



**Executive Office**

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January 23, 2026

The Honorable Monique Limón  
Senate President Pro Tempore  
1021 O Street, Room 8518  
Sacramento, California 95814

The Honorable Robert Rivas  
Speaker of the Assembly  
1021 O Street, Room 8330  
Sacramento, California 95814

**Re: Bureau for Private Postsecondary Education – Written Update**

Dear President Pro Tempore Limón and Speaker Rivas:

This correspondence fulfills the requirements of Education Code section 94948, which requires the Director of the Department of Consumer Affairs (Department) to provide the Legislature with written updates every six months regarding the Bureau for Private Postsecondary Education's (Bureau) progress in protecting consumers. Below is a summary of the Bureau's activity from July 1, 2025, to December 31, 2025.

This update will focus on federal higher education changes, financial sustainability, sunset review, complaint processing, and regulations.

**Federal Higher Education Changes**

The Bureau routinely communicates and partners with federal and state regulatory agencies with shared jurisdiction over private postsecondary educational institutions operating in California. Since assuming office in January, the Trump Administration has reduced the size of the U.S. Department of Education, including stating its intention to eventually eliminate the agency in its entirety. In March 2025, the federal team responsible for monitoring California-based institutions was eliminated, and to date, the agency has not communicated its plans to ensure that the essential work of this team will continue.

In April 2025, the Trump administration released an executive order stating that accrediting agencies that continue to promote diversity, equity, and inclusion, or other policies that diverge from the President's agenda, risk having their federal recognition revoked. Additionally, the Trump Administration has indicated its intention to make significant changes to the regulations governing the federally overseen accreditation process (which California oversight depends on), is actively pursuing policies related to curtailing student loan

benefits for borrowers and plans to negotiate new regulations outlining educational program quality standards. All of these changes have the potential to impact California students significantly, as well as to impact the industry landscape the Bureau oversees.

The Bureau works closely with the federal government and federally recognized accrediting agencies to ensure that students are well-served. Many institutions regulated by the Bureau are also federally accredited, which makes students eligible for federal financial aid. Unexpected changes at the federal level create substantial uncertainty to the regulatory landscape in which the Bureau operates, posing substantial risk for California students who depend on federal financial aid to fund their education. [SB 744 \(Cabaldon, Chapter 425, Statutes of 2025\)](#) was an attempt to mitigate some of the harm that could arise by attempting to maintain the status quo in California should an accrediting agency lose its federal recognition. However, California has limited options to prevent national upheaval, and students are still at risk due to federal uncertainty.

The Bureau is monitoring the situation closely to ensure it is well-prepared to address issues as they arise.

### **Financial Sustainability**

The Bureau's fee revenue has been insufficient to cover its expenditures for several years, leading to a structural deficit. The 2022-23 Budget Act provided \$24 million from the General Fund to cover the Bureau's revenue shortfall for three years. In addition, the 2022-23 Budget Act required the Bureau to retain external experts to explore alternative, sustainable funding approaches for the regulation and oversight of for-profit colleges in California.

The Bureau entered into an Interagency Agreement with the Foundation for the California Community Colleges (Foundation) to complete this work, resulting in a finalized report in January 2024. The report's main recommendations included the following:

- Identify alternative funding sources for specific Bureau expenditures to reduce the deficit that needs to be covered by institution fees.
- Increase the licensing fees paid by institutions, in line with the Bureau and the Department's 2021 proposal.
- Explore opportunities to generate additional revenue while reassessing existing Bureau authorities and mandates to improve consumer protection.
- Consider relocating the Bureau within the California State government to best support its effectiveness.

In an accompanying [memo](#), the Bureau endorsed several of the Foundation's recommendations, either in original form or with modifications. These include:

1. Increasing Bureau efficiency. The Bureau committed to reducing the structural deficit by \$1 million using its current authorities. For example, the Bureau historically relied on institutions' self-reported data to assess annual and other fees. The Bureau has begun to implement processes to verify this data, ensuring that institutions are paying their entire required fee amount. The Bureau has also made changes as to how it assesses fines and penalties to more fully utilize its statutory authority and increase the amount collected.
2. Using the Student Tuition Recovery Fund (STRF) to cover claim-specified operational expenses in line with the statutory purpose of STRF by:
  - Drawing STRF claim-administration costs from STRF.
  - Drawing resources from the STRF for the Office of Student Assistance and Relief.
3. Increasing application fees, including out-of-state institution fees.
4. Increasing annual fees to the level needed for fiscal solvency, after incorporating other recommendations.

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.

Drawing on the insights from the funding study, the Governor and the Legislature approved Trailer Bill Language in the 2025-26 budget that allows the Bureau to use STRF funds to cover the costs of both STRF claim administration and positions within the Office of Student Assistance and Relief.<sup>1</sup> That language was added to [AB 123 \(Committee on Budget, Chapter 9, Statutes of 2025\)](#), which was signed into law on June 27, 2025.

The Bureau is obligated to allocate funds due to a lawsuit and has encountered unforeseen expenses related to the settlement. To mitigate these costs, [AB 102 \(Gabriel, Chapter 5, Statutes of 2025\)](#) authorizes the Department of Finance to augment the Bureau's appropriation in response to these financial obligations.

The Bureau looks forward to continuing to work with the Legislature on additional potential solutions to address these issues as the Bureau undergoes the sunset review process in 2026.

### **Sunset Review**

The Bureau is undergoing the sunset review process in 2026 and delivered its

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<sup>1</sup> <https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1226>

[sunset review report](#) to the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development earlier this month. The Bureau looks forward to working with the Legislature in the coming year to identify areas of improvement and to ensure that the Bureau is able to continue protecting California students.

**Complaint Processing**

Bureau Chief Debbie Cochrane has prioritized monitoring the Bureau's investigation of complaints to ensure they receive appropriate and timely investigation and resolution to maximize consumer protection. In collaboration with enforcement leadership, this focus has helped to identify concrete ways to strengthen the Bureau's efforts to triage and prioritize complaints, including enhancing training for investigators and reshaping staffs' approach to investigation report writing with the goal of timely, effective resolution and discipline when appropriate.

The number of pending complaints remains high but is trending in the right direction. At the end of 2025, the Bureau had 520 pending cases, compared to 610 one year ago. Contributing factors to this progress include the investments previously made in enhanced training and a review of procedures, as well as continued efforts to rebuild a strong, capable, and committed team of investigators.

Of the aforementioned 520 pending complaints, 135 or 26% are over one year old. The caseload is identified in the chart below:

	7/1/22	12/31/22	7/1/23	12/31/23	7/1/24	12/31/24	7/1/25	12/31/25
Total Pending Caseload	463	710	815	705	615	610	477	520
Cases Over 365 Days	27	69	176	275	241	223	162	135
Percentage of Cases over 365 days	5%	10%	22%	39%	39%	35%	34%	26%

July 1, 2025, through December 31, 2025, Complaint Information

Pursuant to Education Code section 94948, the following information is reported:

- Total number of complaints received: 648
- The general nature of these complaints include:
  - Unapproved activity;

- Failure to submit required information to the Bureau;
  - Fraud or irregularities in the admissions process;
  - Failure to submit student tuition recovery fund assessments;
  - Contractual issues related to quality of education;
  - Engagement in prohibited business practices; and
  - Unjustified termination from the institution.
- Since July 1, 2025, the Bureau has closed 599 complaints. Of those, 16 were referred to the Bureau's discipline unit. A total of 217 complaints included allegations outside of the Bureau's jurisdiction, such as K-12 schools, public institutions, schools with no physical presence, and exempt private institutions. Where appropriate, those complaints were referred to other agencies with jurisdiction over the complaint issue, including other Department boards, Federal Student Aid, and the Office for Civil Rights.
  - Among complaints associated with approved institutions or those that have contracted with the Bureau for complaint-handling, complaint resolutions included: securing student refunds, the provision of transcripts or other proof of training, the placement of students into externships, and obtaining institutional compliance with the Act and/or school policy.

### **Bureau Regulations**

The Bureau had one regulation that went into effect on July 1, 2025. It clarifies the timing for institutions renewing an approval to operate. Previous rules stated that institutions may still renew an approval to operate up to 6 months after the previous approval expired. However, although institutions may still apply for an approval to operate after the expiration of their previous approval, they are not allowed to continue to operate until the new approval is granted. This caused confusion, as many institutions believed that the grace period applied to their ability to operate in the interim. The new regulation clarifies that though an institution may still apply for a renewal, they may not operate with an expired approval.

The Bureau has a potential regulation for which they have solicited written public comments. This regulation clarifies refund policies for cancellations (where the student decides not to participate in the program prior to the cancellation deadline) versus withdrawals (where the student withdraws after the cancellation deadline). The regulations would also make other changes related to refunds, such as requiring institutions to provide a receipt to students.

Five additional regulatory packages are in earlier stages of development.

Thank you for the opportunity to provide an update on the valuable work of the Bureau.

Please contact me at (916) 574-8200 or [Christine.Lally@dca.ca.gov](mailto:Christine.Lally@dca.ca.gov) for questions or additional information.

Sincerely,



Christine J. Lally,  
Acting Director, Department of Consumer Affairs

cc: Senator Angelique Ashby, Chair, Senate Committee on Business, Professions and Economic Development  
Senator Sasha Renée Pérez, Chair, Senate Committee on Education  
Assembly Member Marc Berman, Chair, Assembly Committee on Business and Professions  
Assembly Member Mike Fong, Chair, Assembly Committee on Higher Education  
Nichole Murillo, Deputy Legislative Affairs Secretary, Office of the Governor