



Department of Consumer Affairs
Bureau for Private Postsecondary Education



CAPPS Conference
October 6, 2016
Langham Hotel, Pasadena



Department of Consumer Affairs
Bureau for Private Postsecondary Education



Senate Bill (SB) 1192
Chapter 593, Statutes of 2016

Registration of Out of State Schools



- 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 .

CEC section 94801.5

“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.

CEC section 94801.5

Exemptions



- 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”); and even exempt schools may apply for and obtain a verification of exemption from the Bureau.

CEC section 94874

- 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 94874.5

- 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.

CEC section 94874.7

Outreach



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

CEC section 94949.72.

Office of Student Assistance and Relief (OSAR)



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

CEC Section 94949.7

Chief - Office of Student Assistance and Relief



- Requires a Chief, appointed by the Director (of the Department of Consumer Affairs) be vested with the responsibility of of the Office of Student Assistance and Relief.

CEC section 94949.71

Office of Student Assistance and Relief



- 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 94949.72

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.

CEC Section 94949.73

Advisory Committee



- 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.

CEC Section 94880

Accreditation for Degree Granting Institutions



- 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.

CEC sections 94885.1 and 94885.5

Approval to Operate



- This section allows the Bureau to promulgate regulations in order to create a process for institutions to be granted an “inactive status.”
- However, to regain active status, an institution must apply anew for an approval to operate.

CEC Section 94889

Professions with Voluntary or Required Licensure



- 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 94905

- 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.

CEC Section 94909

Student Tuition Recovery Fund



- 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).

CEC section 94923

STRF-Three additional amendments



- 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;
- 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
- 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



- 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.

CEC section 94930.5

Enforcement



- 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.

CEC section 94932

Reporting of Investigations



- 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.

CEC section 94934.5

Oversight Entity



- 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.

CEC section 94934.5

Administrative Citations



- There are a couple of amendments to this section. The section is amended to allow the incorporation of materials obtained during a compliance inspection into 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.

CEC section 94936

Probation, Revocation and Cost Recovery



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

CEC section 94937

Fine for Unlicensed Activity



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

CEC section 94944

Reports to the Legislature



- This section is amended to add information on student complaints to the Director under California Business and Professions Code section 325 to the required report that the director provides to the legislature every six months.

CEC section 94948

Sunset



- The sunset date is extended by 4 years from January 1, 2017 to January 1, 2021.

CEC 94950

“It may be necessary temporarily to accept a lesser evil, but one must never label a necessary evil as good.”

— Margaret Mead



Department of Consumer Affairs
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BPPE Handling of ACICS Accredited
Institutions in the Event of the Denial of
Re-Recognition by the United States
Department of Education (Department)

Possible Impact on approval if ACICS is Denied Re-Recognition



If the Institution has Approval by Means of Accreditation (ABMA)

Emergency Action to stop enrollment.

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Administrative action against the approval to operate because of the loss of the basis for the approval.

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Administrative action against the approval to operate because of the legal requirement that institutions offering degree programs be accredited

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State Authorized?

If the Institution has a "Full Approval"

Investigation and possible action against the institution offering degree programs without accreditation.

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No question about State Authorization

Option 1



If Currently Approved by Means of Accreditation – Apply for Full Approval to Operate

Common Question – Can institutions that are accredited get a full approval? The application is for “institutions not accredited”

Yes, they can. Surrender of accreditation is not required.

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Full Approval to operate instead of ABMA may:

- prevent questions about State Authorization by the Department or other potential accreditors
- eliminate any reason for the Bureau to take an action because of the loss of basis of the approval.
- If done while the ACICS is still recognized allows institutions to bring in all current degree programs.

Option 2



- **Become Accredited by a Different Accreditor**
- If your institution has dual accreditation you may want to explore options of the secondary accreditor taking over institutional accreditation.
- Seek accreditation of a different accreditor with an appropriate scope of accreditation.

Questions & Answers



Question

What steps does an institution take that was approved by means of accreditation through ACICS? Does an institution ABMA apply for full approval (again)?

Answer

Yes, institutions that desire to change their approval type from ABMA to Non-accredited approval (full approval) must submit an application for approval to operate an institution non-accredited.

Questions and Answers



Question

If an institution wants to apply for “full approval” when should they apply?

Answer

The choice to apply for “full approval” and the timing of that application are a business decision of the institution.

However a couple of things to consider:

- Number of degree programs currently offered.

- Comfort level with the Department of Education/ Other Accreditors and their interpretation of “State Authorized”

Questions & Answers



Question

How will this affect institutions who get approval through other DCA boards?

Answer

In most cases the only clear impact is if an institution loses their approval with the Bureau.

If the institution has an action taken against it's approval to operate, the path is not so clear.

Questions and Answers

Question

If I have a full approval and multiple degree programs and ACICS loses their recognition, what happens to my degree programs? Can I still teach them?

Answer

Maybe. In order to “take away” programs from institutions that are legally offering degree programs the Bureau will have to take an administrative action against the institution.

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The Bureau will prioritize actions based upon possible student harm. One of the key factors will be progress toward accreditation with a new accreditor that is recognized by the Department of Education. Other factors will include the number of students enrolled in the program and institutional reliance upon Title IV.

Questions & Answers



Question

How is it best to advise our students about the current situation surrounding ACICS?

Answer

Quickly, clearly and honestly. This is a complicated situation but your students must be advised of the situation.

The Bureau has reached out to students via e-mail. The information is "just the facts". When contacted by students our direction is to talk with your students.

CONTACTING THE BUREAU



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