

CALIFORNIA ISSUES MODIFICATIONS TO RULES AFFECTING FLIGHT TRAINING

September 2, 2010

What's at Issue

On Monday, August 20th the California Bureau of Private Postsecondary Education (BPPE) issued modifications to the rules for private postsecondary educational institutions.

Why it's Important

Under the BPPE's current interpretations of relevant statutes, flight training is covered by the rules regulating private postsecondary educational facilities.

Major Provisions

The modification of the regulations included two major changes that could affect flight schools.

Financial Statements

The original regulations required covered entities to submit financial statements that have been audited by a Certified Public Accountant with their original and renewal applications for approval to operate. The modifications change the requirement for both original and renewal applications. Entities applying for a new approval to operate are now only required to submit financial statements that have been reviewed by a Certified Public Accountant. Entities applying for a renewal approval to operate are required to submit financial statements that have either been reviewed or audited, depending on the entity's gross revenue. The table below outlines those requirements:

Entities Gross Revenue	Financial Statements Must Be:
Equal to or less than \$500,000 per year	Reviewed
Greater than \$500,000	Audited

Financial Strength

The requirement that covered entities maintaining a 1:1 current asset to current liabilities ratio, has now been changed to 1.25:1.

NATA Position

Although this position is not shared by the BPPE, NATA believes that the BPPE has misinterpreted relevant statutes and extended regulations to portions of the flight training industry that were not intended to be regulated by the CA legislature. Nevertheless, NATA is pleased that the BPPE has chosen to accept other forms of verification of financial statements, although the association believes that the \$500,000 gross revenue per year threshold for using reviewed, as opposed to audited statements, needs to be set far higher. Finally, NATA believes the increase of the current asset to current liability requirement from 1:1 to 1.25:1 will only serve to drive many long-time California small businesses out of the state or into closure.

Status

The proposed modifications can be found [here](#). NATA is continuing its legislative effort to implement a delay in compliance in these rules for flight training, giving the legislature time to address the unintended consequences faced by flight training providers.

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