

AMENDED IN ASSEMBLY APRIL 24, 2007

AMENDED IN ASSEMBLY APRIL 19, 2007

AMENDED IN ASSEMBLY APRIL 12, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 1652

Introduced by Assembly Member Lieber

February 23, 2007

An act to ~~add Section 69431.3 to the Education Code,~~ relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 1652, as amended, Lieber. Student financial aid.

Existing law establishes the University of California, the California State University, the California Community Colleges, and the private and independent colleges and universities as the 4 segments of postsecondary education in this state. Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. Under existing law, the commission, among other things, administers the Cal Grant Program.

This bill would express legislative findings and declarations and intent relating to standards of ethical behavior for student financial aid personnel at California colleges and universities.

The bill would require the Legislative Analyst's Office to report to the Assembly Committee on Higher Education and the Senate Committee on Education by January 31, 2008, summarizing *efforts by the United States Congress and the United States Department of*

Education to implement new laws and regulations and specified allegations made by the New York Attorney General regarding student financial aid personnel in that state. The bill would require the Legislative Analyst’s Office to provide background on these issues, reviewing the proposed legislation now pending in the State of New York for possible relevance to the State of California, and the sufficiency of newly adopted or pending federal rules or regulations, and including material on prescribed topics.

The bill would request ~~representatives of professional associations representing~~ the California student financial aid and lending communities, separately or together, to report to the Assembly Committee on Higher Education and the Senate Committee on Education by January 31, 2008, on the ethical standards that are currently in place, additional standards that should be instituted, and the extent to which state law should be amended to mandate these standards, including any recommendations for disclosure requirements and enforcement mechanisms.

~~The bill would require, as a condition for the participation of a qualifying institution, as defined, in the Cal Grant Program, the prohibition of the acceptance of any gifts, as defined, worth more than \$50 in any calendar year by any employee, administrator, or trustee of the institution with direct or line responsibility for student financial aid programs or activities from any person or entity doing business with, or seeking a business relationship with, that institution in any matter related to student financial aid programs.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~yes~~-no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California higher education students rely heavily on student
- 4 loans to finance their education. These students must receive the
- 5 highest quality service delivered in a framework of ethical
- 6 standards of behavior and business conduct.
- 7 (b) ~~Recent investigations by the Attorney General of New York~~
- 8 ~~initiatives of the United States Congress, investigations by the~~
- 9 ~~Attorney General of New York, and news reports reveal serious~~
- 10 ~~allegations of improper activity on the part of student loan lenders~~

1 and college and university administrators, including some in
2 California.

3 (c) ~~The New York Attorney General's investigations~~
4 *congressional initiatives, the New York Attorney General's*
5 *investigations*, and the news reports are cause for significant
6 concern, but many facts are as yet unknown.

7 SEC. 2. (a) It is the intent of the Legislature ~~that the act that~~
8 ~~adds Section 69431.3 to the Education Code should~~ *to* establish a
9 minimum standard of ethical behavior for student financial aid
10 personnel at California colleges and universities and that it provide
11 for the gathering and analysis of further information to guide the
12 Legislature's further actions on the crucial subject of ethical
13 standards in all California public, *private*, and independent
14 institutions of higher education, both to correct any abuses and to
15 dispel any unfair stigmatization of honest and ethical personnel of
16 higher education and lending institutions.

17 (b) The Legislative Analyst's Office (LAO) shall report to the
18 Assembly Committee on Higher Education and the Senate
19 Committee on Education by January 31, 2008, summarizing *efforts*
20 *by the United States Congress and the United States Department*
21 *of Education to implement new laws and regulations* and the
22 allegations made by the New York Attorney General, providing
23 background on these issues, reviewing the proposed legislation
24 now pending in the State of New York for possible relevance to
25 the State of California, *and the sufficiency of newly adopted or*
26 *pending federal rules or regulations*, including, but not necessarily
27 limited to, possible restrictions on revenue sharing, gifts and travel,
28 consultant fees, travel reimbursement guidelines, "preferred lender"
29 guidelines, issues surround high-risk loans and appropriate
30 restrictions on conflict of interest for college employees and
31 governing boards, and providing any other information the LAO
32 may deem relevant to advise the Legislature on the possible need
33 for additional action in this matter.

34 (c) The Legislature requests that ~~representatives of~~ *professional*
35 *associations representing* the California student financial aid and
36 lending communities, separately or together, report to the Assembly
37 Committee on Higher Education and the Senate Committee on
38 Education by January 31, 2008, on the ethical standards that are
39 currently in place, additional standards that should be instituted,
40 and the extent to which state law should be amended to mandate

1 these standards, including any recommendations for disclosure
2 requirements and enforcement mechanisms.

3 ~~SEC. 3. Section 69431.3 is added to the Education Code, to~~
4 ~~read:~~

5 ~~69431.3. (a) Notwithstanding any other provision of law, as~~
6 ~~a condition for the participation of a qualifying institution in the~~
7 ~~Cal Grant Program, each employee, administrator, or trustee of~~
8 ~~the institution with direct or line responsibility for student financial~~
9 ~~aid programs or activities is prohibited from accepting gifts worth~~
10 ~~in excess of fifty dollars (\$50) per calendar year from any person~~
11 ~~or entity doing business with, or seeking a business relationship~~
12 ~~with, that institution in any matter related to student financial aid~~
13 ~~programs.~~

14 ~~(b) In implementing this section, the commission shall consult~~
15 ~~with the student financial aid community and appropriately amend~~
16 ~~the Cal Grant Institutional Participation Agreement.~~

17 ~~(c) (1) As used in this section, “gift” means any discount, favor,~~
18 ~~gratuity, inducement, loan, stock, thing of value, or other item~~
19 ~~having a monetary value of more than ten dollars (\$10). As used~~
20 ~~in this section, “gift” includes, but is not necessarily limited to,~~
21 ~~any of the following:~~

22 ~~(A) Any money, service, loan, entertainment, honorarium,~~
23 ~~hospitality, lodging cost, meal, registration fee, travel expense,~~
24 ~~discount, forbearance, or promise.~~

25 ~~(B) An item provided in kind, by purchase of a ticket, payment~~
26 ~~in advance, or reimbursement after expense has been incurred.~~

27 ~~(C) Any computer hardware or software for which the recipient~~
28 ~~pays less than the fair market value.~~

29 ~~(D) Any printing costs or services.~~

30 ~~(2) As used in this section, “gift” does not include either of the~~
31 ~~following:~~

32 ~~(A) A lending institution’s own brochure or promotional~~
33 ~~literature.~~

34 ~~(B) Food, beverages, training, or informational material~~
35 ~~furnished to an employee or officer to whom this section is~~
36 ~~applicable as an integral part of a training session, if the governing~~
37 ~~body of the segment finds that the training contributes to the~~
38 ~~professional development of that employee.~~

O