

BUREAU FOR PRIVATE POSTSECONDARY EDUCATION

SUNSET REVIEW REPORT 2026

PRESENTED TO THE SENATE COMMITTEE ON BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT, THE SENATE COMMITTEE ON EDUCATION, THE ASSEMBLY COMMITTEE ON BUSINESS AND PROFESSIONS, AND THE ASSEMBLY COMMITTEE ON HIGHER EDUCATION



Bureau for Private Postsecondary Education



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Bureau for Private Postsecondary Education

BACKGROUND INFORMATION AND OVERVIEW OF THE CURRENT REGULATORY PROGRAM As of January 5, 2026

Section 1 – Background and Description of the Board and Regulated Profession

History

On October 11, 2009, Governor Arnold Schwarzenegger signed Assembly Bill (AB) 48 (Portantino, Chapter 310, Statutes of 2009), which created the California Private Postsecondary Education Act of 2009 (Act). The bill resurrected an agency, the Bureau for Private Postsecondary Education (Bureau), under the Department of Consumer Affairs (DCA or the Department) to regulate private postsecondary educational institutions in California. Prior to the creation of the Bureau, the California Bureau for Private Postsecondary and Vocational Education sunset on June 30, 2007, leaving a period between July 1, 2007, and December 31, 2009, during which no regulatory agency in California existed for private postsecondary educational institutions.

Under AB 48, the Bureau was mandated to:

- Create a structure that provides an appropriate level of oversight, including approval, of private postsecondary educational institutions and programs.
- Establish minimum operating standards for California private postsecondary educational institutions to ensure quality education for students.
- Provide students with a meaningful opportunity to have their complaints resolved.
- Ensure that private postsecondary educational institutions offer accurate information to prospective students on school and student performance, thereby promoting competition between institutions that rewards educational quality and employment success.
- Ensure that all stakeholders have a voice and are heard in the operations of and the rulemaking process by the Bureau.
- Proactively combat unlicensed institutions.

Today, the Bureau licenses and regulates private postsecondary educational institutions, defined as a private entity with a physical presence in California that offers postsecondary education to the public for an institutional charge.

The Bureau has the statutory authority to enforce the provisions of the California Private Postsecondary Education Act of 2009 and the California Code of Regulations, Division 7.5.

The Bureau's mission is to protect students and consumers in California and beyond, through the oversight of California's private postsecondary educational institutions, by conducting qualitative reviews of educational programs and operating standards, proactively combating unlicensed activity, impartially resolving student and consumer complaints, and providing support and financial relief to harmed students.

Advisory Committee

In accordance with EDC section 94880, the Bureau established a 12-member advisory committee.

The advisory committee was established to examine the oversight functions and operational policies of the Bureau and to advise the Bureau with respect to matters relating to private postsecondary education and the administration of the Act. The Advisory Committee handbook may be found in Attachment A.

The advisory committee consists of:

- Three members who have a demonstrated record of advocacy on behalf of consumers.
 - These three members are appointed by the Director of DCA (Director), the Senate Committee on Rules, and the Speaker of the Assembly.
- Two members appointed by the Director who are current or past students of institutions.
- Three members appointed by the Director who are representatives of institutions.
- One public member appointed by the Senate Committee on Rules.
- One public member appointed by the Speaker of the Assembly.
- Two nonvoting ex officio members.

The two nonvoting ex officio members must be:

- The chair of a policy committee of the Assembly with jurisdiction over legislation relating to the Bureau, appointed by the Speaker of the Assembly, or their designee.
- The chair of a policy committee of the Senate with jurisdiction over legislation relating to the Bureau, appointed by the Senate Committee on Rules, or their designee.

Certain restrictions regarding association with institutions under the Bureau apply to members appointed as current or past students of institutions or as public members appointed by the Senate Committee on Rules and the Speaker of the Assembly.

The committee must annually elect a chair and vice chair. A member shall not serve in the chair or vice chair position for more than a combined two years. There are no term limitations for members of the advisory committee, and they serve at the pleasure of their appointing authority.

Advisory Committee membership is available in Attachment B, and members' attendance history can be found in Attachment C. Advisory Committee members all serve at the pleasure of their appointing authority, meaning their terms do not expire, and they are not reappointed.

The Bureau has not had any occasions in the past four years where it was unable to hold a meeting due to a lack of quorum.

Recent Changes

The major changes to the Bureau since its last sunset review include the following:

Staffing Changes

Changes In Leadership

Since the last Sunset Review in 2022, there have been changes to the executive staff of the Bureau. In December 2022, the long-standing Deputy Bureau Chief retired. To better support the Bureau's operations, the Deputy Bureau Chief role was restructured into two Career Executive Assignment (CEA) positions: Deputy Chief of Licensing and Administration, and Deputy Chief of

Enforcement. Both positions were filled in May 2024. Additionally, the inaugural Chief of the Office of Student Assistance and Relief (OSAR) retired in May 2025, and that position was filled in August 2025. Further changes to the Bureau's personnel and operations are described below.

Complaints and Investigations

The Bureau continually evaluates its operations to improve efficiency and ensure staffing aligns with evolving enforcement needs. In 2023, the Bureau undertook a significant restructuring of its Complaint Investigation Section to strengthen investigative capacity. This restructuring consolidated the Special Enforcement Unit and the Complaint Investigations Unit into a single unit. As part of the reorganization, one Staff Services Manager I (SSM I) position was reclassified to a Supervising Special Investigator I (SSI I), and two Associate Governmental Program Analyst (AGPA) positions were reclassified as Special Investigators (SIs).

The Bureau plans to reclassify the remaining SSM I position to an SSI I and up to five additional AGPAs to SIs. These ongoing staffing enhancements are part of a broader strategy to build a more skilled, specialized investigative team equipped to manage increasingly complex, high-impact cases. By improving staff knowledge, investigative skills, and on-the-ground experience, the Bureau is building a stronger, more flexible team—one that can keep up with changes in private postsecondary education and carry out enforcement work more effectively and consistently.

Student Tuition Recovery Fund Unit

In 2023, in response to a backlog in claims for the Student Tuition Recovery Fund (STRF), the Bureau reclassified an existing position to a Staff Services Manager I position. Prior to this shift, analysts tasked with processing STRF claims reported to the Administration Chief, a Staff Services Manager II. The Bureau made this shift after determining that additional manager support and review would better support the analytical work required of the unit and decrease the time needed for management approval.

Strategic Plan

The Bureau's current Strategic Plan is effective for four years (2022–2026). The Bureau will begin working with DCA's Strategic Organizational Leadership and Individual Development (SOLID) team to complete a new Strategic Plan in 2027, to align with its sunset review. Current goals include:

- Educating institutions and other stakeholders on the statutes and regulations governing private postsecondary education and ensuring institutions meet minimum operating standards through the comprehensive review and processing of applications.
- Protecting the interests of students and consumers by monitoring colleges' compliance with relevant laws and regulations, taking enforcement actions when necessary, and conducting impartial, thorough, and efficient investigations of complaints submitted against approved, unapproved, and contracted institutions.
- Promoting education quality through the review of proposed and existing educational programs, the monitoring of accreditation plans and progress, and the evaluation of the efficacy of instructional methods and modes of delivery.
- Identifying, pursuing, and implementing legislative, regulatory, and procedural changes that strengthen and support the Bureau's mandates and mission to protect consumers.
- Assisting California students and addressing the needs of those students attending private colleges through the Office of Student Assistance and Relief and beyond.

Promoting organizational success through efficient and productive engagement, collaboration, and coordination internally and with external information and stakeholders.

Legislation

The Bureau's involvement in legislative affairs includes tracking bills, conducting fiscal analyses of the potential impact of bills, and implementing legislation that impacts the Bureau. The following legislation, which have had an impact on the Bureau and/or its operations, was chaptered between the Bureau's last sunset bill and the end of 2025:

2022 Legislation

- SB 1433 (Roth, Chapter 544, Statutes of 2022). This was the previous sunset bill for the Bureau, reauthorizing the Act from January 1, 2023, to January 1, 2027. Changes to the Act included: allowing out-of-state institutions to register if they do not have all application information and exempting low-cost out-of-state institutions from registration; allowing the Bureau to establish thresholds that constitute limited physical presence; adding several new prohibited business practices; terminating an approval to operate when an institution closes and allowing the Bureau to select a closure date if one was not identified; and permitting public institutions from other states with a physical presence to apply for approval to operate.

2023 Legislation

- SB 887 (Committee on Business, Professions, and Economic Development, Chapter 510, Statutes of 2023). This bill made technical changes to the agencies under the Department of Consumer Affairs, including changes to BPPE's authorizing Act. This included greater consistency in use of the terms School Performance Fact Sheet and internet website, and adding subdivisions to a multi-part prohibited business practice for clarity.
- SB 544 (Laird, Chapter 216, Statutes of 2023). This bill provided several teleconferencing provisions that affected state bodies holding a meeting. The bill enabled the Bureau to continue holding its Advisory Committee meetings virtually.

2024 Legislation

- SB 1526 (Committee on Business, Professions, and Economic Development, Chapter 497, Statutes of 2024). This bill made technical changes to the agencies under the Department of Consumer Affairs, including changes to BPPE's authorizing Act. This included adoption of gender-neutral language, creating consistency in definitions of institutional and non-institutional charges, and specifying that internet disclosures must be up to date.

2025 Legislation

- AB 123 (Committee on Budget, Chapter 9, Statutes of 2025). The higher education budget trailer bill authorized the use of moneys in the Student Tuition Recovery Fund to cover the costs of claim administration and positions of the Office of Student Assistance and Relief.
- AB 1504 (Berman, Chapter 197, Statutes of 2025). The sunset bill for the California Massage Therapy Council (CAMTC), this bill makes changes to the Education Code to require massage schools to notify BPPE if they are under investigation by CAMTC.

- SB 470 (Laird, Chapter 222, Statutes of 2025). The Bagley-Keene Open Meeting Act authorizes teleconferencing meetings, but certain provisions would be repealed on January 1, 2026. This bill deletes the repeal date, allowing teleconferencing provisions to become permanent, including allowing the Bureau to continue holding its Advisory Committee meetings virtually.
- SB 744 (Cabaldon, Chapter 425, Statutes of 2025). This bill allows for any accrediting agency recognized by the U.S. Department of Education as of January 1, 2025, to keep that recognition until January 20, 2029, so long as the agency continues to operate in substantially the same manner.
- SB 861 (Committee on Business, Professions, and Economic Development, Chapter 592, Statutes of 2025). This bill makes technical changes to the agencies under the Department of Consumer Affairs, including changes to BPPE's authorizing Act. This included deleting obsolete code sections, clarifying definitions for distance education and teach-outs, and specifying that disclosures provided to students must be current versions of those documents.

Regulations

The following regulations have been implemented since the last sunset review:

- **Intensive English Language Programs (IELPs)**
Title 5, California Code of Regulations section 70000
Amended the definition of education offered for personal entertainment, pleasure, or enjoyment to clarify that IELPs that meet certain requirements are exempt from Bureau oversight.
Effective Date: July 1, 2021
- **Annual Reports and Labor Market Identification Data**
Title 5, California Code of Regulations section 74110
Statutory amendments required an institution to collect and retain certain individual, program, and debt information, and report it annually. The Bureau adopted regulations outlining this schedule and format.
Effective Date: July 11, 2022
- **Repeal of Ability-to-Benefit Language**
Title 5, California Code of Regulations sections 71210, 71475, 71770, 71920
Statutory amendments removed references to passing an ability-to-benefit test as part of admissions processes; this action removed related regulatory references to passing an ability-to-benefit test.
Effective Date: April 1, 2023
- **Substantive Change Approval**
Title 5, California Code of Regulations sections 71650, 71652, 71653
Statutory amendments added four new types of substantive changes that require the Bureau's approval. This action implemented three of those new types by incorporating by reference three forms that institutions must submit for Board approval.
Effective Date: April 1, 2023
- **Out-of-State Registration**
Title 5, California Code of Regulations sections 71396, 71397, 71398

Amended regulations in response to statutory changes made to allow conditional approval of out-of-state institution registrations and established the criteria for the conditional approvals. This action updated Form 94801.5, Application for Registration or Re-Registration of Out-of-State Institutions.

Effective Date: February 10, 2023

- **Educational Programs Under 32 Hours**

Title 5, California Code of Regulations sections 71710, 71810

Defined the phrase “designed to lead to employment” and updated catalog requirements for educational programs under 32 hours in length and not designed to lead to employment.

Effective Date: April 1, 2023

- **Student Tuition Recovery Fund**

Title 5, California Code of Regulations section 76120

Amended the Student Tuition Recovery Fund (STRF) assessment rate that each student at Bureau-approved institutions pays from \$0.50 per \$1,000 of institutional charges to \$2.50 per \$1,000 of institutional charges.

Effective Date: File and print only

- **Change in Distance Education Learning Management System**

Title 5, California Code of Regulations section 71600

Amended the regulation to incorporate by reference the Significant Change in Method of Instructional Delivery or Change in Distance Education Learning Management System form. The content of the form was deleted from the regulatory text and moved to the referenced form with some added content.

Effective Date: July 1, 2024

- **Public Institutions under Authority of the Act**

Title 5, California Code of Regulations section 75020

Amended regulations regarding the issuance of citations so that certain public institutions of higher education over which the Bureau exercises regulatory authority, as provided in Education Code section 94949.8, are included within its scope.

Effective Date: July 1, 2024

- **Licensing Applications Signature Requirements**

Title 5, California Code of Regulations sections 70000, 71100, 71380, 71390, 71395, 71396, 71475, 71480

Amended several regulations and documents incorporated by reference pertaining to licensing applications to revise signature requirements and allow the use of digital signatures on certain forms and applications.

Effective Date: October 1, 2024

- **Closure Requirements and Date of Closure Selection**

Title 5, California Code of Regulations sections 76240, 76245

Updated notice requirements for institutions prior to closing and established a process for the selection of a closure date in the event an institution does not notify the Bureau of a closure.

Effective Date: January 1, 2025

- **Student Tuition Recovery Fund**

Title 5, California Code of Regulations section 76120

Amended the Student Tuition Recovery Fund (STRF) assessment rate that each student at Bureau-approved institutions pays from \$2.50 per \$1,000 of institutional charges to \$0.00 per \$1,000 of institutional charges.

Effective Date: File and print only

- **Repealed Statute**

Title 5, California Code of Regulations sections 71395, 76000, 76020

Deleted a textual reference to section 94874.1 of the Education Code (EDC), which has been repealed, from Bureau regulations. The non-substantive action also deleted and updated outdated citations to Section 94803 of the EDC.

Effective Date: Change without regulatory effect

- **Expired Approvals**

Title 5, California Code of Regulations sections 71475, 71480

Clarified information regarding renewal applications to encourage timely renewals.

The Bureau will accept a late renewal application from an institution for up to 30 days. Institutions operating beyond 30 days after an approval expires may receive a citation.

Effective Date: July 1, 2025

Major Studies

AB 178 (Ting, Chapter 45, Statutes of 2022) required the Bureau to provide the Legislature with a proposal for a new fee structure to support the Bureau's operations on an ongoing basis. To meet this statutory requirement, in 2023 the Bureau entered into an Interagency Agreement with the Foundation for California Community Colleges (FoundationCCC) to explore dynamics related to the private postsecondary education industry impacting revenue sufficiency models, including the consideration of potential revenue sources beyond the licensing fees. Specifically, the Bureau requested FoundationCCC to: (1) explore further the dynamics of the private postsecondary education industry that challenge stable funding; (2) examine how the funding structures of other enforcement agencies impact their decision-making and effectiveness; and (3) develop options for the Bureau's revenue sufficiency. This [report](#) was provided to the Legislature in February 2024, along with the Bureau's endorsement of several FoundationCCC recommendations, and is included as Attachment D.

National Associations

The Bureau is a member of the National Association of State Administrators and Supervisors of Private Schools (NASASPS). NASASPS' mission is to improve and promote effective state regulation of private postsecondary education. NASASPS provides the opportunity for state regulatory officials to collaborate and problem-solve regarding issues related to private postsecondary education. Membership in NASASPS entails voting privileges.

The Bureau Chief is a member of the NASASPS Board of Directors and currently serves as Board President. She has attended the following meetings.

DATE

April 24–27, 2022

April 30–May 3, 2023

LOCATION

New Orleans, Louisiana

Phoenix, Arizona

September 25–27, 2023
September 17–19, 2024
April 27–30, 2025

Salt Lake City, Utah
Baltimore, Maryland
St. Louis, Missouri

National Examinations

The Bureau does not require any examinations for its licensees and there is no national exam for private college operators.

Section 2 – Fiscal and Staff

Fiscal Issues

The Bureau's fund is not continuously appropriated. The STRF is continuously appropriated pursuant to California Education Code (EDC) Section 94924.

Please refer to Table 2 below for Fund Condition projections. As of September 2025, the Bureau has 3.5 months in reserve. Pursuant to EDC Section 94930, subdivision (b), the Bureau shall not maintain a reserve balance in an amount greater than six months.

Table 2. Fund Condition						
	FY 2020/21	FY 2021/22 ¹	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26 ⁴
Beginning Balance	\$3,282	\$1,621	\$8,592	\$17,946	\$8,140	\$8,758
Revenues and Transfers	\$15,524	\$26,060	\$15,317	\$3,811 ²	\$15,852	\$15,599 ⁵
Total Resources	\$18,806	\$27,681	\$23,909	\$21,757	\$23,992	\$24,357
Budget Authority	\$18,625	\$19,570	\$19,946	\$21,521	\$20,356	\$27,723 ⁵
Expenditures	\$17,927	\$19,182	\$20,258	\$19,491	\$19,234	\$28,464
Loans to General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest, Loans to General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Less Funding Provided by General Fund ³	\$0	\$0	\$14,000	\$6,000	\$4,000	\$10,000
Fund Balance	\$879	\$8,499	\$17,651	\$8,266	\$8,758	\$5,893
Months in Reserve	0.5	16.3	15.7	6.3	3.7	3.6

Notes: Actuals include prior year adjustments. Expenditures include reimbursements and direct draws to the fund.

¹ Includes \$12M loan per CS 14.00, Budget Act of 2021 and Executive Order transfer to General Fund (AB 84 – Supplemental Pension Payments)

² Includes \$12M loan repayment per CS 14.00, Budget Act of 2021

³ Includes \$24M General Fund over three years per 1111-140-BCP-2020-MR to stabilize the Private Postsecondary Education Administrative Fund.

⁴ Estimate

⁵ Includes \$10M loan per CS 14.00, Budget Act of 2025 and \$10M General Fund investment to support lawsuit costs accrued.

The Bureau is projected to become insolvent in fiscal year 2027–28 and, consistent with the CCCFoundation study, recommends increasing most statutorily established fee levels to bring them in line with associated workloads and ensure revenues are sufficient to cover required expenditures. Please see New Issue #1 for the Bureau's recommendations in this area.

Beyond a longstanding structural deficit, the Bureau's fund has been further strained due to costs associated with an employment lawsuit resulting in required payment of nearly \$4 million to a plaintiff and \$6 million in plaintiff attorney fees (both figures include interest charges). AB 102 (Gabriel, Chapter 5, Statutes of 2025) authorized the Department of Finance to augment the Bureau's appropriation in response to these financial obligations, allowing the Bureau to secure a Control Section 14.0 loan from the Bureau of Automotive Repair. The loan is intended to be repaid with a \$10 million General Fund investment proposed in the 2026–27 Budget, negating any impact of the lawsuit costs on the Bureau's long-term fiscal situation or the fee proposals discussed later in this report.

Pursuant to Chapter 9, Statutes of 2025 (AB 123), funds in the STRF are now authorized to cover the costs of STRF claim administration and the positions of OSAR.

The Bureau's expenditures have remained relatively static over the past five fiscal years and are projected to remain static in 2025–26.

Table 3 shows the amounts and percentages of expenditures by program component, broken out by personnel expenditures and other expenditures.

Table 3. Expenditures by Program Component				(dollars in thousands)				
	FY 2021/22	FY 2022/23	FY 2023/24		FY 2024/25			
	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E
Enforcement	\$5,749	\$1,355	\$5,633	\$2,434	\$6,013	\$1,607	\$6,494	\$1,899
Examination	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Licensing	\$2,981	\$417	\$2,817	\$541	\$2,685	\$447	\$3,015	\$369
Administration*	\$3,139	\$418	\$3,292	\$601	\$3,388	\$536	\$3,536	\$412
DCA Pro Rata	\$0	\$3,583	\$0	\$3,223	\$0	\$3,369	\$0	\$3,508
Diversion (if applicable)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTALS	\$11,869	\$5,773	\$11,742	\$6,799	\$12,086	\$5,959	\$13,045	\$6,188

* Administration includes STRF/OSAR

The Bureau contributed a total of \$10,874 to the BreEZe program and has spent approximately \$3,156,826 through 2024–25 on its current business modernization project. This figure (excluding BreEZe) includes Patriot IT and Eduloka, LLC contracts and Bureau-specific Office of Information Services costs from FY 2019–20 through 2024–25.

License Renewal Cycles and Fees

An Approval to Operate for Non-Accredited institutions is valid for a period of five years. The term of an Approval to Operate by Means of Accreditation is coterminous with the term of the

accreditation. An Out-of-State Registration is valid for five years.

The authority for most fees is found in EDC section 94930.5. The authority for state authorization contract fees is in EDC section 94874.9, and the fee for verifications of exempt status is established through regulation in Title 5, California Code of Regulations, section 74004. Delinquency fees are authorized pursuant to EDC section 94931.

With the exception of the annual fee assessed for institutions with approval to operate, fees have not changed in the last ten years. The annual fee is based on an institution's tuition revenue derived from California students and was increased from 0.45 percent to 0.55 percent effective July 1, 2018.

Table 4. Fee Schedule and Revenue							
							(revenue dollars in thousands)
Fee	Current Fee Amount	Statutory Limit	FY 2021/22 Revenue	FY 2022/23 Revenue	FY 2023/24 Revenue	FY 2024/25 Revenue	% of Total Revenue
New Institution	\$5,000	\$5,000	\$265	\$325	\$225	\$284	1.9%
New Branch Non-Accredited	\$3,000	\$3,000	\$52	\$27	\$24	\$31	.20%
New Branch Accredited	\$750	\$750	\$18	\$32	\$29	\$19	.20%
Verification of Exemption	\$250	\$250	\$61	\$73	\$79	\$78	.50%
Change in Educational Objectives	\$500	\$500	\$24	\$32	\$26	\$17	.20%
Minor Change	\$500	\$500	\$12	\$8	\$15	\$13	.10%
Change in Location	\$500	\$500	\$9	\$7	\$10	\$7	.10%
Change in Name	\$500	\$500	\$6	\$4	\$4	\$7	0%
Change in Approval – Accreditation	\$250	\$250	\$48	\$42	\$40	\$40	.30%
Change in Method	\$500	\$500	\$10	\$9	\$8	\$5	.10%
Renewal – Main Campus	\$3,500	\$3,500	\$266	\$218	\$295	\$219	1.7%
Renewal – Branch	\$3,000	\$3,000	\$28	\$18	\$27	\$49	.20%
Renewal – Accredited	\$500	\$500	\$38	\$57	\$53	\$33	.30%
Annual Fee - Institution	Up to \$60,000	Up to \$60,000	\$8,704	\$8,978	\$9,066	\$9,507	63.0%
Annual Fee - Branch	Up to \$60,000	Up to \$60,000	\$4,632	\$4,278	\$4,300	\$3,924	29.8%
State Authorization Contract	\$1,076	\$1,076	\$108	\$119	\$114	\$179	.90%

Out-of-State Registration	\$1,500	\$1,500	\$103	\$65	\$123	\$55	.60%
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Recent Budget Change Proposals

- 1111-074-BCP-2022-GB: The Bureau received \$1,539,000 and 11.0 positions in 2022–23 and ongoing to continue the operation of the OSAR and STRF Unit on a permanent basis. The positions allowed for the continued implementation of Chapter 593, Statutes of 2016 (SB 1192).
- 1111-140-BCP-2022-MR: The Bureau received \$14,000,000 General Fund in 2022–23, \$6,000,000 in 2023–24, and \$4,000,000 in 2024–25 to stabilize the Private Postsecondary Education Administration Fund.
- 1111-083-BCP-2023-GB: The Bureau received \$323,000 in 2023–24 and \$307,000 in 2024–25 and ongoing for 2.0 AGPAs to ensure compliance with the provisions of Chapter 544, Statutes of 2022 (SB 1433). The positions supported the investigation of complaints, processing notices of investigation, and handling appropriate disciplinary matters.

Table 5. Budget Change Proposals (BCPs)

BCP ID#	Fiscal Year	Description of Purpose of BCP	Personnel Services				OE&E	
			# Staff Requested (include classification)	# Staff Approved (include classification)	\$ Requested	\$ Approved	\$ Requested	\$ Approved
1111-074-BCP-2022-GB	2022-23	Office of Student Assistance and Relief (OSAR) and Student Tuition Recovery Fund Unit Support	11 existing (1.0 CEA, 1.0 SSM I, 4.0 AGPAs, 3.0 SSAs, 2.0 OTs)	11 existing (1.0 CEA, 1.0 SSM I, 4.0 AGPAs, 3.0 SSAs, 2.0 OTs)	\$1,264,000	\$1,264,000	\$275,000	\$275,000
1111-140-BCP-2022-MR	2022-23	Protecting California Consumers (Supporting stabilization of the Bureau's Fund in the amount of \$24M General Fund)	N/A	N/A			\$24,000,000 (\$14M 2022-23, \$6M 2023-24, \$4M 2024-25)	\$24,000,000 (\$14M 2022-23, \$6M 2023-24, \$4M 2024-25)

1111- 083- BCP- 2023- GB	2023- 24	Legislative Workload (SB 1433)	2.0 AGPAs	2.0 AGPAs	\$257,000	\$257,000	\$66,000	\$66,000
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Staffing Issues

Over the past five fiscal years, the Bureau has faced a range of staffing developments characterized by leadership changes, fluctuating vacancy rates, position reclassifications, and strategic hiring initiatives aimed at strengthening operational effectiveness. Organizational charts for the most recent four fiscal years may be found in Attachment E.

Bureau leadership has changed substantially in recent years. After onboarding a new Bureau Chief in 2021, the Bureau's longtime Deputy Bureau Chief retired in 2022. At that point, to support the creation of a strong executive leadership team and succession planning, the Deputy position was split into two positions in 2023. Both Deputy Bureau Chief positions – one over Enforcement and one responsible for Licensing and Administration – were filled in May 2024. Additionally, the founding Chief of OSAR retired in May 2025, with the position newly filled in August 2025. A full leadership team is now in place.

The Bureau's vacancy rates peaked in fiscal year 2022–23 at 20.90%, marking a period of substantial staffing shortages. Contributing factors included retirements, reclassifications, and structural changes that temporarily left roles unfilled. Since that peak, vacancy rates have steadily declined, reaching a five-year low of 11.71% in fiscal year 2024–25. This positive trend suggests improved workforce stabilization due to targeted recruitment, hiring process improvements, and enhanced retention efforts.

In two areas of Bureau operations, staff reclassifications have supported efforts to improve effectiveness and efficiency. First, to support robust consideration of consumer and stakeholder complaints, three positions were reclassified to entail greater specialization in investigation. Second, one position was reclassified to create an SSM I position overseeing the Bureau's Student Tuition Recovery Unit, to support the timely review of claim adjudication.

The Bureau eliminated six vacant staff positions, effective 2025–26, related to the Control Section 4.12 – Vacant Positions Funding Reduction and Position Elimination included in the 2025 Budget Act.

Staff Development

The Bureau prioritizes staff development as a central mechanism for maximizing organizational impact and maintaining a high-quality workforce. Over the last 5 years, it has spent \$24,335 on staff development efforts an average of \$4,867 annually, the vast majority of which was spent on investigative training for enforcement staff or required managerial trainings. Equally important, it actively seeks low- and no-cost opportunities to educate, train, and otherwise support staff in enhancing their knowledge and effectiveness.

The Bureau established monthly All Staff Meetings to share and discuss internal and external developments pertaining to Bureau laws, regulations, and issues relevant to the private postsecondary education industry and consumer protection.

The Bureau regularly invites guest speakers from the higher education industry, student advocates, partnering agencies, and other stakeholders to provide insight into their role in consumer protection or the private postsecondary education industry, structured around questions developed by staff.

All Bureau managers participate in a leadership workgroup designed to promote and institutionalize leadership best practices and establish healthy working relationships across management, facilitating collaboration and promoting the ability to minimize and address cross-unit tensions.

Once a year, the Bureau conducts an on-site “All Staff Retreat” that includes team-building activities, question and answer sessions, and discussions about the Bureau and the higher education industry.

The Bureau established a Policy Committee that helps develop staff’s understanding of the Education Code and the California Code of Regulations. Staff discuss legislation and Bureau regulatory changes to ensure recommendations pursued are necessary and reflect the needs of the Bureau as a whole.

Other internal efforts include encouraging cross-unit collaboration and information sharing through casual mentoring programs, and the circulation of weekly news clips to help staff keep abreast of pertinent developments in the field.

Section 3 – Licensing Program

Licensing Performance Targets

EDC section 94888 establishes that an institution submitting a complete and compliant application must receive approval within 30 days of the application being deemed compliant, or within an appropriate timeline as determined by the Bureau. The Bureau is meeting this goal.

CCR section 71400(b) requires the Bureau to notify institutions within 30 days of receiving their application whether it is complete and accepted for filing or incomplete and requires additional information. In fiscal year 2024–25, the Bureau received 52 applications for approval to operate. Of these, 34 were deemed complete, and the institutions were notified within the 30-day timeframe. While the overall average notification time was 43 days, this reflects transitional delays as the Bureau prepared to implement its new licensing platform.

Exempt applications at intake have historically not been tracked the same way as approval-to-operate applications, making the fiscal year 2024–25 data incomplete. The Bureau is actively implementing data tracking improvements in several areas. With a new data system that allows for additional tracking and reporting functionalities, efforts are underway to streamline and modernize the intake process and ensure that needed reports can be generated.

Table 6. Licensee Population

Active ¹	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25 ²
Approved Main Locations	942	933	974	885
Approved Branch Locations	365	359	344	299

Approved Satellite Locations	512	511	499	352
Out-of-State Registration	88	92	113	138

¹ Active status is defined as able to practice. This includes licensees that are renewed, current, and active.

² In 2024–25, due to data clean-up associated with transition to a new data system, the Bureau determined that its records regarding licensee counts contained errors, and these errors were subsequently corrected. The Bureau believes that declines shown for 2024–25 largely stem from correction of these errors and not from meaningful declines in the licensee population.

Table 7a below demonstrates licensing application volume and timelines. The years shown represent a period of substantial transition. From a data reporting perspective, the Bureau has historically reported application timelines beginning at the point when applications are complete and assigned to a licensing analyst. The figures reported here reflect timelines that begin when an application fee is paid by an applicant, to better align with DCA-wide reporting standards. This approach increases application processing timelines compared to previously reported figures, and in some cases significantly, because applicants typically take several months, and sometimes even over a year, to submit a complete application.

Throughout the years reported in Table 7a, the Bureau has been working diligently to build and ultimately transition over from its longstanding data system, SAIL, to its new system, Connect. The transition occurred on June 30, 2025. The transition entailed a significant amount of data scrubbing and cleaning, and through that process, the Bureau determined that several longstanding applications had been abandoned, which means the institution had not responded regarding application deficiencies in over one year. These applications served to increase the processing timelines shown for 2024–25, given that the processing timelines shown are for all closure categories. For example, the data shows that the processing timeline for a full approval application has increased to 738 days in 2024–25, up from 503 days in 2021–22. However, processing timelines for approved applications (i.e., excluding those that were denied, withdrawn, or abandoned) were very similar in these years: 559 days in 2024–25 versus 551 days in 2021–22.

The Bureau's licensing process is extensive in that applicants must demonstrate their capacity to meet several wide-ranging minimum operating standards across a 24-section application, and the Bureau is tasked with independently verifying that information. The process demands detailed analysis, verification of supporting documentation, and iterative communication with the applicant to resolve deficiencies. In many areas, institutions' process for gathering required documentation or updating it in response to identified shortcomings is inherently time-consuming. For instance, an institution with financial statements that do not meet established thresholds may need to locate additional resources and then have a certified public accountant create updated statements. An institution with proposed facilities that are not sufficient for the programs being offered may need time to locate a more appropriate venue. Applicants for which key personnel do not meet required standards – such as the chief academic officer or faculty members – may need additional time to locate qualified candidates.

The need to dedicate licensing staff resources to the data system transition also meant that fewer resources were available for application processing in recent years. To mitigate the impact of this, the Bureau streamlined practices to focus reviews on high-deficiency applications while expediting less-complex filings. Despite reduced staffing capacity, the Bureau more than doubled its completions compared to the prior year, which is a clear indicator of productivity gains and the benefits of modernized processes. This trend demonstrates that the Bureau is not only improving throughput but also building long-term capacity.

The Bureau has also introduced applicant feedback surveys in webinars to strengthen communication, training, and preparedness, consistent with advisory committee recommendations.

The Bureau will continue to optimize processes, evaluate workshop outcomes, and pursue legislative or regulatory adjustments to increase and sustain efficiency gains and ensure timely compliant application processing.

Table 7a. Licensing Data by Type

			Pending Applications			Application Process Times				
		Received	Approved/Issued	Closed	Total (Close of FY)	Complete (within Board control)	Incomplete (outside Board control)	Complete Apps*	Incomplete Apps*	Total (Close of FY)
FY 2021/22	Full Approval	50	25	15	96	N/A	N/A	N/A	N/A	503
	ABMA Approval *	28	22	13	8	N/A	N/A	N/A	N/A	181
	Full Renewal	74	51	4	117	N/A	N/A	N/A	N/A	389
	ABMA Renewal	71	79	1	34	N/A	N/A	N/A	N/A	209
	Verification of Exempt	242	185	90	26	N/A	N/A	N/A	N/A	70
	Out of State Registration	70	68	5	8	N/A	N/A	N/A	N/A	54
	Full Approval Substantive Changes	139	141	23	61	N/A	N/A	N/A	N/A	175
	ABMA Substantive Changes	191	146	93	34	N/A	N/A	N/A	N/A	132
FY 2022/23	Full Approval	63	37	12	110	N/A	N/A	N/A	N/A	679
	ABMA Approval	42	25	7	18	N/A	N/A	N/A	N/A	116
	Full Renewal	68	54	17	114	N/A	N/A	N/A	N/A	456

FY 2023/ 24	ABMA Renewal	101	75	8	52	N/A	N/A	N/A	N/A	178
	Verification of Exempt	297	168	107	48	N/A	N/A	N/A	N/A	39
	Out of State Registration	46	37	8	9	N/A	N/A	N/A	N/A	43
	Full Approval Substantive Changes	152	93	50	70	N/A	N/A	N/A	N/A	171
	ABMA Substantive Changes	166	157	12	31	N/A	N/A	N/A	N/A	74
	Full Approval	62	36	21	115	N/A	N/A	N/A	N/A	671
	ABMA Approval	42	42	9	9	N/A	N/A	N/A	N/A	105
	Full Renewal	78	74	18	100	N/A	N/A	N/A	N/A	613
	ABMA Renewal	95	79	8	60	N/A	N/A	N/A	N/A	200
	Verification of Exempt	311	238	86	35	N/A	N/A	N/A	N/A	43
FY 2024/ 25	Out of State Registration	81	68	6	16	N/A	N/A	N/A	N/A	45
	Full Approval Substantive Changes	137	104	29	74	N/A	N/A	N/A	N/A	178
	ABMA Substantive Changes	149	121	18	41	N/A	N/A	N/A	N/A	89
	Full Approval	55	28	21	121	N/A	N/A	N/A	N/A	738
	ABMA Approval	27	17	11	8	N/A	N/A	N/A	N/A	87
	Full Renewal	54	55	24	75	N/A	N/A	N/A	N/A	504
	ABMA Renewal	69	77	6	46	N/A	N/A	N/A	N/A	247
	Verification of Exempt	313	219	75	54	N/A	N/A	N/A	N/A	42
	Out of State Registration	33	31	5	13	N/A	N/A	N/A	N/A	54
	Full Approval Substantive Changes	109	88	28	67	N/A	N/A	N/A	N/A	228
	ABMA Substantive Changes	157	132	17	49	N/A	N/A	N/A	N/A	106

* ABMA refers to Approval By Means of Accreditation, an expedited pathway to licensure available to institutions accredited by an agency recognized by the U.S. Department of Education.

	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
License Applications Denied (no hearing requested)	8	15	16	15
SOIs Filed	2	3	6	8
Average Days to File SOI (from request for hearing to SOI filed)	100	184	214	262
SOIs Declined	0	0	0	0
SOIs Withdrawn	2	0	4	3
SOIs Dismissed (license granted)	0	1	0	0
License Issued with Probation / Probationary License Issued	0	0	0	0
Average Days to Complete (from SOI filing to outcome)	309	285	283	315

Criminal History Applications

The Bureau has not denied any licenses or registrations over the past four years resulting from criminal history that is determined to be substantially related to the qualifications, functions, or duties of the profession, pursuant to Business and Professions Code (BPC) section 480. The Bureau does not have the statutory authority to require applicants to be fingerprinted; therefore, it does not receive reports of any prior criminal history. All criminal history information provided on applications is self-reported.

Application Verification

The Bureau requires applicants to provide documentation for each section of the application. Additional documentation is requested from the applicant when necessary. An analysis of the documentation is performed to verify compliance with the minimum operating standards. In addition to internet searches, analysts independently verify the validity of the information contained in the application when there is uncertainty.

For all new applicants, the Bureau searches its internal database for all listed owners to determine prior ownerships and disciplinary actions. All applications are reviewed to ensure that the financial data was overseen by a Certified Public Accountant. Bureau staff conducts additional research into the background of owners via Lexis-Nexis, if necessary. Owners must also disclose under penalty of perjury any information that would fall under Title 5, California Code of Regulations section 71130 (b) and (d). The Bureau has not denied any licenses over the last four years based on the applicant's failure to disclose criminal history information or other disciplinary actions on the application. The Bureau does not have the authority to fingerprint applicants, therefore, it is difficult to obtain criminal history information about the applicant.

Fingerprinting/National Databank

The Bureau does not have authority to fingerprint applicants or licensees, which may be either a natural person or a business organization, irrespective of its form, pursuant to EDC sections 94816 and 94855. In addition, because the Bureau does not fingerprint, it does not have to send No Longer Interested notifications to the Department of Justice.

There is no national database relating to disciplinary actions for institutions or owners. However, the Bureau conducts an internet search to determine if the institution is/was operating in any other state(s). If the institution is found to have operated, or is operating, in another state and there are questions about the validity of any information included with the application, the Bureau contacts the other state(s) to determine if any actions were taken. If the institution is accredited, the Bureau conducts a search on the accreditor's website for disciplinary actions. Additionally, accreditors send the Bureau notifications regarding disciplinary actions taken against schools and changes to a school's accreditation status.

Primary Source Documentation

The Bureau does not require primary source documentation because it does not receive any documents that need primary source documentation.

Out-of-State and Out-of-Country Applicants

An out-of-state private postsecondary educational institution, as defined in EDC section 94850.5, is required to register with the Bureau. The institution shall provide (as applicable) evidence of accreditation, evidence of approval to operate in the state where the main administrative location is located, the agent for service of process in California, the institution's catalog and sample enrollment agreement, as well as specified information regarding government actions or consumer-protection related judgments. Additionally, out-of-state institutions registered with the Bureau must comply with the requirements of STRF. Registration is valid for five years. The Bureau does not license or register out-of-country applicants.

Military Education, Training, and Experience

The Bureau currently includes an optional form with its applications for institutions to provide information regarding their military experience or affiliation if they are applying to operate an institution as a sole proprietorship.

The Bureau does not require specific training, education, or experience to apply for approval to operate. As such, the Bureau has neither received nor considered military training, education, or experience in its licensure decision-making process, and no fees or requirements have been waived. Because BPC section 115.5 does not apply to applicants seeking licenses to operate a business, no applications have been expedited.

Examinations

The Bureau does not require an examination for licensure as it licenses private postsecondary institutions. There is no California-specific examination and there is no national examination.

As there are no examinations for institution licensure, Tables 8(a) and (b) have been removed.

Application Challenges

Pursuant to EDC section 94887, after an applicant submits an application for approval to operate, the Bureau is to review the application and "independently verify" the information submitted to determine whether the applying institution has the "capacity to satisfy the minimum operating standards." Each of these phrases poses challenges to the Bureau's ability to focus resources where most warranted, and to deny applications as it deems appropriate. This issue and the Bureau's recommendations in this area are discussed in greater length as New Issue #2 in this report.

School Approvals

The Bureau licenses and regulates private postsecondary educational institutions, defined under EDC section 94858 as a private entity with a physical presence in California that offers postsecondary education to the public for an institutional charge. Unless exempt as outlined in Article 4 of the Act (commencing with California Education Code (CEC) section 94874), an institution is prohibited from operating without Bureau approval (CEC section 94886). Private postsecondary educational institutions may seek approval from the Bureau by submitting an approval to operate application. The Bureau reviews these applications to determine compliance with the Act and accompanying regulations. Approved institutions must submit renewal applications in accordance with EDC section 94893 and Title 5, California Code of Regulations sections 71475 and 71480. Substantive changes that fall under EDC section 94894 must be approved by the Bureau. Approved institutions must also notify the Bureau of non-substantive changes per Title 5, California Code of Regulations section 71660. The Bureau has limited oversight of institutions that are exempt, pursuant to EDC section 94874, and out-of-state institutions offering distance education to California students. Institutions may submit a verification of exempt status application to the Bureau to verify whether the institution meets one of the exemptions under EDC section 94874. Institutions that meet the definition of an out-of-state private postsecondary educational institution per EDC section 94850.5 must register with the Bureau by submitting an Application for Registration or Re-registration of Out-of-State Institutions, which are reviewed to determine compliance with EDC section 94801.5.

As of June 30, 2025, the Bureau has 1,536 approved institutional locations throughout California, comprised of 885 main locations, 299 branch locations, and 352 satellite locations. Most institutions must renew their approval to operate every five years to continue operations, though approval cycles for institutions approved by means of accreditation are coterminous with accreditation and can vary. There are an additional 138 institutions with out-of-state registrations with the Bureau; the registration cycle for these institutions is also five years.

Outside of approval and renewal cycles, institutions are reviewed at several points. Approved institutions must comply with annual reporting requirements under EDC section 94934, which provides the Bureau with updated enrollment, completion, and financial data. Institutions are also subject to periodic compliance inspections, both announced and unannounced, which occur on a five-year cycle to verify adherence to state requirements. They must also cooperate with Bureau investigations if complaints are filed. Failure to submit required information or cooperate with oversight activities may result in administrative fines, disciplinary action, or both.

Beyond these scheduled reviews, institutions are responsible for obtaining approval from the Bureau when making operational changes or when issues arise that could affect compliance.

The Bureau has clear authority to remove approval when warranted. Under EDC sections 94933 and 94937, approval to operate may be revoked if it was obtained through fraud, if the institution commits material or repeated violations of the Act or related regulations that harm or may harm students, or if it fails to pay required fees or penalties.

With respect to institutional location, the Act does not address institutions that are located outside of the country and enrolling California students online. The Bureau approves institutions to operate with a physical presence in California, and registers institutions located outside of California but approved by another state.

If an international school offering private postsecondary education has a physical presence in California or another state, this location would be treated as an approved or registered institution, as described above. Such an institution must comply with the Education Code and associated regulations, as well as obtain and maintain an approval to operate or registration, unless the institution meets one of the exemptions.

Continuing Education/Competency Requirements

There are no continuing education or other competency requirements for institutions approved by the Bureau.

Section 4 – Enforcement Program

Enforcement Performance Targets

The Bureau monitors its enforcement efforts using performance measures (PM) established by the Department under the Consumer Protection Enforcement Initiative (CPEI), emphasizing prompt responses to consumer complaints and timely disciplinary action against institutions found in violation of applicable laws. Each performance measure is outlined below. Detailed information is provided for any performance measures in which the goals were not met within the last four fiscal years. For those fully met during this period, only a summary is provided.

Performance Measure 1

PM1 is the total number of complaints received within the specified period.

Complaints Received by Fiscal Year (FY)	
Fiscal Year	Complaints Received
FY 2021/22	1051
FY 2022/23	1118
FY 2023/24	903
FY 2024/25	1039

Performance Measure 2

Performance Measure 2 represents the total number of complaint cases received and assigned for investigation and the average number of days (cycle time) from receipt of a complaint to the date the complaint was assigned for investigation or closed.

Intake (Cycle Time)			
FY 2021/22	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	5	10	Yes
2 nd Quarter	6	10	Yes
3 rd Quarter	6	10	Yes
4 th Quarter	4	10	Yes
FY 2022/23	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	10	10	Yes
2 nd Quarter	15	10	No
3 rd Quarter	14	10	No
4 th Quarter	18	10	No
FY 2023/24	Average (In Days)	Target (In Days)	Target Met

1 st Quarter	21	10	No
2 nd Quarter	9	10	Yes
3 rd Quarter	6	10	Yes
4 th Quarter	8	10	Yes
FY 2024/25	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	4	10	Yes
2 nd Quarter	4	10	Yes
3 rd Quarter	4	10	Yes
4 th Quarter	6	10	Yes

Performance Measure 3

Performance Measure 3 is the average number of days (cycle time) from the initiation of the investigation until the investigation is closed for cases not referred to the Office of the Attorney General for disciplinary action.

Investigation (Cycle Time)			
FY 2021/22	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	95	180	Yes
2 nd Quarter	126	180	Yes
3 rd Quarter	107	180	Yes
4 th Quarter	135	180	Yes
FY 2022/23	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	162	180	Yes
2 nd Quarter	134	180	Yes
3 rd Quarter	205	180	No
4 th Quarter	149	180	Yes
FY 2023/24	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	222	180	No
2 nd Quarter	264	180	No
3 rd Quarter	265	180	No
4 th Quarter	272	180	No
FY 2024/25	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	209	180	No
2 nd Quarter	196	180	No
3 rd Quarter	263	180	No
4 th Quarter	207	180	No

Performance Measure 4

Performance Measure 4 is the average number of days (cycle time) from the receipt of the complaint until the case has a final disposition for cases that were referred to the Office of the Attorney General for disciplinary action, which includes formal discipline and closures without formal discipline (e.g., withdrawals, dismissals, etc.).

Formal Discipline (Cycle Time)			
FY 2021/22	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	413	540	Yes
2 nd Quarter	573	540	No
3 rd Quarter	541	540	No

Formal Discipline (Cycle Time)			
4 th Quarter	1214	540	No
FY 2022/23	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	639	540	No
2 nd Quarter	374	540	Yes
3 rd Quarter	613	540	No
4 th Quarter	455	540	Yes
FY 2023/24	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	673	540	No
2 nd Quarter	0	540	Yes
3 rd Quarter	373	540	Yes
4 th Quarter	378	540	Yes
FY 2024/25	Average (In Days)	Target (In Days)	Target Met
1 st Quarter	576	540	No
2 nd Quarter	369	540	Yes
3 rd Quarter	334	540	Yes
4 th Quarter	201	540	Yes

Performance Measure 7

Performance Measure 7 is the average number of days from the probation monitor assignment to the date the monitor makes first contact with the probationer.

No table is provided because the Bureau has placed only three institutions on probation in the last four years and the probation monitors have contacted all probationers within the required 15-day timeframe.

Performance Measure 8

Performance Measure 8 is the average number of days from the date a violation of probation is reported to the date the assigned monitor initiated appropriate action.

No table is provided because the Bureau has only had a total of 11 violations of probation in the last four years. In each case, the Bureau took appropriate action within the established 30-day timeframe once a violation is reported or identified.

Overview and Explanation of Enforcement Performance Measure Trends

Over the last four fiscal years, the Bureau has met most of its performance measure targets. However, the departures of both Enforcement Chiefs in late 2021 led to high levels of turnover within those units, at both the management and staff levels. This temporarily resulted in reduced investigative capacity and loss of institutional knowledge.

Over the last two fiscal years, the Bureau has stabilized its staffing levels, trained new personnel, and continued to refine internal processes to improve case throughput and case management efficiency. At each stage, process improvements are documented, institutionalized, and regularly reinforced to ensure enhancements are sufficiently integrated to mitigate the impacts of future attrition and leadership changes.

Enforcement Trends

The Bureau's enforcement unit has implemented a multi-faceted approach aimed at addressing both immediate operational needs and long-term improvements. Efforts have focused on

workload analysis and management to better align staffing resources with caseload demands and promote a more balanced distribution of work. There is a renewed focus on improving the quality of work, supported by ongoing efforts in continuous improvement. Regular weekly check-ins have been established to help monitor progress, identify bottlenecks, and maintain consistency in enforcement activities. The Bureau's enforcement unit continues reviewing and updating internal processes, incorporating tools such as Microsoft Teams for staff collaboration and cloud-based file transfer systems to improve efficiency and reduce delays. As new staff have been onboarded, the Bureau has invested in training and increasing familiarity with laws and procedures, contributing to more consistent case handling. Additionally, improvements in team morale and leadership engagement have fostered a more supportive and accountable work environment.

These efforts reflect the Bureau's continued commitment to improving operations and strengthening its ability to carry out its consumer protection responsibilities.

Complaints and Investigations

Historically, and as noted in the prior Sunset Report, the Bureau averaged approximately 860 incoming complaints annually. However, over the last four fiscal years, the number of incoming complaints has increased, averaging over 1,027 per year, an increase of approximately 20% compared to the prior four fiscal years. The increase in the volume of complaints may be attributed to increased awareness of the Bureau through consumer outreach and collaboration with other regulatory bodies.

The Bureau completed an average of 497 investigations in fiscal year 2021–22 and fiscal year 2022–23, compared to 836 investigations in fiscal year 2023–24 and fiscal year 2024–25, a 68 percent increase in investigative output. This is attributed to the stabilized staffing and improved operational capacity. Note that completed investigations do not include complaints evaluated and closed at intake.

Over the last four fiscal years, the Bureau experienced a peak of 844 pending complaint cases in April 2023, which was down to 775 at the close of fiscal year 2022–23. By the end of fiscal year 2024–25, that number had decreased significantly to 463 pending cases—representing a 45 percent reduction in pending complaints since the peak.

Compliance Inspections

The Bureau is mandated to conduct both announced and unannounced inspections of approved institutions, with at least one inspection of each type in a five-year period. Over the past four fiscal years, the Bureau has seen a consistent year-over-year increase in the number of inspections conducted.

Inspections Completed	
Fiscal Year	# of Inspections
FY 2021/22	289
FY 2022/23	298
FY 2023/24	323
FY 2024/25	429

Discipline

Due to an increase in completed investigations and inspections—many of which identified both material and minor violations—the number of administrative actions has risen significantly. This includes a notable increase in citations issued and formal disciplinary actions taken.

From FY 2021–22 to FY 2024–25, the number of citations issued more than doubled, reflecting a 124 percent increase. This sharp rise can be attributed to improved efficiencies in the Bureau's investigation and inspection processes, as well as a reduction of case backlogs.

This upward trend highlights the Bureau's enhanced capacity to detect and address violations, further reinforcing its commitment to consumer protection and effective regulatory oversight.

Table 9. Enforcement Statistics	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
COMPLAINTS				
Intake				
Received	1,051	1,118	903	1,039
Closed without Referral for Investigation	279	293	233	381
Referred to INV	740	811	708	651
Pending (close of FY)	36	50	12	19
Conviction / Arrest	N/A	N/A	N/A	N/A
CONV Received	N/A	N/A	N/A	N/A
CONV Closed Without Referral for Investigation	N/A	N/A	N/A	N/A
CONV Referred to INV	N/A	N/A	N/A	N/A
CONV Pending (close of FY)	N/A	N/A	N/A	N/A
Source of Complaint				
Public	575	599	593	717
Licensee/Professional Groups	0	0	0	0
Governmental Agencies	151	247	51	56
Internal	50	40	25	29
Other	75	68	57	48
Anonymous	200	164	177	189
Average Time to Refer for Investigation (days from receipt of complaint to referral for investigation)	5	13	12	5
Average Time to Closure (days from receipt of complaint to closure at intake)	6	17	10	4
Average Time at Intake (days from receipt of complaint to either closure or referral for investigation)	7	13	12	5
INVESTIGATION				
Desk Investigations				
Opened	75	75	102	86
Closed	73	51	215	107
Average days to close (from assignment to investigation closure)	167	198	191	284
Pending (close of FY)	117	432	418	41
Non-Sworn Investigation				
Opened	664	736	606	566

Closed	457	413	662	687
Average days to close (from assignment to investigation closure)	167	242	350	322
Pending (close of FY)	302	343	188	423
Sworn Investigation				
Opened	1	0	0	0
Closed	0	0	0	0
Average days to close (from assignment to investigation closure)	N/A	N/A	N/A	N/A
Pending (close of FY)	1	0	0	0
All investigations				
Opened	740	811	708	651
Closed	530	465	877	794
Average days for all investigation outcomes (from start investigation to investigation closure or referral for prosecution)	167	240	311	317
Average days for investigation closures (from start investigation to investigation closure)	161	235	303	304
Average days for investigation when referring for prosecution (from start investigation to referral for prosecution)	259	263	410	467
Average days from receipt of complaint to investigation closure	175	245	322	327
Pending (close of FY)	429	775	606	463
CITATION AND FINE				
Citations Issued	146	158	278	327
Average Days to Complete (from complaint receipt / inspection conducted to citation issued)	17	63	90	265
Amount of Fines Assessed	\$537,056	\$1,279,781	\$1,573,460	\$2,691,280
Amount of Fines Reduced, Withdrawn, Dismissed	\$211,600	\$254,906	\$448,800	\$743,561
Amount Collected	\$190,379	\$244,461	\$589,492	\$777,518
CRIMINAL ACTION				
Referred for Criminal Prosecution	0	0	0	0
ACCUSATION				
Accusations Filed	12	9	5	22
Accusations Declined	0	0	0	0
Accusations Withdrawn	2	0	1	2
Accusations Dismissed	0	0	0	0
Average Days from Referral to Accusations Filed (from AG referral to Accusation filed)	58	136	118	153
INTERIM ACTION				
Emergency Decisions ¹	0	2	1	0
ISO & TRO Issued	N/A	N/A	N/A	N/A
Automatic Suspension ²	4	1	2	1
PC 23 Orders Issued	0	2	0	1
Other Suspension/Restriction Orders Issued	N/A	N/A	N/A	N/A
Referred for Diversion	N/A	N/A	N/A	N/A
Petition to Compel Examination Ordered	N/A	N/A	N/A	N/A

DISCIPLINE				
AG Cases Initiated (cases referred to the AG in that year)	15	6	11	24
AG Cases Pending Pre-Accusation (close of FY)	3	2	8	9
AG Cases Pending Post-Accusation (close of FY)	10	3	7	16
DISCIPLINARY OUTCOMES				
Revocation	7	9	3	10
Surrender	2	1	0	0
Suspension only	0	0	0	0
Probation with Suspension	0	0	0	0
Probation only	0	1	0	0
Public Reprimand / Public Reproval / Public Letter of Reprimand	0	1	0	1
Other	0	1	0	0
DISCIPLINARY ACTIONS				
Proposed Decision	0	5	0	2
Default Decision	7	4	1	8
Stipulations	2	4	2	1
Average Days to Complete After Accusation (from Accusation filed to imposing formal discipline)	130	243	201	273
Average Days from Closure of Investigation to Imposing Formal Discipline	212	434	329	460
Average Days to Impose Discipline (from complaint receipt to imposing formal discipline)	628	630	609	680
PROBATION				
Probations Completed	0	3	0	3
Probationers Pending (close of FY)	9	6	5	3
Probationers Tolled	0	0	0	0
Petitions to Revoke Probation / Accusation and Petition to Revoke Probation Filed	0	1	1	1
SUBSEQUENT DISCIPLINE³				
Probations Revoked	0	1	0	0
Probationers License Surrendered	0	0	0	0
Additional Probation Only	0	0	1	1
Suspension Only Added	0	0	0	0
Other Conditions Added Only	0	0	0	0
Other Probation Outcome	0	0	0	0
SUBSTANCE ABUSING LICENSEES – Not Applicable				
Probationers Subject to Drug Testing	N/A	N/A	N/A	N/A
Drug Tests Ordered	N/A	N/A	N/A	N/A
Positive Drug Tests	N/A	N/A	N/A	N/A
PETITIONS				
Petition for Termination or Modification Granted	0	1	0	0
Petition for Termination or Modification Denied	0	0	0	0
Petition for Reinstatement Granted	N/A	N/A	N/A	N/A
Petition for Reinstatement Denied	N/A	N/A	N/A	N/A
DIVERSION – Not Applicable				
New Participants	N/A	N/A	N/A	N/A
Successful Completions	N/A	N/A	N/A	N/A

Participants (close of FY)	N/A	N/A	N/A	N/A
Terminations	N/A	N/A	N/A	N/A
Terminations for Public Threat	N/A	N/A	N/A	N/A
Drug Tests Ordered	N/A	N/A	N/A	N/A
Positive Drug Tests	N/A	N/A	N/A	N/A

¹ Pursuant to EDC 94938, the Bureau has the authority to make an emergency decision to protect students, prevent misrepresentation to the public, or prevent the loss of public funds or monies by students.

² Pursuant to Title 5, California Code of Regulations section 71410, the Bureau has the authority to automatically suspend an institution's approval or provisional approval to operate if the institution fails to achieve accreditation.

³ These numbers are not included in the Disciplinary Outcomes section above.

Table 10. Enforcement Aging

	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Cases Closed	Average %
Investigations (Average %)						
Closed Within:						
90 Days	227	74	212	223	736	28%
91–180 Days	133	144	94	108	479	18%
181–1 Year	118	141	161	151	571	21%
1–2 Years	36	101	379	216	732	27%
2–3 Years	9	2	30	94	135	5%
Over 3 Years	7	3	1	2	13	1%
Total Investigation Cases Closed	530	465	877	794	2,666	100%
Attorney General Cases (Average %)						
Closed Within:						
0–1 Year	12	5	9	15	41	56%
1–2 Years	4	7	10	8	29	39%
2–3 Years	0	3	0	1	4	5%
3–4 Years	0	0	0	0	0	0%
Over 4 Years	0	0	0	0	0	0%
Total Attorney General Cases Closed	16	15	19	24	74	100%

Disciplinary Action

Compared to the last four years reported in the prior Sunset Report, the Bureau has seen an increase in the number of cases transmitted to the Office of the Attorney General for disciplinary action—from 27 cases to 56 cases in the most recent four fiscal years. The number of disciplinary actions taken has decreased from 47 to 35 during the same period, as many issues transmitted remained pending at the end of the year. This is because disciplinary actions take time to resolve once transmitted, whether due to their complexity or procedural issues such as institutions' requests for continuances. In fiscal year 2024–25, the Bureau transmitted 24 cases to the Office of the Attorney General for the filing of an accusation, most of which are still pending adjudication. The increase in transmitted cases reflects the Bureau's ongoing efforts to address its complaint backlog, take disciplinary action against institutions noncompliant with citations, and implement operational efficiencies that have improved case processing.

Complaint Prioritization

All complaints received by the Bureau are evaluated upon receipt and prioritized based on an established methodology guided by EDC section 94941, Title 5, California Code of Regulations section 75300, and DCA's Complaint Prioritization Guidelines. These authorities provide a structured framework to ensure that matters posing the greatest risk to students or the public are addressed promptly and effectively.

Consumers may submit complaints online, in writing, or by phone. Complaints involving contract disputes that do not require onsite review are initially assigned to enforcement analysts and handled as desk investigations. More complex or serious matters—such as those involving fraud, financial instability, or imminent student harm—are prioritized for field investigations and assigned to non-sworn special investigators. When necessary, cases may be escalated from desk review to field investigation if additional scrutiny is warranted.

The Bureau also prioritizes complaints that involve coordination with other local, state, or federal agencies, recognizing that such cases may have broader implications or require joint enforcement efforts.

This tiered prioritization process ensures that the Bureau allocates its enforcement resources where they are most needed—protecting students, ensuring institutional accountability, and maintaining the integrity of California's private postsecondary education system.

Disciplinary Process

The Bureau's formal disciplinary process begins when material violations of its laws and regulations are substantiated by evidence. Once such material violations are established, the Bureau refers the case to the Office of the Attorney General for representation through the adjudication process. A formal accusation is then filed, initiating the administrative proceedings under the Administrative Procedures Act. The respondent (institution) is afforded due process and has an opportunity to be heard. The matter may proceed to a hearing before an Administrative Law Judge (ALJ), who issues a proposed decision for consideration by the DCA Director, who makes the final determination. This may include probation, revocation, or other disciplinary action.

In some cases, the Bureau may resolve matters through stipulated settlements, which allow both parties to agree on terms without a hearing, expediting the resolution of the matter while ensuring consumer protection.

Mandatory Reporting

Under the Act, there are no mandatory reporting requirements applicable to agencies or organizations associated with institutions regulated by the Bureau.

However, institutions are required to self-report if they are being investigated. Pursuant to EDC section 94934.5(a), an institution with an approval to operate that knows that it is being investigated by an oversight entity other than the Bureau must report that investigation, including the nature of that investigation, to the Bureau within 30 days of the institution's first knowledge of the investigation. This includes being the subject of a judgment by, a regulatory action by, increased oversight or monitoring by, or a settlement with, any oversight entity other than the Bureau.

If a settlement is reached with an oversight agency, the institution is required to report it to the Bureau pursuant to EDC section 94934.5(a). However, there is no requirement for institutions to report settlements made with entities that are not oversight agencies, regardless of the monetary amount involved.

Because there is no mandatory reporting requirement for agencies, the Bureau may not be aware that an institution is being investigated if the institution does not self-report. Failure to comply with this section may subject the institution to an administrative citation, pursuant to EDC section 94936.

The Bureau has established relationships with entities such as the U.S. Department of Education, the California State Approving Agency for Veterans Education, accrediting agencies, and licensing agencies to facilitate information sharing as needed.

Settlements

Working in coordination with the Office of the Attorney General and using the Bureau's Disciplinary Guidelines, the Bureau enters into stipulated settlements with institutions that may result in probation, public reproof, surrender, or revocation of an approval to operate. The Bureau takes into consideration any mitigating or aggravating evidence and/or extenuating circumstances to support any deviation from the guidelines. In many cases, stipulated settlements offer a quicker resolution for both the institution and the Bureau, while ensuring that the Bureau's priority in ensuring consumer protection is met.

The Bureau does not enter into settlements prior to filing an accusation. The number of cases, post-adjudication, that the Bureau has settled or resulted in a hearing is shown below.

Disciplinary Actions (Post Accusation Cases Only)	FY 21/2022	FY 22/2023	FY 23/2024	FY 24/2025	Total
Stipulated Settlements	2	4	2	1	9
Proposed Decision	0	5	0	2	7
Default Decision*	7	4	1	8	20
Total	9	13	3	11	36
Stipulated Settlement Percentage	22%	31%	67%	9%	25%

* Default Decisions, which result in revocation due to an institution's failure to respond to the filing, represent another method by which disciplinary action may be imposed.

Over the past four fiscal years, approximately 25 percent of cases have been resolved through settlement, compared to 19 percent that have proceeded to an administrative hearing. Only a small percentage of formal disciplinary cases ultimately go to a hearing.

Statute of Limitations

The Private Postsecondary Education Act does not include a statute of limitations for filing an accusation.

Unlicensed Activity/Underground Economy

The Bureau is committed to protecting consumers by actively addressing unlicensed activity and participation in the underground economy. Through its enforcement unit, the Bureau investigates complaints and allegations of unlicensed institutions or individuals offering educational services that require Bureau approval. When unlicensed activity is substantiated, the Bureau is statutorily

required to cite any person for operating an institution without proper approval and issue a fine not to exceed \$100,000.

Staff routinely monitor advertisements, websites, and social media platforms for potential unlicensed activity, and they collaborate with other governmental regulatory agencies and partners to identify actors participating in the underground economy.

Over the last four years, the Bureau has had an increase in citations issued for unlicensed activity.

Citations for Unlicensed Activity	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Total
Citations Issued	14	11	24	50	99

In total, 99 citations have been issued over the past four fiscal years, with 74 citations occurring in just the last two fiscal years. This upward trend reflects the Bureau's heightened enforcement efforts to curb unlicensed activity and protect consumers from unregulated private postsecondary institutions. These actions not only safeguard students but also help ensure a fair and competitive landscape by holding all institutions to the same regulatory standards as those approved by the Bureau.

Cite and Fine Authority

The Bureau exercises its cite and fine authority to enforce laws and regulations governing approved institutions and to address unlicensed activity. Since the prior Sunset Report, there have been no regulatory updates to the Bureau's cite and fine authority.

The Bureau may issue a citation of up to \$5,000 for each violation committed by institutions that hold an approval to operate. For unlicensed activity, the Bureau has the authority to issue fines of up to \$100,000.

Violations are cited based on their classification, with each class corresponding to the severity of the violation. The fine amount may range up to the statutory maximum of \$5,000 per violation.

The four violation categories are as follows:

- A "Class A" violation shall not be less than \$2,501 nor more than \$5,000. A Class A violation is one that the Bureau has, in its discretion, determined to be more serious in nature, deserving the maximum fine. A Class A violation may, in the Bureau's discretion, be issued to an institution that has committed one or more prior, separate Class B violations.
- A "Class B" violation shall not be less than \$1,001 nor more than \$2,500. A Class B violation is one that the Bureau has, in its discretion, determined to be less serious in nature and may include, but is not limited to, a violation that could have resulted in student harm. Typically, some degree of mitigation will exist. A Class B violation may be issued to an institution that has committed one or more prior, separate Class C violations.
- A "Class C" violation shall not be less than \$501 nor more than \$1,000. A Class C violation is one that the Bureau has, in its discretion, determined to be a minor or technical violation, which may be directly or potentially detrimental to students or potentially impacts their education.
- A "Class D" violation shall not be less than \$50 nor more than \$500. A Class D violation is one that the Bureau has, in its discretion, determined to be a minor or technical violation, which is neither directly or potentially detrimental to students nor potentially impacts their

education.

The Bureau utilizes its citation and fine authority as a key enforcement tool to promote compliance with applicable laws and regulations. This administrative enforcement mechanism allows the Bureau to address violations in a timely and efficient manner without the need for formal disciplinary action.

Citations may be issued for a variety of violations, including, but not limited to, operating without proper approval, failure to provide mandated disclosures to students, failure to maintain required institutional and student records, or failure to comply with any other statutory or regulatory requirements. The citation may include an order of abatement and/or an administrative fine, with fine amounts determined based on the nature, severity, and frequency of the violation, as well as the potential for consumer harm.

Pursuant to EDC section 94936, the Bureau considers the following factors when determining whether to issue a citation and the appropriate fine amount:

- The nature and seriousness of the violation.
- The persistence of the violation.
- The good faith of the institution.
- The history of previous violations.
- The potential harm to students.
- The purpose of the statute.

Citations serve both a corrective and deterrent function, encouraging institutions and individuals to come into compliance and maintain lawful operations. The Bureau may also issue citations to unlicensed entities engaged in activity that requires Bureau approval, with higher fines authorized in accordance with statute to reflect the seriousness of unlicensed activity and the risk it poses to consumers.

All citations are subject to appeal, and respondents may request an informal office conference and/or an administrative hearing before the Office of Administrative Hearings. Where appropriate, the Bureau may also enter into stipulated settlements to resolve citation appeals, promoting efficient case resolution while maintaining accountability.

Citation Appeals

The Bureau utilizes informal office conferences and formal appeal hearings, conducted pursuant to the Administrative Procedure Act, to provide respondents with the opportunity to contest a citation. The following table represents the number of informal conferences and administrative hearings held over the past four fiscal years.

Appeal Type Conducted	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Informal Conference	45	81	114	146
Administrative Hearing	9	7	5	13

The most common violations for which citations are issued are:

- Failure to maintain supporting documentation for data reported on the School Performance Fact Sheet and/or on the Student Tuition Recovery Fund Assessment Form.
- Failure to submit an Annual Fee.

- Failure to submit the Student Tuition Recovery Fund Assessment Reporting form and applicable fees (if applicable).
- Failure to submit an Annual Report.
- Unlicensed Activity.

The average pre- and post-appeal fine amounts are shown below.

Citation Fines	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Pre-Appeal (Average)	\$3,634.87	\$6,244.88	\$5,652.73	\$8,230.21
Post-Appeal (Average)	\$1,163.83	\$6,167.07	\$3,700.00	\$5,495.22

The Bureau has historically utilized and continues to use the Franchise Tax Board (FTB) Intercept Program to collect outstanding fines. However, successful collection via the FTB Intercept Program requires that an entity from which an agency is collecting have a Social Security Number (SSN). At the Bureau, SSNs are only collected from institutions structured as sole proprietorships, which constitute approximately 6 percent of approved institutions. The Bureau is unable to pursue collection through this method for the remaining 94 percent of institutions approved to operate.

In other cases, the Bureau coordinates with DCA's Accounts Receivable Unit, which works with a contracted collection agency to pursue recovery of outstanding balances.

To initiate collection efforts through either the FTB Intercept Program or a collection agency, the Bureau first issues a series of three demand letters. If there is no response after the final notice, the matter is referred to DCA to begin formal recovery efforts.

In addition, the Bureau may deny an application for approval to operate, or deny the renewal of an existing approval, or pursue formal discipline for failure to comply with an outstanding citation in accordance with Title 5, California Code of Regulations section 75050.

Cost Recovery

It is standard procedure for the Bureau to request cost recovery for the investigation and prosecution of disciplinary cases that are referred to the Office of the Attorney General. Business and Professions Code section 125.3 provides cost recovery authority to boards/bureaus within the DCA. All accusations referred to the Attorney General include a clause for cost recovery. Cost recovery may also be included in settlement conferences and as a term of a stipulated settlement. There have been no changes since the last sunset review that affect the Bureau's authority to seek cost recovery under Business and Professions Code section 125.3.

Over the past four fiscal years, the Bureau transmitted 56 cases to the Office of the Attorney General for adjudication. Of those, 11 cases ordered cost recovery totaling \$237,000. During the same period, the Bureau collected \$156,000 in cost recovery.

Many of the remaining cases resulted in default revocations, where the respondent did not respond to the accusation. In such cases, cost recovery is not ordered. Additionally, many institutions permanently close following enforcement action and have no incentive to pay outstanding costs, particularly when they are no longer approved to operate.

The outstanding balance is generally uncollectible unless an institution later submits a new application. In those instances, the Bureau may have the authority to require payment of the

investigative and enforcement costs before issuing approval. However, institutions rarely seek reinstatement after revocation, and as a result, cost recovery in such cases remains largely uncollected.

The Bureau does not seek cost recovery in cases involving application denials, which, when appealed, proceed as Statements of Issues. A Statement of Issues is a legal document issued to formally deny an application for approval or renewal to operate based on the applicant's failure to meet minimum operating standards and application requirements pursuant to the Act and its implementing regulations. Similarly, the Bureau does not seek cost recovery in default revocations, where the respondent fails to respond to an accusation. Currently, there is no statute or regulation that authorizes the Bureau to recover costs in connection with Statement of Issues cases or default revocations.

Similarly to how the Bureau collects outstanding fines, the Bureau has historically utilized and continues to use the FTB Intercept Program to collect cost recovery. The Bureau faces the same obstacles related to collecting from institutions that are not sole proprietorships providing an SSN.

In other cases, the Bureau coordinates with DCA's Accounts Receivable Unit, which works with a contracted collection agency to pursue recovery of outstanding balances.

To initiate collection efforts through either the FTB Intercept Program or a collection agency, the Bureau first issues a series of three demand letters. If there is no response after the final notice, the matter is referred to DCA to begin formal recovery efforts.

Table 11. Cost Recovery¹				
	(list dollars in thousands)			
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Total Enforcement Expenditures	\$7,104	\$8,067	\$7,621	\$8,393
Potential Cases for Recovery *	9	12	4	12
Cases Recovery Ordered	0	6	0	5
Amount of Cost Recovery Ordered	\$0	\$107	\$0	\$130
Amount Collected	\$0	\$11	\$25	\$120

* "Potential Cases for Recovery" are those cases in which disciplinary action has been taken based on a violation of the license practice act.

Restitution and the Student Tuition Recovery Fund (STRF)

The Bureau may seek restitution for students in several forms, including partial or full tuition refunds, the granting of grades, certificates, or diplomas, and/or allowing students to take or retake courses at no additional cost. Additionally, the Bureau has the authority to order institutions to compensate students for harm that resulted or may have resulted, including refunds of monies paid by or on behalf of the student, through the issuance of administrative citations.

During the investigative process, Bureau staff may also attempt to mediate disputes between students and institutions to resolve issues and provide appropriate remedies. In some cases, the Bureau has negotiated settlements through the Office of Administrative Hearings that require institutions to issue refunds directly to students.

¹ Cost recovery may include information from prior fiscal years.

However, it can be impossible to quantify the total amount of restitution ordered, as establishing a clear monetary value requires information the Bureau generally does not have. This is particularly true when institutions cease operations and become uncooperative and supporting documentation is limited. To illustrate, an institution that closes improperly may receive a citation requiring, among other things, the institution to provide refunds to students impacted by the closure. The amount of refund required for any individual student depends on several student-specific factors, including how much the student paid to the institution and whether they are completing a comparable program elsewhere, that the Bureau does not know. Similarly, the Bureau may not know with certainty how many students were impacted by the closure, further complicating the notion of calculating restitution. In these cases, student outreach to gauge compliance is a key tool for assessing compliance, but it is inherently incomplete because it is not at an institution-wide level. As *restitution amounts are not available*, Table 12 has been deleted.

While efforts are made to hold institutions accountable for providing refunds and compensating students as ordered, the Bureau is not reliant on institutionally provided restitution to support students harmed by private postsecondary educational institutions. To further support students who have suffered financial loss, the Bureau administers the STRF. The STRF was established to relieve or mitigate economic loss suffered by students while enrolled at institutions approved by the Bureau. Pursuant to EDC section 94923, STRF is available to students who, at the time of enrollment, were California residents or enrolled in a California residency program, prepaid tuition and subsequently experienced economic loss.

Students eligible for STRF reimbursement may include:

- Students who were ordered a refund by the Bureau that the institution failed to pay.
- Students who were awarded restitution, a refund, or other monetary compensation by a court or arbitrator due to a violation of the Act by an institution or its representatives but were unable to collect the award. In such cases, the Bureau reviews the judgment or award and ensures the STRF payment does not exceed the student's verified economic loss.

The Bureau also assists students who have suffered educational opportunity loss—particularly when charges were paid by a third-party payer—in seeking credit or reimbursement through STRF when eligible.

The Bureau has issued STRF payments as follows:

STRF Claims and Dollars Awarded		
Fiscal Year	Approved Claims	Dollars Awarded
FY 2021/22	150	\$1,517,959
FY 2022/23	271	\$4,023,702
FY 2023/24	408	\$7,049,774
FY 2024/25	277	\$4,705,840

Section 5 – Public Information Policies

Public Updates

The Bureau utilizes its [public website](#) to post a “Calendar of Events.” The calendar of events includes information regarding Advisory Committee meetings, Licensing Workshops, Compliance

Workshops, and School Performance Fact Sheet Workshops. Advisory Committee meeting agendas and materials, including draft minutes from the prior meeting, are posted to the website at least two weeks prior to the actual meeting date. Final meeting minutes are posted after they are approved by the Advisory Committee. The meeting materials, including the approved meeting minutes, remain on the website indefinitely.

As a part of the Bureau's consumer protection efforts, the Bureau's website includes information regarding disciplinary actions taken by the Bureau as well as enforcement actions taken by other governmental regulatory agencies.

Connected to the Bureau's website is the [Office of Student Assistance and Relief website](#), which provides information to students regarding school closures and resources to assist students affected.

The Bureau also uses social media platforms such as Facebook and Twitter to communicate with the public.

Advisory Committee Meetings

The Advisory Committee meetings are webcast. Recordings of the webcasts are available indefinitely on the Bureau's website.

The Bureau, in conjunction with the Advisory Committee, establishes the meeting dates for the quarterly meetings. All meeting dates, locations, agendas, and meeting materials are posted on the [Bureau's website](#) as well as on the Bureau's "Calendar of Events." The agendas are posted to the website approximately two weeks prior to the meeting, with materials following shortly thereafter. The posted agenda confirms the date, time, and location of the meeting.

Complaints and Disciplinary Actions

The Bureau's complaint disclosure policy is consistent with DCA's Recommended Minimum Standards for Consumer Complaint Disclosure.

The Bureau posts accusations and disciplinary actions on its website. The information can be located on the Enforcement page. Accusations and administrative citations are posted once the action has been served to the respondent. The outcomes of the actions are also posted to the website once a final decision has been rendered.

The Bureau does not post complaint data on its website, as complaints are confidential. If an investigation results in disciplinary action, that action will be posted on the Bureau's website.

Consumer Information, Outreach, and Education

The Bureau provides various information regarding its approved institutions on its website, including, but not limited to:

- Institutions with an active approval to operate (Directory of Approved Schools)
- Name of institution
- Location of institution
- Currently approved programs
- Disciplinary actions, including those taken by the Bureau, other governmental agencies, and accrediting agencies

- Enforcement actions
- Application denials
- Compliance inspection results
- Annual Report information
- School Performance Fact Sheet

The Bureau and OSAR have comprehensive websites, www.bppe.ca.gov and www.osar.bppe.ca.gov, that provide consumer outreach for students and the industry. The Bureau's website includes a comprehensive list of institutions approved or registered with the Bureau, as well as those that contract with the Bureau for complaint handling. For every approved institution, the Bureau's website lists all programs the institution is approved to operate and provides disclosure sheets listing program costs and student outcomes. The website also provides a comprehensive list of all disciplinary actions taken, including providing results from the institution's most recent compliance inspection.

Consumers are provided the opportunity to sign up for emails from the Bureau, including a quarterly newsletter, so they can stay informed about news and upcoming events. The Bureau also uses social media to provide information to consumers.

The Bureau conducts workshops for prospective and current licensees. The Bureau's application workshop, which interested parties can register for through the Bureau's website, focuses on assisting those interested in operating a private postsecondary educational institution in completing the initial application. The workshop, administered by staff from the Bureau's licensing unit, guides participants through each section of the application. Staff explain the information required and cover the minimum operating standards an applicant must meet to receive approval. For institutions already approved to operate, the Bureau offers virtual workshops to help understand requirements to maintain their approval to operate, including compliance and school performance fact sheet workshops. The compliance workshop covers the compliance inspection process and minimum operating requirements, so institutions can be prepared when Bureau staff arrive to perform mandated inspections. The school performance fact sheet (SPFS) workshop helps institutions navigate the process of collecting the appropriate data required for the SPFS, a document that institutions are required to compile for every approved program, and how to complete the SPFS template.

The Bureau also provides consumer outreach and education through a variety of efforts that are coordinated and facilitated through OSAR. The OSAR website includes beneficial information and resources that are readily available to consumers. OSAR also provides in-person and on-campus workshops for students. While a central focus of these efforts is targeted support in cases of institutional closure, OSAR also conducts informational workshops for prospective students considering their postsecondary educational options.

The Bureau has also created an instructional video related to STRF to assist students impacted by a school closure. The video is designed to proactively assist students to successfully file a completed STRF application. The video is posted on the Bureau's and OSAR's websites and is commonly shown during school outreach events. OSAR also conducts virtual and in-person outreach events for students throughout the state, providing instructional content and resources that help consumers make informed decisions regarding postsecondary education. In addition, OSAR offers individualized assistance to students and other consumers.

Section 6 – Online Practice Issues

About 54 percent of active institutions currently approved by the Bureau are approved to offer distance education in at least one program. If an approved institution is offering programs online without approval to do so, it may be subject to a citation.

In addition, there are 138 institutions registered with the Bureau that do not have a physical presence in the state but enroll California residents in online programs. If an out-of-state institution subject to registration requirements is enrolling Californians in online programs without the requisite registration in place, it may be subject to a citation. Additionally, EDC section 94917 states that student loans are not enforceable if an institution subject to registration requirements did not have a valid registration in place.

Section 7 – Workforce Development and Job Creation

The Bureau does not license individuals to practice a profession or vocation.

The Bureau regulates institutions that tend to enroll high rates of low- and moderate-income consumers and those from historically underserved communities. All Bureau efforts to ensure that only institutions meeting minimum operating standards are approved to operate in California, to investigate concerns of noncompliance and/or student harm, and to take appropriate disciplinary action in light of institutional abuses are designed to support vulnerable communities in achieving quality postsecondary education.

Section 8 – Current Issues

Online Application and Payment Capability

The Bureau actively participates in the development and rollout of online application and payment functionality by partnering with DCA's Office of Information Services (OIS). Bureau staff define business requirements by drafting detailed user stories that describe the purpose of each online application, the information that must be collected, and the value of the proposed functionality for applicants and staff. Once functionality is developed, the Bureau performs end-to-end testing of the applicant portal, back-office system, and payment processes to ensure accuracy and usability.

Beyond development, the Bureau plays an ongoing role in maintaining and improving the system. Staff develop standardized procedures for all online application types, review and prioritize bug and defect tickets, and participate in regression testing prior to each deployment. The Bureau also coordinates with OIS and Cashiering to ensure application fee codes and payment processes are properly implemented and reconciled.

Secondary IT issues are addressed through this same collaborative process. Any issues affecting the Bureau are promptly reported, investigated, and either resolved immediately or scheduled for a future release. Through its active role in design, testing, and ongoing system improvement, the Bureau ensures its online services are reliable, transparent, and responsive to both applicants and staff.

The Bureau does not use BreEZe. The Bureau is now fully operating on Connect following the successful data conversion completed on June 30, 2025.

The Bureau's most recent system release was Product Increment 4. That release addressed key project requirements, including data mapping, conversion, system testing, and bug remediation. It also expanded functionality to cover revenue tracking, additional licensing data, and the STRF module.

Since that time, no additional releases have been required; however, the Bureau continues to refine Connect through the maintenance and operations process. This process utilizes a ticket system to log, prioritize, and implement system improvements. The Bureau's most recent formal change requests were documented in the Post-Implementation and Evaluation Report, with major objectives completed and signed off in March 2022.

Currently, the Bureau remains in maintenance and operations mode. All refinements are processed as new change requests through this framework. System updates occur through incremental sprints every 5–6 weeks, during which the Bureau is actively engaged to ensure upgrades and new functionality meet operational needs. The Bureau is continuing to work with OIS and developers to build out needed functionality.

Section 9 – Board Action and Response to Prior Sunset Issues

The following 17 issues and recommendations were included in the Bureau's last Sunset Review Background paper. The issues and recommendations are provided in full along with the Bureau's 2021 response, with an updated 2025 response to follow.

ISSUE #1: (ADVISORY COMMITTEE.) BPPE's Advisory Committee may be underutilized in terms of the ability for this body to provide important guidance on direction to the program. Are changes necessary to improve the effectiveness of the Advisory Committee?

Staff Recommendation: *The Committees may wish to consider if the Advisory Committee should have a more formal role, and whether terms and leadership should be defined in statute. The Bureau should provide an update on whether and how the Advisory Committee has provided meaningful input to Bureau decisions or operations.*

2021 Bureau Response: The BPPE Advisory Committee has provided important and helpful input to the Bureau's decisions and operations through their engagement during the Committee's quarterly meetings. For example, the Advisory Committee members provided suggestions and feedback that contributed to the development of the Bureau's Strategic Plan. Additionally, the Advisory Committee's recommendations informed the Bureau's approach to public outreach by suggesting the addition of statistical information to materials about the Bureau's decision-making process. The Advisory Committee also regularly provides input on the Bureau's regulatory packages to assist the Bureau in getting these packages approved and finalized.

The Advisory Committee has also made many suggestions to make Bureau information more readily available to California consumers:

- Placing information on the Bureau's website to show when a notice to comply has been cleared.

- The Bureau is working with the Department to make a school's entire compliance history available on the Bureau's website.
- Updating the enforcement and complaint statistics on the Bureau's website to add the number of schools that received complaints.

Recently, the Bureau provided the Advisory Committee with a revised Handbook similar to a member procedure manual, to assist the Members in understanding how to collaboratively provide recommendations. In addition, the Handbook outlines the members' roles and addresses other issues that can be encountered as an Advisory Committee Member. Furthermore, regarding the Committee's awareness of the Bureau's financial standing, on March 18, 2021, the Bureau presented its fee study to the Advisory Committee for review, discussion, and recommendations.

In addition to the Bureau's efforts, DCA continues to provide workshops and training for Advisory Committee members to help strengthen and support their performance and development.

2025 Bureau Response:

The Bureau has continued to rely upon the Advisory Committee in shaping its regulatory proposals and priorities, as well as the data shared publicly.

- Since 2021, every regulatory proposal has been discussed publicly with the Advisory Committee at the earliest stages, so that their input and guidance can be considered as the regulatory proposal is shaped from the start.
- For several topics, the Bureau has presented the Advisory Committee with an analysis of a topic pertinent to the regulation of the private postsecondary educational industry to solicit ideas on how to address challenges, in advance of determining whether regulations or other solutions are necessary.
- During the presentation of programmatic reports, Advisory Committee members routinely pose questions and make suggestions regarding future discussion items or approaches to data presentation. Unless these suggestions are determined to be infeasible, staff will incorporate their suggestions into future reports and agendas.

Senate Bill 802 (Roth, Chapter 552, Statutes of 2021) added a new requirement for annual elections for chair and vice chair positions, along with instituting limitations on the number of years that an individual member may serve in these roles. While this has not yet posed an issue, the level of engagement in Advisory Committee discussions varies widely between members, and a day may arise in which the members sufficiently engaged to perform these roles have exhausted their eligibility to do so, leaving the committee without leadership.

ISSUE #2: (OPERATIONAL COSTS, FEES, AND FUNDING.) The Bureau is supported by fees assessed on the institutions it oversees which are deposited into the Private Postsecondary Education Administration Fund (fund). Currently, the Bureau's fund has a significant structural imbalance – annual expenditures exceed annual revenue intake, which draws down the balance of the fund. The fund's balance has been declining over the last several years and it is estimated to become insolvent in this fiscal year absent external assistance such as a loan from another special fund within the DCA or from the General Fund.

Staff Recommendation: In evaluating any proposed fee levels, the Committees should consider the scope of Bureau activities and staffing levels to determine if these activities and priorities align to

Legislative intent. BPPE and DCA should inform the Committees about efficiencies that have been undertaken to ensure BPPE is doing necessary work, including reorganization, staffing adjustments, and efforts to achieve cost savings.

2021 Bureau Response: The Bureau's main source of revenue is an annual institution fee, which is assessed to institutions that operate in California that are subject to the Bureau's oversight. This fee is based on a percentage of annual revenue received from California students attending the institution. This revenue source is unconventional because it is based on an institution's profitability, which can lead to unpredictable revenue collections annually, based on a multitude of economic factors.

The Bureau's fund is currently on the brink of insolvency, and a Control Section 14 loan of approximately \$8 million will be needed in the very near future to allow the Bureau to maintain solvency. An all-inclusive review of the Bureau's existing workload and regulatory requirements is needed to determine if the Bureau is structured appropriately for the regulatory population it oversees, and whether any efficiencies in business processes can be achieved to lower the Bureau's overall expenses. With expenditures outpacing revenues, a deeper look at industry trends and economic forecasting must be performed to determine what changes are needed to ensure the Bureau's fee structure is viable long-term.

The Bureau continues to strive for cost savings in its operations and continues to assess areas in which costs can be further reduced. The Bureau has cut costs on travel as a result of telework and virtual meetings and taken other measures, such as moving to paperless processes where appropriate and conducting trainings and outreach via virtual formats. However, most of the Bureau's increased costs are generated outside of the Bureau's control, such as increases to employee salaries and benefits. The Bureau is also implementing a new IT System to replace its current outdated system. This change is necessary as it will create efficiencies for the Bureau and its licensees and provide greater agility to implement new laws and regulations.

Additionally, while there has been a slight reduction in the number of schools licensed by the Bureau, the work associated with monitoring schools has not decreased. In fact, when a school closes, even though the number of schools overseen by the Bureau decreases, it creates more work for Bureau staff, particularly as it relates to complaints and Student Tuition Recovery Fund (STRF) claims.

The Bureau is committed to exploring ways to reduce its costs, but it is important to remember that as a special fund state regulatory entity, many costs are outside of the Bureau's control.

The Bureau looks forward to working with the Legislature, Administration, and stakeholders to strengthen the Bureau and find ways to maintain solvency of the Bureau's fund, so it can continue to appropriately regulate institutions and protect students.

2025 Bureau Response:

Since 2021, the Bureau has taken several short-term steps to remain solvent. These include borrowing \$12 million in a Control Section 14.0 loan in 2021 and securing \$24 million from the General Fund to cover the anticipated structural deficit for Budget Years 2022–23, 2023–24, and 2024–25 while the Bureau completed a study to identify changes to the Bureau's fee structure. Due to cost-saving measures adopted by the Bureau during these years, these resources were sufficient to enable the Bureau to repay the 2021 loan as well as remain solvent.

With respect to longer-term solutions, the Bureau entered into an Interagency Agreement with the Foundation for California Community Colleges (FoundationCCC) in 2023 to explore options for bringing revenues and expenditures in line, including considering whether alternative revenue sources beyond licensee fees were warranted. The Bureau presented their report to the Legislature, along with endorsement of several recommendations offered by FoundationCCC, in February 2024. Importantly, while FoundationCCC offered several recommendations for addressing revenue shortfalls outside of the context of the annual fees, which make up more than 90 percent of Bureau revenue, it did not find sufficient options for doing so to negate the need for annual fee increases.

Since February 2024, the Bureau has taken multiple steps to address its financial challenges within its ability to do so. Specific steps include:

- Pursuing Trailer Bill Language to allow for funding for the administration of STRF claims and the work of OSAR to come from the STRF, in line with FoundationCCC recommendations. This language was adopted in the 2025–26 Budget Act.
- Eliminating six positions that had been held vacant for salary savings and which the Bureau determined could be eliminated without sacrificing consumer protection.
- Working diligently to issue citations or pursue other discipline as warranted, while taking steps to promote payment of fines and fee recovery.

Each of the items above is serving to reduce the gap between revenues and expenditures. In other areas, efforts to evaluate workload activities and staffing levels have generated substantial improvements in productivity. For instance, due to substantial improvements in work processes, the Bureau is now conducting sufficient compliance inspections annually to meet the mandate of inspecting each approved institution at least two times every five years, a fact that has not been true for most of the Bureau's tenure.

At this point, the Bureau believes its scope and activities are in line with Legislative intent and consumer protection needs. Institutional reviews are targeted towards institutions and institutional changes posing greater risk. A mix of proactive and reactive enforcement activities, through required inspections and as-needed investigations, form the backbone of an effective monitoring scheme. Both educational efforts and disciplinary actions are increasingly effective at promoting institutional compliance with laws and regulations, and an integrated OSAR team is increasingly able to support students directly while also enhancing the Bureau's broader efforts to protect them. With the federal higher education landscape in flux, a robust state oversight structure and agency is more critical than ever.

At this point, the Bureau is projected to become insolvent in the 2027–28 Budget Year, and fee increases are urgently needed. The Bureau looks forward to working with the Legislature to address the remaining financial shortfall in a way that supports consumer protection.

ISSUE #3: (IT/BUSINESS MODERNIZATION/BREEZE.) BPPE has historically relied on woefully outdated systems to track data, timelines, licensees, and important information. What is the status of an updated IT system?

Staff Recommendation: *The Bureau should provide an update on the status of its technology modernization business plan and describe how technology modernization will help the Bureau better serve students and oversee institutions.*

2021 Bureau Response: The Bureau is currently on its second contractual year with InLumon to develop a software solution (BPPE-Connect) to support the Bureau's business processes. The first rollout of BPPE-Connect went live in September 2020, and the second rollout is scheduled to be completed in October 2021. BPPE-Connect will bring many efficiencies to the Bureau's operations by providing a central database and portal for all institutional information.

The following BPPE-Connect functionalities went live in September 2020:

- Fees can be paid online with a credit card through the portal, versus mailing a check or money order.
- Documents can be uploaded electronically through the portal, versus mailing in paper documents.
- Processes are now automated that were previously done manually:
 - The initial Application for Approval to Operate for an Institution Non-Accredited can now be completed by applicants online, including submission of payment for the application fee.
 - The analyst now reviews the application and supporting documents within the system rather than by hard copy. This includes identifying and recording application deficiencies and a deficiency letter is generated electronically versus typing the deficiency letter and mailing it to the applicant.
 - Payments are submitted and processed through the portal.
 - Investigators can upload all documents and reports; they are electronically transferred to management for approval and/or referral to the Discipline Unit.

The following BPPE-Connect functionalities will be completed in October 2021:

- A single source of institutional data versus several individual data sources.
- A more organized and wholistic picture of an institution for the public.
- Efficient reporting on institutional data.
- State Tuition Recovery Fund (STRF) claims will be able to be submitted electronically.
- Institutions can update certain data using the portal, versus sending a request to Bureau staff.

The Bureau and DCA's Organizational Improvement Office collaborated in the mapping of 74 individual business processes, with the intent of identifying those processes that could benefit from automation. The result of the process mapping was the generation of a business requirements document, which was the basis of the contract negotiated for the Bureau's business modernization IT project. A major focus in the project is the automation of tasks that are currently accomplished manually.

Currently, there is no single source platform for the maintenance of the Bureau's records and data. Some institutional data is maintained in the Bureau's outdated Schools Automated Institution List (SAIL) IT system and the remaining data resides within various spreadsheets. These spreadsheets are stand-alone sources that do not "talk" to one another. Thus, retrieving information on an institution often requires a review of SAIL data and data from one or more of these spreadsheets. The data from SAIL will be converted onto the new BPPE-Connect system.

BPPE-Connect will help streamline the maintenance and access to data by providing a single platform that will house all institutional data, making recording and tracking data much more efficient. One of the efficiencies of BPPE-Connect is the facilitation of the payment of fees and submission of documents through an online portal. This method of online submission will help eliminate

the costs for mailing and printing and should free up staff time and increase the Bureau's response time.

Furthermore, BPPE-Connect will automate several functions. For example, as it relates to the process of annual fees, it is currently manually monitored by staff. Staff monitor the due dates through an excel spreadsheet, and submit invoices to institutions, via postal mail. Once BPPE-Connect is fully functional, it will automatically submit an invoice and reminder to the institutions, informing them of their annual fees and due date for submission of their fees. This process alone will result in increased efficiency and time management for the Bureau and a higher level of notice and accountability for institutions, to submit timely payments.

Additionally, the BPPE-Connect system will help expedite the public's ability to submit a complaint online. The complaint would then be routed immediately to the Complaint Investigations portal, which will be monitored and tracked by the Complaint Investigations analyst.

The benefit of this new system, to date, is providing institutions, students, and the public the capability of submitting information electronically, rather than via postal mail. All these benefits combined will achieve significant cost savings in regard to printing, mailing, and staff time.

2025 Bureau Response:

On June 30, 2025, the Bureau transitioned to Connect as its data system of record for all Bureau operations. This follows a multi-year period in which functionalities were developed and introduced on an iterative basis. At this point, institutions can file initial applications for approval to operate online, students can file complaints, and students can apply for STRF. From the backend staff perspective, these applications and processes can be conducted and tracked through the system, improving efficiency, outcomes, and reducing unnecessary paper usage.

In the coming months, the Bureau will be creating user accounts for approved and registered institutional representatives, allowing them to view institutional information on file with the Bureau directly and to conduct some processes – such as paying annual fees and submitting STRF assessment reports – online. Additional institutional applications will be added on an iterative basis until such time that all applications are available through the portal, for easier submissions, reviews, and tracking. The Bureau is also continuing to work with OIS and developers to create and manage the reports and tools necessary for workload monitoring and oversight.

ISSUE #4: (EXEMPTIONS.) Long the source of questions, challenges, concerns, and attempts to respond to carve outs, exemptions in the Act remain a significant source of interest as the Legislature evaluate BPPE's work and the landscape of private postsecondary institutions that serve students in the state. Do the current exemptions make sense? Are changes necessary? Are students well served by schools that are not regulated?

Staff Recommendation: *The Act should be amended according to the changes noted above regarding religious institutions and sponsored educational programs. The Committees should request that BPPE provide feedback on the other exemptions requested by stakeholders.*

2021 Bureau Response: The Bureau recognizes that for short-term programs, it may not be beneficial to require the completion of the Student Performance Fact Sheet and believes this could be a partial exemption to the reporting requirement. However, the Bureau strongly believes there is a need to

ensure some student protections are provided through disclosure requirements, a complaint process, and the availability of STRF and Office of Student Assistance and Relief (OSAR) assistance. An alternative could be in line with Issue #6 in the Bureau's Sunset Report, where the definition of Educational Program contains this addition: "Short courses and continuing education courses consisting of 32 hours of instruction or less that are not designed to lead to employment, and cost \$2,500 or less, are excluded from this definition."

With regard to the psychoanalytical institutions, the Bureau acknowledges that these institutions continue to struggle to meet the Bureau's minimum operating requirements. First, many of these institutions offer programs that are not degree programs. They are routinely offered as weekend workshops, many of which take place at an individual's home. Furthermore, these programs typically do not consist of a structured curriculum and are not designed to lead to any type of licensure, as they are offered to individuals who already have a bachelor's or graduate-level degree and are often licensed to practice already. Second, the requirement under which institutions offering degree programs must obtain accreditation has made it difficult for these types of institutions to gain accreditation, due to the limited resources available to them by accreditors.

With regard to institutions that offer programs that are not degree programs, the Bureau believes that a specific exemption may have merit. Existing law, EDC section 94874(b)(1), provides an exemption for institutions offering educational programs sponsored by a bona fide trade, business, professional, or fraternal organization, solely for that organization's membership. Some institutions claim to be sponsoring their own programs, which the statute does not allow for as written. Clarification regarding the term "sponsorship" may be warranted.

2025 Bureau Response:

If carefully conceived, exemptions may support the availability of quality postsecondary educational programs that pose low risks to consumers while focusing the Bureau's attention and resources on higher risk entities. However, the Bureau's experience in reviewing hundreds of applications for verification of exemption each year has demonstrated that several exemptions could be tightened to improve consumer protection. Because many of the issues uncovered have not previously been raised in the context of Sunset Review, the Bureau's full recommendations in this area are included in New Issue #13 in this report.

In addition to considering the substance of exemption categories, the Bureau is also raising, as a new issue, the process and standards for verifying institutional exemptions. The concept of exemption verification is straightforward for institutions with straightforward exemption claims, such as those accredited by the Western Association of Schools and Colleges, and the process is light-touch. It is far more complex and costly to adjudicate applications from entities that seem questionable and for which the standards are vague. This issue and the Bureau's recommendations are discussed at further length in New Issue #11 in this report.

Senate Bill 802 (Roth, Chapter 552, Statutes of 2021) addressed two issues raised in the Bureau's 2021 response: the exclusion of very short programs from the definition of educational program and specifying that institutional sponsors must be distinct from the institution.

ISSUE #5: (APPROVAL BY MEANS OF ACCREDITATION.) Accredited institutions are almost automatically approved and not subject to the same review and approval process required for other institutions that operate in this state. Accreditation provides a baseline measure of institutional quality, but with

federal accreditation rules and standards weakened, and in light of significant scrutiny of accrediting agencies, questions remain as to whether accreditation alone is enough.

Staff Recommendation: *The Bureau should report to the Committees as to how this proposal would impact workload and staffing requirements. The Committees may wish to consider whether all aspects of the full application should be required, or if there are specific triggers where further BPPE review is warranted, for example, when an institution is being prosecuted in another agency or state, when an institution's financials do not meet state standards, or when an institution has received numerous student complaints. A model for this approach exists under the current statute that allows the Bureau additional oversight for out-of-state online institutions.*

2021 Bureau Response: For institutions approved by means of accreditation, the current standard provides for shared oversight, where the Bureau defers to an accrediting agency's judgment and determination of the fitness of accredited institutions. These accrediting agencies are distinct from the Bureau, with their own standards. Thus, these agencies do not follow the laws or standards of the Bureau. While accreditors have historically argued that they focus on ensuring a quality education, several large closures at accredited institutions, which included complaints of education quality, suggest that accrediting agencies were unable to ensure a high-quality educational experience. Thus, an additional level of oversight is necessary through state authorizing agencies.

Historically, accrediting agencies have focused their standards and guidelines more on educational program development than on consumer protection. Standards of accreditors vary in rigor from one accrediting agency to another. For example, most accrediting agencies require a standard or benchmark for student retention and completion, and employment or placement. However, those benchmarks differ among accreditors. Some accreditors require that institutions establish their own benchmarks that "make sense" to the institutions. It is this variance in the level of oversight that requires the Bureau to ensure that minimum standards exist for institutions.

To address this matter, the Bureau would like to consider an approach for which there is only one approval to operate and one renewal standard to which all private postsecondary educational institutions would have to adhere. This method would help remove and eliminate substantive changes for institutions approved by means of accreditation, as provided by California law. This would provide only one track for substantive change, as provided by regulations in accordance with EDC section 94895. This would also remove the fees for these specific application types, leaving only one fee for each application.

As it relates to additional workload, Bureau staff would be required to review more detailed licensing requests, approvals to operate, renewals, and substantive changes. These applications would be offset by the statutory fee, as these applications would necessitate a higher fee. The additional workload in reviewing the applications could be slightly offset by a decreased workload when it comes time to conduct inspections. This is because initial inspections of these accredited institutions tend to take longer and are more burdensome than most inspections due to the amount of non-compliant materials, which would be addressed early on during the licensing process.

Since this would be a phased-in approach, it will allow these institutions to renew under the proposed schedule, preventing the creation of a backlog. Any extra costs for the more substantial application review would generally be offset by the increased fee for the application.

For this process to be effective and for the Bureau to provide quality consumer protection, it needs to start at the time of approval. The Bureau has revised its minimum operating standards in regulation to more closely align with standards and expectations common to most accreditors, with consideration to the requirements of the United States Department of Education. To meet this need, it may be possible for the Bureau to revise its initial application and renewal application forms to allow accredited institutions to “opt out” of certain sections that are typically reviewed in depth by accreditors. Thus, to ensure consumer protection, requiring institutions that are approved by means of accreditation to provide student disclosure documents, such as the Enrollment Agreement and Catalog, as well as the required financial reports, at the time of approval and renewal is essential. If this approach is considered, the Bureau requests that the fee associated with the approval by means of accreditation also be considered. If this change is made, the Bureau will work with accrediting agencies to see if there is a way to obtain the needed information from the institutions at the same time, to reduce duplication of efforts from the institution providing information to accreditation agencies and the Bureau.

2025 Bureau Response:

In light of fiscal constraints and how imperative it is to focus resources, the Bureau no longer recommends a single track for institutions to obtain approval to operate that eliminates any deference to recognized accrediting agencies. Given that institutions approved by means of accreditation are required to comply with the Act to the same extent as other approved institutions, the Bureau does not believe that providing a streamlined path to approval undercuts its authority to enforce the provisions of the Act.

However, there are areas in which additional statutory clarification would support consumer protection for students enrolled in institutions approved by means of accreditation. Specifically, EDC section 94890 requires the Bureau to grant an approval to any institution accredited by a recognized agency but imposes no limitations on that approval based on the terms of its accreditation. The Bureau recommends adding specificity that the approval to operate granted to an institution approved by means of its accreditation is limited to the scope of its accreditation, with deviations acceptable only in cases in which the accrediting agency verifies that such deviations are not counter to accrediting agency standards.

Consider two examples of institutions accredited by a health-focused accrediting agency. The first institution offers English as a Second Language (ESL) programs alongside their health programs to support students' success; the accrediting agency does not review the ESL programs but is not concerned with the institution offering them.

The second institution offers medical assisting programs reviewed by the accrediting agency, as well as vocational nursing programs that are not reviewed or acknowledged by the accrediting agency even though they fall under the accrediting agency's scope. Based on the accrediting agency's rules, this may be explicitly disallowed. However, EDC section 94890 does not authorize the Bureau to limit its own approval to those properly accredited or even acknowledged by the accreditor.

The Bureau's proposal in this area, written up as New Issue #3, would allow for the first situation but explicitly disallow for the second, supporting consumer protection and partnership with recognized accrediting agencies.

ISSUE #6: (ACCREDITATION OF DEGREE GRANTING INSTITUTIONS.) What is the status of requirements that institutions offering degrees be accredited?

Staff Recommendation: *The Committees may wish to consider amending the Act and approving the Bureau's recommendations regarding changes to the requirements that degree-granting institutions be accredited.*

2021 Bureau Response: One of the suggestions provided by the Bureau in its Sunset Report is the need to provide realistic milestones for provisionally approved institutions seeking accreditation. The two-year timeline for achieving pre-accreditation and the five-year timeline for achieving full accreditation must each be increased to account for differences in accreditors' eligibility requirements. An additional two years will help provide institutions with enough time, post-provisional approval, to enroll and allow students to graduate, which is a requirement of some accreditors before institutions are permitted to submit applications.

Another suggestion is to clarify the impact of a subsequent loss of accreditation. This law may need to be amended to address situations in which an institution that achieves accreditation subsequently loses its accreditation. The consequences for an institution pursuing accreditation would be the same as when an institution fails to achieve pre-accreditation or full accreditation, within the required timelines. The resulting consequence of such action by the Bureau on the institution is an automatic suspension of the institution's degree programs. This change would allow for more consistency, in line with the intent of the legislation (SB 1247, Chapter 840, Statutes of 2014) that was enacted to require all degree-granting institutions in California to be accredited.

Another positive change would be amending the law to restrict an institution from changing ownership while pursuing accreditation. It may also be beneficial to restrict institutions operating under a provisional approval, pursuant to EDC section 94885.5, from changing ownership or control during the term of provisional approval, or until the institution achieves full accreditation. Consistent with accreditors' restrictions, institutions should be required to begin the accreditation process again if they change owners.

Finally, it may be beneficial to address the intent of the statute (EDC section 94885.5) as applied to non-degree programs, offered by provisionally approved institutions that are suspended for failure to meet accreditation milestones. The language may need to be revised to explicitly exclude a provisionally approved institution's non-degree programs from a suspension action based on an institution's failure to comply with the provisions of EDC section 94885.5.

In 2014, a total of 142 unaccredited institutions were identified as offering degree programs. The status of those 142 schools is as follows:

Number of Schools	Accreditation Status
45	Have closed or have surrendered approval and are not operating.
18	Have been verified as exempt from the Bureau's laws and regulations.
20	Have surrendered their degree programs and have chosen to offer only non-degree programs.
8	Have had their approval to offer degree programs suspended until they can comply with the law.

39	Have achieved full accreditation.
12	Schools have been granted an extension of time (between 2 and 24 months) to achieve accreditation as provided by law.
TOTAL: 142	

2025 Bureau Response:

Senate Bill 802 (Roth, Chapter 552, Statutes of 2021) made several law changes in line with the Bureau's 2021 recommendations, including extending the time period for allowable extensions to better reflect accreditation timelines, disallowing changes in ownership or control for institutions pursuing accreditation, and clarifying that degree program suspensions do not impact institutional approvals to operate. Senate Bill 1433 (Roth, Chapter 544, Statutes of 2022) additionally clarified a path (in EDC section 94885.7, referenced above) for institutions that were previously accredited by a recognized agency but lost that accreditation.

When accreditation requirements were first instituted, requirements were separated into two categories: EDC section 94885.1 applied to previously approved institutions with often-longstanding degree programs, whereas EDC section 94885.5 applied to institutions newly seeking to operate degree programs. More recently, EDC section 94885.7 was added to address situations in which an institution loses the accreditation of a recognized agency.

The table below shows outcomes for institutions in each category. The two newer categories of schools (94885.5 and 94885.7) have been consolidated for streamlined tracking and reporting.

Accreditation Status	Number of Schools – 94885.1	Number of Schools – 94885.5 and 94885.7	Total Schools
Have closed or have surrendered approval and are not operating	26	15	41
Operating as Exempt	13	2	15
Have surrendered their degree programs (still offering non-degree programs)	17	22	39
Have had their approval to offer degree programs suspended	10	12	22
Have achieved accreditation	50	26	76
Currently in pursuit of accreditation	N/A	23	23

Overall, excluding institutions still pursuing accreditation, approximately 40 percent of institutions granted provisional approval to offer degree programs achieved accreditation. The remaining 60 percent of institutions either voluntarily surrendered approval to operate the programs, had their programs suspended by the Bureau, began operating as an exempt institution, or closed.

In cases of program suspension or surrender, the Bureau focuses attention on supporting students impacted by program termination. Students impacted by the closure of provisionally approved degree programs face acute challenges in completing their education or otherwise moving on. Teach-out or transfer options may be unavailable, as few institutions will accept degree-level credits from unaccredited institutions. Additionally, at many institutions, enrollment in provisionally approved

degree programs is nearly exclusively international enrollment. For these students, program closure represents more than the termination of their degree program because their residency in the country is tied to their enrollment. As these students are in particularly high-risk situations with low chances of success, OSAR plays a key role in the closure of provisionally approved degree programs.

To better protect students and focus resources, the Bureau recommends several modifications to these provisions:

- Institute a “cooling off” period for institutions that have provisionally approved degree programs suspended or surrendered, to support them in taking the needed time to rework their program plans. This would also prevent institutions from abusing the system by repeatedly seeking provisional approval for degree programs that have previously attempted and failed to achieve accreditation.
- Make the empanelment of a visiting committee optional for the review of provisionally approved degree programs and expand the timeframe in which the Bureau may do so. These changes would better align with the accreditation process, create clearer roles and responsibilities for the Bureau and accrediting agencies, and focus resources.
- Amend EDC sections 94944.5 and 94944.6, which authorize the Bureau to inspect accrediting-agency documents of approved institutions, to apply to institutions newly seeking accreditation and those agencies from which they are pursuing accreditation.
- Limit the proportion of international students (those on student visas) that an institution may enroll into provisionally approved degree programs, given unique dynamics with these institutions and students, which lead to greater risk of student exploitation.

Because some of the recommendations above were not raised in prior Sunset reports, these issues are discussed in further detail in New Issues #4, 7, and 8 in this report.

ISSUE #7: (DISTANCE EDUCATION AND OUT-OF-STATE PUBLIC AND NONPROFIT INSTITUTIONS.) How can BPPE ensure that California students are protected when attending institutions that may not meet the requirements for a physical presence that would trigger Bureau oversight?

Staff Recommendation: *The Committees should consider directing the Bureau to establish a definition of “physical presence” through regulation. The Bureau should provide an update on its work processing complaints for public and nonprofit institutions, including the workload involved and whether fees are necessary.*

2021 Bureau Response: Per EDC section 94874.9(a), institutions may opt to be exempt from the Bureau’s oversight if certain conditions are met. With this exemption, and pursuant to EDC section 94874.9(b), institutions may elect to enter into a State Authorization Contract for Review of Complaints. Pursuant to EDC section 94874.9(e)(2), this contract authorizes the Bureau to refer any complaint it receives related to the institution’s policies or procedures to the institution, the accrediting agency, or another appropriate entity for resolution, because these institutions are exempt from the Bureau’s oversight. Institutions are charged \$1,076 annually for this work.

The Bureau’s goal is to mediate and resolve complaints against schools that have entered into such contracts with the Bureau. This process involves mediation between the student and the institution to enter a mutually beneficial resolution. The process involves the Bureau communicating with the complainant, the institution, and, at times, legal counsel. These investigations, or mediations, often take a great deal of time and negotiation. These investigations differ from investigations involving approved or unapproved institutions, as the Bureau is unable to cite these institutions because they

are exempt from Bureau oversight and jurisdiction. Consequently, if the Bureau is unable to facilitate an agreement between the student and the institution, the complaint is closed as "State Authorization Contract – Unable to resolve." It is common for the student to not fully comprehend the Bureau's authority as it relates to such exempt institutions. Due to the lack of understanding of the authority of this exemption, complaints under this section tend to frequently escalate, resulting in complaints being further investigated and responded to by executive staff. Again, if the Bureau receives a complaint or, during an investigation, finds fraud or other gross negligence, the Bureau refers those issues to the accreditor and/or the United States Department of Education (or appropriate entity). Aside from this level of authority, the Bureau has no other jurisdiction over these institutions.

2025 Bureau Response:

Senate Bill 1433 (Roth, Chapter 544, Statutes of 2022) amended the law to provide for a more specific definition of physical presence and to authorize the Bureau to establish through regulation a registration process for institutions deemed to have "minimal physical presence" in the state. The Bureau has not pursued this opportunity as it is continuing to gather the information needed to determine an appropriate path forward.

With respect to exempt institutions with State Authorization Contracts in place, these complaints are processed similarly to any other complaints, but the process stops at either the point of mediation or referral, as the Bureau has no jurisdiction over these institutions.

The Bureau investigated 88 complaints related to institutions under contract with the Bureau for complaint handling in the most recent fiscal year, requiring a collective 1,600 investigative hours. The annual contract fee of \$1,076 covers less than half of the per-institution costs incurred by the Bureau to investigate complaints received and administer the contracts. Increasing the annual contract fee to \$2,500 would cover the Bureau's workload.

ISSUE #8: (INCOME SHARE AGREEMENTS.) If implemented responsibly, this education funding mechanism could be a useful option for some students but may warrant greater oversight to protect consumers from bad actors or from unintentionally overly committing their repayment obligation. What is the Bureau's status on income share agreements (ISAs) and are BPPE-approved institutions authorized to utilize this model?

Staff Recommendation: *The Bureau should provide an update on ISAs, including how many approved institutions use something like an ISA. The Bureau should update the Committees on statutory changes it has considered related to this model and how to ensure students are provided affordable, quality training opportunities using new funding mechanisms.*

2021 Bureau Response: Income sharing agreements (ISA) are complex financing contracts between students and schools. The terms of the agreements vary from institution to institution, and in evaluating schools for approval, the Bureau reviews each agreement on a case-by-case basis for compliance with the law. To date, only one institution using an income sharing financing method has been approved, as it was able to meet the minimum operating standards and disclosures.

The Private Postsecondary Education Act of 2009 is premised on the idea that students should know up front what their education will cost, before they commit to a lengthy and costly educational program. The law requires schools to make up-front disclosures to students regarding the true cost of

the program. These disclosures are required in the enrollment agreement, catalog, annual report, and Student Performance Fact Sheet. The fixed, up-front program costs are used to calculate how much shall be paid to the Student Tuition Recovery Fund, and how much of a refund a student shall receive, if they withdraw and/or a school closes.

The main problem with many ISAs is that they do not disclose up front what the educational program will cost the students. Rather, the program costs are not determined until after the student completes the program and secures a job making income. Because the law currently emphasizes up-front disclosures of program costs to students, financing agreements that include these features are unlikely to comply with the law.

There are many policy considerations that must be made to determine if ISAs with varying terms should be permitted by law. The legislation must explicitly and clearly define how ISAs can be used as a legitimate instrument of indebtedness and establish a set of standards regarding pre-enrollment disclosures. The legislation should specify under what terms the ISA shall be and can be cancelled, provide clarity regarding whether the students' outstanding requirement to repay the ISA can be claimed as economic loss or not, and perhaps include a requirement for approval by the new Department of Financial Protection and Innovation. A third alternative is to keep the status quo.

The Bureau does not object to ISAs as an educational financing option if they comply with the law. If a school presents a financing method that satisfies the law's requirements, the Bureau will not object to it. However, many ISAs share common features that do not comply. This is an issue that has generated much discussion, and it needs to be more fully reviewed, analyzed, and discussed to determine legislative and regulatory changes needed by the Bureau.

2025 Bureau Response:

The Bureau does not track how many institutions approved to operate offer ISAs as a financing mechanism for their postsecondary educational programs.

Since 2021, two major financial regulators – the federal Consumer Financial Protection Bureau (CFPB) and California's Department of Financial Protection and Innovation (DFPI) – have determined that ISAs are debt products under their jurisdiction. These developments have provided helpful clarity to the Bureau as it demonstrates that ISAs should not be seen as a core component of a postsecondary educational institution but rather a mechanism – overseen by specialized regulators – through which that education is financed.

As such, when the Bureau encounters institutions purporting to offer ISA financing options, it will review catalogs, enrollment agreements, and other institutional collateral to ensure that required information is described clearly and appropriately and refer additional concerns to DFPI.

With respect to consumer protection concerns, gaps may still exist for students who elect to finance their education with an ISA and whose institutions close before they can complete their programs. EDC section 94927 requires that institutions provide refunds to students unable to complete programs due to institutional or program closure, and EDC section 94923 additionally renders such students eligible for the Bureau-administered STRF for their economic loss, so long as they have pre-paid tuition. However, students who agree to pay for their education after it is completed have not "pre-paid" tuition, and nor have they made payments that would require refund. Further, while EDC section 94917 states that instruments of indebtedness are void and not enforceable unless the

institution held an approval to operate at the time of its execution, there is no such provision prohibiting collection of such debts if the institution ceased to be approved (through closure or otherwise) after the notes of indebtedness were executed. The Legislature may want to consider statutory changes to address one or more of these gaps.

ISSUE #9: (MINIMUM OPERATING STANDARDS.) Are the criteria established in the Act that allow an institution to become licensed strong enough to protect students and promote student success?

Staff Recommendation: *The Committees may wish to discuss changes to minimum operating standards to authorize the Bureau to adopt additional minimum operating standards in the following areas:*

- *The amount the institution charges for its educational programs, to ensure the amount is fair and reasonable as compared with the average cost of similar educational programs offered by other private postsecondary education institutions and as compared to expected student earnings upon graduation.*
- *To ensure an acceptable number of students who enroll in the institution's educational programs complete those programs, obtain licensure, and obtain gainful employment in the field of training, as applicable.*
- *To ensure the institution periodically evaluates its educational program offerings and institutional effectiveness and takes active measures to make improvements where warranted.*
- *To provide an acceptable level of quality and academic rigor of an institution's educational programs.*
- *To establish a market indicator as to whether programs are of sufficient value by requiring a specific amount of revenues to come from non-publicly funded sources.*
- *To ensure that California students qualify for state certification, licensure, registration, or other recognized regulation upon completion of a program.*

2021 Bureau Response: Ensuring the fairness of the amount an institution charges for its educational programs would be effective. It would be helpful to be able to compare costs for similar programs from one institution to another private postsecondary educational institution, as opposed to comparing the cost to the expected student upon graduation.

To ensure that an acceptable number of students who enroll in the institutions' educational programs complete those programs, obtain licensure, and obtain gainful employment in the field of training, as applicable, would be informative.

Changes may be needed to ensure an institution periodically evaluates its educational program offerings and institutional effectiveness and takes active measures to make improvements where warranted. This would also help to ensure that the institution provides an acceptable level of quality and academic rigor of its educational programs.

It may also be necessary to add a requirement for institutions to establish a market indicator, as to whether programs are of sufficient value by requiring a specific amount of revenues to come from non-publicly funded sources.

The Bureau receives and collects cost information from institutions, through its annual report submissions. Regarding the Bureau's efforts to meet these potential changes, the Bureau could, for example, analyze individual costs by program type and academic level and arrive at an average

cost range with a plus/minus of 10–25 percent. Those institutions charging more than 25 percent above the average cost for similar programs would be required to justify the cost of their program. Alternatively, schools charging more than 25 percent of the average program cost would need to disclose that fact in their catalog and/or enrollment agreements.

Additionally, the Bureau helps inform students of institutions' programs and graduation rates through the requirement of all approved institutions to provide School Performance Fact Sheets to all prospective students. These Student Performance Fact Sheets include program outcomes such as student completion, licensure, and placement rates. The Bureau also requires institutions to submit copies of the Student Performance Fact Sheets for all approved educational programs, with the annual report. While the Bureau collects this performance data on all approved schools, no statutory authority exists to hold schools accountable for either one of these rates.

The Bureau has looked to some accrediting agencies, and their monitoring of such issues. For example, accrediting agencies establish benchmarks for completion, placement, and in some cases, licensure. Institutions having programs that fall below the accreditor's benchmarks are placed on a form of heightened monitoring or reporting status, depending on the individual accreditor. Since completion/graduation and placement/employment are primary measures of both the student's and the institution's success, it makes sense for the Bureau to not only monitor these rates, but to have the authority to act when these rates indicate a failure of the institution to deliver on its promise to the student.

The Bureau could be given the authority to draft regulations to require benchmarks for schools, by program, for completion, placement, and licensure. Like the analysis on program costs, previously identified, the Bureau could analyze completion, placement, and licensure data across all similar programs for a given year to arrive at an average for each program. Then the Bureau would establish a minimum benchmark for each. Schools not meeting the minimum benchmarks would be subject to actions by the Bureau, including outcomes monitoring, restriction from enrolling new students in the program, suspension of the impacted program, or other actions that could be provided for in regulations.

An accreditation requirement by many accreditors is that all institutions should be reviewing student outcomes, overall program success, curriculum, faculty qualifications, learning resources, technology, and other areas for continuous improvement. Some institutions conduct program advisory boards, whereby local employers and former graduates of a program review the curriculum, equipment, learning objectives, facilities, student outcomes, etc., and provide valuable feedback to the school to increase employability of a graduate. These types of activities serve to enhance an institution's effectiveness. The Bureau could draft regulations that require institutions to review programs, likely on an annual or biannual basis, and address underperforming programs, and report this information to the Bureau.

The addition of the changes above would provide the Bureau with the authority to draft regulations relating to the design and development of academic programs based on academic level to ensure programs are developed and offered at a postsecondary education level.

2025 Bureau Response:

The Bureau appreciates the intent of ensuring the private postsecondary educational industry is appropriately regulated, particularly at the state level when federal changes in oversight levels and accountability standards may undercut available protections and put consumers at risk.

To the extent that the Legislature sees the need for heightened state-level standards, the Bureau would welcome discussions regarding where those standards are most needed and how to achieve the intended goals. Details to consider might include thresholds that must be achieved for compliance, the consequences of non-compliance, and the process for the Bureau to exact those consequences. Greater specificity will support the Bureau's efforts to efficiently promulgate regulations that address the concern raised.

ISSUE #10: (COMPLAINT PROCESSING.) BPPE struggles to respond to complaints and questions have been raised about swift decreases in complaint backlogs and whether complaints were closed as non-jurisdictional but could have provided valuable information and pointed to trends to inform BPPE's enforcement work. What is the status of complaints? What are some examples of complaints that were closed or deemed out of BPPE's jurisdiction? What does BPPE do to connect dots between potentially non-jurisdictional complaints and enforcement cases those complaints could potentially, even if indirectly, inform?

Staff Recommendation: The Bureau should provide additional information regarding cases deemed non-substantiated or non-jurisdictional and the process used to ensure that complaints that may appear unrelated on their face are not actually indicative of broader issues. The Committees should work to determine whether the Bureau's swift closure of so many complaints were appropriate, if the Bureau needs additional guidance or directive, or if changes to the scope of prohibited and allowable institutional activities within the Act are warranted.

2021 Bureau Response: The Bureau investigates every complaint it receives. Some complaints are not within the Bureau's jurisdiction and some complaints are deemed non-substantiated. Examples of non-jurisdictional complaints include complaints against institutions operating under a valid exemption, complaints against institutions that do not have a physical presence in California, complaints regarding harassment or discrimination, complaints regarding health and safety, and complaints against an institution that is no longer in operation.

EDC section 94874.9 addresses complaints against out-of-state institutions, complaints regarding harassment or discrimination, complaints regarding health and safety, and when the institution is no longer in operation. When DCA's Division of Investigation's Task Force assisted the Bureau (January 2019–June 2019), the Task Force performed case reviews with the Bureau's managers and investigators and discovered that numerous non-jurisdictional complaints had previously been accepted at intake and assigned to an investigator. These cases were referred to the appropriate outside agencies with jurisdiction, such as the Department of Fair Employment and Housing, Office of Civil Rights, Equal Employment Opportunity Office, and county health departments.

After the complaint backlog was reduced, the Bureau implemented a new intake process. As a result, all complaints received are now reviewed by a manager to see if the Bureau has jurisdiction. As part of the new process, the Intake Unit immediately notifies the complainant when a complaint is not within the Bureau's jurisdiction, and, if applicable, sends the complaint to the appropriate agency to review the complaint, including other governmental agencies and accrediting agencies.

As part of the new manager review process, the intake analysts review each complaint and make a recommendation to the Intake Manager. The Intake Manager then makes the following determination:

- The complaint is non-jurisdictional and is referred to the appropriate agency that would have jurisdiction.
- The complaint is fully within the Bureau's jurisdiction, in which case the complaint is assigned to an investigator.
- The complaint contains elements that are partially jurisdictional but also involves non-jurisdictional elements that may involve another agency. In this instance, the case will be assigned to an investigator and will also be assigned to the external agency that has jurisdiction over the elements of the case over which the Bureau lacks jurisdiction.

All cases deemed non-substantiated by an investigator are approved for closure by a manager. If there is ever a question as to whether a case should be closed as such, the managers discuss the case with the Bureau Chief who makes the final determination. Regarding complaints that are deemed non-substantiated, through the course of an investigation it is sometimes difficult to obtain the necessary evidence, as requested by the Attorney General's office, to substantiate a complaint. This can range from students being unwilling to testify against an institution to the inability to prove student harm, as required by law. For these cases, the Bureau does not have enough evidence to move forward with disciplinary action. In addition, some cases are within the Bureau's jurisdiction, but upon review and gathering of evidence, it is concluded there was not a violation of the law. If the Bureau needs additional information from a student in order to pursue the action, and the additional information is not received, the Bureau cannot proceed. In addition, cases with issues related to potential criminal conduct are referred to the appropriate law enforcement agency.

The Task Force also identified numerous pending compliance inspection complaints for the issuance of a citation. Some of these had been pending for several years. Knowing that an entity may have now come into compliance during the time delay, rather than continue with that complaint, the Bureau determined the most efficient course of action was to request a new inspection of the facility and determine if the school complied. Therefore, these cases were closed too, however, consumers were still protected because a new inspection was performed.

2025 Bureau Response:

The Bureau investigates every complaint it receives. However, not all complaints fall within the Bureau's jurisdiction, and some are determined to be unsubstantiated. Examples of non-jurisdictional complaints include matters against institutions operating under a valid exemption, institutions without a physical presence in California, issues involving harassment or discrimination, health and safety concerns, or complaints involving an institution that is no longer in operation.

Even when a complaint is determined to be outside the Bureau's jurisdiction, it is not dismissed without action. The Bureau records the complaint for historical data purposes and ensures that it is referred to the most appropriate agency or resource. This includes referrals to other state or federal oversight bodies, as well as to the Bureau's own OSAR. By expanding its network of referral partners, the Bureau ensures that students and complainants are directed to the agencies best suited to address their concerns, providing meaningful support rather than closing cases without guidance.

Over the last four fiscal years, the Bureau's enforcement leadership has changed. The prior Supervising Special Investigator II (overseeing the complaints and investigations unit) left the Bureau in late 2021, with new leadership installed in early 2022. As is common with leadership changes, some subordinate managers and staff also departed, providing opportunities to make new hires aligned with leadership priorities. After departure of the Bureau's longstanding Deputy Bureau Chief, the

Bureau divided the position into two for greater senior-level visibility into operations. The position of Enforcement Deputy Bureau Chief was filled in May 2024.

At each stage, new leadership has reviewed unit processes, prioritization, and the resolution of complaints to ensure concerns were being handled appropriately and to the maximum extent under the Bureau's jurisdiction. While the Bureau closely monitors the number of complaints being received and investigations being resolved, and backlogs given substantial focus, they do not detract from the utmost priority of protecting consumers individually and collectively through complaint-handling procedures.

Given the extent of changes described above, the Bureau experienced a peak of 844 pending complaints in April 2023, which decreased to 775 at the close of fiscal year 2022–23. By the end of fiscal year 2024–25, pending complaints had declined to 464, representing a 45% reduction since the peak. This significant decrease reflects the Bureau's strategic efforts to resolve cases efficiently while maintaining a focus on quality outcomes. Between fiscal years 2022–23 and 2024–25, the Bureau's investigative operations demonstrated consistent and measurable growth.

In fiscal year 2022–23, the Bureau successfully closed 757 complaints (of which 465 were investigated), establishing a strong foundation for future progress. (Complaints not investigated include those submitted pertaining to exempt institutions, non-jurisdictional allegations, or complaints determined to be duplicative.) The following year, fiscal year 2023–24, that number surged to 1,110 (of which 877 were investigated), reflecting both increased capacity and a deepening commitment to thorough case resolution. By fiscal year 2024–25, the Bureau closed 1,175 complaints (of which 794 were investigated), underscoring continued momentum and dedication to reducing its backlog. Beyond closing complaints, the number of citations issued by the Bureau more than doubled during the reporting years, from 146 in 2021–22 to 327 in 2024–25, with Attorney General cases initiated increasing from 15 to 24 during the same time period (see Table 9). This sustained progress demonstrates the Bureau's improved efficiency and its continued commitment to high-quality oversight.

Through this comprehensive approach, the Bureau continues to strengthen its role as a responsive, student-centered agency. These efforts not only reduce complaint backlogs but also expand access to resources, ensuring that students and the public are better served across a broad spectrum of needs.

ISSUE #11: (ENFORCEMENT ACTIONS.) BPPE has been limited in its ability to take formal disciplinary action against schools and believes an update to the law is necessary.

Staff Recommendation: *The Committees should consider amending EDC § 94937 to authorize the Bureau to take disciplinary action based on potential harm to students.*

2021 Bureau Response: Within the new issues identified in the Bureau's 2019 Sunset Review Report, student harm leads the list. The Bureau looks forward to working with the Committees, Administration, and stakeholders on this proposal.

2025 Bureau Response:

This recommendation was adopted in Senate Bill 1433 (Roth, Chapter 544, Statutes of 2022), the Bureau's 2022 Sunset Bill. It has enabled the Bureau to pursue enforcement cases it would not otherwise have been able to, promoting compliance and consumer protection.

ISSUE #12: (STRF.) Are STRF monies being utilized to the fullest extent possible in order to benefit students? Should the Bureau be authorized to use STRF to fund operations?

Staff Recommendation: *The Committees may wish to consider whether it is appropriate to use funds paid by students to the STRF to fund the operations of the Bureau. Instead, the Committees may wish to evaluate whether the funds from the Surety Bonds, as outlined below, could be used for this purpose. The Bureau should update the Committees on the new STRF assessment requirements. The Committees may wish to expand the use of STRF to assist harmed students.*

2021 Bureau Response: The Bureau stands ready to work with the Legislature and stakeholders on any expansion on the use of STRF funds for Bureau operations. The idea of using STRF funds to fund the Bureau is separate from the proposal to require surety bonds, which are to help solve the larger problem of the fallout resulting from precipitous closures combined with existing restrictions on the use of STRF funds. Whereas a surety bond may cover costs incurred by a school closure (such as; travel, staff salary to complete a teach-out, and rent or other facility/building related costs to complete a teach-out), this STRF-related recommendation would expand the allowable uses of the STRF to include administrative costs associated with the Bureau serving as the Custodian of Records for schools that fail to identify one. In both recommendations, STRF would continue to cover the reimbursement of students' economic loss.

Under current law (Ed. Code §94925), when the STRF balance exceeds \$25 million, the Bureau shall temporarily stop collecting from institutions and when the STRF balance drops below \$20 million, the Bureau shall resume collecting. In 2015, the STRF fee was fifty cents per every one thousand dollars in institutional charges assessed on the student, the funds exceeded the \$25 million threshold, and the Bureau stopped collecting and amended the regulations to a collection rate of zero. In February 2021, the STRF dropped below the \$20 million threshold, and the Bureau resumed collection of fifty cents per thousand dollars in March 2021. Notifications were sent to the institutions on this fee change. The Bureau also provided institutions notification at the December 2020 and February 2021 Advisory Committee Meetings that the new assessment would be effective very shortly, as the regulation was already at the Office of Administrative Law.

2025 Bureau Response:

The 2025–26 Budget Act (Assembly Bill 123, Committee on Budget, Chapter 9, Statutes of 2025) expanded the authorized use of STRF to include the administration of STRF claims as well as the work of OSAR. These policy changes stem from an analysis by the FoundationCCC regarding the Bureau's fiscal stability supporting this issue and other recommendations endorsed by the Bureau for addressing its structural deficit.

ISSUE #13: (SURETY BONDS.) A requirement for a surety bond may ensure that all California students are protected in the event of institutional failure.

Staff Recommendation: *The Committees may wish to consider approving the Bureau's request to amend the statute to provide the Bureau with the authority to require surety bonds as part of the application process for an approval to operate.*

2021 Bureau Response: STRF funds are provided directly to former students to compensate them for an economic loss. In comparison, funds from a surety bond could be used for other purposes related

to school closures, such as to pay faculty on a temporary basis, provide for records storage for a closed/closing school, and provide a travel stipend for those students who wish to attend another institution.

The costs to schools, for a surety bond, would be based on a few factors, including the school's/owner's financial health. For example, in Alabama, a \$20,000 surety bond is required and the premium paid by the school typically ranges from 1% to 4% of the bond amount, or \$200 to \$800 annually. The Bureau researched other states' bond amounts and categories and chose the calculations used by the Arizona State Board for Private Postsecondary Education, with a slight modification.

Surety bond funds are more flexible than STRF and do not require an application to be submitted. Furthermore, a surety bond can be deployed more readily to assist when an institution suddenly closes.

2025 Bureau Response:

The Bureau is not pursuing a proposal to require surety bonds at this time. While the types of financial needs outlined previously continue to exist, the inconsistency in administrative and student needs poses challenges to developing a definitive proposal for surety bond terms, conditions, and provisions. The Bureau will continue to monitor the landscape for trends for future policy deliberations.

ISSUE #14: (OFFICE OF STUDENT ASSISTANCE AND RELIEF.) Originally envisioned as an independent ombudsperson to serve as a single student advocate point of contact to guide students before, during and after their time at a Bureau-regulated institution, OSAR has expanded its role and been provided additional positions and revenue, yet student harm remains and STRF goes largely uncollected. What is the status of OSAR and has the Office met the original mission of helping students?

Staff Recommendation: *The Bureau should provide an update on how the work of the OSAR has supported students harmed by the practices and/or closure of for-profit institutions in receiving restitution, recovery, and/or loan forgiveness. The committees may wish to consider whether the OSAR is the appropriate approach to solving the initial problem identified by the Legislature.*

2021 Bureau Response: OSAR was created within the Bureau to provide support, advocacy, and outreach for students who have been harmed by closures. OSAR has worked at great length to support students harmed by the practices and closures of institutions and has been successful in receiving restitution to pay back their economic losses. Prior to COVID-19, OSAR developed student-friendly outreach content, made logistical arrangements, and conducted on-site workshops for impacted students upon notification of a closure. In these workshops, OSAR provided broad information about students' rights and individualized counseling in the areas of STRF, navigating and applying for loan discharge and loan forgiveness programs, and other economic recovery options.

Since the COVID-19 pandemic, these student workshops have been held as virtual events. Additionally, OSAR has developed two online tutorial videos to help students who cannot attend an in-person workshop (virtual or otherwise). The events data provided as part of the Sunset Review compiled the details of these structured workshops described above. However, what is not captured in that information are the numerous other school closures, site closures, and program discontinuations where, due to various circumstances and considerations, OSAR staff met with

students on a one-on-one basis either via phone conference, email contact, or video conference. As reported to the BPPE Advisory Committee, moving forward, OSAR plans to capture and report this type of data to its internal and external stakeholders, in addition to data on its formal workshops.

Another component of OSAR's work that is directly related to the support of students obtaining economic restitution has been an ongoing multi-phased outreach campaign that consists of mass email messaging, phone calls, social media posts, web content, and direct letters targeting former Corinthian students who may benefit from STRF. As a result of OSAR's outreach efforts, the Bureau has received 3,104 STRF claims since OSAR's inception in 2018, and 633 of those claims are from former Corinthian students.

Another aspect of OSAR's efforts to help students receive economic restitution has been to partner directly with the United States Department of Education (US ED) to ensure that students receive timely information and instructions about the various Title IV discharge programs administered by the US ED, including closed school discharges, disability discharges, and Borrowers Defense to Repayment.

OSAR has often coordinated outreach events for Title IV funded schools that have closed, where the US ED staff co-present with OSAR. In situations where that arrangement has not been feasible, OSAR has worked collaboratively with the US ED to share with students customized closed school fact sheets that OSAR staff directs students to, on behalf of the United States Education Department. OSAR also helps students receive restitution if they have private loan balances at the time of closure, either in seeking forgiveness from the lender or via STRF.

Other examples of OSAR's efforts include working with students and the United States Department of Veteran Affairs to help students navigate the process of their Veteran's benefits being reset or being used at another school, helping students obtain key documents and information necessary to ensure they can successfully transfer to another institution in order to complete their education, and working with third party entities that award grants and other types of retraining or workforce funds who are impacted by school closures. This helps to ensure students are awarded educational credits that allow them to continue and complete their education at another institution.

OSAR is in close, ongoing communication with both the US ED and the California Attorney General's Office about forthcoming settlement terms resulting from outside litigation that could support students with additional restitution.

On March 18, 2021, the US ED announced that it would be fully discharging, rather than the partial discharge terms formulated by the prior administration, the loans of tens of thousands of students who were misled by Corinthian Colleges and ITT Tech. Preliminarily, OSAR believes this will impact about 200 STRF claims. There is a separate, ongoing class action lawsuit on behalf of non-Corinthian students with pending or partial federal borrowers defense claims that OSAR and BPPE are also closely tracking. OSAR serves as a liaison of information in that role. OSAR also works with various legal aid organizations to ensure the clients they represent receive the maximum available economic relief.

Regarding the concern raised about OSAR's activities compared to the primary legislative intent, OSAR only participates in and conducts other types of educational workshops after careful consideration of the value of each opportunity, and ultimately only when sufficient staffing resources are available to do so without negatively impacting OSAR's mandate. These efforts, clearly permissive in OSAR's statute, are always treated and viewed as a secondary goal to the primary objective of directly assisting students adversely impacted by school closures.

Since 2018 when OSAR was fully staffed, approximately \$7 million in STRF claims have been approved. The STRF payout may not be the ideal measure for the effectiveness of OSAR's assistance to harmed students in obtaining financial restitution. Limiting the view to STRF does not account for federal or private loan balance discharges, other types of loan forgiveness, the issuance of educational credits, veterans' benefits being reset, or for all the work OSAR does to help students transfer their units and successfully continue their educations. OSAR's outreach in communicating to these harmed students the potential benefit from applying for STRF has been effective.

In total, since OSAR was fully staffed in 2018, it has hosted 63 closed school workshops, which are followed immediately by one-on-one case management style assistance to an estimated 17,200 students impacted by school closures. OSAR also developed an online tutorial video to help students complete a STRF application, which has been viewed over a thousand times on the Bureau's website. Furthermore, OSAR has also provided proactive outreach on its free services to approximately 11,000 students at numerous events statewide. For Fiscal Year 2019–20 alone, STRF has paid out more than \$4.5 million in claims. So far in fiscal year 2020–21, STRF has paid out more than \$2 million in claims.

2025 Bureau Response:

Since 2021, OSAR has continued to connect with students before, during and after attending a private post-secondary educational institution in California to prevent and mitigate potential harm to students from unlawful activities or closures.

First, OSAR has guided prospective students in 101 informed choice outreach and educational activities, reaching over 11,000 prospective students. In these outreach events, OSAR has provided broad information about researching colleges and programs and identifying red flags regarding schools and lending practices. Additionally, in partnership with the California Department of Veterans Affairs, through the California Transition Assistance Program, OSAR has also provided outreach to specifically address veterans' post-secondary education opportunities and mitigate the risk of economic and educational opportunity loss.

A second component of OSAR's work focuses on assisting students who are harmed in connection with a school closure. OSAR has developed student-friendly outreach content, contacted students through email and phone, and conducted on-site and virtual workshops, reaching over 7,000 students who have been impacted by 140 school, branch or satellite closures. In workshops, OSAR provides information about students' rights, eligibility requirements for STRF, federal loan discharge and loan forgiveness programs, and other economic recovery options. OSAR conducted 21 closed school workshops. Additionally, for students requiring further assistance, OSAR has served as a primary point of contact, responding to over 4,400 calls and more than 5,700 emails requesting individualized assistance on topics including STRF applications, student loan relief, and assistance accessing transcripts and other student records.

OSAR's efforts to assist students during and after they have been affected by school closures or unlawful activity have contributed to 1150 STRF claims received by the Bureau since 2021, with over \$16 million reimbursed to students.

Finally, while providing STRF assistance to eligible students remains a focus for OSAR, the office takes a comprehensive view on mitigating students' economic and educational losses and takes a nimble

approach to help students navigate a shifting landscape for student relief. For example, in November 2022, OSAR partnered with the California Department of Justice to conduct outreach and provide assistance to students who were likely to be eligible for relief under a nationwide settlement in *Sweet v. McMahon* (f/k/a *Sweet v. Cardona* and *Sweet v. DeVos*). The settlement secured an expedited path to federal loan discharges for students who had attended a set of schools, including 28 in California, whose unlawful activity qualified students for relief. OSAR and DOJ collaborated to develop and implement an outreach plan that provided information about the Sweet settlement and OSAR services to 1,302 California students who had attended and filed complaints about qualifying schools. OSAR then conducted 66 individualized appointments with students to walk through options for federal loan discharge and other relief. In another special outreach campaign, in 2024, OSAR identified STRF applications that had been placed on hold based on potential eligibility for federal loan discharge under the U.S. Department of Education's "Borrower Defense to Repayment," and reached out to 272 students to identify the status of students' federal claims and provide guidance to students who were unable to receive relief under that program. Looking ahead, additional special outreach campaigns may be needed to assist students as federal programs continue to change.

ISSUE #15: (COVID-19.) The COVID-19 pandemic has impacted students, schools, and Bureau operations.

Staff Recommendation: The Bureau should advise the Committees on its response to COVID-19 and inform the Committees if there are any statutory or regulatory changes necessary to address the COVID-19 pandemic or any future state of emergencies. Additionally, the BPPE should advise the Committees of any issues or concerns related to delayed compliance inspections. What is the BPPE's plan to increase compliance inspections to meet the backlog?

2021 Bureau Response: In 2020, the Bureau completed 128 compliance inspections. Of those inspections, 11 Notices to Comply were issued and 26 enforcement referrals were made. The Bureau conducted 305 compliance inspections in 2019. When the pandemic hit, educational institutions in California (public and private), including postsecondary schools, transitioned from in-person teaching to online and distance education, due to local city/county/state health orders. While many institutions moved to distance education, the ability of the Bureau to conduct on-site inspections, as the law allows for, was halted between March 2020 and December 2020. The Bureau safely resumed onsite inspections in January 2021.

Prior to the COVID-19 pandemic, in January 2020, the Bureau had conducted its highest number of inspections since 2017, with a total of 51 inspections. While the pandemic halted inspection operations for a brief time, the Bureau stayed busy articulating and formulating methods to continue inspections, post-COVID. During the stay-at-home order, staff completed catalog and enrollment reviews of institutions due for inspections. This level of work on the back end will now enable the unit and inspectors the ability to increase inspections overall. Additionally, the Bureau's Enforcement Unit formulated a post-COVID procedure log for the conduction of inspections, in compliance with state and departmental health and safety guidelines, to ensure the maintenance of the safety of inspectors and school staff.

For the Bureau to meet the statutory mandate for inspections/compliance, at least 36 inspections must be completed monthly. During that first month of 2020, the Bureau was able to exceed the minimum inspection amount by almost one and a half times. The Bureau anticipates inspections will continue to increase, as the inspection process has been streamlined and improved.

2025 Bureau Response:

Since COVID-19 and the last Sunset Review, the Bureau has made tremendous progress toward meeting the statutory requirement for each approved institution to undergo at least two compliance inspections every five years. While full compliance with a five-year cycle can only be confirmed over its duration, the Bureau's recent inspection activity demonstrates that it is firmly on track. Across the current population of approved institutions, meeting this mandate would require about 360 inspections to be conducted annually. The Bureau conducted 429 inspections in fiscal year 2024–25 and is projected to inspect over 450 institutions in fiscal year 2025–26.

More specifically, 100% of approved institutions have undergone at least one compliance inspection within the last three years, except for approximately 25 institutions that were either newly approved or are subject to extenuating circumstances such as pending enforcement action. Among institutions approved for more than three years, 78% have already received both an announced and unannounced inspection within the last five years. The remaining 22% are on track to meet the two-inspection requirement well within the current five-year cycle, by the end of fiscal year 2025–26.

This progress demonstrates that the Bureau is effectively carrying out the statutory mandate for two inspections every five years, ensuring accountability across all institutions.

ISSUE #16: (TECHNICAL CHANGES MAY IMPROVE THE EFFECTIVENESS OF THE ACT AND BUREAU OPERATIONS.) There are amendments that are technical in nature but may improve BPPE operations.

Staff Recommendation: *The Committees should amend the Act to include technical clarifications.*

2021 Bureau Response: The Bureau looks forward to working with the Committees on this proposal, as well as the technical changes proposed in the Bureau's Sunset Report.

2025 Bureau Response:

The Bureau thanks the Legislature for its partnership on technical and other legislative proposals.

ISSUE #17 (CONTINUED REGULATION BY BUREAU FOR PRIVATE POSTSECONDARY EDUCATION.) Should the licensing and regulation of private postsecondary educational institutions be continued and be regulated by the current BPPE?

Staff Recommendation: *No recommendation at this time.*

2021 Bureau Response: The Bureau appreciates the diligent work of the Committees during this Sunset Review process, especially amidst the COVID-19 pandemic. Thank you and your staff for your leadership and partnership in serving and protecting California's students.

2025 Bureau Response:

The Bureau thanks the Legislature for its ongoing support of the Bureau's mission to protect California's postsecondary education students.

Section 10 – New Issues

The Bureau appreciates the opportunity to bring new issues and recommendations to the Legislature's attention. The 27 new issues outlined below are organized in categories for ease of review. While statutory recommendations are offered within the discussion of each issue, a full list of legislative recommendations offered by the Bureau is provided at the end of this section for reference.

Fiscal Solvency (New Issue 1)

New Issue #1: A new fee structure is urgently needed to ensure the Bureau can continue to protect and support California's postsecondary education students.

Background: The revenues generated by the Bureau's current fee structure are insufficient to cover required expenses, resulting in a structural deficit that grows each year it is left unaddressed. Required expenditures have outpaced revenues since 2014–15, with several temporary measures employed to enable continued operations. The Bureau is currently slated to become insolvent in 2027–28.

Much work has been done on this topic. A 2020 report by Capital Accounting Partners, LLC. (CAP), conducted at the request of DCA, concluded that the Bureau "must either dramatically cut expenses, which will impact its ability to complete its regulatory mission, or it must increase its fees." In 2021, DCA and the Bureau came to similar conclusions regarding the scale of the deficit and proposed an alternative approach to increasing licensing fees to an extent that would bring in sufficient revenue to cover required expenditures. Specifically, this approach focused primarily on annual fees, generating revenue by raising the minimum fee, maximum fee, and the percentage of revenue assessed. Ultimately, neither approach was effectuated through the legislative process, and accordingly, neither was implemented by the Bureau.

Since 2021, the Bureau has taken several steps to support fee-structure discussions and reduce the difference between revenues and expenditures. These include borrowing \$12 million in a Control Section 14.0 loan in 2021 and securing \$24 million from the General Fund to cover the anticipated structural deficit for Budget Years 2022–23, 2023–24, and 2024–25 while the Bureau completed a study to identify changes to the Bureau's fee structure. The study was conducted by the Foundation for California Community Colleges (FoundationCCC) under an Interagency Agreement in 2023 and presented to the Legislature in February 2024. Importantly, while FoundationCCC offered several recommendations for addressing revenue shortfalls outside of the context of the annual fees, which make up more than 90 percent of Bureau revenue, it did not find sufficient options for doing so to negate the need for annual fee increases. With respect to how annual fees could be raised, FoundationCCC found that the 2021 DCA/Bureau proposal was "reasonable," recommending that "modest changes could be made to adjust for the current context, making the proposal fit within the Bureau's updated financial outlook and coupled with other recommendations from this report."

Notably, the Bureau has already pursued other recommendations offered by FoundationCCC, which have collectively served to reduce the scale of the deficit. Specific steps include:

- Pursuing Trailer Bill Language to allow for funding for the administration of STRF claims and the work of OSAR to come from the STRF, in line with FoundationCCC recommendations. This language was adopted in the 2025–26 Budget Act.
- Eliminating positions that had been held vacant for salary savings and which the Bureau determined could be eliminated without sacrificing consumer protection.
- Working diligently to issue citations or pursue other discipline as warranted, while taking steps to promote payment of fines and fee recovery.

There are no other steps the Bureau can take at this point without legislative intervention to either increase fees or reduce mandates. As such, the Bureau and DCA have updated the 2021 fee proposal to incorporate changes already made and to account for the Bureau's updated fiscal outlook, in line with FoundationCCC recommendations.

The need to ensure the Bureau is adequately resourced and able to protect California students is more critical than ever at the moment, given uncertainties regarding the role the federal government will play in oversight of the private postsecondary educational industry going forward. In addition to the steps outlined above, and to support legislative discussions regarding appropriate fee structures, the Bureau and DCA in 2025 conducted workload analyses for all statutorily set fee levels, and updated its recommendations regarding Annual Fee levels to ensure sufficient revenue is generated across all fees for the Bureau to remain solvent and able to fulfill its charge and mission to protect California consumers.

Recommended Solution: To promote financial solvency, safeguard the Bureau's ability to protect consumers, and better align fee levels with associated expenditures, it recommends adjusting statutorily set fees as shown below.

Authority (Ed. Code)	Description	Current Fee	Proposed Fee
Non-Accredited Institutions			
94930.5 (a)(1)	Approval to Operate, Institution	\$5,000	\$10,000
94930.5 (a)(2)	Approval to Operate, Branch	\$3,000	\$3,000
94930.5 (b)(1)	Renewal, Institution	\$3,500	\$6,500
94930.5 (b)(2)	Renewal, Branch	\$3,000	\$3,000
94894(a),(g),(i),(k),(l)	Substantive Changes with Programmatic Review	\$500	\$2,000
94894 (b)-(f),(h),(j)	Substantive Changes without Programmatic Review	\$500	\$1,000
Accredited Institutions			
94930.5 (a)(3)	Approval to Operate	\$750	\$1,000
94930.5 (b)(3)	Renewal	\$500	\$1,000
94930.5 (c)(2)	Substantive Changes	\$250	\$500
Other Institutions/Fees			
94930.5 (e)(1)	Out-of-State Registration	\$1,500	\$10,000
94874.9 (e)(1)(D)	State Authorization Contract	\$1,076	\$2,500

The application fees listed above have not been raised since 2009, and, based on the Bureau's workload analysis, these increases are needed to recoup the costs for the functions being performed. The above changes are estimated to generate an additional \$1.2 million in revenue

annually. The balance of required revenues would need to be generated from annual fees paid by approved institutions (main and branch locations).

Annual Fee Factor (Ed. Code section 94930.5 (g))	Current Structure	Proposed Structure
Revenue Percentage	0.55%	0.75%
Minimum Fee	\$2,500	\$4,000
Maximum Fee per Location (Main/Branch)	\$60,000	\$80,000
Maximum Fee per Institution	\$750,000	\$750,000

Collectively, these proposals would generate sufficient revenue to enable the Bureau to remain solvent through 2030–31, allowing it to continue to fulfill its consumer protection mission through its next anticipated Sunset Review date.

Institutional Approvals and Accreditation (New Issues 2-11)

New Issue #2: Statutory language related to institutional approvals establishes problematic standards for adjudication of applications, challenging the Bureau's ability to focus resources and attention in the areas of greatest need.

Background: Pursuant to EDC section 94887, after an applicant submits an application for approval to operate, the Bureau is to review the application and “independently verify” the information submitted to determine whether the applying institution has the “capacity to satisfy the minimum operating standards.” Each of these phrases poses challenges to the Bureau’s ability to focus resources where most warranted, and to deny applications as it deems appropriate.

The application for approval to operate a private postsecondary educational institution is extensive, requiring an applicant to submit voluminous information about its intended operations, programs, locations and facilities, ownership, administrators, and faculty, as well as copies of required documents like the institution’s catalog and enrollment agreement. Each document is compared against established minimum operating standards to determine whether the standards have been met and whether signs of noncompliance are present. However, a requirement to “independently verify” all the information provided is overly onerous and simply not workable. For instance, if an institution’s proposed chief academic officer’s relevant qualifications stem from reported employment at multiple prior institutions, must the Bureau verify the individual’s employment records? If an institution proposes to offer a 200-hour program, how should the Bureau validate that the program will indeed be 200 hours in length? At some point, independent verification of the information is not feasible, and the Bureau must be able to rely upon statements provided by the institution while holding them accountable if those statements are proven incorrect.

The current standard may be used by institutions to argue that, because the Bureau reviewed, independently verified, and approved its application, the Bureau cannot subsequently discipline the institution based on any information contained in its application. For example, if an institution submits a catalog that fails to include refund policies as required by law, it may argue that it cannot be subsequently disciplined for this violation because it relied on the Bureau’s independent verification of its catalog. It is not possible, with the Bureau’s resources, to validate every statement given the volume and types of information provided on applications for approval to operate.

Secondarily, the law articulates the standard for approval to be having “the capacity to satisfy the minimum operating standards,” rather than actually satisfying the minimum operating standards. To illustrate the difference in these concepts, consider an institution with financial resources but no faculty or administrators in key roles. Such an institution could meet faculty and administrator standards, but they do not. Institutions approved by the Bureau should satisfy the minimum operating standards to obtain approval, not merely demonstrate the “capacity” to do so.

Recommended Solution: The Bureau recommends that the Legislature eliminate the requirement that the Bureau “independently verify” the information submitted on an application in section 94887. This would allow the staff to review institutions and determine if they meet the requirements set out in law and focus more on institutions and applications where red flags exist, similar to the way other DCA boards and bureaus review and process applications. The Bureau also recommends that the Legislature eliminate the requirement in approval standards at EDC sections 94887 and 94891 that states applicants need only show the “capacity to meet” minimum operating standards. Instead, the statute should state that institutions “have satisfied” or “adhered to” the minimum operating standards. (Note that the proposed language below does not include other proposed changes to EDC section 94887 discussed in Issue #11.)

94887.

An approval to operate shall be granted only after an applicant has presented sufficient evidence to the bureau, ~~and the bureau has independently verified the information provided by the applicant~~ through site visits or other methods deemed appropriate by the bureau, that the applicant has ~~the capacity to satisfy~~ satisfied the minimum operating standards. The bureau shall deny an application for an approval to operate if the application does not satisfy those standards. The bureau may deny an application for an approval to operate institutions that would be owned by, have persons in control of, or employ institution managers that had knowledge of, should have known, or knowingly participated in any conduct that was the cause for revocation or unmitigated discipline at another institution.

94891.

(a) The bureau shall adopt by regulation the process and procedures whereby an institution may obtain a renewal of an approval to operate.

(b) To be granted a renewal of an approval to operate, the institution shall demonstrate its continued ~~capacity to meet~~ compliance with the minimum operating standards.

(* * * *)

New Issue #3: Institutional accreditation does not always cover all an institution’s programs, leaving gaps in oversight for institutions approved by means of accreditation.

Background: EDC section 94890 directs the Bureau to issue an institution accredited by a recognized accrediting agency an “approval by means of accreditation.” This provides a streamlined path to approval for accredited institutions, reducing duplicative reviews for institutions that have already met quality standards established and monitored by accrediting agencies.

However, some accredited institutions offer programs that are outside the scope under focus by their accrediting agency. The most common such scenario is a degree-granting institution that elects to offer certificate programs designed to support their broader student population, with their institutional

accreditor unconcerned with the type of the certificate programs being offered. The agency is aware of them but elects not to review or recognize them.

A less common but more troubling scenario is an institution offering programs that fall under its accrediting agency's scope, but which the accrediting agency has neither reviewed nor explicitly allowed. Consider the example of an institution accredited by an allied health-focused accreditor, accredited based on its vocational nursing programs but also wants to offer medical assisting programs without the review or sign-off of its accrediting agency. As currently written, EDC section 94890 would require the Bureau to grant such an institution an approval by means of accreditation, effectively deferring to the accrediting agency for licensure purposes, without allowing the Bureau to take into account that the institution is violating accrediting agency rules by offering the medical assisting programs. This puts consumers at risk and is at odds with the goal of deferring to an accrediting agency, since they have not reviewed the program. The intention behind approval by means of accreditation is to minimize duplicative work by having the Bureau defer to an accrediting agency for licensure purposes; it is not to give an accredited institution blanket clearance to offer any programs they choose, regardless of their accreditation status.

One solution would be to amend the law to specify that institutions approved by means of accreditation may not operate outside of their accreditation scope, thus requiring any institutions desiring to do so to undergo the full approval process. However, the Bureau believes a better approach would be to instead specify that the approval to operate granted to an institution approved by means of its accreditation is limited to the scope of its accreditation, with deviations acceptable only in cases in which the accrediting agency verifies that such deviations are not counter to accrediting agency standards.

Recommended Solution: The Bureau recommends the second approach discussed above, as reflected in the proposed text below for section 94890:

94890.

(a) (1) The bureau shall grant an institution that is accredited an approval to operate by means of its accreditation. Programs not within the scope of accreditation shall not be included as an approved program by the Bureau without the express written consent of the accreditor.

New Issue #4: Tightening requirements for unaccredited degree-granting institutions would better protect students from exploitation.

Background: Since 2015, California law has required degree-granting institutions to be accredited by a federally recognized agency or to be on a path towards achieving such accreditation. This rule, similar to that of nearly all other states in the country, helps to ensure that the credentials earned by students have recognized value in the broader education and labor marketplace, particularly for degree programs that require substantial investments of time and money.

While these provisions are effective at reducing the prevalence of students graduating from unaccredited degree programs where their investments may not pay off, this is not the case for students who enroll in the programs before accreditation has been achieved. In particular, the Bureau has encountered two situations in which the risk to students is particularly pronounced and the aim of the law is undermined.

First, the Bureau does not have a statute that prevents an institution, whose provisionally approved degree programs were suspended or surrendered due to an inability to obtain accreditation, from immediately applying for a provisional approval again, including for the same programs that were unsuccessful. Instilling a “cooling off” period after provisionally approved programs have been suspended or surrendered would promote greater reflection on the part of institutions seeking accreditation, improving their chances of achieving accreditation going forward. It would also close off what is effectively a loophole in the law requiring accreditation be achieved, by disallowing the five-year timeline to start and restart multiple times.

Second, some unaccredited institutions offering degree programs enroll a student population composed of nearly exclusively international students studying on federal student visas. These students are particularly vulnerable. While enrolled, the fact that their immigration status is tied to enrollment in a particular institution limits their ability to withdraw or transfer elsewhere should they have concerns about their institution or program. Their immigration-related ties to the institution also may dissuade students from raising concerns about their institution, as their institution holds a level of power and influence over them to a greater extent than for domestic students. Also, once they have graduated, their authorization to remain in the country will rely on their ability to obtain employment, a task that is particularly challenging without an accredited degree.

Imposing limitations on international student enrollment in provisionally approved degree programs will not have an adverse impact on students intending to study in California using student visas, because nearly all provisionally approved degree programs are in subject areas and at degree levels commonly found in accredited institutions in California. In contrast, a limitation on international student enrollment in unaccredited degree programs would encourage students using visas to choose accredited institutions, maximizing the return on their investment, and ensure that unaccredited, degree-granting institutions are focused on offering quality educational programs that students freely choose.

Recommended Solution: The Bureau recommends amending the law as follows:

94885.5.

(* * * *)

(1) The institution may not offer more than two degree programs during the term of its provisional approval to operate degree programs. Enrollment of students on student visas must not exceed twenty-five percent of total enrollment in any provisionally approved degree program.

(* * * *)

(g) An institution with provisionally approved degree programs that are suspended by the Bureau or surrendered by the institution shall not apply for provisional approval of degree programs until two years after the date of the prior suspension or surrender.

New Issue #5: Protections for degree programs are undercut if the requirement for accreditation does not apply to all degree programs offered.

Background: EDC sections 94885 and 94885.5 require an institution be accredited or obtain accreditation from an accrediting agency, with the “scope of that accreditation covering the offering of at least one degree program.” This requirement is undercut if an institution is able to seek

approval by means of its accreditation, and the scope of that accreditation does not cover all degree programs offered. It is essential for consumer protection that if a student is enrolled in a degree program, the program is accredited, either via programmatic accreditation or institutional accreditation.

In section 94885, an institution may have accreditation from one accrediting agency or, in some cases, may have multiple accrediting agencies. For example, one institution with multiple locations has an institutional accreditation from an accrediting agency and has further accreditation for a dental hygiene program from a programmatic accrediting agency recognized by the U.S. Department of Education.

Section 94885(b) also begins with a reference to section 94885.1, stating “Except as provided in section 94885.1...” This section, however, is no longer operative. Pursuant to subdivision (g) of section 94885.1, the section remained in effect until January 1, 2023, and as of that date was repealed. A technical change could be made to remove the reference to the repealed section, as it is no longer in effect.

Recommended Solution: The Bureau recommends modifying section 94885 to ensure that all degree programs offered by the institution are accredited by an institution's accrediting agency or agencies. Other technical changes could further improve the clarity of subdivision (b).

94885.

(* * * *)

(b) ~~Except as provided in Section 94885.1, a~~An institution offering a degree must satisfy one of the following requirements:

(1) Accreditation by one or more ~~an~~ accrediting agency ~~agencies~~ recognized by the United States Department of Education, with the scope of that accreditation covering the offering of ~~at least one~~ all degree programs offered by the institution.

(* * * *)

New Issue #6: Terminology used for degree programs offered by institutions that fail to achieve accreditation is misleading to both institutions and students.

Background: Under EDC sections 94885.5 and 94885.7, the term “suspended” is used to describe the status of degree programs at institutions that either lose accreditation or fail to meet provisional approval requirements by the specified deadlines. This terminology implies a temporary condition with the possibility of reinstatement, and the law would seem to provide a path towards reinstatement.

In practice, however, reinstatement is not feasible due to regulatory and accreditation constraints. Once a program loses accreditation or fails to meet provisional approval requirements, it cannot regain it while in a suspended status. This is because a suspended program must have achieved accreditation to operate, but cannot achieve accreditation without operating. This circularity renders reinstatement impossible.

If an institution with suspended degree programs wanted to attempt to achieve accreditation again, the only viable path is to restart the process with a new programmatic approval. The law should not imply otherwise. Modifying the terminology used, and eliminating the unworkable path towards program reinstatement, would provide clearer direction to both students and institutions alike.

Recommended Solution: Amend EDC Sections 94885.5 and 94885.7 to replace the terms "suspended," "suspending," and "suspension" with "terminated," "terminating," and "termination," respectively. This change will:

- Accurately reflect the finality of accreditation loss.
- Eliminate false hope of reinstatement for defunct programs.
- Clarify student options regarding teach-outs and refunds.
- Improve transparency in the Bureau's approved program listings.
- Align statutory language with regulatory reality.

Accordingly, the Bureau recommends the following changes:

94885.5 (c)(1) Except as provided in paragraph (2), an institution required to comply with this section that fails to do so by the dates provided, as required, or for which accreditation is removed or revoked by the accrediting agency, shall have its provisional approval to operate degree programs automatically **suspended terminated** on the applicable date. The bureau shall issue an order **suspending terminating** the institution's degree programs **and that suspension shall not be lifted until the institution complies with the requirements of this section or has its accreditation reinstated.** An institution that has its degree programs **suspended terminated** shall not enroll new students in any of its degree programs and shall execute a teach-out plan for its enrolled students in those degree programs.

(* * * *)

(c)(2)(B) An institution offering both degree and nondegree programs that has its provisional approval to operate degree programs **suspended terminated** or that voluntarily ceases to pursue accreditation may continue to offer its nondegree programs, subject to all other laws and regulations.

94885.7(e) Any institution that fails to comply with the requirements of this section by the dates provided shall have its provisional approval to operate degree programs automatically **suspended terminated** on the applicable date. The bureau shall issue an order **suspending terminating** the institution's provisional approval to operate degree programs **and that suspension shall not be lifted until the institution complies with the requirements of this section or has its accreditation reinstated.** An institution with a **suspended terminated** provisional approval to operate degree programs shall not enroll new students in any of its degree programs and shall execute a teach-out plan for its enrolled students.

(* * * *)

(f)(2) An institution offering both degree and nondegree programs that has its provisional approval to operate degree programs **suspended terminated** or that voluntarily ceases to pursue accreditation may continue to offer its nondegree programs and is subject to all other laws and regulations.

New Issue #7: Visiting committee reviews of degree-granting institutions in the process of obtaining accreditation are not appropriately targeted.

Background: Education Code requires institutions offering degree programs to be accredited by a recognized agency or be in the process of achieving accreditation. For those institutions that are not yet accredited, the Bureau approves degree programs provisionally and monitors institutions' progress towards accreditation over time periods established in law. The monitoring process requires that a visiting committee be assembled to make recommendations regarding an institutions' ability to obtain accreditation within the first two years of the programs being provisionally approved.

Generally, this visiting-committee touchpoint with institutions offering provisionally approved programs is valuable. However, for institutions further along in their accreditation pursuit, it may be unnecessary. Additionally, there are instances where a visiting-committee touchpoint might be more valuable for both the Bureau in its efforts to monitor compliance and for the institutions seeking accreditation if it took place after the two-year mark.

Modifying this component of the monitoring process would better target Bureau efforts and resources, while providing more appropriately tailored support to institutions seeking accreditation.

Recommended Solution: Amend EDC section 94885.5(b)(2) as follows, to preserve an option for a visiting committee review within the first four years of an institution's approval to operate for provisionally approved degree programs.

(2) Within the first ~~two~~ four years of issuance of the provisional approval to operate degree programs, ~~a visiting committee, empaneled by~~ the bureau ~~pursuant to Section 94882, shall~~ may empanel a visiting committee to review the institution's ~~application for approval and its~~ accreditation plan and any related documents or materials as determined by the visiting committee, and make a recommendation to the bureau regarding the institution's progress to achieving full accreditation.

New Issue #8: Existing requirements allowing the Bureau access to accrediting agency documents for accredited institutions do not extend to institutions pursuing accreditation.

Background: Existing law allows for the Bureau to have access to accrediting agency documents for approved institutions so the Bureau can have access to what accrediting agencies know about the institutions. However, this allowance does not extend to institutions pursuing accreditation with a possible accreditor, leaving gaps in Bureau authority to request necessary documentation from accrediting agencies. This is particularly problematic given that the Bureau is responsible for monitoring such institutions' progress towards accreditation.

Granting access to these documents for institutions that are pursuing accreditation would allow the Bureau to better track accreditation progress and support its licensing efforts for institutions.

Recommended Solution: The Legislature should consider changes to EDC sections 94944.5 and 94944.6 to expressly include authority for the Bureau to request information from accrediting agencies when an institution is pursuing accreditation with that agency.

94944.5.

Each institution subject to this chapter shall be deemed to have authorized its accrediting agency, or any accrediting agency from which it is pursuing accreditation, to provide the bureau, the Attorney General, any district attorney, city attorney, or the Student Aid Commission, within 30 days of written notice, copies of all documents and other material concerning the institution that are maintained by the accrediting agency.

94944.6.

Within 30 days of receiving a written notice from the bureau, the Attorney General, district attorney, city attorney, or the Student Aid Commission pursuant to Section 94944.5, an accrediting agency shall provide the requesting entity with all documents or other material concerning an institution accredited by or in pursuit of accreditation by that agency that are designated specifically or by category in the written notice.

New Issue #9: The definition of “substantive change” establishes artificial distinctions in institutional locations based on distance, when distance does not relate to compliance with minimum operating standards.

Background: Once approved, the Private Postsecondary Education Act requires institutions to obtain approval for substantive changes to their operations, with such changes articulated in EDC section 94894. As-needed reviews when institutional operations change are essential to ensuring continued compliance with established minimum operating standards.

The Bureau is currently undergoing an analysis of how the line between substantive and non-substantive changes could be more clearly articulated through regulation, as part of an effort to ensure appropriate monitoring of institutional changes that may impact students.

However, one issue has been identified that would require statutory change. Section 94894(h) defines a substantive change as, “An addition of a separate branch more than five miles from the main or branch campus.” The Bureau is responsible for ensuring that an institution’s facilities suffice to enable students to achieve their educational goals, pursuant to EDC section 94885(a)(3). For institutions seeking to operate a new location, the Bureau’s efforts to ensure compliance do not differ based on the distance of the new branch, and as such, the exemption from Section 94894(h) for separate branches located five miles or less from the main or branch campus is arbitrary and lessens the Bureau’s oversight authority.

Recommended Solution: The Bureau recommends removing the reference to distance in section 94894(h), as shown below, redefining the addition of any new branch as a substantive change.

94894.

The following changes to an approval to operate are considered substantive changes and require prior authorization:

(* * * *)

(h) addition of a separate branch more than five miles from the main or branch campus.

New Issue #10: Recordkeeping requirements for accredited institutions are overly confusing, deferring to accrediting agencies when accrediting agencies typically defer to state recordkeeping rules.

Background: The Private Postsecondary Education Act outlines specific records that must be maintained by each approved institution, for both enrolled students and for the institution as a whole. These recordkeeping requirements are central to the Bureau's work monitoring the compliance of institutions approved to operate. Whether working to determine the veracity of a complaint, or performing routine checks as part of an inspection, the Bureau checks against institutionally maintained records to evaluate compliance and allegations. The absence of required records itself may lead to an institution being disciplined, as the Bureau cannot determine whether other violations have occurred, if required disclosures were made to students, or whether students' rights were maintained.

EDC section 94900.7 states that established recordkeeping rules shall not apply to an institution that is accredited, so long as the Bureau determines the accrediting agency's own recordkeeping requirements are substantially similar to those of the Bureau. The Bureau recommends deleting this section of law because it introduces confusion regarding requirements that are central to its efforts to monitor institutional operations.

The Bureau believes deletion of this section will have no impact to approved institutions for two reasons. First, the Bureau has held discussions with several prominent accrediting agencies among California institutions and has not found any accrediting agency with comparable requirements to those of the Bureau. Second, were an accrediting agency's requirements to be substantially similar to those of the Bureau, then the institution would not need a reprieve from having to comply with the Bureau's requirements.

Recommended Solution: The Bureau recommends deleting EDC section 94900.7.

New Issue #11: Institutional ownership and management that put students at risk through improper closure should receive additional scrutiny if they apply for a new approval to operate.

Background: The Bureau grants an approval to operate to private postsecondary educational institutions operating in California, and holds them accountable for noncompliance, as necessary, by imposing discipline on their approval to operate. The disciplinary process requires institutions to come into compliance with established standards or risk losing their authorization to operate. However, the potency of this enforcement mechanism is weak after an institution decides to close and no longer needs an approval to operate.

Yet, while institutional closure rules are challenging to enforce, institutional closures themselves pose substantial consumer protection challenges. Institutions typically close for financial reasons, and financially struggling institutions rarely provide impacted students with the refunds to which they are entitled under the law. Relatedly, while approved institutions are required to retain and make available student records beyond the point of closure, many do not, and records that should continue to be available become permanently inaccessible. Once the Bureau determines that the pertinent laws have been violated, it is too late to impose discipline because the institution no longer holds an approval to operate.

EDC section 94887 allows the Bureau to deny applications for approval to operate institutions that would be owned or run by institutions whose approvals were revoked. However, many other states'

private college regulatory agencies provide for (or even require) application denial in cases where the applicants were involved with improper closure. For instance, Virginia law states that “Owners or senior administrators of a postsecondary school that closes without providing (i) an adequate teach-out plan or refunds of unearned tuition and (ii) appropriate preservation of records shall be denied certification to operate another postsecondary school in the Commonwealth.” (See Code of Virginia, [sections 23.1–229](#). Postsecondary school closure procedures.)

The Bureau recommends adopting similar provisions to those found in other states, adjusted to conform with California’s existing closure requirements, to help protect against institutional leaders reopening new institutions after previously subjecting students to harm. This would also help improve incentives for institutions to comply with closure requirements, even after the closed school is no longer subject to discipline.

Recommended Solution: The Bureau recommends amending EDC section 94887 as follows (note that the change below does not include other proposed changes to EDC section 94887 discussed in New Issue #2):

94887.

An approval to operate shall be granted only after an applicant has presented sufficient evidence to the bureau, and the bureau has independently verified the information provided by the applicant through site visits or other methods deemed appropriate by the bureau, that the applicant has the capacity to satisfy the minimum operating standards. The bureau shall deny an application for an approval to operate if the application does not satisfy those standards. The bureau may deny an application for an approval to operate institutions that would be owned by, have persons in control of, or employ institution managers that had knowledge of, should have known, or knowingly participated in any conduct that was the cause for revocation or unmitigated discipline at another institution. The bureau may deny an application for an approval to operate institutions that would be owned, controlled, or under the management of any person that previously owned, controlled, or managed an institution that closed without complying with legal requirements to provide refunds to impacted students or appropriately preserve and make available records.

Exemptions and the Exemption Verification Process (New Issues 12–14)

New Issue #12: Questionable entities applying for verification of exemption necessitate clarification about the intent of EDC section 94874.7.

Background: EDC section 94874.7 directs the Bureau to establish a process for an exempt institution to obtain the Bureau’s verification that the institution is exempt, as determined by the Bureau. This verification is entirely voluntary on the part of applicant institutions. The process and fee associated with a verification of exemption application are delegated to the Bureau as a regulatory matter. To date, the Bureau has approached this process with just a simple application and a \$250 fee. This approach is no longer feasible without changes to the law.

In recent years, the Bureau has increasingly seen questionable entities applying for verifications of exemption. In one common scenario, an applicant will provide information for a website that purports to be an institution but consists nearly exclusively of stock photos and generic statements. These websites are often missing key elements found with legitimate colleges, such as a course schedule or catalog, information about admissions deadlines or policies, or even information about

the programs offered. The increasing prevalence of such questionable entities has been documented by [USA Today](#) and [Inside Higher Ed](#).

Once such entities are provided with verified exemptions, they use the Bureau's letters to highlight that a California state agency has reviewed their institution and determined it to be exempt from state oversight, implying that the exemption entails an assessment of low risk and/or high quality. In fact, this is not the case. Rather, from an enforcement perspective, the Bureau is left with little option beyond providing a verified exemption, because proving that an entity purporting to be a college is not actually a college is a much greater task than the process currently in place for verifying exemptions.

The Bureau recommends the Legislature amend EDC section 94874.7 to clarify that, as a voluntary process, a verification of exemption is not a license or right, and accordingly, the denial of a verification of exemption application is not an adverse administrative action warranting appeal rights. The Bureau also recommends the law be amended to state that applications for verification of exemption may be approved or denied, or the Bureau may determine that they are unable to verify the exemption. Without such changes, the Bureau will have two options: One, it could amend the verification of exemption process to entail a much more rigorous review, with a much larger application fee associated with it to cover increased workload and the costs of legal representation in enforcement proceedings; or two, it would continue with the status quo, which may result in unintentionally granting legitimacy to questionable actors and entities.

Lastly, the Bureau recommends including language stating that it shall not grant a verification of exempt status to any institution that previously held an approval to operate and has outstanding citations, fines, or disciplinary actions. This addition ensures that institutions cannot use the exemption process as a loophole to avoid regulatory oversight or financial accountability. The proposed language aligns with prior legislative intent focused on protecting students and maintaining institutional integrity. Requiring institutions to be in good standing before receiving a verification of exemption status helps prevent non-compliant entities from continuing operations under the appearance of exemption.

Recommended Solution: The Bureau recommends amending EDC section 94874.7 as follows (note that the recommended language shown here is inclusive of the recommended language discussed in issue 14, in green text for distinguishing purposes):

94874.7.

The bureau shall establish, by regulation, a process pursuant to which an institution that is exempt from this chapter may request, ~~and obtain~~, from the bureau verification that the institution is exempt. [In response to a request for verification, the bureau may approve the request, deny the request, or determine that it is unable to verify the exemption.](#)

[The Bureau shall not grant a verification of exemption to an institution that previously held an approval to operate and has outstanding citations, fines, or discipline. The Bureau shall not grant a verification of exemption to an institution that offers one or more programs designed to lead to licensure that do not hold approval from the pertinent licensing body or bodies.](#)

The verification shall be valid for a period of up to two years, as long as the institution maintains full compliance with the requirements of the exemption. [Bureau determinations pertaining to](#)

verifications of exemption are not adverse administrative actions and are not subject to appeal. A verification of exemption is not required to operate as an exempt institution.

The bureau shall establish a reasonable fee to reimburse the bureau's costs associated with the implementation of this section.

New Issue #13: Several categories of exemptions in the Act involve loopholes that could be tightened to improve oversight, lessen the opportunity for fraud, and support consumer protection.

Background: As discussed earlier in the report, exemptions may support the availability of quality postsecondary educational programs that pose low risks to consumers while focusing the Bureau's attention and resources on higher risk entities, so long as the exemptions are carefully conceived. The Bureau's experience in reviewing hundreds of applications for verification of exemption each year has demonstrated that several exemptions could be strengthened to improve consumer protection, as outlined below:

- EDC section 94874(b)(1) provides exemptions to institutions offering educational programs to members of a bona fide trade, business, professional, or fraternal organization that sponsors the educational programs. However, the terms "bona fide" and "sponsors" are undefined, creating loopholes in which unscrupulous entities create questionable or even fraudulent institutions and sponsoring organizations. Several institutions that have claimed exemption under EDC section 94874(b)(1) are akin to what USA Today has termed "zombie colleges" for their tendency to impersonate shuttered institutions while having no students or faculty to speak of. Because these institutions tend to market themselves as offering advanced degrees, the Bureau recommends amending EDC section 94874(b)(1) to restrict this exemption to only those institutions offering non-degree educational programs.
- As discussed in the Bureau's last Sunset Report, additional specificity regarding religious exemptions (Ed. Code section 94874(e)) would support the integrity of this exemption category. Currently, institutions seeking exemption offer instruction covering any and all areas of knowledge, with very limited reference to the principles of the religious organization and provide preparation for secular careers. Recent examples include programming, including degrees in "Biblical Accounting," or "Artificial Intelligence Data Security and the Bible." The Bureau's current recommendation on this exemption category, as shown below, is to specify that institutions do not meet exemption standards by applying religious terminology to otherwise secular programming.
- EDC section 94874(f) allows for low-cost institutions that do not receive state or federal student financial aid to qualify for exemption. While the concept behind this exemption is valuable, certain words within this exemption challenge the Bureau's ability to enforce it meaningfully.
 - First, the language refers to an institution that "provides educational programs," whereas the definition of private postsecondary educational institution in EDC section 94858 refers to an entity that "offers postsecondary education."
 - Second, the Act does not define what is included in the phrase "state or federal student financial aid programs," leading to ambiguity in what types of government resources render an institution ineligible for exemption under section 94874(f).
 - Third, the exemption language refers to whether any part of total charges "is paid" from financial aid programs, whereas EDC section 94874.2 restricts from exemption eligibility of any institution that "is approved to participate" in certain veterans' benefit programs.

The import of these word choices, from an investigative and evidentiary standpoint, can be illustrated with an example of an institution that is listed on federal websites as eligible for federal benefits that advertises programs that cost \$10,000. To conclusively show that the institution is ineligible for exemption, the Bureau would need to prove that the institution provided education

at a cost above \$2,500 (beyond having offered it) and that the institution received student financial aid (beyond being eligible for it). The intent of this exemption would be better met by amendments as shown below.

- EDC section 94874(j) exempts specified flight schools that meet Federal Aviation Administration (FAA) regulations. There are two distinct categories of FAA-regulated flight schools: part 141 schools for which FAA has full oversight, including access to records and authority to conduct inspections; and part 61 schools that self-certify their compliance with FAA regulations and for which the FAA does not have authority to inspect or review records without cause. The Bureau recommends narrowing this exemption to only those flight schools that provide flight instruction pursuant to part 141 of Title 14 of the Code of Federal Regulations.

Exemption categories are a critical part of California's oversight structure, and it is essential that they be defined properly and clearly. Additionally, the pursuit of unapproved activity – or the operating of a private postsecondary educational institution without authorization, if not under a qualifying exemption – is a substantial focus of the Bureau's enforcement efforts. To support the Bureau's activity in this area, it recommends amending EDC section 94944 to clarify that institutions may be cited for offering or providing unauthorized postsecondary education, in addition to "operating an institution" without authorization. The Bureau further recommends amending sections 94869 and 94886 to state that operating a private postsecondary educational institution is inclusive of offering postsecondary education to the public.

Recommended Solution: The Bureau recommends amending EDC sections 94874 and 94944 as follows:

94874.

Except as provided in Sections 94874.2, 94874.7, and 94927.5, the following are exempt from this chapter:

(* * * *)

(b)(1) An institution only offering non-degree educational programs to members of a bona fide trade, business, professional, or fraternal organization that is separate and distinct from the institution and that sponsors the educational programs. An institution that sponsors an educational program directly or through an affiliated division or corporate entity of the institution and that requires student membership for purposes of those educational programs does not qualify under this exemption.

(* * * *)

(e)(1) An institution owned, controlled, and operated and maintained by a religious organization lawfully operating as a nonprofit religious corporation pursuant to Part 4 (commencing with Section 9110) of Division 2 of Title 1 of the Corporations Code, that meets all of the following requirements:

(A) The instruction is limited to the principles of that religious organization, or to courses offered pursuant to Section 2789 of the Business and Professions Code. Adding religious perspectives or verbiage to the titles or descriptions of otherwise secular programming or career preparation does not limit instruction to the principles of that religious organization.

(B) The diploma or degree is limited to evidence of completion of that education.

(2) An institution operating under this subdivision shall offer degrees and diplomas only in the beliefs and practices of the church, religious denomination, or religious organization.

(3) An institution operating under this subdivision shall not award degrees in any area of physical science.

(4) Any degree or diploma granted under this subdivision shall contain on its face, in the written description of the title of the degree being conferred, a reference to the theological or religious aspect of the degree's subject area.

(5) A degree awarded under this subdivision shall reflect the nature of the degree title, such as "associate of religious studies," "bachelor of religious studies," "master of divinity," or "doctor of divinity."

(f) An institution that does not award degrees and that solely provides **or offers to the public** educational programs for total charges of two thousand five hundred dollars (\$2,500) or less, **unless the institution receives funds through state or federal programs for postsecondary education or training or participates in such programs. when no part of the total charges is paid from state or federal student financial aid programs.** The bureau may adjust this cost threshold based upon the California Consumer Price Index and post notification of the adjusted cost threshold on its internet website as the bureau determines, through the promulgation of regulations, that the adjustment is consistent with the intent of this chapter.

(* * * *)

(j) Flight instruction providers or programs that provide flight instruction pursuant to **part 141 of Title 14 of the Code of Federal Regulations Federal Aviation Administration regulations** and meet both of the following criteria:

94944. Fine for Unlicensed Activity

Notwithstanding any other law, the bureau shall cite any person, and that person shall be subject to a fine not to exceed one hundred thousand dollars (\$100,000), for operating an institution **or offering or providing to the public educational programs** without proper approval to operate issued by the bureau pursuant to this chapter. The maximum fine for unlicensed activity is separate and not inclusive of fines for other violations or refunds ordered.

New Issue #14: Institutions offering licensure programs without requisite licensing agency approval are not disqualified from receiving verifications of exemption, putting consumers at risk.

Background: For institutions subject to approval requirements, any programs leading to licensure must have the requisite approval from the applicable licensing agency. For instance, the Bureau cannot approve a vocational nursing program for an approved institution if the program is not approved by the Board of Vocational Nursing and Psychiatric Technicians (BVNPT). Also, the program loses Bureau approval if it is no longer approved by BVNPT. These provisions help to ensure that students enrolling in programs leading to specific employment paths will have access to those paths after program completion.

No such provision exists for exempt institutions. In fact, it is not uncommon for institutions applying for exemption to report that they offer licensure programs but do not have the requisite approval from the pertinent licensing agency. In such cases, students are unlikely to be able to obtain licensure after graduation. For example, an institution offering an X-Ray Technician program for \$2,000, qualifies for exemption under EDC section 94874(f), but it does not have approval from the California

Department of Public Health (CDPH) to offer such a program. The students attending this institution are not able to obtain certification because they are not attending a CDPH program, leading to student harm.

To better protect students from enrolling in licensure-focused programs that are unlikely to lead to licensure, the Bureau recommends specifying in law that it shall not grant a verification of exemption to an institution offering programs leading to licensure if the program does not have the requisite approval from the state licensing agency. Because obtaining a verification of exemption is voluntary, this will not necessitate changes on the part of institutions, but it will keep the Bureau from providing validation to institutions that will not serve students well.

Recommended Solution: Amend EDC section 94874.7 as follows (note that the recommended language shown here is inclusive of the recommended language discussed in issue 12, in green text for distinguishing purposes):

94874.7.

The bureau shall establish, by regulation, a process pursuant to which an institution that is exempt from this chapter may request, ~~and obtain~~, from the bureau verification that the institution is exempt. In response to a request for verification, the bureau may approve the request, deny the request, or determine that it is unable to verify the exemption.

The Bureau shall not grant a verification of exemption to an institution that previously held an approval to operate and has outstanding citations, fines, or discipline. The Bureau shall not grant a verification of exemption to an institution that offers one or more programs designed to lead to licensure that do not hold approval from the pertinent licensing body or bodies.

The verification shall be valid for a period of up to two years, as long as the institution maintains full compliance with the requirements of the exemption. Bureau determinations pertaining to verifications of exemption are not adverse administrative actions and are not subject to appeal. A verification of exemption is not required to operate as an exempt institution.

The bureau shall establish a reasonable fee to reimburse the bureau's costs associated with the implementation of this section.

Out-of-State Registered Institutions (New Issue 15)

New Issue #15: Requirements for the Bureau's handling of registered institutions are overly cumbersome, challenging its ability to use its authority to deny or place conditions on registrations and undercutting the effectiveness of the oversight scheme.

Background: Specified out-of-state institutions enrolling California students in distance education must register with the Bureau pursuant to EDC section 94801.5. There are three components of this law that pose significant challenges to meaningful oversight of these institutions.

Most critically, the law requires the Bureau to consult with the Office of the Attorney General before making a determination about how to exercise its authority, but this is not feasible. The Bureau is required pursuant to the Government Code to use the Office of the Attorney General for representation in enforcement matters. If the Office of the Attorney General were to advise the Bureau on initial enforcement decision-making, that would constitute a conflict with their representation role.

This same subdivision also includes a level of procedural specificity that is much greater than the rest of the Act. It outlines back-and-forth communication between the Bureau and the institution, with specific timeframes, which may not be warranted in the situations in which it is required, creating an unnecessary burden for both the Bureau and institutions. Additionally, in any case where the Bureau receives a notification that does not warrant revoking or altering the registration, the law requires the Bureau to provide the institutions with a “written finding that there is no immediate risk to California residents....” Not only would such a notification be patently untrue – because there is no business of any kind that poses zero risk – but such a notice from the Bureau would likely serve to undercut other agencies that are actively pursuing an investigation or other legal matter.

Finally, the law requires the Bureau to investigate complaints from California residents about registered institutions but provides the Bureau with no tools to address complaints. Subdivision 94801.5(g) specifically says that “bureau enforcement in response to such complaints against institutions registered pursuant to this section shall be governed by subdivision (b).” But subdivision (b) does not give the Bureau any enforcement authority with respect to complaints – it solely establishes types of notifications that institutions must provide to the Bureau, which do not include complaints. As such, if the Bureau were to find significant concerns, there is no procedural path for taking action.

Recommended Solution: The Bureau recommends amending EDC section 94801.5 as shown below.

94801.5.

(* * * *)

(b) (1) Upon receipt of any of the notifications in paragraph (3) of subdivision (a), or in response to a complaint submitted pursuant to subdivision (g), the bureau may request from the institution, and the institution shall provide, information necessary to determine whether the institution's registration should be rescinded or have conditions placed upon it, ~~shall, within 30 days of receiving the notice, request the institution to explain in writing why the institution should be permitted to continue to enroll California residents. If the bureau, after reviewing the information submitted in response to the request and after consultation with the Attorney General, issues a written finding that there is no immediate risk to California residents from the institution continuing to enroll new students, the institution shall be permitted, pending completion of a review by the bureau, to continue to enroll new students or the bureau may, in its discretion, limit enrollments.~~

Institutional Reporting and Disclosures (New Issues 16–19)

New Issue #16: Gaps in reporting requirements for both approved and registered institutions result in the Bureau being unaware of significant concerns about institutions.

Background: Both approved and registered institutions are required to notify the Bureau if certain triggering events occur that may relate to requisite oversight or otherwise contribute to consumer protection concerns. For approved institutions, these requirements are found in EDC section 94934.5, and they are found in section 94801.5(a)(3) for registered institutions.

Each of these sections includes notable gaps. The most prominent among them include:

- Section 94934.5 references investigations or occurrences related to an institution, but fails to include significant concerning events pertaining to institutional ownership, leadership, or key personnel. For instance, an institution whose owner is facing criminal indictment for visa or voucher fraud would not be required to report that to the Bureau under current law.
- Neither approved nor registered institutions are required to notify the Bureau if they have filed for bankruptcy, though approved institutions are required to place this information in their student catalog. Timely notices to the Bureau regarding bankruptcy filings are essential for determining whether students are at risk, as well as whether the Bureau would have to become a creditor in the bankruptcy proceedings due to amounts owed or expected to be paid to students.
- Section 94934.5 allows the Bureau to issue an administrative citation for a violation of compliance with this section. The Bureau should be able to take the action warranted for the situation and the severity of the violation and not be limited to just a citation.

Recommended Solution: The Bureau recommends adding bankruptcy disclosures for registered institutions in EDC section 94801.5, and amending EDC section 94934.5 as shown below:

94801.5.

(a) An out-of-state private postsecondary educational institution shall register with the bureau, pay a fee pursuant to Section 94930.5, and comply with all of the following:

(* * * *)

(3) An institution that is registered with the bureau and enrolls a student residing in California shall report in writing to the bureau, within 30 days, the occurrence of any of the following:

(* * * *)

(E) Any action indicating insolvency, including but not limited to filing for bankruptcy, conservatorship or receivership, or an audit identifying substantial doubt about the entity's ability to operate as a going concern.

In the case of bankruptcy, the notification must include:

- (1) The type of bankruptcy.**
- (2) The court in which the petition was filed.**
- (3) The case number.**
- (4) The name and contact information of the bankruptcy trustee (if assigned).**
- (5) A summary of the institution's plan for continuing operation, student record retention, and student communication during the proceedings.**

94934.5.

(a) An institution with an approval to operate that knows that it is being investigated by an oversight entity other than the bureau shall report that investigation, including the nature of that investigation, to the bureau within 30 days of the institution's first knowledge of the investigation.

(b) An institution with an approval to operate that is the subject of a judgment by, a regulatory action by, increased oversight or monitoring by, or a settlement with, any oversight entity other than the bureau shall report it to the bureau within 30 days. Failure to comply with this section may subject the institution to an administrative citation pursuant to Section 94936.

(c) An institution shall provide written notification to the Bureau within fifteen (15) days of filing for bankruptcy or becoming the subject of an involuntary bankruptcy petition. The notification must include:

1. The type of bankruptcy.
2. The court in which the petition was filed.
3. The case number.
4. The name and contact information of the bankruptcy trustee (if assigned).
5. A summary of the institution's plan for continuing operation, student record retention, and student communication during the proceedings.

(d) An institution shall report within thirty (30) days of the filing of an indictment or information charging a felony against the institution or any owner, person in control, or institution managers. The report shall include the name of the individual, the arresting agency, charging documents, relevant orders, the date of action and a summary of the facts and circumstances underlying the event.

(e)(1) An institution shall report to the Bureau within thirty (30) days of any civil action brought by a current or former student, employee or public official that alleges the institution's failure to provide educational services, a violation of Title IX of the federal Education Amendments of 1972 (Public Law 92-318) or a similar state law, or a violation of a law concerning consumer protection, unfair business practices, or fraud in which the institution is either:

- A. Adjudicated liable for damages in excess of ten thousand dollars (\$10,000); or
- B. Settles a claim for damages in excess of ten thousand dollars (\$10,000).

(2) The institution shall provide to the Bureau within thirty (30) days of the institution's first knowledge of the matter a copy of the complaint filed by the plaintiff and a copy of the judgement or settlement agreement.

(f) For the purposes of this section, "investigation" means any inquiry into possible violations of any applicable laws or accreditation standards.

(g) For the purposes of this section, "oversight entity" means all of the following:

- (1) Any government agency.
- (2) Any accrediting agency.
- (3) Any professional licensing entity that exercises any programmatic or institutional approval over the institution.
- (4) Any certification authority created under state or federal law.**

(h) Failure to comply with this section is considered a material violation and may be subject to citation, probation, suspension, or revocation of an institution's approval to operate.

New Issue #17: Enrollment agreement changes would better support the Bureau in monitoring for compliance with properly enrolling students and protecting them against disallowed changes.

Background: EDC sections 94902 and 94911 are designed to ensure that private postsecondary educational institutions provide students with clear, written enrollment agreements that include essential disclosures—such as program details, performance data, and institutional policies. These provisions are intended to promote informed decision-making and institutional accountability. However, several aspects of the current law have proven difficult to enforce and insufficiently protective in today's educational environment:

- **Student Certification Without Institutional Verification:** Pursuant to EDC section 94902(b)(1), institutions are required to provide students with program-specific School Performance Fact

Sheets (SPFS) prior to enrolling, which must be initiated by the student and retained by the institution. To monitor for compliance, the Bureau reviews student files to ensure that appropriately signed documents are present. However, the enrollment agreement attestation in section 94911(i)(2) complicates the Bureau's efforts to monitor compliance with this requirement, because students must attest that they have received a SPFS and may do so regardless of whether they did receive the document. This unintentionally compromises the transparency of the enrollment process and creates uncertainty around the enforceability of Section 94902(b). For instance, in the case of a student who did not receive or sign a SPFS prior to enrollment, the enrollment-agreement attestation indicating to the contrary – possibly made by a hurried student without close review – should not negate the absence of a signed SPFS in the student file. The Bureau recommends deleting section 94911(i)(2).

- **Absence of Execution Dates and Start Dates:** Once enrolled, students are able to cancel their enrollment agreement up to attendance of the first class session or within seven days of executing an enrollment agreement, entitling the student to a full refund of institutional charges. After this timeframe, students ceasing enrollment are considered withdrawals, with lesser amounts required to be refunded. However, the law neither requires that an enrollment agreement include a program start date, nor that they be dated. Without a documented execution date and start date, it is not possible to distinguish between whether a student has cancelled or withdrawn, and therefore what type of refund is due. The Bureau recommends adding program start dates to enrollment agreement requirements as well as requiring them to be dated.
- **Lack of Disclosure on Instructional Delivery Method:** The current law does not require institutions to indicate in the enrollment agreement how instruction will be delivered—whether in-person, online, hybrid, or another format. This omission can lead to confusion and unmet expectations for students who may assume a different mode of delivery than what is ultimately provided. Additionally, the law limits the extent to which institutions may make changes to the method of instructional delivery once students have been enrolled, a provision that is difficult to enforce if the method of instructional delivery is not specified in the enrollment agreement. The Bureau recommends adding this enrollment-agreement disclosure to section 94911(a).

Recommended Solution: The Bureau recommends targeted amendments to address gaps in enrollment procedures, documentation, and transparency. By reinforcing document verification by institutions, requiring execution and start dates, clarifying delivery formats, and standardizing signatures, these reforms modernize enrollment practices and strengthen student protections. Proposed revisions to EDC sections 94911 and 94902 are outlined below.

94902.

(a) A student shall enroll solely by means of executing an enrollment agreement. The enrollment agreement shall be signed **and dated** by the student and by an authorized employee of the institution.

(* * * *)

94911.

An enrollment agreement shall include, at a minimum, all of the following:

(a) The name of the institution and the name of the educational program, including the total number of credit hours, clock hours, or other increment required to complete the educational program, **and a description of the method of delivery that will be used for instruction in the educational program.**

(* * * *)

(i) (1) The following statement: "Prior to signing this enrollment agreement, you must be given a copy of the institution's current catalog, or a brochure or handbook, as applicable, and a School Performance Fact Sheet, which you are encouraged to review prior to signing this agreement. These documents contain important policies and performance data for this institution. This institution is required to have you sign and date the information included in the School Performance Fact Sheet relating to completion rates, placement rates, license examination passage rates, salaries or wages, and the most recent three-year cohort default rate, if applicable, prior to signing this agreement."

~~(2) Immediately following the statement required by paragraph (1), a line for the student to initial, including the following statement: "I certify that I have received the catalog, School Performance Fact Sheet, and information regarding completion rates, placement rates, license examination passage rates, salary or wage information, and the most recent three-year cohort default rate, if applicable, included in the School Performance Fact sheet, and have signed, initialed, and dated the information provided in the School Performance Fact Sheet."~~

(* * * *)

(e) (1) A disclosure with a clear and conspicuous caption, "STUDENT'S RIGHT TO CANCEL," under which it is explained that the student has the right to cancel the enrollment agreement and obtain a refund of charges paid through attendance at the first class session, or the seventh day after enrollment, whichever is later. The date of the first class session shall be listed in the disclosure.

(* * * *)

(k) The following statement above the space for the student's signature and date: ("I understand that this is a legally binding contract. By signing and dating this contract, I certify~~My signature below certifies~~ that I have read, understood, and agreed to my rights and responsibilities, and that the institution's cancellation and refund policies have been clearly explained to me."

New Issue #18: Institutions' use of documents other than catalogs and brochures to convey necessary information about the institution or program can cause confusion and leave students in the dark about important aspects of their enrollment.

Background: Current law requires institutions to include specified information in their catalogs and to provide the catalogs prior to their execution of an enrollment agreement. Together, these requirements help to ensure that students are provided with information pertinent to their program and key institutional policies needed for them to be successful. In addition to the catalogs, the law requires that institutions provide students with any "brochures" pertaining to the institution or their program of choice.

Increasingly, institutions are relying on documents outside of catalogs or brochures to provide relevant information to students. For example, while attendance policies are required to be disclosed in catalogs pursuant to EDC section 94909(a)(8)(D), institutions may use a "handbook" to outline greater specificity in how those policies will be employed. Use of supplementary materials to convey

necessary information is not disallowed, but it is critical that any such supplementary materials be provided to students and to the public, so they do not serve to undercut the intent of existing disclosure requirements.

Recommended Solution: The Bureau recommends that statutory provisions requiring disclosures of catalogs and brochures be expanded to include handbooks or other pertinent materials. Proposed language for EDC sections 94909 and 94913 is as follows:

94909.

(* * * *)

(b) If the institution has a general student brochure, handbook, or other student-facing materials that provide additional clarity about the information or policies required to be included in the catalog, the institution shall provide that brochure those materials to the prospective student before enrollment. In addition, if the institution has ~~a~~ program-specific ~~student brochure materials~~ for the program in which the prospective student seeks to enroll, the institution shall provide the program-specific ~~student brochure materials~~ to the prospective student before enrollment.

94913.

(a) An institution that maintains an internet website shall provide on that internet website the current version of all of the following:

- (1) The school catalog.
- (2) A School Performance Fact Sheet for each educational program offered by the institution.
- (3) Student brochures, handbooks, or other student-facing materials offered by the institution that provide additional clarity about the information or policies required to be included in the catalog.
- (4) A link to the bureau's internet website.

(* * * *)

New Issue #19: The required institutional financial aid disclosure is outdated and is not structured in a way that allows for the Bureau to monitor compliance.

Background: EDC section 94912.5 requires approved institutions to use the Financial Aid Shopping Sheet (a federally developed template that functions as a standardized award letter) in communicating financial aid offers. The template is designed to provide a clear and concise summary of the costs and financial aid options available to students, helping them make informed decisions about their education financing, housing costs, and other information relevant to the institution. Since its inception, the form has evolved and is now known as the College Financing Plan, rendering the current requirement outdated.

Additionally, this requirement is not structured in a way that supports verification of compliance. The Bureau relies on reviews of the records maintained by institutions about student enrollment and institutional operations to determine compliance. There are other ways to verify compliance; for instance, the Bureau monitors compliance with School Performance Fact Sheet disclosure requirements by reviewing student files to confirm that appropriately signed fact sheets are present. Because EDC section 94912.5 does not require the document to be signed or maintained, the Bureau is unable to monitor compliance with this disclosure requirement in the same way.

Recommended Solutions:

- Option 1: Update EDC section 94912.5 to reflect the current name of the federally developed template, and require institutions to maintain a signed copy of the disclosure in student files for the purpose of verifying compliance.

94912.5.

(a) By January 1, 2020, and permanently thereafter, each institution subject to this chapter that participates in federal student financial aid programs, including, but not necessarily limited to, those programs authorized by Title IV of the federal Higher Education Act of 1965 or veterans' financial aid programs authorized pursuant to Section 21.4253 of Title 38 of the Code of Federal Regulations, shall provide students with the ~~Financial Aid Shopping Sheet College Financing Plan~~ as developed by the United States Department of Education, or any successor document, to inform students or potential students about financial aid award packages prior to enrollment. **A copy of this document shall be retained with other required student records.**

(* * * *)

- Option 2: Delete EDC section 94912.5.

94912.5.

~~(a) By January 1, 2020, and permanently thereafter, each institution subject to this chapter that participates in federal student financial aid programs, including, but not necessarily limited to, those programs authorized by Title IV of the federal Higher Education Act of 1965 or veterans' financial aid programs authorized pursuant to Section 21.4253 of Title 38 of the Code of Federal Regulations, shall provide students with the Financial Aid Shopping Sheet as developed by the United States Department of Education to inform students or potential students about financial aid award packages prior to enrollment.~~

~~(b) In implementing this section, an institution that is subject to this chapter that participates in federal student financial aid programs, including, but not necessarily limited to, those programs authorized by Title IV of the federal Higher Education Act of 1965 or veterans' financial aid programs authorized pursuant to Section 21.4253 of Title 38 of the Code of Federal Regulations, may seek guidance as needed from the United States Department of Education.~~

Student Protections (New Issues 20–23)

New Issue #20: Students are frequently unable to access transcripts after institutional closure.

Background: The Private Postsecondary Education Act requires institutions to maintain student records for a minimum of five years and to maintain transcripts for graduates permanently. Implementing regulations (Title 5, California Code of Regulations, section 71930(f)) further state that the responsibility and cost for records maintenance and provision is to be borne by the institution and its owners, including after institutional closure.

While these rules are intended to ensure that former students can obtain documentation related to their education, they are not always successful in doing so. Many institutions are uncommunicative at, or soon after, the point of closure. The custodian of records previously identified is no longer responsive to outreach or explicitly state they do not have the records. Plans or intentions previously made for the permanent storage and accessibility of records are deemed infeasible, for financial or other reasons.

The consequences for students unable to access their records can be severe and long-lasting. Student transcripts are often required to secure employment, obtain licenses, or transfer credits. In addition, financial documents showing payments made or loans disbursed may be necessary to obtain loan discharges or other financial relief, including but not limited to the STRF.

In cases where institutions convey to the Bureau that they have no viable mechanism for ensuring ongoing transcript availability, the Bureau will take possession of the records to serve as the custodian of record. However, this is not a routine occurrence. The Bureau has the authority to promulgate regulations to collect transcripts and other pertinent student records from institutions. To date, it has not done so, in part due to concerns about resources and whether the regulations would prove effective at improving the availability of transcripts for students.

The Bureau is considering changing course to begin more routine records collection, given the number of records requests that go unfulfilled. Once collected, the Bureau would develop procedures for students to access available records, with one option being to engage a third-party vendor. Many private college regulators in other states rely on vendors for students' record access, minimizing the costs and burden of recordkeeping to the state while enhancing student security and privacy.

Recommended Solution: To better support the Bureau in developing regulations and procedures that will better facilitate students' access to transcripts, the Bureau recommends that the Legislature:

- Amend EDC section 94927.5 to delete reference to "hardcopy" records. Allowing hardcopy records would necessitate additional costs for collection, sorting, and scanning.
- Delete "prior to closing" from EDC section 94927.5, to allow the Bureau to promulgate regulations requiring the transfer of student records prior to imminent institutional closure.

94927.5.

(a) **Pursuant to regulations, ~~Prior to closing~~**, an institution shall provide the bureau with the following:

- (1) Copies of pertinent student records, including transcripts, in **hardcopy or** electronic form, as determined by the bureau, pursuant to regulations adopted by the bureau.
- (2) If the institution is an accredited institution, a plan for the retention of records and transcripts, approved by the institution's accrediting agency, that provides information as to how a student may obtain a transcript or any other information about the student's coursework and degrees completed.

(b) Subdivision (a) applies to all private postsecondary institutions, including institutions that are otherwise exempt from this chapter pursuant to Article 4 (commencing with Section 94874).

Additionally, the Bureau recommends providing direction on how the costs of student records collection, maintenance, and provision should be borne, including the acceptability of charging a fee to students seeking to access records and/or if the costs associated with record collection and provision could be transferred to the STRF.

New Issue #21: While current regulations prevent institutions from withholding students' transcripts due to unpaid debts, there are no such restrictions on other essential records that verify a student's education and training.

Background: In California, students are protected from having their academic transcripts withheld due to unpaid debts under Civil Code section 1788.93 and EDC section 94897(s). These laws prohibit

postsecondary institutions from refusing, delaying, or inflating the cost of transcript requests based on a student's debt status. However, the protections apply only to transcripts and do not extend to other essential records such as diplomas, certificates of completion, clinical training documentation, or licensing verification forms.

The most common challenge arising in this area within Bureau-approved institutions relates to schools offering programs designed to lead to professional licensure by the California Board of Barbering and Cosmetology (BBC). Pursuant to BBC regulations (Title 16, California Code of Regulations section 909), applicants for licensure must present a "Proof of Training Document" evidencing completion of appropriate training, and it is these documents – not transcripts – that schools withhold in order to leverage financial pressure on former students. This practice blocks students' access to career opportunities and advancement, even after completing their programs, and runs counter to the intent of existing law.

Recommended Solution: To close the loophole that allows institutions to withhold Proof of Training Documents due to student debt, EDC section 94897(s) should be amended to explicitly prohibit this practice as follows:

94897.

An institution shall not do any of the following:

(* * * *)

(s) Violate Section 1788.93 of the Civil Code **or withhold documentation required pursuant to Title 16, California Code of Regulations Section 909 because the student owes a debt or as a tool for debt collection.**

New Issue #22: Greater clarity in the statute governing the Student Tuition Recovery Fund would better support the Bureau's ability to deliver relief to harmed students in an administratively efficient manner.

Background: The STRF is designed to relieve or mitigate economic loss suffered by students after enrollment in Bureau-approved private postsecondary educational institutions. EDC section 94923 provides specific scenarios triggering student eligibility for STRF while also providing the Bureau flexibility to cover economic loss for California students "deemed appropriate" by the Bureau. While it is important to preserve that flexibility, the Bureau has identified multiple areas where statutory clarity would strengthen the Bureau's ability to deliver relief in a streamlined, administratively efficient manner.:

- Clarify that the purpose of STRF is to address economic loss connected with enrollment, not necessarily during enrollment. Economic harm sometimes materializes after a student's enrollment has ended. Current law already acknowledges this concept, as students can apply for STRF if they were enrolled up to 120 days prior to closure and do not necessarily need to be enrolled at the point of closure. Modifying section 94923(a) as recommended below would better describe the current law and clarify the Bureau's authority to provide STRF outside of strict closure timeframes.
- Establish STRF eligibility for students deemed eligible for federal relief programs. While federal programs continue to fluctuate, advances in the administration of federal relief programs in recent years created streamlined bases for relief that could reduce administrative burden for the Bureau while limiting eligibility based on a credible determination that students have been

harmed by closure or unlawful activity. Federal relief that could give rise to streamlined STRF administration include the “Closed School,” “Borrower Defense,” and “False Certification” relief programs, which are based on U.S. Department of Education decisions about students that have been harmed by unlawful activity or sudden closures.

- *Expand the STRF eligibility path pertaining to enforcement actions and private litigation.* While current statute recognizes that Bureau orders and private litigation or arbitration can give rise to STRF eligibility, other enforcement actions by other government bodies and forms of private litigation are not currently reflected in the statute. For example, the California Attorney General, Federal Trade Commission and Consumer Financial Protection Bureau have pursued actions in connection with unlawful practices, and debt cancellation in group bankruptcy proceedings have identified well-investigated bases for streamlined relief that the Bureau can rely upon to provide relief. While the Bureau will continue to use regulatory flexibility to address emerging issues, inclusion of these well-established bases for relief in the statute will promote streamlined administration of STRF.
- *Provide clarification related to evidentiary standards and allowable use of other agency findings.* In many instances, institutions that close or engage in other unlawful activities also fail to comply with record-keeping requirements or provide students with transcripts, ledgers, or other important documents. That means that when it comes to applying for STRF, the ideal documents needed to demonstrate economic loss may be unavailable. Additional statutory clarity recognizing documentation challenges, including allowing attestations from applicants, would promote streamlined administration and ensure students are not penalized for institutions’ improper record-keeping. The Bureau would additionally recommend explicit authorization to rely upon other government agency findings in determining STRF eligibility.

Recommended Solution: For the reasons described above, the Bureau recommends adopting the statutory changes outlined below. EDC sections 94923(a), and 94923(b)(2)(C)(D), and (F) should be amended as follows:

94923.

(a) The Student Tuition Recovery Fund relieves or mitigates economic loss suffered by a student while enrolled in connection with enrollment in an institution not exempt from this article pursuant to Article 4 (commencing with Section 94874), who, at the time of the student’s enrollment, was a California resident or was enrolled in a California residency program, prepaid tuition, and suffered economic loss.

(* * * *)

(b)(2)(C) Any student who was enrolled at an institution or a location of the institution more than 120 days before the closure of the institution or location of the institution, in an educational program offered by the institution as to which the bureau determines there was a significant decline in the quality or value of the program more than 120 days before closure. In making determinations, the bureau may rely on findings by an oversight entity, as defined in section 94934.5

(b)(2)(D) A student to whom an institution has been ordered to pay a refund by the bureau but has failed to do so, or where a government body, at any point, designates the student as eligible for relief under a program that addresses unlawful activity or closure, including, but not limited to a refund, restoration of benefits, or loan discharge program such as federal “Closed School Discharge,” “False Certification,” or “Borrower Defense” programs.

(b)(2)(F) A student who has been awarded restitution, a refund, or other relief, including but not limited to an enforcement action, settlement agreement, debt relief determination, or monetary award by an arbitrator or court, based on unlawful activity a violation of this chapter by an institution or representative of an institution, but who has been unable to collect the award from the institution or obtain debt cancellation. The bureau shall review the award or judgment and shall ensure the amount to be paid from the fund does not exceed the student's economic loss.

(* * * *)

(h) Except as provided in subdivision (i), the bureau shall require a student seeking reimbursement from the Student Tuition Recovery Fund to file a written application that shall be received by the bureau no later than four years after the date of the action that made the student eligible for recovery from the Student Tuition Recovery Fund. When making determinations about student eligibility and economic loss, in addition to evidence submitted with an application, the bureau may consider all available evidence, including but not limited to evidence obtained in the bureau's investigations and enforcement functions and evidence available to the Bureau that is obtained in the course of oversight and enforcement actions by accreditors, other government agencies, and private adjudications. The bureau shall take into account the availability of records and may accept attestations or other substantiation as deemed appropriate.

New Issue #23: Better alignment of an existing state requirement with a similar federal requirement would preserve consumer rights in purchase-money loan contracts.

Background: The Federal Trade Commission's (FTC) "Holder Rule" is intended to help consumers who relied on debt financing to purchase products or services from needing to repay the debt if the products or services were fraudulent or defective. These protections remain in place even if the debt is transferred or sold to another party, and the consumer is also entitled to sue the new debtholder to recover from their harm. The Private Postsecondary Education Act adopts this concept through EDC section 94916, which is similarly intended to preserve consumers' affirmative claims and defenses.

However, as currently written, the current language may unintentionally limit students' rights under the federal rule. For example, the current language reads "you may assert defenses . . . up to the amount you have already paid." In contrast, the federal rule only imposes this limitation on what may be recovered; broader defenses offered under the federal rule also allow for cancellation of the full balance and are not similarly limited to amounts paid.

The Bureau recommends modifying section 94916 to more closely align with the FTC Holder Rule notice, as outlined below. Additionally, the Bureau recommends prohibiting institutions from accepting payment from a consumer credit contract that fails to contain the required notice, requiring institutions working with third-party lenders to ensure that they are protecting students' rights under federal and state law.

Recommended Solution: To close a loophole and make institutions responsible when they accept payments from third-party lenders that do not include the required notice, the Bureau recommends adding the language below into EDC section 94916:

94916.

An institution directly or indirectly receiving proceeds from a credit contract or extending credit or lending money to an individual for institutional and noninstitutional charges for an educational program shall cause any note, instrument, or other evidence of indebtedness taken in connection with that extension of credit or loan to be conspicuously marked on its face in at least 12-point type with the following notice. It is a violation of this chapter for an institution to directly or indirectly receive proceeds from any credit contract that does not contain this notice.

Additionally, amend the notice language in the statute to more closely align with the FTC Holder Rule notice:

"NOTICE"

"You may assert against the holder of the credit contract ~~promissory note~~ you signed in order to finance the cost of the educational program all of the claims and defenses that you could assert against this institution, ~~up to the amount you have already paid under the promissory note~~. Recovery under this provision may not exceed amounts you have already paid under the contract.

Other Topics (New Issues 24–28)

New Issue #24: A diminishing U.S. Department of Education means less federal oversight over private postsecondary educational institutions, requiring the Bureau to increase focus on institutions' financial stability where it has previously deferred to federal standards.

Background: Since assuming office in January 2025, the new federal administration has taken several steps to reduce the size and scope of the U.S. Department of Education. While it is too early to state conclusively what impacts these changes will have on the state of federal college oversight, U.S. Department of Education staffing has been reduced by nearly half, including the elimination of the San Francisco-based regional office with which the Bureau has historically worked closely. Executive Order #14279 focused on changing accreditation, including allowing more agencies to become recognized and encouraging innovation, was signed in April 2025. Efforts to rewrite regulations in the areas of student relief and institutional accountability are already underway. While none of these developments directly impact the Bureau's laws or jurisdiction, each of them has the potential to significantly reshape the higher education landscape in which the Bureau operates. As such, the Bureau is watching federal developments closely.

The potential development with most direct impact on Bureau oversight of private postsecondary educational institutions relates to the Department of Education's monitoring of institutions' financial health, because Bureau regulations defer to federal standards for institutions participating in federal financial aid programs. EDC section 94885(a)(6) directs the Bureau to promulgate regulations to ensure that approved institutions are "financially sound and capable of fulfilling its commitments to students." Those regulations state that institutions participating in federal financial aid programs must "meet the composite score requirements of the U.S. Department of Education." (See Title 5, California Code of Regulations section 71745(a)(6).)

It is unclear whether, how, and when federal composite score calculations and monitoring will continue, particularly given existing delays in the release of the rates and the sharply reduced levels of staff needed to execute the monitoring scheme. If this work does not continue, or continues only in

a scaled back fashion, the Bureau will need to scale up its monitoring of institutional finances significantly. Existing law provides authority to do so; however, current staffing levels do not support heightened involvement.

Recommended Solution: Since the full impact of the federal changes to the Bureau are still pending, the Bureau does not have recommendations for statutory changes at this time. However, the Bureau may need additional staff positions for the purpose of creating and implementing an approach to monitoring institutions' financial health.

New Issue #25: The Student Tuition Recovery Fund collection range is too narrow and results in increased administrative efforts to stop and start the rate collection more frequently than would otherwise be necessary.

Background: The Bureau administers STRF to help students financially harmed by private postsecondary educational institutions approved to operate by the Bureau. STRF works like an insurance program in which enrolled students pay small amounts into the fund, from which harmed students may later apply for relief if they experience economic loss.

Pursuant to EDC section 94925, the fund balance is intended to remain between \$20–25 million. However, the narrowness of this range creates administrative impossibilities for the Bureau, compliance challenges for approved institutions, and confusion for the students who pay into the fund. Specifically:

- Adhering to a hard cap of \$25 million in STRF is unrealistic because changing assessments takes time, and the amounts collected in that time are not entirely predictable. Once the Bureau recognizes the need to adjust assessments, funds will continue to come in for several months, and the amounts that will be received are unknown.
- A hard cap of \$25 million does not allow the Bureau to consider estimated liabilities to the fund. To illustrate, in early October 2023, the STRF balance was over \$26 million – but \$2 million in claims was awaiting payout at the State Controller's Office (SCO) and the Bureau estimated another \$11 million in claims are waiting to be processed.
- The narrowness of the range between the established floor and ceiling for the Fund requires more changes to STRF assessment levels than necessary programmatically. Each change imposes costs on institutions and workload on Bureau staff.

The Bureau proposes to expand the STRF range and making it into a target, along with making other technical amendments to the language to allow for smoother administration of the program. A target of \$15 million for the lower end of the range remains sufficiently high to ensure that resources will be available for students filing STRF claims, even in cases of large-scale closures.

Recommended Solution: The Legislature should consider implementing the language proposed below, providing a larger range for the STRF (\$15–\$25 million) and reflecting administrative realities by making the thresholds into targets the Bureau shall strive to maintain.

94925.

(a) ~~The amount in the Student Tuition Recovery Fund shall not exceed twenty-five million dollars (\$25,000,000) at any time.~~

(b) ~~If the bureau has temporarily stopped collecting the Student Tuition Recovery Fund assessments because the fund has approached the twenty-five million dollar (\$25,000,000)~~

~~limit in subdivision (a), the bureau shall resume collecting Student Tuition Recovery Fund assessments when the fund falls below twenty million dollars (\$20,000,000).~~

(a) In determining the amount of Student Tuition Recovery Fund assessments to collect from each student pursuant to subdivision (a) of Section 94924, the bureau shall strive to maintain a fund balance in the Student Tuition Recovery Fund between fifteen million dollars (\$15,000,000) and twenty-five million dollars (\$25,000,000).

~~(e)~~(b) An otherwise eligible student who enrolled during a period when institutions were not required to collect Student Tuition Recovery Fund assessments is eligible for Student Tuition Recovery Fund payments despite not having paid any Student Tuition Recovery Fund assessment.

New Issue #26: Some apprenticeship providers are charging up to \$10,000 while leaving apprentices unlikely to achieve licensure, and gaps in state agency oversight and authority keep consumers at risk.

Background: While apprenticeship programs are typically conceived of as “on the job training,” with requirements that apprenticeship providers pay wages, several entities approved as barbing or cosmetology apprenticeship programs instead operate akin to a private postsecondary educational institution. In particular, these entities offer classroom training – as required pursuant to rules of the California Board of Barbering and Cosmetology (BBC) – for an institutional charge similar to that of a school-based barbing or cosmetology program. BBC has also documented that many of these programs have very low passage rates, particularly for Spanish test-takers.

The Division of Apprenticeship Standards (DAS) under the Department of Industrial Relations is the primary state regulator of apprenticeship programs in California. Some apprenticeship programs, like barbing and cosmetology programs, have other regulatory agencies with explicit jurisdiction as well, like BBC. However, neither agency has sufficient tools to address the concerns that have arisen. Although the definition of private postsecondary educational institution encompasses some of these programs, the Bureau’s lack of explicit jurisdiction when compared to these other agencies has raised questions about the Legislature’s intent with its role in curbing concerns about apprenticeship programs. Consumers would be better served if established regulators had the collective authority to address known abuses.

Recommended Solution: The Bureau offers two options for consideration.

- Option 1: Given that multiple state agencies already oversee apprenticeship programs, the Bureau would recommend explicitly excluding DAS-registered apprenticeship programs from the Bureau’s jurisdiction. This could be accomplished by modifying the definition of educational program as shown below. At the same time, the Bureau would recommend expanding the authority of both DAS and BBC to revoke or rescind the approval of apprenticeship programs that charge more than modest amounts and where apprenticeships routinely fail licensure examinations.

94837.

“Educational program” means a planned sequence composed of a set of related courses or modules, or a single course or module if not offered as a component of a set of related courses or modules, that provides education, training, skills, or experience, or a combination of these, except that “educational program” does not include a single course, workshop, seminar, continuing education course, or other instruction that consists of 32 hours of instruction or less that is not designed to lead to employment. An

apprenticeship program approved by the Division of Apprenticeship Standards within the Department of Industrial Relations is not an educational program.

- Option 2: Should the Legislature wish for the Bureau to play a role in curbing abuses within the apprenticeship space, the Act could be modified to explicitly establish the Bureau's jurisdiction in this area.

New Issue #27: A Bureau reporting requirement in EDC section 94941(d) is not operationally feasible.

Background: EDC section 94941(d) was intended to promote transparency in its enforcement actions, a goal that remains important and one of the Bureau's core values. However, the statutory requirement to disaggregate temporary restraining orders, interim suspension orders, and disciplinary actions by each priority category is not operationally feasible.

First, the types of actions listed in the statute do not encompass all enforcement actions taken by the Bureau, which also include automatic suspensions of approval or provisional approval to operate, emergency decisions, and other actions. More importantly, enforcement actions are determined based on actual violations of law, which may involve overlapping statutes or regulations, rather than on priority categories alone. As a result, disaggregating actions by priority does not accurately reflect the Bureau's enforcement actions and imposes a reporting burden that does not meaningfully enhance public understanding.

The Bureau uses the priorities identified in EDC section 94941(e) and Title 5, California Code of Regulations section 75300 to guide its enforcement efforts, assigning investigations and inspections to address institutions that pose a greater risk of harm to the public. However, the outcomes of investigations do not always result in substantiated violations, and often additional violations are identified that do not fit neatly into a prioritization category, making it difficult to report accurately under this statutory requirement. For many of the statutory and regulatory law sections, it does not align neatly with a single category, and many enforcement actions include violations of the law that overlap multiple categories. A single action, such as a revocation, may involve violations that span all priority categories, further complicating disaggregation and accurate reporting.

To illustrate the complexity, consider the example of a complaint received about an institution's failure to provide a refund to an enrolled student, an allegation that would be prioritized pursuant to Title 5, California Code of Regulations section 75300(a)(1). Based on the resulting investigation, the Bureau filed an accusation, leading to the revocation of the institution's approval to operate. However, the violations documented spanned several sections of laws, many of which were not directly related to refunds, which tied back to multiple prioritization categories. This does not lend itself to the reporting outlined in section 94941(d).

Recommended Solution: The Bureau recommends that the Legislature consider removing the reporting requirement in EDC section 94941(d). The Bureau remains committed to transparency. Data is consistently available to the public and stakeholders through information provided in the Department of Consumer Affairs' Annual Report, quarterly Enforcement Performance Measures reported on the DCA website, and quarterly updates provided at Advisory Committee meetings. Removing the statutory language as shown below will allow the Bureau to continue reporting accessible information without imposing unnecessary administrative burdens that do not improve accountability or clarity.

94941.

(* * * *)

~~(d) The bureau shall indicate in an annual report, to be made publicly available on its internet website, the number of temporary restraining orders, interim suspension orders, and disciplinary actions taken by the bureau, disaggregated by each priority category established pursuant to subdivision (b).~~

New Issue #28: Cadence of reporting to the Legislature is unnecessarily frequent, diverting staff and leadership attention from other priorities and matters.

Background: EDC section 94948 requires the Director of the Department of Consumer Affairs (DCA) to provide written updates to the Legislature every six months, a level of frequency rarely found within the rest of DCA. This reporting requirement was instituted in 2014, at a time when the Bureau was failing to meet its statutory mandates, support students, and hold institutions accountable for non-compliance.

In recent years, as discussed throughout this report, the Bureau has made substantial strides in improving its operations and outcomes in each of these areas. Additionally, the level of transparency demonstrated at the Bureau's quarterly Advisory Committee meetings, on which the Chairs of the Senate Business and Professions and Assembly Higher Education Committees hold seats, is far greater than in years' past. Given both of these developments, the Bureau recommends the Legislature consider whether once-yearly reports directed to the Legislature on overall Bureau operations would suffice and support DCA and Bureau leadership in directing their attention towards emerging and pressing matters. These reports would continue to be supplemented by annual reports on complaints handled for institutions with State Authorization Contracts (pursuant to EDC section 94874.9(i)) and that of OSAR activities (pursuant to Ed. Code section 94949.72(d)).

Recommended solution: The Bureau recommends amending EDC section 94948 as follows:

94948.

In addition to any other reporting requirements under this chapter, the director shall provide written updates to the Legislature every ~~six months~~ year and shall participate in all oversight hearings conducted by the appropriate policy committees and budget subcommittees of the Senate and Assembly. The updates shall describe the bureau's progress in protecting consumers and enforcing the provisions of this chapter and shall include, but not be limited to, all of the following information received pursuant to Section 325 of the Business and Professions Code:

(* * * *)

Section 11 – Attachments

This report includes the following attachments:

- A. Bureau's Advisory Committee handbook.
- B. Current Advisory Committee membership roster.
- C. Advisory Committee member attendance (Table 1a).
- D. Bureau for Private Postsecondary Education Funding Study, Foundation for California Community Colleges
- E. Year-end organization charts for fiscal years 2021–22 through 2024–25.

ATTACHMENT A

BUREAU'S ADVISORY COMMITTEE HANDBOOK



Department of Consumer Affairs

Bureau for Private Postsecondary Education



Advisory Committee Handbook

Gavin Newsom, Governor

State of California

Lourdes M. Castro Ramirez, Secretary

Business, Consumer Services, and Housing Agency

Kimberly Kirchmeyer, Director

Department of Consumer Affairs

Deborah Cochrane, Bureau Chief

Bureau for Private Postsecondary Education

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Introduction

The Bureau for Private Postsecondary Education (Bureau or BPPE) regulates private postsecondary education in the State of California. The Bureau's Advisory Committee (BAC or Committee) was created to advise the Bureau with respect to issues relating to private postsecondary education and administering the Private Postsecondary Education Act of 2009 (the Act).

The purpose of this handbook is to provide guidance to Committee Members regarding general processes and procedures involved with their position on the BPPE Advisory Committee. It also serves as a useful source of information for new Committee Members as part of the induction process. This handbook is additive to the Bagley-Keene Open Meeting Act and the Administrative Procedure Act. It is subject to review and adoption by the Advisory Committee during years in which the Bureau undergoes strategic planning, or more frequently as desired by Committee Members.

The Bureau is one of the boards, bureaus, commissions, and committees within the [Department of Consumer Affairs](#) (DCA), which is part of the [Business, Consumer Services and Housing Agency](#) under the aegis of the [Governor](#). DCA is responsible for consumer protection and representation through the regulation of licensed professions and the provision of consumer services. The DCA also provides administrative oversight and support services to boards and bureaus alike. The Bureau is unlike a board in that a board has appointed board members who oversee the entity and has policy autonomy and sets its own policies, procedures, and initiates its own regulations. The Bureau does not have policy autonomy and works collaboratively within DCA on policies, procedures, and regulations.

Protection of the public shall be the highest priority for the Bureau in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount (Ed, Code, § 94875.).

About the Department of Consumer Affairs

The Department of Consumer Affairs (DCA) is one of 11 departments under the Business, Consumer Services and Housing Agency. DCA consists of 37 regulatory boards, bureaus, committees, and programs and is the State of California's leading consumer protection entity. Collectively, DCA's various programs provide licensing guidelines and oversight for more than 3.5 million professionals in over 250 different categories. The mission of DCA is to develop a marketplace where consumers can be assured of safe, quality service from a qualified business. DCA protects and serves California consumers while ensuring a competent marketplace. To support this effort, DCA fosters relationships with consumer and public interest groups, the business and professional community, law

enforcement, and other government agencies

DCA's Mission

We protect California consumers by providing a safe and fair marketplace through oversight, enforcement, and licensure of professions.

DCA's Vision

Together, empowering California consumers.

DCA's Values

- Accountability
- Communication
- Diversity
- Employees
- Integrity
- Leadership
- Service
- Transparency

About the Bureau for Private Postsecondary Education

The Bureau processes licensing applications, conducts compliance inspections, and responds to complaints for the more than 1,000 approved private postsecondary educational institutions in California. The Bureau also investigates complaints, combats unlicensed activity, and administers the Student Tuition Recovery Fund which is used to reimburse students harmed by school closure. The Bureau's Office of Student Assistance & Relief (OSAR) provides outreach and support to prospective, current, and former students of private postsecondary institutions.

BPPE's Mission

The Bureau protects students and consumers through the oversight of California's private postsecondary educational institutions by conducting qualitative reviews of educational programs and operating standards, proactively combating unlicensed activity, impartially resolving student and consumer complaints, and providing support and financial relief to harmed students.

BPPE's Vision

To be the national leader in regulating private postsecondary institutions and promote a landscape of postsecondary educational opportunities that maximize Californians' opportunity to receive a quality education.

BPPE's Values

- *Consumer Protection.* The Bureau will make effective and informed decisions in the best interest and for the safety of consumers.
- *Accountability and Effectiveness.* The Bureau will take ownership and responsibility for its actions and results.
- *Quality and Integrity.* The Bureau will deliver consistently high-quality service, information, and support that reflects excellence and professionalism.
- *Inclusivity and Transparency.* The Bureau will be open to all voices and perspectives, actively encouraging the sharing of ideas and information throughout the organization and with the public and being receptive to new ideas.

About the Advisory Committee

Role of the Committee

The Committee's role is to provide input to the Bureau Chief on matters relating to private postsecondary education and the administration of the Act. This includes reviewing the fee schedule, licensing and enforcement provisions, and advising on regulations.

Authority

Per California Education Code Section 94880:

(a) There is ***within the bureau*** a 12-member advisory committee....

(c) The advisory committee shall ***examine the oversight functions and operational policies of the bureau and advise the bureau*** with respect to matters relating to private postsecondary education and the administration of this chapter, including annually reviewing the fee schedule and the equity of the schedule relative to the way institutions are structured, and the licensing and enforcement provisions of this chapter. ***The advisory committee shall make recommendations with respect to policies, practices, and***

regulations relating to private postsecondary education, and shall provide any assistance as may be requested by the bureau.

(d) The bureau shall actively seek input from, and consult with, the advisory committee regarding the development of regulations to implement this chapter prior to the adoption, amendment, or repeal of its regulations, and provide the advisory committee with sufficient time to review and comment on those regulations. The bureau shall take into consideration and respond to all feedback provided by members of the advisory committee.

Find the full text of the Act online at http://www.bppe.ca.gov/lawsregs/ppe_act.shtml.

Purpose

The Committee advises the Bureau Chief on issues related to private postsecondary education. The Committee helps the Bureau Chief evaluate possibilities for regulating postsecondary education and visualize the “big picture” of education in California. Committee members offer unique perspectives, identify relevant issues, and suggest action, all while maintaining consumer protection as the Bureau’s top priority. Committee members should be concerned primarily with formulating advisory recommendations regarding Bureau policies and practices, rather than recommendations concerning the means for carrying out a specific course of action. Committee members do not become involved in the details of program delivery. Strategies for the day-to-day management of programs, operations, and staff shall be the responsibility of the Bureau Chief. The Advisory Committee members assist the Bureau when they provide the statutory assistance deemed most useful to support the Bureau’s mission:

This chapter establishes the functions and responsibilities of the bureau, for the purposes of Section 6 of Chapter 635 of the Statutes of 2007. The bureau ***shall regulate private postsecondary educational institutions through the powers granted, and duties imposed, by this chapter.*** In exercising its powers, and performing its duties, ***the protection of the public shall be the bureau’s highest priority. If protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.*** (Ed. Code, § 94875.)

Bureau Advisory Committee Recommendations

Individual opinions and insight of the Committee members are useful in informing the Bureau’s work as members represent a range of perspectives. As a deliberative

assembly, the advisory Committee is also able to provide group Committee recommendations when a “collective will” is considered most helpful.

A deliberative assembly is a group of people, having or assuming freedom to act in concert, meeting to determine, in full and free discussion, courses of action to be **taken in the name of the entire group.**

Ultimately, it is the majority taking part in the assembly who decide the general will, but only following upon the opportunity for a deliberative process of full and free discussion.” (Roberts Rules of Order Newly Revised (11th ed.), p. 1)

Roberts Rules of Order introduce the parliamentary process to this Committee and has long been recognized as a fair and expeditious way to provide a collective recommendation:

Parliamentary procedure enables the overall membership of an organization—expressing its **general will** through the assembly of its members—both to establish and empower an effective leadership as it wishes, and at the same time to retain exactly the degree of direct control over its affairs that it chooses to reserve to itself.”

The application of parliamentary law is the best method yet devised to enable assemblies of any size, with due regard for every member's opinion, to arrive at **the general will** on the maximum number of questions of varying complexity in a minimum amount of time and under all kinds of internal climate ranging from total harmony to hardened or impassioned division of opinion.(RONR (11th ed.), p. II-III)

Committee Meeting Procedures

All committees, bureaus and programs under the DCA, including this Advisory Committee must meet in accordance with the provisions set forth by the Bagley-Keene Open Meeting Act. The Committee will use Robert's Rules of Order, to the extent that it does not conflict with state law (i.e., Bagley-Keene Open Meeting Act), as a guide when conducting the meetings.

Open Meetings

The Bagley-Keene Act of 1967, officially known as the Bagley-Keene Open Meeting Act, implements a provision of the California Constitution declaring that "the meetings of public bodies and the writings of public officials and agencies shall be open to public scrutiny," and explicitly mandates open meetings for California State agencies, committees, and commissions. The Bagley-Keene Act facilitates accountability and transparency of government activities and protects the rights of citizens to participate in State government deliberations. This is similar to California's Brown Act of 1963, which provides open meeting provisions for county and local government agencies.

The Bagley-Keene Act requires the Committee to provide adequate notice of meetings to be held to the public as well as provides an opportunity for public comment on items discussed during meetings. The Bagley-Keene Act requires meetings be conducted in an open session, except where closed session is specifically noted.

Resources: [DCA's Bagley-Keene Open Meeting Act Guide](#)

Members

The California Legislature and the DCA director appoint the Committee's 12 members.

Committee Position	Appointed By
Consumer Advocate	Senate Committee on Rules
Public Member	Senate Committee on Rules
Consumer Advocate	Speaker of the Assembly
Public Member	Speaker of the Assembly
Consumer Advocate	DCA Director
Institutional Representative (3 positions)	DCA Director
Past Student of Private Postsecondary Institution (2 positions)	DCA Director
Non-Voting, Ex Officio Member (2 positions)	Chair of the Policy Committee of the Assembly and Senate with Jurisdiction over Legislation Relating to the Bureau, or Designee Appointed by the Speaker of the Assembly and/or the Chair of the Senate Committee on Rules

Appointments

Committee appointees serve at the pleasure of the appointing authority. Individuals interested in serving on the Committee can contact the Bureau Chief for information on positions appointed by the director of the DCA or visit the DCA's [Board Member Resources webpage](#).

Schedule

The Committee meets quarterly. The Bureau announces Committee meetings on its website, www.bppe.ca.gov, prior to each meeting. Committee meetings are typically held at DCA in Sacramento, California.

Preparation for Meetings

Committee members best fulfill their role when they are prepared for meetings. To be ready for a Committee meeting, it is suggested that members:

- Read the meeting materials. Review the meeting's agenda and regulations related to the issues on the schedule and analyze any materials received.
- Review the last meeting's minutes.
- In line with consumer protection, consider how the issues at hand affect California consumers and the Bureau.
- Identify topics to discuss. Bring issues that are relevant to private postsecondary education to the attention of the Committee and the Bureau Chief.
- Prepare to overcome differences with colleagues. Each member of the Committee offers their own unique perspective—that is why they are part of the Committee. Members may not agree with everyone, but their role as a Committee member is to ensure a balance of opinions. A thought out and well-reasoned approach offers the most benefit to the Bureau and to California consumers.
- Be willing to listen to speakers who visit the meeting.
- Give consideration to new ideas.

Making a Motion at Meetings

A BAC member must make a motion to provide an advisory recommendation whenever the Advisory Committee is considering making a recommendation concerning an issue regarding private postsecondary education or any other course of action.

When making a motion, BAC members are encouraged to speak slowly and clearly. BAC members who opt to second a motion must remember to repeat the motion in question. Additionally, it is important to remember that once a motion has been made and seconded, it is inappropriate to make a second motion until the initial one has been resolved.

The basic process of a motion is as follows:

- An agenda item is presented and thoroughly discussed. Note: In some instances, a motion can be made after an item has been presented but before discussion.

- The Chair opens a forum for a BAC member to make a motion to adopt, modify, or reject the discussed item.
- A BAC member makes a motion to the Committee.
- Another BAC member seconds this motion.
- The Chair opens discussion and additional comment from BAC members.
- The Chair solicits comment from the public.
- The Chair puts forth the motion to a vote.
- The vote of each BAC member is recorded via roll call vote.
- Upon completion of the voting, the Chair will announce the result of the vote (e.g. “the motion [to submit BAC recommendation _____ to the Bureau] is adopted” or “the motion fails”).

MEMBER POLICIES AND RULES OF CONDUCT

The Committee is comprised of both public and professional members with the intention that, together, the Committee can collectively protect the public and advise the Bureau by providing Advisory recommendations that are the product of full and fair debate and compromise.

Rules of Conduct

Committee members' actions shall serve to uphold the principle that the BAC and Bureau's primary mission is to serve the public.

Committee members shall recognize the role and responsibilities of all BAC members.

Committee members shall adequately prepare for BAC responsibilities.

Committee members shall be responsive to the DCA and Bureau staff.

Committee members shall maintain the confidentiality of non-public documents and information.

Committee members shall be fair, nonpartisan, impartial, and unbiased in their role.

Committee members shall not use their BAC positions for personal, familial or financial gain.

Conflict of Interest

No BAC member may make, participate in making, or in any way attempt to use their official position to influence a governmental decision in which they know or have reason to know they have a financial interest. Any BAC member who has a financial interest shall disqualify themselves from making or attempting to use their official position to influence the decision. Any BAC member who feels they are entering into a situation where there is a potential for a conflict should immediately consult the Bureau's legal counsel.

Contact with Applicants and Licensees

BAC members shall not intervene on behalf of a candidate or an applicant for licensure for any reason. Nor shall they intervene on behalf of a licensee. All inquiries regarding licenses, applications, and enforcement matters should be referred to the Bureau Chief.

Resignation of Committee Members

In the event a BAC member chooses to resign, the member shall submit a letter to their appointing authority (Legislature or DCA Director) with the effective date of resignation. The resigning BAC member also needs to send a copy of this letter to the Bureau Chief.

Compensation

Committee members are volunteers and do not receive compensation for their time. Pursuant to State law Committee members do receive reimbursement for:

- Out-of-pocket expenses authorized by the volunteer coordinator; and
- Authorized travel expenses such as, but not limited to, mileage, parking, and airfare.

Member Onboarding and Training

Onboarding

As Advisory Committee members under DCA, BAC members must submit the following no later than 30 days after their swearing-in:

Oath of Office – signed and dated

Volunteer Service Agreement

Payee Data Record (STD.204)

Emergency Contact Information

Authorization to Use Privately Owned Vehicles on State Business (STD.261)

Sexual Harassment Prevention Policy Memo and Acknowledgement Form

Sexual Harassment Prevention Training Certificate of Completion (see “Required Trainings” below for more information)

Non-Discrimination Policy and Complaint Procedures Policy Memo and Acknowledgement Form

Submit all original forms to:

Bureau for Private Postsecondary Education

C/O Deputy Bureau Chief

1747 N. Market Blvd. Ste. 225

Sacramento, CA 95834

Required Trainings

As DCA advisory Committee members, BAC members must complete the following required trainings within 30 days of their swearing-in:

Bagley-Keene Open Meeting Act Training

- How to complete: The Deputy Bureau Chief will contact new members on how to complete this training.

Sexual Harassment Prevention Training

- Background: To ensure compliance with Assembly Bill 1825 (Chapter 933, Statutes of 2004), all DCA advisory committee members are required to complete Sexual Harassment Prevention Training every two years.

- The training is online, interactive and can be completed at your convenience. Training available via the Learning Management System (LMS): <https://dca.csod.com>

Ethics Training

- The training is online, interactive and can be completed at your convenience. State Officials Ethics Training Course available at: <http://oag.ca.gov/ethics>

Committee Leadership and Subcommittees

Committee Leadership

The BAC shall elect annually from among its members a Chair and Vice Chair. A member shall not serve for more than a combined two years in the Chair position and a combined two years in the Vice Chair position.

If an office becomes vacant during the year, an election shall be held at the next meeting. Elected officers shall then serve the remainder of the term.

Leadership Roles and Responsibilities

Chair

- Committee Business: Conducts the BAC's business in a professional manner and with appropriate transparency. At meetings, shall use Roberts Rules of Order as a guide and shall adhere to the provisions of the Open Meeting Act. Presides at BAC meetings.
- Committee Meeting Agendas: Develops agendas for meetings in coordination with the Bureau Chief.
- Committee Vote: Conducts roll call vote.
- Committee Affairs: Ensures that BAC matters are handled properly, including responsibilities, tasks, and orientation of new members.

- Subcommittees: Establishes subcommittees, as necessary, including standing and special subcommittees. Provides guidance to the Vice Chair regarding their roles and responsibilities.

Vice Chair

- Committee Business: Performs all the duties and responsibilities of the Chair when the Chair is absent.
- Subcommittees: Seeks volunteers for subcommittees and coordinates individual BAC member assignments, in consultation with the Chair. Ensures each subcommittee has a chairperson, and coordinates with the subcommittee chairs to ensure their responsibilities and tasks are carried out.

Subcommittees

The Chair and Vice Chair will provide leadership and guidance over subcommittees, including the establishment of standing and special subcommittees as necessary. The Vice Chair, in consultation with the Chair, shall seek volunteers for subcommittees, coordinate individual BAC member assignments, and determine the composition of the subcommittees. In determining the composition of each subcommittee, the Vice Chair shall solicit interest from the BAC members during a public meeting. Appointment of non-BAC members to a subcommittee is subject to the approval of the vote by the BAC and Bureau Chief consent.

Applicable Statutes and Regulations

Bagley-Keene Open Meeting Act

Committee meetings must comply with the rules of the Bagley-Keene Open Meeting Act. The following are the Bagley-Keene Open Meeting Act's key points, as set out in the Government Code (GC):

- Committee meetings are open to the public, including meetings conducted as a teleconference (GC section 11123)
- The Bureau must notify the public of Committee meetings at least 10 days before the meeting. The notice must include a meeting agenda (GC section 11125.5).

For more information about the Bagley-Keene Open Meeting Act, read the *Guide to the Bagley-Keene Open Meeting Act* at http://www.dca.ca.gov/publications/bagleykeene_meetingact.pdf.

The full text of the Open Meeting Act is available online at <http://leginfo.legislature.ca.gov/>. It is contained in the Government Code, sections 11120 - 11132.

Private Postsecondary Education Act of 2009

The Private Postsecondary Education Act of 2009 establishes the Bureau and sets forth laws that private postsecondary institutions must follow. It is found in the California Education Code, Title 3, Division 10, Part 59, Chapter 9. It is also available online at http://www.bppe.ca.gov/lawsregs/ppe_act.shtml.

California Code of Regulations

Title 5, Division 7.5 of the California Code of Regulations (CCR) contains the regulations promulgated by the Bureau to regulate the administration of the Private Postsecondary Education Act of 2009. This section of the CCR is available online at <http://www.bppe.ca.gov/lawsregs/regs.shtml>.

Robert's Rules of Order

The Eleventh edition, referred to as **Robert's Rules of Order Newly Revised (RONR)**, supersedes all earlier editions as the parliamentary authority in organizations that have adopted **Robert's Rules of Order**. More information from the Official Website of Roberts Rules of Order can be found at: <https://www.robertsrules.com/default.html>.

ATTACHMENT B

CURRENT ADVISORY COMMITTEE MEMBERSHIP ROSTER



Attachment B: Current Advisory Committee Members

Tess Kraiker, Chair

– Institutional Representative (Appointed by DCA Director)

Leigh Ferrin, Vice-Chair

– Past Student of an Institution (Appointed by DCA Director)

Robert Boykin

– Public Member (Appointed by Senate Committee on Rules)

Kansen Chu

– Consumer Advocate (Appointed by Speaker of the Assembly)

Melanie Delgado

– Consumer Advocate (Appointed by DCA Director)

Joseph Holt

– Institutional Representative (Appointed by DCA Director)

Robyn Smith

– Consumer Advocate (Appointed by Senate Committee on Rules)

Tracy Tambascia

– Public Member (Appointed by Speaker of the Assembly)

Michael Zimmerman

– Institutional Representative (Appointed by DCA Director)

Senator Angelique Ashby

– Non-Voting, Ex Officio Member (Appointed by the Senate Committee on Rules)

Assemblymember Mike Fong

– Non-Voting, Ex Officio Member (Appointed by Speaker of the Assembly)

ATTACHMENT C

ADVISORY COMMITTEE MEMBER ATTENDANCE



Attachment C: Table 1a. Advisory Committee Member Attendance

Table 1a. Advisory Committee Member Attendance

Senator Angelique Ashby (or representative) – Nonvoting Ex Officio Member			
Date Appointed: 4/4/2024			
Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	5/15/2024	Teleconference	No
Advisory Committee Meeting	8/20/2024	Sacramento, CA	No
Advisory Committee Meeting	11/13/2024	Teleconference	No
Advisory Committee Meeting	2/26/2025	Teleconference	No
Advisory Committee Meeting	5/28/2025	Teleconference	No

Robert Boykin – Public Member

Date Appointed: 1/18/2023			
Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	2/16/2023	Teleconference	Yes
Advisory Committee Meeting	5/24/2023	Teleconference	Yes
Advisory Committee Meeting	8/16/2023	Sacramento, CA	Yes
Advisory Committee Meeting	11/8/2023	Teleconference	Yes
Advisory Committee Meeting	2/7/2024	Teleconference	No
Advisory Committee Meeting	5/15/2024	Teleconference	Yes
Advisory Committee Meeting	8/20/2024	Sacramento, CA	Yes
Advisory Committee Meeting	11/13/2024	Teleconference	Yes
Advisory Committee Meeting	2/26/2025	Teleconference	No
Advisory Committee Meeting	5/28/2025	Teleconference	Yes

Kansen Chu – Consumer Advocate

Date Appointed: 6/23/2023 (Member Chu also served as a Public Member, appointed by the Speaker of the Assembly from 3/4/2021 to 6/23/2023)			
Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	3/17/2021	Teleconference	No
Advisory Committee Meeting	5/27/2021	Teleconference	Yes
Advisory Committee Meeting	8/26/2021	Teleconference	Yes
Advisory Committee Meeting	11/3/2021	Teleconference	Yes
Advisory Committee Meeting	2/23/2022	Teleconference	Yes
Advisory Committee Meeting	5/17/2022	Sacramento, CA	Yes
Advisory Committee Meeting	8/18/2022	Teleconference	Yes
Advisory Committee Meeting	11/16/2022	Teleconference	Yes
Advisory Committee Meeting	2/16/2023	Teleconference	Yes
Advisory Committee Meeting	5/24/2023	Teleconference	Yes
Advisory Committee Meeting	8/16/2023	Sacramento, CA	No
Advisory Committee Meeting	11/8/2023	Teleconference	Yes
Advisory Committee Meeting	2/7/2024	Teleconference	Yes
Advisory Committee Meeting	5/15/2024	Teleconference	No
Advisory Committee Meeting	8/20/2024	Sacramento, CA	Yes

Advisory Committee Meeting	11/13/2024	Teleconference	No
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	No

Melanie Delgado – Consumer Advocate			
Date Appointed: 5/12/2021			
Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	5/27/2021	Teleconference	Yes
Advisory Committee Meeting	8/26/2021	Teleconference	Yes
Advisory Committee Meeting	11/3/2021	Teleconference	Yes
Advisory Committee Meeting	2/23/2022	Teleconference	Yes
Advisory Committee Meeting	5/17/2022	Sacramento, CA	Yes
Advisory Committee Meeting	8/18/2022	Teleconference	Yes
Advisory Committee Meeting	11/16/2022	Teleconference	Yes
Advisory Committee Meeting	2/16/2023	Teleconference	Yes
Advisory Committee Meeting	5/24/2023	Teleconference	No
Advisory Committee Meeting	8/16/2023	Sacramento, CA	Yes
Advisory Committee Meeting	11/8/2023	Teleconference	Yes
Advisory Committee Meeting	2/7/2024	Teleconference	Yes
Advisory Committee Meeting	5/15/2024	Teleconference	Yes
Advisory Committee Meeting	8/20/2024	Sacramento, CA	Yes
Advisory Committee Meeting	11/13/2024	Teleconference	Yes
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	Yes

Leigh Ferrin – Student Representative			
Date Appointed: 8/7/2023 (Member Ferrin also served as the Consumer Advocate, appointed by the Speaker of the Assembly from 3/12/2020 to 6/23/2023)			
Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	8/26/2020	Teleconference	No
Advisory Committee Meeting	12/1/2020	Teleconference	Yes
Advisory Committee Meeting	2/17/2021	Teleconference	Yes
Advisory Committee Meeting	5/27/2021	Teleconference	Yes
Advisory Committee Meeting	8/26/2021	Teleconference	Yes
Advisory Committee Meeting	11/3/2021	Teleconference	Yes
Advisory Committee Meeting	2/23/2022	Teleconference	Yes
Advisory Committee Meeting	5/17/2022	Sacramento, CA	Yes
Advisory Committee Meeting	8/18/2022	Teleconference	Yes
Advisory Committee Meeting	11/16/2022	Teleconference	Yes
Advisory Committee Meeting	2/16/2023	Teleconference	Yes
Advisory Committee Meeting	5/24/2023	Teleconference	Yes
Advisory Committee Meeting	8/16/2023	Sacramento, CA	Yes
Advisory Committee Meeting	11/8/2023	Teleconference	Yes
Advisory Committee Meeting	2/7/2024	Teleconference	Yes
Advisory Committee Meeting	5/15/2024	Teleconference	Yes
Advisory Committee Meeting	8/20/2024	Sacramento, CA	Yes

Advisory Committee Meeting	11/13/2024	Teleconference	Yes
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	Yes

Assembly Member Mike Fong (or representative) – Nonvoting Ex Officio Member			
Date Appointed: 3/13/2023			
Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	5/24/2023	Teleconference	Yes
Advisory Committee Meeting	8/16/2023	Sacramento, CA	Yes
Advisory Committee Meeting	11/8/2023	Teleconference	Yes
Advisory Committee Meeting	2/7/2024	Teleconference	No
Advisory Committee Meeting	5/15/2024	Teleconference	No
Advisory Committee Meeting	8/20/2024	Sacramento, CA	No
Advisory Committee Meeting	11/13/2024	Teleconference	Yes
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	Yes

Joseph Holt - Institution Representative			
Date Appointed: 1/31/2017			
Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	2/19/2020	Sacramento, CA	Yes
Advisory Committee Meeting	8/26/2020	Teleconference	Yes
Advisory Committee Meeting	12/1/2020	Teleconference	Yes
Advisory Committee Meeting	2/17/2021	Teleconference	Yes
Advisory Committee Meeting	3/17/2021	Teleconference	Yes
Advisory Committee Meeting	5/27/2021	Teleconference	Yes
Advisory Committee Meeting	8/26/2021	Teleconference	Yes
Advisory Committee Meeting	11/3/2021	Teleconference	Yes
Advisory Committee Meeting	2/23/2022	Teleconference	Yes
Advisory Committee Meeting	5/17/2022	Sacramento, CA	Yes
Advisory Committee Meeting	8/18/2022	Teleconference	Yes
Advisory Committee Meeting	11/16/2022	Teleconference	Yes
Advisory Committee Meeting	2/16/2023	Teleconference	Yes
Advisory Committee Meeting	5/24/2023	Teleconference	Yes
Advisory Committee Meeting	8/16/2023	Sacramento, CA	Yes
Advisory Committee Meeting	11/8/2023	Teleconference	Yes
Advisory Committee Meeting	2/7/2024	Teleconference	Yes
Advisory Committee Meeting	5/15/2024	Teleconference	Yes
Advisory Committee Meeting	8/20/2024	Sacramento, CA	Yes
Advisory Committee Meeting	11/13/2024	Teleconference	Yes
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	No

Tess Kraiker – Institution Representative			
Date Appointed: 5/3/2022			
Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	5/17/2022	Sacramento, CA	Yes

Advisory Committee Meeting	8/18/2022	Teleconference	Yes
Advisory Committee Meeting	11/16/2022	Teleconference	Yes
Advisory Committee Meeting	2/16/2023	Teleconference	Yes
Advisory Committee Meeting	5/24/2023	Teleconference	Yes
Advisory Committee Meeting	8/16/2023	Sacramento, CA	Yes
Advisory Committee Meeting	11/8/2023	Teleconference	Yes
Advisory Committee Meeting	2/7/2024	Teleconference	Yes
Advisory Committee Meeting	5/15/2024	Teleconference	Yes
Advisory Committee Meeting	8/20/2024	Sacramento, CA	Yes
Advisory Committee Meeting	11/13/2024	Teleconference	Yes
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	No

Robyn Smith – Consumer Advocate

Date Appointed: 4/4/2024

Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	5/15/2024	Teleconference	Yes
Advisory Committee Meeting	8/20/2024	Sacramento, CA	Yes
Advisory Committee Meeting	11/13/2024	Teleconference	Yes
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	Yes

Tracy Tambascia – Public Member

Date Appointed: 6/23/2023

Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	8/16/2023	Sacramento, CA	Yes
Advisory Committee Meeting	11/8/2023	Teleconference	Yes
Advisory Committee Meeting	2/7/2024	Teleconference	Yes
Advisory Committee Meeting	5/15/2024	Teleconference	Yes
Advisory Committee Meeting	8/20/2024	Sacramento, CA	No
Advisory Committee Meeting	11/13/2024	Teleconference	No
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	Yes

Michael Zimmerman – Institution Representative

Date Appointed: 2/12/2025

Meeting Type	Meeting Date	Meeting Location	Attended?
Advisory Committee Meeting	2/26/2025	Teleconference	Yes
Advisory Committee Meeting	5/28/2025	Teleconference	Yes

ATTACHMENT D

BUREAU FOR PRIVATE POSTSECONDARY EDUCATION FUNDING STUDY, FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES





February 26, 2024

The Honorable Scott D. Wiener, Chair,
Senate Committee on Budget and
Fiscal Review
1020 N Street, Room 502
Sacramento, CA 95814

The Honorable Angelique V. Ashby, Chair
Senate Business, Professions and
Economic Development Committee
1021 O Street, Room 3320
Sacramento, CA 95814

The Honorable Josh Newman, Chair
Senate Education Committee
1021 O Street, Room 6740
Sacramento, CA 95814

The Honorable Jesse Gabriel, Chair
Assembly Committee on Budget
1021 O Street, Room 8230
Sacramento, CA 95814

The Honorable Marc Berman, Chair
Assembly Business and Professions
Committee
1020 N Street, Room 379
Sacramento, CA 95814

The Honorable Mike Fong, Chair
Assembly Higher Education Committee
1020 N Street, Room 173
Sacramento, CA 95814

Re: Bureau for Private Postsecondary Education – Fee Recommendations

Dear Chairs Wiener, Gabriel, Ashby, Berman, Newman, and Fong:

This correspondence in tandem with the attached report fulfills the requirements of AB 178 (Ting, Chapter 45, Statutes of 2022), which requires the Bureau for Private Postsecondary Education (Bureau) to provide the Legislature with a proposal for a new fee structure to support the Bureau's operations on an ongoing basis.

This letter provides an overview of the current state of the Private Postsecondary Education Administrative Fund, the Foundation for California Community Colleges' (FoundationCCC) work to explore funding dynamics and alternatives, and the Bureau's recommendations for solving the current structural deficit, including relevant context regarding the Student Tuition Recovery Fund.

The State of the Private Postsecondary Education Administrative Fund

The Private Postsecondary Education Administrative Fund (Fund) faces a substantial deficit that threatens the Bureau's ability to protect consumers. In the Current Year, the Bureau is expected to generate a total of \$15.3 million in

revenue with total authorized expenditures of \$22.7 million.¹ This amounts to a structural deficit of \$7.4 million, which is partially offset with \$6 million General Fund. In the Current Year, due to the Bureau's efforts to address the deficit, cost-cutting measures are projected to generate savings of \$3.4 million (for total projected expenditures of \$19.3 million).

By Budget Year 2028-29, at current revenue levels and with projected routine growth in expenditures (estimated at 3 percent growth annually), the projected size of the structural deficit may be up to \$11 million.² The Bureau focuses on Budget Year 2028-29 so that funding solutions considered now will be sufficient to ensure consistency in Bureau operations for the foreseeable future, as is common for assessments of financial viability.

More detail may be found in Table 1 below.

Table 1: Fund Condition, Private Postsecondary Education Administrative Fund

0305 - Private Postsecondary Education Administrative Fund Analysis of Fund Condition (Dollars in Thousands) <small>2024-25 Governor's Budget</small>								Prepared 1.10.2024
	ACTUAL 2022-23	CY 2023-24	BY 2024-25	BY +1 2025-26	BY +2 2026-27	BY +3 2027-28	BY +4 2028-29	
Adjusted Beginning Balance	\$ 8,592	\$ 17,651	\$ 4,233	\$ 1,854	\$ -5,964	\$ -14,441	\$ -23,596	
Total Revenues	\$ 15,317	\$ 15,305	\$ 15,221	\$ 15,221	\$ 15,221	\$ 15,221	\$ 15,221	
Loan Repayment from Fund 0305 to Fund 0421, BA of 2021	\$ -	\$ -12,000	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTAL RESOURCES	\$ 23,909	\$ 20,956	\$ 19,454	\$ 17,075	\$ 9,257	\$ 780	\$ -8,375	
Expenditures:								
1111 DCA Regulatory Boards, Bureaus, Divisions (State Ops)	\$ 18,504	\$ 21,250	\$ 21,309	\$ 21,948	\$ 22,607	\$ 23,285	\$ 23,983	
9892 Supplemental Pension Payments (State Ops)	\$ 382	\$ 382	\$ 291	\$ -	\$ -	\$ -	\$ -	
9900 Statewide General Admin Exp (Pro Rata) (State Ops)	\$ 1,372	\$ 1,091	\$ -	\$ 1,091	\$ 1,091	\$ 1,091	\$ 1,091	
Less funding provided by General Fund (State Ops)	\$ -14,000	\$ -6,000	\$ -4,000	\$ -	\$ -	\$ -	\$ -	
Total Expenditures	\$ 6,258	\$ 16,723	\$ 17,600	\$ 23,039	\$ 23,698	\$ 24,376	\$ 25,074	
FUND BALANCE	\$ 17,651	\$ 4,233	\$ 1,854	\$ -5,964	\$ -14,441	\$ -23,596	\$ -33,449	
Months in Reserve	12.7	2.9	1.0	-3.0	-7.1	-11.3	-16.0	

NOTES:

1. Assumes workload and revenue projections are realized in BY +1 and ongoing.
2. Expenditure growth projected at 3% beginning BY +1.

The structural deficit faced by the Bureau has been under discussion and scrutiny for several years. Actual expenditures have outpaced revenues generated since 2017-18.

A 2020 report by Capital Accounting Partners, LLC. (CAP), conducted at the request of the Department of Consumer Affairs (DCA), concluded that the Bureau "must either dramatically cut expenses, which will impact its ability to

¹ Authorized expenditures of \$22.7 million includes: \$21.25 million appropriation plus \$382,000 Supplemental Pension Payments and \$1.091 million statewide pro rata.

² This estimate would be sufficient to allow the Bureau to build a small reserve and support possible future increases to statewide pro rata.

complete its regulatory mission, or it must increase its fees." In 2021, DCA and the Bureau came to similar conclusions regarding the scale of the deficit and proposed an alternative approach to increasing licensing fees to an extent that would bring in sufficient revenue to cover required expenditures. Specifically, this approach focused primarily on annual fees, generating revenue by raising the minimum fee, maximum fee, and the percentage of revenue assessed. (See more about this proposal on page 7). Ultimately, neither approach was effectuated through the legislative process, and accordingly, neither was implemented by the Bureau.

In lieu of fee increases, the Legislature in 2022-23 provided the Bureau with \$24 million from the General Fund over three years to stabilize funding and allow the Bureau to explore additional options for revenue sufficiency. In describing the current fee structure at the time, the Governor's May Budget Revision stated that the Bureau's fund is "inherently unstable because it is based on the profitability of a nimble industry shaped heavily by external forces." The resulting Budget Act language required the Bureau to provide "a proposal for a new fee structure to support the Bureau's operations on an ongoing basis." Accordingly, to effectuate this proposal, the Bureau allocated a small portion of this augmentation to secure a vendor to support the required research and analysis of the Bureau's fee structure.

The Foundation for California Community Colleges (FoundationCCC)

The Bureau entered into an Interagency Agreement with FoundationCCC to explore these dynamics and consider potential revenue sources beyond the typical licensing-fee models previously proposed. Specifically, the Bureau requested FoundationCCC to: (1) explore further the dynamics of the private postsecondary education industry that challenge stable funding; (2) examine how the funding structures of other enforcement agencies impact their decision-making and effectiveness; and (3) develop options for the Bureau's revenue sufficiency.

The resulting FoundationCCC report (attached) includes several recommendations to generate sufficient revenue to cover Bureau expenditures. Importantly, while the options presented extend beyond fee increases, FoundationCCC did not identify alternative funding approaches sufficient to avoid fee increases entirely.

In brief, FoundationCCC's recommendations include:

- Identifying alternative funding sources for specified Bureau expenditures, to reduce the scale of the deficit to be covered by institution fees.

- Increasing licensing fees paid by institutions, in line with the Bureau and DCA's 2021 proposal.
- Exploring areas where additional revenues could be generated in tandem with reconsideration of existing Bureau authorities and mandates, to improve consumer protection.
- Considering alternative placements for the Bureau within California State government to best support its effectiveness.

Some of these recommendations extend beyond the scope of the Bureau's fee structure. The Bureau recognizes fully that addressing fiscal challenges often also requires addressing larger questions regarding administrative effectiveness and efficiency. The Bureau believes that some of the questions raised by FoundationCCC warrant further discussion and consideration with the Legislature, particularly those issues previously raised by the Bureau itself in its recent sunset reports. However, the Bureau also recognizes that the structural deficit requires immediate action.

As such, this memo includes the Bureau's recommendations for addressing the \$11 million structural deficit, building from the options presented by FoundationCCC.

Bureau Recommendations

As outlined below, the Bureau recommends pursuing several FoundationCCC options, either as presented in the report or in a modified fashion.

The FoundationCCC report includes four options that the Bureau recommends pursuing as presented in the report, and further recommends pursuing them immediately for maximum, near-term impact to the Fund and to minimize impact on both institutions and consumer protection.

1. Use the Student Tuition Recovery Fund (STRF) to cover claim administration.
2. Use STRF to support the provision of transcripts to support related administrative costs.
3. Increase application fees.
4. Increase out-of-state institution fees.

1. Use the STRF to cover claim administration.

First, the Bureau believes that the report recommendation to draw resources from the STRF to cover workload associated with STRF claim administration aligns with the statutory purpose of STRF to relieve or mitigate economic loss suffered

by students of private postsecondary institutions.³ As noted by FoundationCCC, many agencies draw administrative costs from similar types of funds, and even the Bureau's predecessor agency, the Bureau for Private Postsecondary and Vocational Education, funded STRF administrative costs with STRF.⁴ This recommendation would reduce the budget shortfall by an estimated \$1.112 million annually.

2. Use the STRF to support the provision of transcripts to support related administrative costs.

Second, the Bureau believes that facilitating students' access to transcripts directly relieves or mitigates students' economic loss by helping to ensure they benefit from the education received, providing evidence of a credential to those who have completed and supporting transfer for those who have not. As such, assessing fees to support transcript requests would align with the purpose of STRF. Most entities that facilitate students' access to transcripts charge a fee for doing so, and some private college regulators in other states are able to use STRF-like funds to support their agencies' work facilitating students' access to records.⁵ This recommendation would reduce the budget shortfall by an estimated \$250,000 annually.

3. Increase application fees.

Third, the Bureau recommends the Legislature increase application fees effective January 1, 2025. The CAP review of Bureau application fees found that out-of-state application fees were grossly insufficient to cover their review and processing, rendering this an area of needed focus to ensure the Bureau is assessing fees sufficient to cover administrative costs. The modest adjustments to application fee levels proposed by the Bureau and DCA in 2021 would reduce the discrepancy and collectively raise a significant amount of revenue annually. For example, an application for approval to operate a non-accredited institution currently has a fee of \$5,000, with estimated associated workload ranging between \$12,500-14,000. The Bureau proposed a comparatively modest application fee increase to \$7,500 for up to two programs. Collectively, increases to application fees are estimated to reduce the budget shortfall by \$1.8 million annually.

³ Education Code section 94923.

⁴ See [2008-09 Governor's Budget Display, State and Consumer Services](#), page 51. In 2008-09, \$337,000 was appropriated from Fund 0960 (STRF) for the costs of STRF administration.

⁵ For example, see Ohio Revised Code, Title 33, Chapter 3332, [Section 3332.085: Mandatory payments into student tuition recovery fund – special assessment](#). Pursuant to this section, funds collected may be used "for the purposes of disseminating consumer information about private career schools and maintaining student records from closed schools."

4. Increase out-of-state institution fees.

Fourth, the Bureau finds the FoundationCCC recommendation to bring fees more closely in line to those of other states to have merit, particularly as the fee paid by these institutions was reduced, from \$1,500 every two years to \$1,500 every five years, at the same time required workload increased.⁶ At a minimum, the Bureau recommends assessing a fee of \$1,500 annually, which would reduce the budget shortfall by an estimated \$120,000 annually.

The Bureau also recommends pursuing modified versions of the FoundationCCC options as described below.

5. Increase Bureau efficiency.
6. Draw resources from the STRF for the Office of Student Assistance and Relief
7. Increase annual fees to the level needed for fiscal solvency.

5. Increase Bureau efficiency.

While workload analyses were out of scope for the project, the report includes assertions that there may be room for greater efficiency in Bureau operations. For instance, FoundationCCC references areas in which the Bureau is not fully recovering amounts owed to it, including the lack of validation that the fee levels paid by institutions are correct (an area in which process improvements are already underway).

Improved efficiency and operations have been and continue to be a focus of the Bureau and there is room to go further. The Bureau estimates that it will be able to reduce the budget shortfall by an estimated \$1 million through administrative efficiencies and process improvements.

6. Draw resources from the STRF for the Office of Student Assistance and Relief

The FoundationCCC report recommends using General Fund rather than licensee fees to fund the Office of Student Assistance and Relief (OSAR). The Bureau does not endorse this recommendation. Instead of General Fund, the Bureau recommends using STRF to cover these functions.

⁶ Specifically, effective July 1, 2022, the Bureau must now receive and process notifications from registered institutions in addition to the registration application. In addition to Bureau staff workload, these reviews entail additional costs of mandated consultation with the Attorney General and any enforcement costs that may result from the Bureau revoking or placing conditions on a registration if the institution poses risks to California consumers. See Education Code section 94801.5.

Education Code section 94949.73 specifies that OSAR shall prioritize the provision of “individualized assistance to students to relieve or mitigate the economic and educational opportunity loss” associated with institutional closures or unlawful activities, including one-on-one support in applying for and securing financial relief. Similarly, the statutory description of STRF (Education Code section 94923) is that it “relieves or mitigates economic loss suffered by a student....” demonstrating clear mission alignment between these units.

Further, the support provided by OSAR – through the office’s outreach efforts and work with individual students to maximize access to both federal and state financial relief – is what enables the purpose of STRF to be achieved. The Bureau believes that the clear alignment between OSAR duties furthers the purpose of STRF and necessitates OSAR administrative cost recovery to be supported by the fund. This recommendation would reduce the Fund shortfall by \$1.350 million annually.

7. Increase annual fees to the level needed for fiscal solvency.

Collectively, the six recommendations above (further outlined in Table 3 below) would reduce the deficit by \$5.6 million annually. However, future annual deficits would still exist and must be solved for, beginning with approximately \$1.65 million in the Budget Year (not accounting for the expected \$4 million General Fund) and growing to a deficit of \$3.7 million to \$5.4 million in Budget Year 2028-29.

The Bureau recommends adopting the FoundationCCC proposal to raise institutions’ annual fees in a manner similar to the 2021 Bureau proposal, though to a lesser extent given the reduced need for additional revenue. The proposal may be pursued and scaled in several ways, depending on which of the recommendations above are adopted and in what timeframe.

The 2021 proposal would have modified institutions’ annual fees through several mechanisms:

- Establishment of a “base fee” of \$3,500 that each approved institution would pay annually to cover minimal costs of oversight. This fee does not currently exist.
- A revenue-based fee, assessed as 0.775% of institutional revenue derived from California students (an increase from the current 0.55% of revenue). This fee is subject to the following limitations:
 - A minimum fee of \$1,000 (a reduction from the current \$2,500).
 - A maximum fee of \$80,000 per assessed location (an increase from the current \$60,000), and \$750,000 per institution (same as current).

Table 2 below compares the status quo and 2021 proposal with two alternative options, designed to illustrate how the approach may be pursued in different ways to generate needed levels of revenue. The Bureau and DCA are prepared to work with the Legislature to refine an approach that ensures fiscal stability and balances stakeholder needs.⁷

Table 2. Annual Fee Structure, Current, Proposed, and Alternative Options

	Current	2021 Proposal	Alternative 1	Alternative 2
Base Fee	N/A	\$3,500	\$3,500	\$3,500
Revenue Percentage	0.55%	0.775%	0.625%	0.575%
Minimum Fee	\$2,500	\$1,000	\$1,000	\$1,000
Maximum Fee	\$60,000	\$80,000	\$60,000	\$80,000
Institution Total	\$750,000	\$750,000	\$750,000	\$500,000
Projected Change	N/A	\$7.9 million	\$4.5 million	\$4.6 million

The Bureau's full list of recommendations and the fiscal implications are outlined in Table 3.

Table 3. Recommendations to Improve Fiscal Solvency

Recommendation	Annual Impact	Effective Date
Improved Operations	\$1 million	July 1, 2024
Fund STRF Administration through STRF	\$1.112 million	July 1, 2024
Assess Student Transcript Fee to STRF	\$250,000	July 1, 2024
Fund OSAR through STRF	\$1.35 million	July 1, 2024
Increase Application Fees	\$1.8 million	January 1, 2025
Increase Out-of-State Registration Fee	\$120,000	January 1, 2025
Increase Annual Fees	TBD	TBD

The State of the Student Tuition Recovery Fund

Pursuant to Education Code section 94923, "the Student Tuition Recovery Fund relieves or mitigates economic loss suffered by a student while enrolled in an institution not exempt from this article pursuant to Article 4 (commencing with Section 94874), who, at the time of the student's enrollment, was a California resident or was enrolled in a California residency program, prepaid tuition, and suffered economic loss."

STRF works like an insurance program in which enrolled students pay small amounts or "assessments" into the fund, from which harmed students may later apply for relief if they experience economic loss. The amounts students pay is

⁷ The alternative proposals presented in Table 3 are calculated based on the 2021 model previously developed. However, DCA and the Bureau anticipate similar outcomes based on internal analyses of annual fee revenues collected in the most recent fiscal year.

determined by the Bureau and is adjusted periodically so that the STRF balance remains within allowable thresholds. Per Education Code section 94925, the STRF balance is intended to remain between \$20-25 million. In Budget Year 2022-23, the assessment was set at \$2.50 per \$1,000 in institutional charges and the Bureau collected \$11.9 million in STRF assessments. However, the STRF balance is currently \$29 million.⁸ As such, the assessment for students will be eliminated effective April 1, 2024, until the balance gets below \$20 million. Historical revenue, expenditure, and fund balance information is in Table 4.

Table 4: Fund Condition, Student Tuition Recovery Fund

0960 - Student Tuition Recovery Fund Analysis of Fund Condition (Dollars in Thousands) 2024-25 Governor's Budget											Prepared 1.10.2024
	Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19	Actual 2019-20	Actual 2020-21	Actual 2021-22	Actual 2022-23	CY 2023-24	BY 2024-25	BY +1 2025-26
BEGINNING BALANCE	\$ 29,606	\$ 28,490	\$ 27,268	\$ 25,359	\$ 25,243	\$ 21,731	\$ 15,830	\$ 16,545	\$ 24,998	\$ 19,058	\$ 13,118
Prior Year Adjustment	\$ 14	\$ 1	\$ 0	\$ 1,046	\$ -1	\$ 54	\$ -	\$ -4	\$ 5	\$ -	\$ -
Adjusted Beginning Balance	<u>\$ 29,620</u>	<u>\$ 28,491</u>	<u>\$ 27,268</u>	<u>\$ 26,405</u>	<u>\$ 25,242</u>	<u>\$ 21,785</u>	<u>\$ 15,830</u>	<u>\$ 16,541</u>	<u>\$ 24,998</u>	<u>\$ 19,058</u>	<u>\$ 13,118</u>
Total Revenues	\$ 182	\$ 350	\$ 91	\$ 555	\$ 562	\$ 303	\$ 2,332	\$ 12,110	\$ 60	\$ 60	\$ 107
TOTAL RESOURCES	<u>\$ 29,802</u>	<u>\$ 28,841</u>	<u>\$ 27,359</u>	<u>\$ 26,960</u>	<u>\$ 25,804</u>	<u>\$ 22,088</u>	<u>\$ 16,162</u>	<u>\$ 28,651</u>	<u>\$ 25,058</u>	<u>\$ 19,116</u>	<u>\$ 13,225</u>
Total Expenditures	\$ 1,312	\$ 1,573	\$ 2,000	\$ 1,717	\$ 4,073	\$ 6,258	\$ 1,617	\$ 3,653	\$ 6,000	\$ 6,000	\$ 6,000
FUND BALANCE	<u>\$ 28,490</u>	<u>\$ 27,268</u>	<u>\$ 25,359</u>	<u>\$ 25,243</u>	<u>\$ 21,731</u>	<u>\$ 15,830</u>	<u>\$ 16,545</u>	<u>\$ 24,998</u>	<u>\$ 19,058</u>	<u>\$ 13,118</u>	<u>\$ 7,225</u>
Months in Reserve	217.3	163.6	177.2	74.4	41.7	117.5	54.3	50.0	38.1	26.2	14.5
NOTES:											
1. Assumes workload and revenue projections are realized in BY and ongoing.											
2. STRF is a continuously appropriated fund.											

The primary concern regarding the STRF balance must be ensuring that it retain sufficient funds to support harmed students as needed. Determining how much is needed to ensure sufficient funding is difficult to say, because large-scale closures are typically unforeseen and unanticipated. However, the Bureau does not believe that the proposals to fund up to \$2.712 million in student support services from STRF would jeopardize students' access to timely relief, even in the case of a large closure, for two reasons.

First, large numbers of claims take time to adjudicate. Bureau staff work with applicants to ensure applications are complete and as strong as possible, and then STRF administrative staff generally process them in the order received. Should a very large impact closure occur, this time would allow the Bureau to use its regulatory authority to increase STRF assessments to begin bringing in additional revenue sufficient to cover the expected need. Second, some of the most substantial California closures in recent history, including Corinthian Colleges and ITT Technical Institute, represented surprisingly small total claim values (under \$2 million each). This is because large institutions generally receive

⁸ While the Bureau begins the process to eliminate assessments when the Fund balance reaches \$25 million, the balance may temporarily exceed \$25 million as the change in assessment rates takes place and deposits continue to come in.

federal aid from the U.S. Department of Education, and OSAR and STRF staff work to maximize students' total eligibility for relief by prioritizing federal relief applications before STRF.

Conclusion

Thank you for your support of the Bureau in its mission to protect prospective, current, and former students of private postsecondary educational institutions in California. While the Bureau's budget shortfall has been long in the making, we are optimistic about the future. Specifically, the Bureau believes the recommendations provided would establish a budget framework that balances the need to ensure regulated entities bear the costs of their regulation while also improving efficiency in operations. All told, I firmly believe that the options presented would provide financial solvency for the Bureau now and in the years to come while having a lower financial impact to institutions than previously anticipated.

Please feel free to contact me at (916) 574-8900 or Deborah.Cochrane@dca.ca.gov if you have any questions.

Sincerely,



Deborah Cochrane
Bureau Chief

cc: Gabriel Petek, Legislative Analyst, Legislative Analyst's Office
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Prepared for California's Department of Consumer Affairs

Bureau for Private Postsecondary Education Funding Study

January 24, 2024



FOUNDATION for CALIFORNIA
COMMUNITY COLLEGES

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I. Introduction

This report fulfills the directive of provisional language contained in the 2022 Budget Act, which requires the Bureau for Private Postsecondary Education (BPPE or Bureau) to provide the Legislature with a proposal for a new fee structure to support the Bureau's ongoing operations and close its revenue shortfall. By Budget Year 2028-29, at current revenue levels and with projected routine growth in outlays, the revenue shortfall is projected to be up to \$11 million. Unlike prior BPPE fee studies, this report approaches the revenue questions with a broader policy lens by discussing the constantly changing dynamics of the private postsecondary education industry and discussing additional reforms that could change the undergirding of BPPE's fiscal solvency.

Following the 2022-23 May Budget Revision, the Legislature approved a \$24 million General Fund appropriation, allocated over three fiscal years, to stabilize BPPE. This funding has allowed BPPE to pay back the Bureau of Automotive Repair for an outstanding loan while also providing policymakers with the time needed to determine how best to align BPPE's mission with its revenues and the needs of Californians. The allocations of the state General Fund appropriation are contingent upon this report being provided to the Legislature.¹

¹ Budget Item 1111-011-0001, Provision 2, Budget Act of 2022 (AB 178, Chapter 45, Statutes of 2022)

As part of the aforementioned 2022-23 May Revision, the Administration noted that “a consistent and reliable approach to regulatory oversight of private for-profit institutions must be supported with stable funding. However, the Bureau’s fee model is inherently unstable because it is based on the profitability of a nimble industry shaped heavily by external forces.”² This report supports that assertion and finds that much of the Bureau’s fiscal instability stems from a misalignment between its statutory mission, the revenues it brings in from fees to support that mission, and the expectations of policymakers and stakeholders that exceed the amount BPPE is funded. When taken as a whole, these factors render it impossible to uncouple the Bureau’s current fiscal sustainability challenges from its mission.

This report explores options for increasing annual revenues so that BPPE’s operating costs are sufficiently and sustainably covered. After numerous meetings, research, and interviews with experts and enforcement leaders in other California agencies, many recommendations and options to consider emerged. The proposed recommendations and options range from small revisions that should be enacted under BPPE’s current statutory authority (such as verifying institutional income) to large scale reforms (such as creating a new state Department). The intent of this report was not to provide a single answer that would resolve the funding challenges that face BPPE. Instead, it lays out a set of recommendations and other options for consideration that contribute to a holistic solution.

² [May Revision, 2022-23](#), p. 40

The majority of the recommendations within the report are currently quantifiable and are monetized in Appendix A. The report also offers options for consideration that range from charging graduates of licensed programs a nominal fee (currently quantifiable) to bigger reforms, such as nesting BPPE in a new state Department, which will require further exploration. A combination of these recommendations and options will solve the existing structural deficit, with some recommendations being more fiscally or politically viable in the current environment. Regardless of the recommendations and options chosen, it is crucial that the Bureau be solvent to ensure the protection of California consumers.

Below is a summary table of recommendations and options for consideration that will be outlined in the report:



Table of Recommendations and Options for Consideration

Increase Resources Through Fees

- Adjust Annual Fees^{S*}
- Increase Application and Substantive Change Fees^{S*}
- Apply an Automatic Inflator for Application Fees^{S*}
- Assess Fees using a Pro Rata Fee Assessmentⁱ
- Require Use of Surety Bonds and School Risk Profile^{*}
- Expand Cost Recovery Authority^{S*}
- Update Nonprofit Schools contracted fees^{S*}
- Expand Authority and Align Fees with Workload for Approving Out-of-State Schools^{S*}

Expand Funding Sources for Bureau Operations

- Use State General Fund for Small Subset of BPPE Operations:
 - AG enforcement costs^{S*}
 - OSAR^{S*}
- Expand use of Student Tuition and Recovery Fund (STRF)**
 - Use STRF revenue to fund STRF personnel^{S*}
 - Assess \$25 per Student Transcript Fee to be paid by the STRF^{S*}

Potential Efficiencies and Revenue Enhancements

- Operational Efficiencies:
 - Verify Self-Report School Revenue^{*}
 - Improve Fine and Penalty Assessment and Collection^{*}
 - Increase Recovery of Costs^{*}
 - Define and Enforce Key Terms^{*}
- Consider additional payers:
 - Charge Graduates Fee for Licenses^{S*}

Big Picture Reforms

- Move BPPE out of DCA and into Business, Consumer Services and Housing Agency

ⁱ Move BPPE into a Newly Created Higher Education Agencyⁱ

^{*} Indicates a recommendation by FoundationCCC.

ⁱ Indicates an option for consideration.

^S Indicates a quantifiable recommendation. For details, please refer to Appendix.

II. Methodology

“FoundationCCC partnered with the Department of Consumer Affairs (DCA) and BPPE to find alternative approaches for funding the Bureau that protects students in California...FoundationCCC employed a multi-pronged approach, including discovery, background research, and data gathering and analysis.”

This report has been produced by the Foundation for California Community Colleges (FoundationCCC) through an Interagency Agreement with the Department of Consumer Affairs. FoundationCCC, a 501(c)(3) organization, has been the official auxiliary to the California Community Colleges Chancellor's Office and Board of Governors since 1998. FoundationCCC is a trusted partner of state agencies to understand and examine the intersegmental crossroads that will impact California's higher education system.

Authorized in state statute, FoundationCCC operates over 50 innovative programs and services that benefit students, colleges, and communities across six priority areas of impact: student success, workforce development, equity, community impact, climate action, and system support. Given that California's private postsecondary education industry exists at the intersection of each of their priority areas of impact, FoundationCCC partnered with the Department of Consumer Affairs (DCA) and BPPE to find alternative approaches for funding the Bureau that protects students in California.

To generate the options included in this report, FoundationCCC employed a multi-pronged approach, including discovery, background research, and data gathering and analysis. FoundationCCC first met with budget staff at the Department of Consumer Affairs and the Bureau for Private Postsecondary Education, including BPPE's Bureau Chief. Through these meetings,

FoundationCCC gained an in-depth understanding of the Bureau's fiscal forecast, the challenges created by the private postsecondary education marketplace and the current organizational structure, and historical efforts to create efficiencies and improve the Bureau's efficacy. Over 13 weeks FoundationCCC met regularly with DCA and BPPE to assess the existing structure and learn what options have been explored in the past.

Through these discovery meetings, DCA and BPPE recommended other governmental regulatory agencies for FoundationCCC to research. FoundationCCC examined those agencies and additionally reviewed other regulatory agencies from various industries to understand the different funding models. After compiling data and resources, FoundationCCC identified overarching themes and potential funding models that could be applied to BPPE's existing structure. Sample industries and/or agencies included, hospitals and banks (the Department of Financial Protection and Innovation), the Bureau of Gambling Control, the California Attorney General's Consumer Protection Division, and K14 Education's Fiscal Crisis and Management Assistance Team (FCMAT).

Collectively, DCA, BPPE, and FoundationCCC identified about a dozen key stakeholders to interview with specific knowledge and expertise. FoundationCCC conducted eleven stakeholder interviews with industry representatives, consumer advocates, legislative staff, and government agency officials, several of whom have expertise in, or lead, enforcement efforts in other California agencies. The interviewees were generally high-level employees that agreed to talk with us on the condition of anonymity because they weren't specifically authorized to speak on behalf of their organizations. They all offered insightful perspectives, observations, and recommendations for how BPPE can and should align its mission with sufficient revenues to meet the needs of Californians.

The group then decided upon criteria by which FoundationCCC would measure potential recommendations for consideration in this report. The criteria were: (1) sufficiency, (2) sustainability, (3) political feasibility (based on BPPE's historical attempts and state government's perceived appetite for change), and (4) the extent to which the option would protect California's consumers.

FoundationCCC identified common themes that emerged through these meetings, interviews, and background research. Interviewees commented on the challenges faced by the Bureau, in some cases suggesting alternative approaches. In other cases, the FoundationCCC team, from its higher-level vantage point, connected the themes with potential funding solutions to form a set of draft recommendations. These recommendations were then measured against the agreed-upon criteria and used to compose a series of steps BPPE can take to move forward. To provide deeper context and analysis, this report includes various options beyond those recommended; these options are meant to broaden the array of avenues forward and expand the set of potential solutions.



III. BPPE Has a High-Stakes Role

[C]onsumers can be subject to a lifetime of crippling student loan debt if colleges don't deliver on their promises of job training and career advancement...BPPE's most important duty is to provide student consumers with a level of confidence that the colleges in which they enroll are legitimate and capable of providing the training and education they seek."

The ability of BPPE to fulfill its mission and meet the expectations of stakeholders hinges on adequate resources and funding. The stakes are high: consumers can be subject to a lifetime of crippling student loan debt if colleges don't deliver on their promises of job training and career advancement. BPPE approval is also a critical gateway through which institutions become eligible for state and federal dollars.

BPPE was formed under the *California Private Postsecondary Act of 2009*³ to provide oversight and regulation of California's private postsecondary schools. This includes setting minimum educational quality standards for students attending private postsecondary institutions in California and protecting and promoting the interests of California students and consumers.

³ Senate Bill 48 (Chapter 310, Statutes of 2009).

BPPE's most important duty is to provide student consumers with a level of confidence that the colleges in which they enroll are legitimate and capable of providing the training and education they seek. When schools don't fulfill these promises, BPPE offers recourse for California students who are harmed.

Many of the schools under BPPE's purview rely heavily on students obtaining loans to pay for their tuition and educational costs. Relatively unfettered access to student debt poses one of the greatest risks to California's student consumers. Unlike other types of debt, such as mortgage debt, auto loans, and credit cards, student loans are difficult to discharge in bankruptcy and therefore often follow an individual throughout their lives. While easy access to loan dollars can provide a student access and help them complete their education, when the degree does not have value in the workforce, a student can become saddled with debt without job prospects to pay it off.

Approval by BPPE also opens doors for schools to receive state and federal funding. For example, low-income students attending BPPE-approved schools may be eligible for state Cal Grant funding to pay tuition costs and/or provide students with living stipends. Once approved by BPPE, schools can become eligible for a litany of Federal Title 38 Workforce Innovation and Opportunity Act (WIOA) funds (including inclusion on the California's Eligible Training Provider List). Bureau approval also affords colleges access to dollars available through California's Department of Rehabilitation programs.



A BPPE-like body is mandatory for institutions operating within California. Since the Higher Education Act was first enacted, federal law has required that an institution be authorized by each state in which it offers education and be subject to a meaningful complaint procedure. This authorization occurs as part of the federal government's higher education *triad*, where the federal government retains responsibility for administering federal student aid, accrediting agencies bear the responsibility for ensuring academic quality, and states are responsible for consumer protection. For unaccredited schools, the BPPE serves both these latter roles.

Other states have assigned this role to an existing Higher Education Agency (which California does not have) or they have created state licensure agencies to authorize the various sectors of higher education and handle complaint processes. For California, BPPE has been the agency that authorizes unaccredited private institutions. Beginning in 2016, BPPE handles complaints for about 100 nonprofit accredited institutions as well. This function is known as *State Authorization*.

BPPE's charge to protect California consumers remains its predominant function. It is this very role that has placed it at the epicenter of a range of other critical government activities. For example, the Bureau serves as the de facto first line of defense against diploma mills and so-called "educational institutions" that appear to exist primarily to facilitate access to student and other types of immigration visas. BPPE also has a unique vantage point in identifying issues like insurance or voucher fraud, or human trafficking operations in private postsecondary institutions. While not core elements of BPPE's mission, these and similar functions highlight the role that BPPE plays across a range of state and federal regulatory ecosystems, given the industry that it oversees. For all these reasons and more, California wants and needs an effective private postsecondary education regulator.

IV. Changing Nature of the Private Postsecondary Education Marketplace

“Colleges are increasingly owned by corporations that merge, buy and sell schools, convert from profit to not-for-profit, and move out-of-state, all while continuing to enroll Californians ... Additionally, schools' access to federal student aid dollars, and more importantly, students' access to student loans, have become drivers of the federal government's accountability and student protection policies.”

When the current version of the Bureau was created in 2009, policymakers were trying to solve for the emerging problem of the time: The proliferation of a new type of school in the marketplace, mainly large publicly traded for-profit institutions offering academic and vocational degrees. Previously, the state's regulatory role had been focused primarily on smaller vocational and trade schools (e.g., barbering and cosmetology; truck driving, medical assisting) because this new spate of schools had yet to exist at the scale they do now.

While the basic framework for the Bureau has remained largely unchanged, the industry it regulates is constantly changing. Perhaps with the exception of financial institutions, no other regulated industry has changed as much and as fast as private postsecondary education. The presumption in 2009 was, if California could put in place an approval process for schools to operate in the state, that process would be enough to provide students with the protections they need and deserve. While the current framework put some enforcement provisions in place, that does not appear to have been policymaker's primary focus.

Colleges are increasingly owned by corporations that merge, buy and sell schools, convert from profit to not-for-profit, and move out-of-state, all while continuing to enroll Californians. The state has seen an influx of out-of-state colleges operating online-only education programs for students within its borders, something that could not have been foreseen in 2009. Additionally, schools' access to federal student aid dollars, and more importantly, students' access to student loans, have become drivers of the federal government's accountability and student protection policies.

Federal rules governing colleges wax and wane with the partisan nature of the Presidency. Rules adopted under the Obama Administration were almost immediately repealed when former President Trump came into office, though some of those rules have been recently reenacted under the Biden Administration. The impermanence of federal rules, along with the under-

resourced enforcement of state law, have been key drivers in the decision-making of private postsecondary institutions as they adjust their legal structures to comply with the newest federal regulations to remain or become eligible for federal student aid.

Given the high-stakes role of BPPE and the constantly fluctuating industry, California needs a Bureau that is adequately resourced and proactive, with both knowledge of the industry and the use of its statutory authority, to ensure a well-regulated educational sector.



V. Increasing Resources Through Fees

“California students want and need a fiscally solvent BPPE to perform its oversight role, yet BPPE’s resources and current fee structure are not properly aligned with what it needs to fulfill its mission.”

As a Bureau under DCA, BPPE relies solely on fees paid by schools (with the exception of the recent, time-limited infusion of General Fund). This model has become unsustainable. In particular, BPPE’s fees: (1) were set in statute in 2016 and last adjusted in 2018;⁴ (2) must be adjusted statutorily by the Legislature; (3) are assessed on a constantly changing industry that expands and contracts in unexpected ways that make it difficult to predict, much less rely on, fee revenue; and (4) are insufficient to cover either BPPE’s actual ongoing costs or the unexpected costs for activities related to enforcement, litigation and school closures, among others.

In addition to providing insufficient revenue, the current fee structure does not account for the complicated postsecondary marketplace. When colleges change their legal structures and/or move out-of-state while continuing to enroll Californians, fewer schools end up paying BPPE’s annual fees. Unauthorized activities, ranging from unapproved schools enrolling Californians to outright fraud, continue, and BPPE’s limited resources significantly impair its ability to sufficiently enforce California law. California students want and need a fiscally

⁴ Senate Bill 1192 (Chapter 593, Statutes of 2016)

solvent BPPE to perform its oversight role, yet BPPE's resources and current fee structure are not properly aligned with what it needs to fulfill its mission.

Overwhelmingly, interviewees expressed that the fees are too low. Some interviewees opined that the current structure is such that BPPE actually has a fiscal disincentive to shutter schools operating illegally, because it would result in decreased revenue. While school and industry interviewees acknowledged that fees and fines are not the deciding factor for doing business in California, they also bemoaned that the "cost of doing business in California" is simply too high.

After analyzing prior fee proposals and synthesizing interviewee feedback, FoundationCCC suggests a variety of fee-related changes to better align revenues with BPPE's current functions. Each recommendation would, to some degree, help close BPPE's operating deficit and, when taken in combination with other recommendations and options for consideration in this report, could solve the Bureau's fiscal insolvency. These recommendations and options are presented below.

Annual, Application, and Change Fees

BPPE charges fees for a variety of different college actions and approvals. First and foremost is the Annual Fee paid yearly by all approved institutions. Generally, the Annual Fee is a percentage (0.55 percent) of the campus revenue derived from California students; the minimum fee is \$2,500 and it is capped at \$60,000.⁵ The amount generated by this fee accounts for the vast majority of the Bureau's annual revenues (between 86 and 89 percent for the last three years).

⁵ Education Code, section 94930.5(g).

This fee, along with most other Bureau fees, is set in statute. The current fee level was established in 2016, went into effect in 2018, and has remained stagnant for the past five years despite increased operating costs that are out of the Bureau's control (e.g., state employee salaries, benefits, and operational costs, among others).

In 2021, BPPE produced a fee increase proposal⁶ that primarily addressed its Annual Fee; it was not acted on by the Legislature. This proposal was designed to meet the structural fund imbalance forecasted at the time and was estimated to result in an additional \$7.9 million in annual revenue. Specifically, the proposal included:

- The assessment of a new Base Fee of \$3,500 per year per institution
- An increase of the Annual Fee to 0.775 percent (from 0.55 percent)
- An increase of the maximum fee to \$80,000 (from \$60,000)
- A decrease of the minimum fee to \$1,000 (from \$2,500, to partially offset the costs from the new base fee)

FoundationCCC believes that this proposal balances the financial needs of both BPPE and the institutions it regulates, while providing an equitable fee structure across small and large educational institutions. The assessment of a new Base Fee is intended to ensure that smaller schools are better covering the costs of basic oversight, while the increase to the revenue-based Annual Fee ensures that larger institutions are covering a proportionately larger portion of the oversight for the industry.

6 BPPE Advisory Committee Meeting Agenda, [Thursday, August 26, 2021](#)

It is worth noting that the 2021 proposal did not recommend assessing an Annual Fee on out-of-state schools that enroll California students. (As discussed elsewhere in this report, these institutions are not charged the Annual Fee.) At the time, new state policy had yet to be implemented and changing out-of-state school fees was deemed premature. Changes to these fees are now called for and would better address the associated workload.

In addition to the Annual Fee, BPPE charges institutions for applications that require review and approval. For instance, if substantive details about an institution change (e.g., ownership, location, or means of instruction) BPPE currently charges a modest fee of \$250 for reviewing and processing the change. This compares with an estimated cost of \$1,121 (in 2021) for BPPE to conduct the work associated with the change. BPPE's 2021 proposal included recommendations to increase these transactional fees and make up some of the fiscal imbalance, while not burdening institutions with the full cost of each change (e.g. rather than increasing the above noted \$250 fee to the full \$1,121, the proposed increase was to \$500). Again, this balances BPPE's need to cover operational costs, without overburdening the educational institutions.

Cumulatively, these application fee increases (15 in total) were estimated to raise BPPE's revenue by \$1.8M annually. Combined with the estimated \$7.9M in revenue that would result from changes to the Annual Fee, the proposal was estimated to generate an additional \$9.7M in revenue annually.

FoundationCCC finds that the 2021 proposal remains reasonable. If the Legislature and Administration wish to increase revenue to the Bureau through fees, this proposal should be revisited. Modest changes could be made to adjust for the current context, making the proposal fit within the Bureau's updated financial outlook and coupled with other recommendations from this report, could resolve the structural imbalance.



Automatic Inflator

Another way to increase fee revenue is to amend the Education Code to include an automatic inflator on a subset of statutorily set fees. Inflators such as the California Consumer Price Index (CCPI)

are oftentimes used under these types of circumstances. Since the Annual Fees are assessed based on the proportion of income derived from California students, there is an argument to be made that the Annual Fee is already adjusted based on increased costs (as schools would be increasing their tuition costs to cover their institutional costs), which suggests that this option should first be explored for Application-Specific Fees. An inflator would prove particularly useful for the minimum and maximum amounts, which remain static. Prior legislation⁷ would have allowed all DCA Boards, Commissions, and Bureaus, including but not specific to BPPE, to increase fees every four years at a rate not to exceed CCPI. This measure failed passage in the Senate.

⁷ Assembly Bill 613 (Low), as introduced in 2019.

Pro Rata Fee Assessment

Another alternative is to allow BPPE to levy its annual fees using an entirely different methodology. In addition to having fees set in statute, the Legislature could also authorize BPPE to charge a pro-rata assessment to make up any shortfalls. This is similar to a model used by the Department of Financial Protection and Innovation where licensees cover the costs of administering the program. Under this scenario, BPPE would use a pro-rata assessment, meaning it would first determine its operational costs and then prorate that amount out to all school payers. First, BPPE would conduct an internal review to gauge the efficiency of its operations. It would then create a weighted methodology that considers the financial resources of each school to ensure that schools pay what they can objectively afford. While this option could fully solve the Bureau's fiscal insolvency, the annual fees paid by schools would increase substantially and rise and fall depending on the number of payers and the financial resources of those payers.

School Closures and Potential Use of Surety Bonds

In the past several years, the precipitous closure of several large private postsecondary institutions has resulted in direct and devastating harm to thousands of students. When a school closes, BPPE is responsible for a critical, yet not specifically funded, set of activities.

While the Student Tuition Recovery Fund (STRF) exists to mitigate the economic losses suffered by impacted students, there is no corresponding fund to cover the Bureau's administrative costs related to the closure, (e.g., investigation costs; alerting harmed students of their options and remedies; and any enforcement costs, including legal actions). Given that the timing of these closures is unpredictable, staffing the associated administrative work is challenging, as maintaining a unit solely dedicated to closures might have periods of time with no workload.

When a school closes, there is a fundamental regulatory question that must be answered: Who should bear the costs? Is it the entire regulated industry as a proportion of their regulatory fees, or the school that closed? If it is the latter, how does the Bureau extract those resources from a business that is no longer operating?

Currently, STRF adopts the approach that the entire regulated industry shares a portion of the costs for the students directly harmed (though in reality it is the students enrolled at each regulated school that are paying into STRF). If the policy preference is to have the closing school pay all, or a greater share, of the financial harm caused by its closure, one option would be to require schools to procure a Surety Bond at the time the school is approved by the Bureau to operate.

A Surety Bond is a guarantee by one party (the fiscal underwriter) to assume responsibility for the debt obligation of a borrower (the school) if that borrower fails to perform or meet its responsibilities. California could consider requiring BPPE schools to secure bonds to cover specified BPPE costs. In the case of a closure, the bond would ensure that the school could cover the specified costs associated with its closure. The use of bonds is not uncommon for private postsecondary colleges regulated in other states, nor is it uncommon for other types of regulated businesses operating in California. For example, a building contractor regulated under the Contractors State License Board must hold a bond as part of the licensing process.

Linking Surety Bond to School Risk Profile

Industry representatives interviewed suggested that the Bureau be allowed to create and use a “risk management” metric that could link to a new surety bond requirement, whereby the bond amount would be commensurate with the risk a school would pose. The size range of the surety bond would be an acknowledgement of the potential cost to BPPE of a closure. On the surface, this could make sense for California. The downside is that the “high risk” schools would likely be California’s small vocational and trade schools that make up the bulk of institutions in the industry (such as cosmetology and massage schools) rather than the large corporate conglomerates that have a variety of financial machinations and bankruptcy tools at their disposal.

Expand Cost Recovery Authority to Cover Site Visit Expenses

Under the Business and Professions Code (BPC 125.3), the Bureau can recover workload costs from schools when those costs are specifically related to a disciplinary action. Using this same premise, policymakers should consider explicitly requiring institutions to pay the direct costs associated with other activities, primarily travel costs associated with site visit evaluations for both approval and compliance. These costs constitute between \$100,000 and \$200,000 of BPPE’s costs annually and should be covered by the licensee.

Nonprofit Schools Authorized by BPPE

Under the federal State Authorization law, California must maintain a state-level entity to receive and act upon complaints about a private institution. Public colleges and universities are de facto authorized by the very nature of them being public; private colleges that are already under the Bureau’s purview are also de facto authorized by way of BPPE approval, however, colleges that are “exempt” from Bureau oversight have no natural State Authorizing entity. These institutions are exempt from BPPE oversight because California law has opted to accept regional accreditation by Western Association of Schools,

Colleges, and Universities (WASCU) as the arbiter of both academic quality and the institution's fiscal integrity.

When it came time for California to officially authorize these institutions, and in the absence of a California Higher Education Agency, BPPE was tasked with receiving and investigating complaints about any such institution that sought to contract with BPPE for complaint-handling. Doing this enabled the institutions to comply with federal rules and remain eligible for federal financial aid. In exchange, each exempt nonprofit college pays the Bureau a flat amount of \$1,076 annually, as established in statute, for it to process student complaints. This amount has remained flat since it was established in 2015⁸. While BPPE appears to have authority to raise the fee, it has not done so. The Bureau should explore increasing this fee to adjust for annual increased costs.

Out-of-State Schools: Expand Authority and Align Fees with Workload

A key place where the workload of the Bureau is out of alignment with the fee structure is the approval of out-of-state institutions operating online education programs in California. These institutions are charged an extremely nominal fee of \$1,500, which previously was assessed every 2 years but now covers 5 years (effectively making the rate \$300 per year).⁹ This fee level is entirely insufficient to cover the costs of the Bureau to authorize these schools and is out of sync

8 Education Code section 94874.9(e)(1)(D).

9 California Education Code section 94930.5(e)(1) specifies an out-of-state institution registration fee as \$1,500. Section 94801.5(a) outlines that this fee is payable upon registration (application). Prior to July 1, 2022, Education Code section 94801.5(d) stated that a registration was valid for two years; beginning July 1, 2022, Education Code section 94801.5(d) states that a registration is valid for five years.

with what other comparable states charge.¹⁰ For example, institutions who operate outside of NC-SARA,¹¹ as all California institutions do, are charged an average of \$3,621 for initial authorization, and an average of \$2,775 for annual renewal. Below are three options for better aligning fees with costs for out-of-state schools.

First, given that California's annual fee of \$300 is comparatively minimal, out-of-state institution fees should immediately be increased to at least \$1,500 per year rather than every five years. Assuming the same number of registered schools as today (about 100), this would increase annual revenue from roughly \$30,000 to \$150,000.

A second option would be to align both the initial authorization and annual Out-of-State school fees with non-NC-SARA fees. If BPPE charged the average initial authorization fee (\$3,621 per school) and average annual fee (\$2,775 per school) that non-NC-SARA schools pay, the Bureau would see an increase of over \$639,628 in annual revenue.

BPPE should also be granted additional authority to engage with Out-of-State schools. For example, BPPE currently has very little authority to monitor or follow up with schools, whether that be to assess citations or penalties for problematic school activities at registered institutions, or to pursue actions against unregistered online institutions enrolling California students. Lack of

¹⁰ 2021 NC SARA Cost Savings Technical Report which indicates that many states charge much higher fees for schools that offer “distance learning.” [\[pdf\]](#)

¹¹ NC-SARA is a state-by-state reciprocity agreement whereby one state recognizes and accepts the regulatory structure of the other state. California does not participate in NC-SARA.

authority in this area is a significant limitation to BPPE's ability to enforce California law.

Given BPPE's minimal authority to regulate of Out-of-State schools, there is a significant incentive for big Out-of-State schools with large online offerings to shutter brick-and-mortar facilities in California and move to entirely online programming. Additionally, there are currently an unknown number of Out-of-State schools that are not authorized to operate in California but are doing so anyway. While BPPE has authority to issue citations to in-state institutions operating without approval, with associated fines of up to \$100,000, no similar authority exists for Out-of-State institutions that have failed to register with the Bureau.

BPPE should be resourced to actively pursue un-registered institutions doing business in California in order to bring schools into compliance and hold them accountable for non-compliance. Doing so will increase oversight of a burgeoning practice and industry while also increasing the number of fee-paying institutions. This leads to a third option, which is for the Bureau to charge Out-of-State schools an amount equivalent to what it costs BPPE to approve and regulate them. The Bureau would determine those costs and then construct an allocation methodology, whether it be per student, per California revenues earned, or some other metric. (It is worth noting that BPPE workload would increase under this option.) Without knowing the operating revenues or enrollments of the affected schools, the impact of this latter fee model cannot be estimated, but it is safe to assume that the impact on BPPE revenue would be substantial.



VI. Expanding the Funding Sources for Bureau Operations

“BPPE’s fiscal insolvency is unlikely to be solved long-term through the existing fee levels and structure alone. This leads to the exploration of other funding sources to supplement or in some cases supplant portions of the existing Bureau funding, thereby freeing up resources for unfunded activities.”

Interviewees, as well as DCA and Bureau staff, agreed that BPPE’s fiscal insolvency is unlikely to be solved long-term through the existing fee levels and structure alone. This leads to the exploration of other funding sources to supplement or in some cases supplant portions of the existing Bureau funding, thereby freeing up resources for unfunded activities. Given California’s role in the federal regulatory *Triad*, there is a case to be made for the use of state General Fund, reflecting California’s role in, as well as use of the Student Tuition Recovery Fund (STRF). These options are discussed below.

Use State General Fund for Small Subset of BPPE Operations

While the General Fund is rarely used to support the operations of consumer protection bureaus, boards or commissions, shifting a modest and discrete subset of BPPE functions to the General Fund makes sense. Specifically, policymakers should consider using the General Fund to support (1) litigation costs paid to the Attorney General’s (AG) Office to pursue enforcement actions and (2) the Office of Student Assistance and Relief (OSAR).

ATTORNEY GENERAL ENFORCEMENT COSTS

The Bureau refers enforcement actions to the Attorney General, as required by state law. However, AG costs are unpredictable, expensive, and not sufficiently resourced. Most schools appeal the judgements and dig in for a long-term battle with the State and, in doing so, require BPPE to continue accruing AG costs

while the presumption of innocence allows the school to continue operating. This perverse fiscal incentive allows schools to continue bringing in revenue while BPPE is either required to spend dollars it does not have or drop the case entirely, the latter action begging the question: “How valuable is industry regulation without enforcement?” Given these challenges, a strong commitment to the enforcement of California’s laws warrants a stable General Fund investment that allows BPPE to pursue bad actors without needing to sacrifice other elements of its mission. As one interviewee so eloquently put it “We don’t expect local police departments to self-fund their operations, why would we expect the same for Bureau enforcement?” FoundationCCC believes this is an appropriate and recommended activity for state General Fund.

OFFICE OF STUDENT ASSISTANCE AND RELIEF (OSAR)

Created by the Legislature in 2017 without the appropriation of additional funding,¹² OSAR was intended, in the short term, to help students impacted by the closure of Corinthian Colleges. Long-term, OSAR is charged with ensuring that students struggling with the fallout from school closures or institutions’ unlawful practices have support and resources when and where appropriate. The creation and operation of OSAR was described by some interviewees as an “unfunded mandate” that may not be appropriate for fee-generated revenue support, as OSAR goes beyond BPPE’s role of college oversight, which the fees were developed to cover, to instead address the ramifications of an unstable industry on students. The workload of this unit is high, generally requiring one-to-one interactions between a student and BPPE staff. The Bureau has seven positions assigned to this unit with total costs of approximately \$1.355 million annually. FoundationCCC believes that the Legislature should consider an

12 Senate Bill 1192 (Chapter 593, Statutes of 2016).

ongoing appropriation of \$1.355 million annually (and adjusted appropriately as state personnel costs increase) to fully shift these costs to the General Fund.

Expand Use of Student Tuition Recovery Fund (STRF)

STRF exists to help students recover direct economic losses when their program, campus, or college closes.¹³ The fund is created in statute and is only allowed to accrue a \$25 million balance. At its November 8, 2023 meeting, BPPE announced that the fund balance has exceeded the cap and that institution assessments into the fund will be on hold effective April 1, 2024.

Given the purpose of STRF and the availability of funds, policymakers should consider allowing a small portion of the fund to be used to support students in additional ways, specifically by covering the costs related to transcript processing. For instance, many institutions and some states rely upon private entities to collect and store transcripts, and then later to provide them to students upon request for a fee (often around \$25). Currently, BPPE receives and processes between 9,000 to 10,000 transcript requests from students each year, at no cost. Allowing the Bureau to assess a modest fee per transcript request, payable by STRF rather than the requesting student, would free up approximately \$250,000 for ongoing BPPE operations, helping address its fiscal solvency, while continuing to refill the STRF.

Another appropriate use of STRF funding would be to cover the costs associated with administering the fund itself. Similar to public postsecondary education, which is able to fund administrative costs associated with its capital outlay

13 Education Code section 94923, et seq.

program from bond proceeds, the Legislature should consider shifting STRF's administration costs to the fund itself. Currently, BPPE spends about \$1.112 million to administer STRF. A similar request made by BPPE in 2016-17 was denied by the Legislature during that year's budget process.

VII. Potential Efficiencies and Revenue Enhancements

“It is recommended that the Bureau examine its operations to identify potentially untapped [operational] efficiencies. [and revenue enhancements].”

This section explores what could be further revenue-enhancing and operational efficiencies within the Bureau. For each of these options, there may be additional operational costs for BPPE due to increased workload, but without more extensive information, it is impossible to determine if the benefits of these options will outweigh the costs. However, the Legislature may wish to further explore each of the following:

Operational Efficiencies

BPPE WORKFLOW AND PERSONNEL

The scope of this report does not cover an in-depth analysis of BPPE's operations, personnel needs, and costs. It is recommended that the Bureau examine its operations to identify potentially untapped efficiencies.

VALIDATE SELF-REPORTED SCHOOL REVENUE

BPPE relies solely on schools' self-reported data to assess annual and other fees. Since BPPE isn't otherwise privy to the finances of colleges, self-reporting without verification can lead to confusion, errors, and both intentional and

unintentional misconstruing of data. Without an additional verification step, the Bureau may be assessing and accepting fee payments that are not true to the legislative intent. BPPE should create workload estimates for conducting this work and seek the appropriate level of resources to carry it out.

Revenue Enhancements

IMPROVE BPPE FINE AND PENALTY ASSESSMENTS

Over the last couple of years, BPPE has changed how it assesses fines and penalties to more fully utilize its statutory authority and better link each violation to the associated violation category. This is an example of an area where the Bureau previously was not fully utilizing its authority. Since making this a priority, the Bureau has increased the penalties assessed as well as the amount actually collected.

That said, there is a statutory limitation on the maximum amount for each violation, which is capped at \$5,000.¹⁴ While a fine of this amount would be impactful on an individual or a small business, large colleges and corporations can easily absorb this amount rendering the penalty meaningless. When the penalties for skirting the law become the accepted price of doing business, the penalty levels must increase. To this end, BPPE ought to be explicitly granted authority to establish regulations in connection with a review of the fine classification structure. This would allow the Bureau to better align the penalty amounts to the workload of BPPE while also considering the fiscal incentives on colleges to comply with the law.

¹⁴ Education Code section 94936(b)(2).

IMPROVE BPPE FINE AND PENALTY COLLECTIONS

While BPPE has authority to issue fines and penalties, it has little ability to collect those dollars. For example, in 2021-22, BPPE assessed \$537,000 in fines and collected a little more than one-third (\$190,000).¹⁵ While the law includes guidelines for the Bureau in setting fines, including minimum and maximum fines per violation, fines may be reduced by an Administrative Law Judge on appeal, sometimes to small fractions of the initial fine determination. Offending schools either pay the penalty (sometimes starting on a payment plan) or, after receiving multiple citation notifications, BPPE sends the violation to DCA for further attempts to collect, either through the Franchise Tax Board or a collection agency.



While BPPE has authority to pursue legal action through the courts to collect on unpaid fees and fines (including filing an injunction against a school or issuing a money judgment order) the legal/enforcement costs that are incurred by the Bureau are usually too expensive to justify the benefit. The

downside of this status quo is that only a small fraction of penalties assessed are collected and, perhaps more importantly, the inability to penalize bad actors only diminishes the efficacy of the regulatory structure. Schools are acutely aware of these costs and recognize that it is in their financial benefit to continue operating outside the law and avoid paying fines and penalties; each day they continue business-as-usual, they bring in more and more tuition revenues.

¹⁵ [2021-22 Department of Consumer Affairs Annual Report, p. 136](#)

INCREASE COST RECOVERY RELATED TO DISCIPLINARY ACTIONS

Another mechanism through which the Bureau collects revenue is through a cost recovery mechanism that allows BPPE to explicitly ask for, and collect, dollars during legal judgments in order to recover the costs associated with investigating and processing disciplinary actions. This is another place where BPPE's ability to collect is minimal, primarily because the institutions required to pay these costs have likely had their approval to operate revoked and have no incentive to pay. BPPE currently does not have the authority to bill for cost recovery under any other set of circumstances, and even when it can assess these costs, the actual collections are only about one-third (for 2021-22 this was \$22,000) of the approximately \$66,000 in cost recovery fines ordered.¹⁶ One option discussed earlier would allow BPPE to bill for travel costs for site visits.

Statutorily Define Key Terms, Definitions, and Usage

Unlike other states, California does not impose broadly applicable restrictions on the use of key terms and phrases. Terms like “college” or “university” are allowed to be used freely by exempt institutions and in ways that mislead consumers. Other undefined terms like “religious institutions” – which are exempt from oversight by the Bureau – provide large loopholes under which entire cottage industries exist to help schools take advantage of this exemption.

¹⁶ [2021-22 Department of Consumer Affairs Annual Report, p. 137](#)

California should expand its list of prohibited business practices to include the use of key terms that would apply to all private postsecondary educational institutions operating in California, including those qualifying for exemption. This action would help to close loopholes that allow cottage industries to exploit California law. To accomplish this, BPPE should be authorized to: (1) Regulate the use of the terms “college” and “university”; (2) Define “religious institution”; and (3) Define “bona fide” institution.¹⁷ For the Bureau to fulfill this role, it will also need to be explicitly allowed to assess and collect penalties and fines associated with the misuse of these terms.

Additional Payers

Having examined options for schools to pay more and for the State General Fund to chip in, the last potential payer is students. While it is generally inappropriate to charge students directly for costs that are already being borne through their tuition payments, policymakers may want to consider the option to charge private postsecondary graduates. In particular, the state could add a surcharge on the professional applications of graduates who enter licensed professions (e.g., nursing, cosmetology). The surcharge could be minor (several dollars) and would apply to those students graduating from BPPE-approved institutions as they are applying for their professional license. Charges could also be assessed on graduates not entering licensed professions. The cost of administering and collecting such a fee is presently unknown.

¹⁷ Education Code section 94874(b) exempts “an institution offering educational programs sponsored by a bona fide trade, business, professional, or fraternal organization, solely for that organization’s membership” from BPPE oversight.

VIII. Big Picture Reforms Warranted

“FoundationCCC believes that the time has come for policymakers to revisit BPPE’s mission, function, organizational design, and placement within state government.”

The previous sections provide a variety of recommendations and options for consideration to increase BPPE’s revenue and stabilize the fund. But as this report was being researched, the options compiled and the recommendations written, it became apparent that, in addition to its fiscal solvency, there are larger questions about BPPE’s structure and placement within government that are worth exploring if California wants to maximize its oversight of private postsecondary education.

DCA’s mission is to “provide outstanding support services, oversight, and innovative solutions to boards and bureaus that regulate California professionals and vocations so that through this partnership all Californians are informed, empowered, and protected.”¹⁸ Yet BPPE does not regulate professionals or vocations, rendering the placement of BPPE under DCA a mismatch in this regard. Boards, Commissions, and Bureaus within DCA are expected to be entirely self-funded by industry-paid fees. DCA typically works best when its role is licensing an individual or a small business (an appliance repair professional or a vehicle repair shop, for example).

18 https://www.dca.ca.gov/about_us/index.shtml

Through the decades, policymakers have contemplated how to organize and where within government to place the regulation of private, vocational and technical, and Out-of-State schools. What began as a function to regulate trade schools like automotive repair and cosmetology has expanded substantially as a new industry of large for-profit degree granting colleges and universities found their way into the marketplace. This changing landscape has reshaped the Bureau not just into an industry regulator but, in many ways, something more akin to an academic accreditor¹⁹ (50 percent of the schools it oversees being unaccredited).

The current statutory framework for BPPE was created almost 15 years ago,²⁰ when online education had not yet become the driving force in educational programming that it is now. Yet, it is this same outdated framework that serves as a basis for the Bureau’s work today. As the author of this report, FoundationCCC believes that the time has come for policymakers to revisit BPPE’s mission, function, organizational design, and placement within state government.

When exploring this topic with interviewees, most stakeholders said the Bureau was under-resourced (in its authority, personnel, and financial resources) for an entity with such high stakes for both student consumers and state accountability. In spite of the federal “triad” framework, some saw BPPE as serving an academic accreditation function, defining the Bureau’s role as *education*, and suggesting it be housed as such. Others thought of BPPE as consumer protection but acknowledged the educational component of the

19 https://bppe.ca.gov/about_us/meetings/materials/20231108_acm.pdf, p. 26

20 Senate Bill 48 (Chapter 310, Statutes of 2009).

Bureau's work. These "both/and" roles and perceptions have left BPPE in a "no man's land," stuck between two culturally and operationally distinct silos. Even so, the vast majority of parties interviewed for this report agreed that DCA no longer seems to be a good fit to house BPPE. Yet, when asked where the Bureau's function would be more appropriately housed, most suggested California's "higher education agency," an organization that, among other things, would be able to provide robust research, forecasting, and analysis to keep up with rapidly shifting corporate and Out-of-State school trends. This entity does not currently exist.

The placement of a state entity within government directly impacts how, when, and in what context key issues are elevated to policymakers. Government agencies are often organized based on their areas of expertise and mission. Functions that require specialized knowledge or skills are typically placed within agencies that have a mandate that is aligned with those specific functions. Keeping this in mind, two potential solutions to house BPPE are offered below; there are likely other options as well.

BPPE as Department Under Business, Consumer Services and Housing Agency (BCSH)

One option is to move the Bureau out from under DCA and make it a parallel department under BCSH, equivalent to other entities such as the Department of Financial Protection and Innovation (DFPI). The functions of these two entities look similar but for different industries. Where DCA's boards and bureaus generally license individual professionals, DFPI, like BPPE, is charged with overseeing an entire industry. DFPI-like authority would be appropriate for BPPE so that it can be nimble and responsive to quickly and effectively respond to changes in the marketplace.

New State Department of Student Assistance and Institutional Support

The second option is for policymakers to create a cabinet-level state Higher Education Department using the functions of BPPE as an anchor. BPPE approves vocational and academic institutions and programs, essentially serving as an academic accreditor. This is a function that is appropriate for a new standalone department. This new department would be a cabinet-level entity serving several state needs, including an explicit acknowledgment that schools approved by the Bureau play a role in supporting the state's higher education goals.



Creating a new Department will better place oversight and accountability for private proprietary schools into the same space where public, accredited, nonprofit and Out-of-State schools are also being examined, while having the added benefit of bringing together career technical education with the private postsecondary vocational and trade institutions that provide further training. This new Department does not need to be limited to these functions only - it could serve many of the roles and functions for which California has long been struggling to place.

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APPENDIX

Recommendations with Currently Quantifiable Budget Impacts

Recommendations	Annual Estimated Budget Impact
<p>Annual Fees</p> <p>2021 BPPE/DCA Proposal (as previously modeled)</p> <ul style="list-style-type: none"> • Increase annual fee from 0.55% of California derived revenues to 0.775% • Assess a new base fee of \$3,500 • Decrease minimum fee to \$1,000 (from \$2,500) • Increase maximum fee to \$80,000 (from \$60,000) • Update nonprofit school contracted fee for “authorization” by BPPE to \$1,500 (from \$1,076) 	<p>+\$7.9M</p> <p>+\$50,000 (included above)</p>
<p>Application and Substantive Change Fees</p> <p>2021 BPPE/DCA Proposal (as previously modeled)</p> <ul style="list-style-type: none"> • Increase application fees for all types of institutions (nonaccredited, accredited and exempt) • Increase substantive change fees • Assess a fee on each new program approval at nonaccredited institutions 	<p>+\$1.8M</p>
<p>Automatic Inflator for Application Fees</p> <p>This is an estimate applying 3% growth factor based on app fees collected in 2022-23. Does not account for growth above app fee increases proposed above.</p>	<p>+\$27,000</p>

Cost Recovery for Approval/Compliance Visit Travel Costs	+\$150,000
Increase fees for Out-of-State Schools to align to workload Revenue based on 100 schools Option 1 <ul style="list-style-type: none"> Charge \$1,500 per year (currently \$1,500 for 5 years) Option 2 <ul style="list-style-type: none"> Increase fees commensurate with those charged by other states to between \$2,775 and \$3,621 per year 	Between +\$120,000 and +\$640,000 +\$120,000 +\$639,628
Provide State General Fund for Attorney General (AG) and Office of Administrative Hearings (OAH) enforcement costs Represents the three-year average of AG and OAH enforcement costs	+\$918,000
Provide State General Fund to support Office of Student Assistance and Relief (OSAR)	+\$1,355,000
Use the Student Tuition and Recovery Fund (STRF) revenue to fund STRF personnel	+\$1,112,000
Assess \$25 per Student Transcript Fee to be paid by the STRF	+\$250,000
Improve Fine and Penalty Collection Based on gap between fines assessed (\$537,000) versus collected (\$190,000) according to DCA 2021-22 Annual Report.	Up to +\$347,000

<p>Increase Recovery of Costs Related to Disciplinary Actions</p> <p>BPPE is only able to recover about one-third of the fines ordered through disciplinary hearings and legal proceedings. For 2021-22, this gap was about \$44,000.</p>	<p>Up to +\$44,000</p>
<p>Estimated annual revenue for combined recommendations</p>	<p>+\$14,543,000</p>
<p>Additional Options to Consider</p>	
<p>Charge Private Postsecondary College Graduates an add-on fee when entering licensed professions</p> <p>Based on 39,000 graduates (2021) in licensed fields</p> <p>Options for Charges:</p> <ul style="list-style-type: none"> • \$2/grad • \$5/grad • \$8/grad 	<p>Between +\$78,000 and +\$312,000</p> <p>\$78,000 \$795,000 \$312,000</p>
<p>Charge Private Postsecondary College Graduates in non-licensed professions a graduation fee</p> <p>Based on 72,000 graduates (2021) in non-licensed fields</p> <p>Options for Charges:</p> <ul style="list-style-type: none"> • \$2/grad • \$5/grad • \$8/grad 	<p>Between +\$144,000 and +\$576,000</p> <p>\$144,000 \$360,000 \$576,000</p>
<p>Maximum estimated annual revenue combining all recommendations and options</p>	<p>+\$15,431,000</p>

ATTACHMENT E

YEAR-END ORGANIZATION CHARTS FOR FISCAL YEARS 2021-22 THROUGH 2024-25



ATTACHMENT E

Department of Consumer Affairs (DCA)
Bureau for Private Postsecondary Education (BPPE)

Fiscal Year 2021-2022
Authorized Positions - 110

DCA Executive Office Director Chief Deputy Director	BPPE Bureau Chief Deputy Bureau Chief - 1	Legal Affairs Attorney - 1	Investigations and Complaints SSMII - 1	Compliance and Discipline SSMII - 1
Licensing SSMII - 1 SSMI - 3 AGPA - 12 SSA - 3 OT (T) - 2	Quality of Education Ed Administrator - 1	Office of Student Assistance and Relief (OSARI) CEAA - 1	Office of Student Assistance and Relief (OSARI) CEAA - 1	Compliance and Closed Schools SSMII - 1 SSMI - 1 SSMII - 2 SI - 5 AGPA - 9 SSA - 3 OT (T) - 1
Administration and Student Tuition Relief Fund (STREF) SSMII - 1	Annual Reports RDSI - 1 AGPA - 1 SSA - 3 OT (T) - 1	Quality of Education Sr. Education Specia list - 3 Education Specia list - 2 OT (T) - 1	Office of Student Assistance and Relief (OSARI) CEAA - 1	Discipline SSMII - 1 AGPA - 2 SSA - 2 OT (T) - 1 SSMII - 2 AGPA - 11 SSA - 5 OT (T) - 2
Administration SSMI - 1 SSMI Spec - 1 AGPA - 4 SSA - 2 OT (T) - 1 OT (G) - 2	STREF AGPA - 2			

ATTACHMENT E

Department of Consumer Affairs (DCA)
Bureau for Private Postsecondary Education (BPPE)

Fiscal Year 2022-2023
Authorized Positions - 110
* Blanket Position - 1

DCA Executive Office Director Chief Deputy Director	BPPE Bureau Chief Deputy Bureau Chief - 1	Legal Affairs Attorney - 1	Compliance and Discipline SSMII - 1
BPPE * Deputy Bureau Chief - 1			Compliance and Closed Schools SSMII - 1 AGPA - 2 SSA - 2 OT (T) - 1
		Office of Student Assistance and Relief (OSAR) CEAA - 1	Investigations and Complaints SSII - 1 SSI - 1 SSMII - 2 SI - 5 AGPA - 10 SSA - 2 OT (T) - 1
Licensing SSMII - 1 SSMII - 3 AGPA - 11 SSA - 3 OT (T) - 2	Quality of Education Ed Administrator - 1	Annual Reports SSMII - 1 AGPA - 1 SSA - 3 OT (T) - 1	Compliance and Discipline SSMII - 1 AGPA - 2 SSA - 2 OT (T) - 1
Administration and Student Tuition Relief Fund (STRF) SSMII - 1	Quality of Education Sr. Education Specialist - 2 Education Specialist - 3 OT (T) - 1	Administration SSMII - 1 SSMII Spec - 1 AGPA - 4 SSA - 2 OT (T) - 1 OT (G) - 2	SIRE AGPA - 3 OT (T) - 1

ATTACHMENT E

Department of Consumer Affairs (DCA)
Bureau for Private Postsecondary Education (BPPE)

<p>Department of Consumer Affairs (DCA) Bureau for Private Postsecondary Education (BPPE)</p>		<p>Fiscal Year 2023-2024</p>	
<p>Chief Executive Office Director</p>		<p>Authorized Positions - 111 *Blanket Positions - 3</p>	
<p>BPPE Bureau Chief</p>		<p>Legal Affairs Attorney - 1</p>	
<p>Deputy Chief Administration/Licensing CEAA - 1</p>	<p>Office of Student Assistance and Relief (OSAR) CEAA - 1</p>	<p>Deputy Chief Enforcement CEAA - 1</p>	<p>Compliance and Discipline SSMII - 1</p>
<p>Administration and Student Tuition Relief Fund (STRF) SSM II - 1</p>	<p>Quality of Education SSMII - 1 SSMI - 3 *SSMI Spec - 1</p>	<p>Complaints and Investigations SSMI - 1 AGPA - 3 SSA - 2 OT (T) - 1</p>	<p>Compliance and Closed Schools SSI II - 1 SSI - 2 SSMI - 1 SI - 7 AGPA - 10 SSA - 3 OT (T) - 1</p>
<p>Administration SSMII - 1 SSMI Spec - 1 AGPA - 4 SSA - 2 OT (T) - 1 OT (G) - 2</p>	<p>STRF SSMII - 1 *SSMI (RA) - 1 AGPA - 3 SSA - 1 OT (T) - 1</p>	<p>Discipline SSMI - 1 AGPA - 3 SSA - 2 OT (T) - 1</p>	<p>Annual Reports SSMI - 1 AGPA - 1 SSA - 3 OT (T) - 1</p>

ATTACHMENT E

Department of Consumer Affairs (DCA)
Bureau for Private Postsecondary Education (BPPE)

<u>DCA Executive Office</u>		<u>Fiscal Year 2024-2025</u>	<u>Authorized Positions - 111</u>
Director		<u>*Blanket Position - 1</u>	
Chief Deputy Director			
<u>BPPE</u>	<u>Bureau Chief</u>	<u>Legal Affairs</u>	<u>Deputy Chief Enforcement</u>
		Attorney - 1	CEAA - 1
<u>Deputy Chief Administration/Licensing</u>	<u>CEAA - 1</u>	<u>Office of Student Assistance and Relief (OSARI)</u>	<u>Deputy Chief Enforcement</u>
		CEAA - 1	CEAA - 1
		SSMI - 1 AGPA - 3 SSA - 2 OT (T) - 1	
<u>Licensing</u>	<u>SSMI - 1</u>	<u>Complaints and Investigations</u>	<u>Compliance and Discipline</u>
		SSMI - 3 AGPA - 12 SSA - 2 OT (T) - 1	SSMI - 1 AGPA - 3 SSA - 3 OT (T) - 1
<u>Quality of Education</u>	<u>SSMI - 1</u>	<u>Compliance and Closed Schools</u>	<u>Annual Reports</u>
Education Admin - 1	SSMI - 3 AGPA - 12 SSA - 2 OT (T) - 1	SSMI - 1 SI - 7 AGPA - 9 SSA - 2 OT (T) - 1	SSMI - 1 AGPA - 1 SSA - 3 OT (T) - 1
<u>Administration and Student Tuition Relief Fund (STRF)</u>	<u>SSMI II - 1</u>	<u>Discipline</u>	
Sr. Education Specialist - 2		SSMI - 1 AGPA - 8 SSA - 6 OT (T) - 2	
<u>STRF</u>	<u>SSMI - 1</u>		
	*SSM (RA) - 1 AGPA - 2 SSA - 1 OT (T) - 1		
<u>Administration</u>	<u>SSMI Spec - 1</u>		
SSMI Spec - 1 AGPA - 4 SSA - 2 OT (T) - 1 OT (G) - 2			



Bureau for Private Postsecondary Education

BUREAU FOR PRIVATE POSTSECONDARY EDUCATION

SUNSET REVIEW REPORT 2026

PRESENTED TO THE SENATE COMMITTEE ON BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT,
THE SENATE COMMITTEE ON EDUCATION, THE ASSEMBLY COMMITTEE ON BUSINESS AND
PROFESSIONS, AND THE ASSEMBLY COMMITTEE ON HIGHER EDUCATION



GAVIN NEWSOM
GOVERNOR

TOMIQUIA MOSS
SECRETARY, BUSINESS, CONSUMER
SERVICES AND HOUSING AGENCY

CHRISTINE LALLY
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