



**Bureau for Private Postsecondary Education**

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December 1, 2016

Dear School Administrator;

As 2016 ends, it is time to prepare for 2017, which will see SB 1192 (Hill, Chapter 593, Statutes of 2016) go into effect. Known as the “sunset bill” that extends the Bureau’s operations for four more years, it brings with it many changes to the California Private Postsecondary Education Act (Act) of 2009 (Education Code § 94800 et seq.) intended to improve the operations of the Bureau and provide additional resources for students. These changes will affect private postsecondary educational institutions enrolling California students.

This letter serves as a summary of some of the more impactful changes to your institution. Institutions should take the time to review the precise amendments to the Act from the passage of SB 1192.<sup>1</sup> Of course, institutions are required to maintain compliance with the entire Act.

Highlights of changes to the California Education Code (CEC):

***Registration of Out-of-State Schools***

CEC section 94801.5

- Beginning July 1, 2017, an “out of state private postsecondary educational institution” (as defined) that offers distance education to California residents, must register with the Bureau, or is not authorized to enroll California students.
- Registration carries a fee of \$1,500.00 per CEC 94930.5, is valid for two years, and requires California students pay into the Student Tuition Recovery Fund (STRF) and the institution to comply with STRF disclosures.
- Non-public higher education institutions that are non-profit and accredited are exempt from this provision.
- The Bureau will be promulgating regulations for creation of the registration application that will require that the school provide evidence of accreditation, approval to operate in the state of its administrative location, a California agent for service, and a copy of its catalog and enrollment agreement.

CEC section 94850.5

- “Out-of-state private postsecondary education institution” means a private entity without a physical presence in California that offers distance education to California students for an institutional charge.

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<sup>1</sup> Those amendments can currently be viewed at:

[http://leginfo.legislature.ca.gov/faces/billCompareClient.xhtml?bill\\_id=201520160SB1192](http://leginfo.legislature.ca.gov/faces/billCompareClient.xhtml?bill_id=201520160SB1192)

### ***Schools Exempt from the Act***

#### CEC section 94874

- Eliminates exemption (j); often referred to as the “good school exemption,” with nine criteria including operating for 25 plus years, and being accredited for 10 plus years.
- No exemption applies to a school that participates in Title 38 veterans’ financial aid (unless they are “independent institutions of higher education”); even exempt schools may apply for and obtain a verification of exemption from the Bureau.

#### CEC section 94874.5

- All exempt schools must at the time of closure, provide student records to the bureau and, if accredited, a student records retention plan approved by the accreditor, as specified in CEC section 94927.5.

#### CEC section 94874.7

- Changes the term of a Bureau issued “verification of exemption” from open ended to two years, so long as the institution remains compliant with the terms of the exemption for those two years.

### ***Student Outreach***

#### CEC section 94879

- Eliminates the Bureau requirement of outreach to secondary students, prospective and current private postsecondary students; moves student outreach to a new “office” per CEC section 94949.72.

#### CEC Section 94949.72

- Requires that the Office of Student Assistance and Relief (“Office”) be established by July 1, 2017.

#### CEC Section 94949.72

- Duties of the Office will be to conduct outreach and provide information to students who have been affected by unlawful activities or institutional closures. Assistance includes how to file a complaint, how to file STRF claims, how to file for student loan discharge and to assist students on an individual basis to ensure they get available relief.
- The Office also serves as the primary contact with the Student Aid Commission, the Office of the Chancellor of the Community Colleges, the Department of Veterans Affairs, the Consumer Financial Protection Bureau, and the United States Department of Education.
- The Office may also provide outreach to students to provide them with information on making informed decisions in selecting postsecondary educational institutions, including, among other things, student rights regarding performance fact sheets, enrollment agreements, cancellation and refund policies, loans, free nonprofit resources, and contacting the bureau for assistance.
- The Office may also conduct research concerning industry trends and enforcement actions from oversight agencies.
- Mandates the Office to annually report to the legislature updates regarding the Office’s progress in protecting students and conducting its duties.

CEC Section 94949.73

- Defines “other eligible institution” to mean an institution whose unlawful activities or closure has resulted in its students being eligible for STRF or other financial aid relief.
- Requires that the Office provide individualized assistance to students of Corinthian College or other “eligible institutions” (as defined) to relieve or mitigate economic and educational opportunity loss.
- This section also requires the Office to post quarterly reports to the Bureau’s Internet website through September 1, 2018, with a summary of outreach, activities, and services provided, and to provide the legislature, DCA, and the Bureau a final report by January 1, 2019.

***Advisory Committee***

CEC Section 94880

- Changes the make-up of the advisory committee from 14 members to 12 members by eliminating the two employer positions.
- Requires the Chief of the Office of Student Assistance and Relief to attend, testify, and answer questions at each advisory committee meeting.
- Changes the requirements for a quorum to “a majority of the appointed members of the committee. The bureau interprets this to mean a majority of the filled appointed positions, including the appointed non-voting members.

***Accreditation for Degree Granting Institutions***

CEC sections 94885.1 and 94885.5

- These sections are amended to allow the Bureau, upon submission of sufficient evidence showing strong progress toward accreditation, to allow up to two additional years to become a candidate/ pre-accredited or to become accredited.
- The evidence must include an amended accreditation plan outlining why the original plan was not achieved, active steps the institution is taking, and documentation from an accrediting agency demonstrating the institution’s likely ability to comply.
- The Bureau may establish policies and procedures for this section, without promulgating regulations.

***Approval to Operate: Inactive Status***

CEC Section 94889

- This section allows the Bureau to promulgate regulations in order to create a process for institutions to be granted an “inactive status.”

***Professions with Voluntary or Required Licensure***

CEC Section 94905

- Requires written disclosures of licensing requirements for students enrolling in programs that are designed to lead to positions in a profession where voluntary licensure by a government agency is available.

#### CEC Section 94909

- This section is amended to clarify that the school's catalog must disclose whether a graduate of the degree program will be eligible to sit for the applicable licensure exam in California and other states or become certified or registered for the applicable profession in California.

#### ***Student Tuition Recovery Fund (STRF)***

#### CEC section 94923

- This section is amended to remove the requirement for regulations in order to implement the eligibility changes that were made in SB 1247 and SB 1192.
- Added to this was subsection (b)(2)(D) which makes students that were enrolled in all California campuses of Corinthian Colleges and all California residents enrolled in distance education programs of out of state campuses of Corinthian Colleges, as of June 20, 2014 (or who withdrew within 120 days of that date), eligible for reimbursement from the STRF.
- Also added to this section is section (b)(2)(H) which allows payment of up to \$500.00 through the STRF for a student who sought assistance from legal counsel that resulted in the cancellation of one or more student loans, with adequate evidence (legal services invoice and cancellation documentation).
- Three additional amendments were added to the section:
  1. A requirement that, prior to a loan being paid by the STRF, the lender or servicer must provide a letter to the Bureau that upon payment by the STRF, the loan will no longer be collected and the lender/servicer will report the loan as "paid-in-full" to all credit-reporting agencies. The original letter will go to the student and the Bureau will keep a copy;
  2. A provision that students have 4 years after the date of the action that made the student eligible for recovery from STRF to apply for reimbursement; and
  3. A provision that students are not subject to the 4 year limitation to apply for STRF if, after a period of non-collection, the holder of the note begins collection, as long as the loan would have been otherwise paid by STRF.

#### ***Fees***

#### CEC section 94930.5

- This changes the way fees are calculated from a "by institution" formula to a "by campus" formula, reduces the percentage of gross revenue collected to .45 of 1% from .75 of 1%, institutes a base amount of \$2,500.00 and increases the cap to \$60,000.00 for each main or branch campus (not to exceed \$750,000.00 for any one institution).
- The rate is in effective until July 1, 2018 when the percentage will increase to .55 of 1% for both main and branch campuses.
- These changes come with a mandate that the fees be reviewed during the 2017-18 budget process and adjusted by subsequent legislation is necessary.
- This section also is amended to allow the bureau to collect a \$1,500.00 fee for an "out of state" institution registration, and a \$500.00 fee for processing applications for inactive status.

### ***Enforcement***

CEC section 94932

- This section contains a small amendment that mandates that the Bureau take appropriate action pursuant to the enforcement provisions if the Bureau determines after completing a compliance inspection that an institution has violated any applicable law or regulation.

### ***Institutions Self-Reporting of Investigations to the Bureau***

CEC section 94934.5

- This new section requires any institution with an approval to operate that knows it is being investigated by an oversight entity other than the Bureau to report the investigation and the nature of the investigation to the Bureau within 30 days of the institution's first knowledge of the investigation or face possible administrative action.
- For purposes of this section, oversight entity means any state or federal agency including providers of financial aid or any attorney general or justice department. It also includes any regulator that approves the operation of the institution, the federal Consumer Financial Protection Bureau or the Securities and Exchange Commission, any accrediting agency, or any state professional licensing entity that exercises programmatic or institutional approval.

### ***Administrative Citations***

CEC section 94936

- There are a couple of amendments to this section. The section is amended to allow the incorporation of materials obtained during a compliance inspection to be used in a citation and allows the Bureau to order compensation for student harm including a refund of moneys paid by or on behalf of a student.

### ***Probation, Revocation, and Cost Recovery***

CEC section 94937

- This section is amended to allow the Bureau to incorporate materials obtained or produced during a compliance inspection in investigations.

### ***Fine for Unlicensed Activity***

CEC section 94944

- This section raises the fee for unlicensed activity (operating without approval from the Bureau) from \$50,000.00 to up to \$100,000.00.

If you have any questions please do not hesitate to contact the Bureau. As a reminder, new regulations regarding Annual Reports and Performance Fact Sheets were approved in July, 2016. Approved institutions should have submitted their Annual Report by December 1, 2016 and should have updated performance fact sheets available for those that request them in addition to having them posted on the institutional website. For assistance in complying with all required statutes and regulations the Bureau offers compliance and performance fact sheet workshops. For

information on the workshop dates and locations please check the Bureau's website  
([www.bppe.ca.gov](http://www.bppe.ca.gov))

Sincerely,

A handwritten signature in blue ink, appearing to read 'Joanne Wenzel', with a stylized flourish at the end.

Joanne Wenzel  
Bureau Chief