

**Introduced by Senator Ackerman**

February 20, 2007

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An act to amend Section 69525 of the Education Code, relating to financial aid.

LEGISLATIVE COUNSEL'S DIGEST

SB 337, as introduced, Ackerman. Student Aid Commission: auxiliary organization: board of directors.

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. Existing law authorizes the commission to establish an auxiliary organization, governed by a board of directors, for the purpose of providing operational and administrative services for the commission's participation in the Federal Family Education Loan Program. A member of that board is generally prohibited from having a financial interest in any contract or other transaction entered into by the board of which he or she is a member.

This bill would make technical, nonsubstantive changes to those conflict-of-interest provisions.

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

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

- 1 SECTION 1. Section 69525 of the Education Code is amended
- 2 to read:
- 3 69525. (a) The auxiliary organization established pursuant to
- 4 Section 69522 shall be governed by a board of directors nominated

1 and appointed by the commission. One member of the board of  
2 directors shall be an employee of the auxiliary organization, and  
3 one member of the board of directors shall be a student enrolled  
4 in a California public or private postsecondary educational  
5 institution. The commission shall determine the composition of  
6 the remainder of the board of directors, including both the size and  
7 categories of membership of the board.

8 (b) The board of directors shall, during each fiscal year, hold  
9 at least one business meeting each quarter. The board of directors  
10 shall have the benefit of the advice and counsel of at least one  
11 attorney admitted to practice law in this state and at least one  
12 licensed certified public accountant. Neither the attorney nor the  
13 certified public accountant need be members of the board.

14 (c) ~~No~~A member of the board of directors shall *not* be  
15 financially interested in any contract or other transaction entered  
16 into by the board of which he or she is a member, and, except as  
17 provided in subdivision (d), any contract or transaction entered  
18 into in violation of this subdivision is void.

19 (d) ~~No~~A contract or other transaction entered into by the board  
20 of directors is *not* void under subdivision (c), nor shall any member  
21 of that board be disqualified or deemed guilty of misconduct in  
22 office under those provisions, if both of the following  
23 circumstances exist:

24 (1) The member's financial interest is disclosed or known to  
25 the board of directors and noted in the minutes, and the board of  
26 directors thereafter authorizes, approves, or ratifies the contract  
27 or transaction in good faith by a vote sufficient for the purpose  
28 without counting the vote or votes of that financially interested  
29 member or members.

30 (2) The contract or transaction is just and reasonable as to the  
31 auxiliary organization at the time it is authorized or approved.

32 (e) Subdivision (d) does not apply if any of the following  
33 circumstances exists:

34 (1) The contract or transaction is between the auxiliary  
35 organization and a member of the board of directors.

36 (2) The contract or transaction is between the auxiliary  
37 organization and a partnership or unincorporated association of  
38 which any member of the board of directors is a partner or in which  
39 he or she is the owner or holder, directly or indirectly, of a  
40 proprietorship interest.

1 (3) The contract or transaction is between the auxiliary  
2 organization and a corporation in which any member of the board  
3 of directors is the owner or holder, directly or indirectly, of 5  
4 percent or more of the outstanding common stock.

5 (4) A member of the board of directors is interested in a contract  
6 or transaction within the meaning of subdivision (c) and, without  
7 first disclosing that interest to the board of directors at a public  
8 meeting of the board, influences or attempts to influence another  
9 member or members of the board to enter into the contract or  
10 transaction.

11 (f) It is unlawful for any person to utilize any information, not  
12 a matter of public record, that is received by him or her by reason  
13 of his or her membership on the board of directors, for personal  
14 pecuniary gain, regardless of whether he or she is or is not a  
15 member of the board of directors at the time that gain is realized.

16 (g) (1) The board of directors of the auxiliary organization shall  
17 conduct its business in public meetings in accordance with the  
18 Bagley-Keene Open Meeting Act (Article 9 (commencing with  
19 Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of  
20 the Government Code).

21 (2) Notwithstanding paragraph (1), the board of directors of the  
22 auxiliary organization may hold a closed session to consider a  
23 matter of a proprietary nature the discussion of which would  
24 disclose a trade secret or proprietary business information that  
25 could potentially cause economic harm to the auxiliary organization  
26 or cause it to violate an agreement with a third party to maintain  
27 the information in confidence if that agreement was made in good  
28 faith and for reasonable business purposes.

29 (3) Notwithstanding any other law, the commission may hold  
30 a closed session to consider a matter that may properly be  
31 considered in closed session by the board of directors of the  
32 auxiliary organization pursuant to paragraph (2).