieu of STRF. These provisions which grant limited and reasonable relief to highly qualified nonprofit institutions like Northeastern but ensure the Bureau retains oversight over such institutions, are substantially similar to provisions that were included in legislation that previously passed this Committee and the Assembly unanimously in 2024."

**FISCAL EFFECT:** Appropriation: Yes Fiscal Com.: Yes Local: Yes

According to the Senate Committee on Appropriations, the Bureau anticipates minor and absorbable workload costs for most of the bill's provisions; however, it did identify costs related to Bureau approval for institutions providing training or curriculum for Class A, B, or C commercial driver's licenses. The Bureau estimates costs of $845,000 in FY 2026-27 and $814,000 ongoing annually, costs which are not absorbable. Total increased application and annual fee revenue of approximately $478,000 will offset the Bureau's administrative and enforcement workload costs to some extent. Actual revenue increases will depend on the number of programs that seek Bureau approval. The bill will also result in unknown increases in STRF fee revenue, to the extent the Bureau begins collecting these assessments again.

**SUPPORT:** (Verified 8/14/26)

Legal Aid Foundation of Los Angeles
Northern California College Promise Coalition
The Institute for College Access & Success

**OPPOSITION:** (Verified 8/14/26)

Northeastern University

**ARGUMENTS IN SUPPORT:** Legal Aid Foundation of Los Angeles notes that it works with low-income clients in Los Angeles and "has helped a steady stream of clients who have been harmed by deceptive for-profit schools since the 1980s. These students enroll in for-profit schools for only one reason – to secure higher-paying employment in order to improve their lives and the lives of their families. Many of our clients' hopes are shattered when their schools close or when they are harmed by illegal and deceptive recruitment practices. They are left with student loan debt that they cannot hope to repay because they cannot find the high-paying employment that the school promised. The Bureau is critical to both preventing this type of fraud and to redressing the long-term financial losses suffered by harmed students." The organization notes that "As the U.S. Department of Education continues to shrink its oversight of higher education institutions, the Bureau has never been more important to protecting students from predatory schools and securing an equal playing field for reputable schools."

The Northern California College Promise Coalition notes, "The Bureau serves an essential function for the state of California as the first line of defense for students who enroll in private postsecondary programs and the primary state-level regulator of for-profit schools in California. As federal deregulation continues to reduce oversight and accountability over for-profit schools, support for the Bureau is critical as it maintains necessary enforcement activities to protect California students."

The Institute for College Access & Success (TICAS) writes in support, " Today's private postsecondary education ecosystem has shifted dramatically since the Bureau was first envisioned: online education is expanding, the definitions of physical presence and oversight of out-of-state institutions are evolving, a new federal Workforce Pell Grant program that uplifts short-term and certificate programs that were historically not Title IV eligible is coming online, and federal protections against aggressive recruitment and fraudulent activity are weaking. In this environment, ensuring that the Bureau is financially solvent, appropriately empowered, and statutorily equipped to act decisively is essential to protecting students and taxpayers in California."

ASSEMBLY FLOOR: 76-0, 5/14/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Arambula, Bennett, Flora, Celeste Rodriguez

Prepared by: Anna Billy / B., P. & E.D. / , Sarah Mason / B., P. & E.D. /
8/17/26 10:54:47

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