Curbing Vocational School Fraud

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...state's consumers and appears before state agencies in support of the California legislature on dozens of bills that affect millions of our protection ahead of corporate profit. Each year, CFC testifies before rights, campaigning for state and federal laws that place consumer organization. Since 1960, CFC has been a powerful voice for consumer protection.

CFC and other consumer advocates have asked Assemblyman Portantino to amend tough standards and enforcement into AB 48. We are also skeptical about re-creating an agency that failed in its mission last time, and believe that a Monitor should be empowered to oversee the agency and report on its performance. In a hearing before the Assembly Higher Education Committee, consumer advocates called for: authorization only for school programs and credentials (degree, certificate, diploma) that have been reviewed for and met minimum quality standards; disclosures of comparative information on graduation, placement, exam pass rates, salaries, transferability of credits/credentials, all with standardized definitions; fair refund policies; a state complaint process; and State Tuition Recovery Fund (STRF) as under previous law, funded by a small student surcharge on contracts). CFC will continue to work with the author to improve this legislation.

Will Obama Defend Privacy Law?

The biggest banks have petitioned the Supreme Court to overturn major portions of California’s landmark financial privacy law. They want the freedom to share with strangers the intimate details of our financial lives, without our permission.

The Supreme Court has not yet decided whether to hear the bank’s appeal in a case entitled American Bankers Association v. Brown. On March 9th, the Court invited the Obama Administration to voice its opinion on the pending appeal. The Consumer Federation of California and a coalition of privacy advocates have urged the Obama Administration to defend the right of the states to regulate banking privacy practices.

At issue is whether federal laws preempt portions of California’s Financial Information Privacy Act of 2003 (SB 1 – Speier). That law gave Californians unprecedented power to prevent banks, credit card companies, insurers and brokerage firms from sharing with strangers the intimate details of our financial lives.

Banks want the Court to void provisions of SB 1 that regulate information sharing within a family of affiliated businesses.

At the time of SB 1 hearings, Citigroup furnished state lawmakers a list of 3,000 affiliated entities around the world, with which sharing of personal information was completely unregulated. Bank of America listed nearly 1000 affiliates. Prior to passage of this law, the financial sector commonly created dooziers on what consumers buy, earn, borrow and invest by aggregating data from their bank, investment and insurance components, and would sell or share this information for marketing purposes. Data sharing within and among these horizontally integrated financial behemoths also created new avenues for identity theft.

The 9th Circuit upheld the right of Californians to control information sharing within a family of affiliated companies, with the narrow exception of information related to a customer’s credit worthiness. Federal law provides no comparable consumer privacy rights.

A letter asking President Obama and U.S. Solicitor General Elena Kagan to weigh in on the side of state privacy regulation was signed by Consumer Federation of California, Privacy Rights Clearinghouse, CALPIRG, Consumers Union, Consumer Action, The Older Women’s League, The California Alliance for Retired Americans, and Chris Larsen, founder of Californians for Privacy Now. The organization that spearheaded a 2003 ballot initiative campaign that turned fierce banking industry opposition into acquiescence this case provides the Obama Administration its first opportunity to reveal its views both on the right to privacy and on the necessary role of the states in protecting consumers from unfair banking industry practices in the absence of adequate federal regulation. California’s financial privacy law has proven a successful model for the nation. We urge the President to stand with California and our right to privacy.

About Us

The Consumer Federation of California (CFC) is a non-profit advocacy organization. Since 1960, CFC has been a powerful voice for consumer rights, campaigning for state and federal laws that place consumer protection ahead of corporate profit. Each year, CFC testifies before the California legislature on dozens of bills that affect millions of our state’s consumers and appears before state agencies in support of consumer regulations.

Contributions are not tax deductible.

CFC's May 19, 2009 Special Election Recommendations

NO on Prop 1A

Permanently locks in severe state budget cuts to health, higher education and other human service programs. Stops state from restoring this funding when current recession ends. Gives governor new power to slash budgets anytime without legislative approval. Extends tax hikes on workers and consumers, but fails to repeal permanent billion dollar tax cut for biggest corporations.

YES on Prop 2

Establishes fund to repay over several years $9.3 billion the state owes to local public schools and community colleges under Proposition 98 funding formulas.

2009 LEGISLATIVE SUMMARY

The following is a brief legislative report on key consumer rights bills (partial list):

CFC Sponsored Bills

AB 1512 (Lieu) would prohibit a retailer from selling baby food and infant formula after the “use by” date on its packaging.

SB 355 (Romero) would require motel operators to post the crime statistics on motel property and on internet sites.

SB 443 (Padilla) would direct the state toxics agency to determine health risks of chemical cleaning products used in grocery stores.

CFC Supported Bills in the Assembly

AB 1212 (Rusklin) would seek to expand the focus of vehicle retirement programs and improve their effectiveness by consolidating them into one larger program.

AB 1160 (Fong) would require lenders to provide translations of mortgage terms for non-English proficient customers.

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Repeal 2/3's Budget Rule

By Zack Kaldveer • Communications Director, Consumer Federation of California

California is one of only three states that require a two-thirds vote in the legislature to pass a budget regardless of the depth of the crisis. This rule empowers a small cabal of lawmakers to hold the state budget hostage until their demands—no matter how unpopular—are included in any final agreement. Now California consumers will suffer the consequences.

This year, as California's economy teetered on the brink of insolvency, a small minority of ultra-conservative legislators refused to support any rational budget agreement. To keep our government, schools and health clinics running, the majority was forced to concede to minority demands: rollbacks of environmental and toxics regulations, supersized tax breaks for big corporations, regressive tax hikes that hit lower income consumers hardest, and drastic cuts in education, public safety, and healthcare.

This year's budget fixaco has created an outcry for governance reform. A movement is growing to re-assert the democratic principle of majority rule and end the tyranny of an out of touch minority.

The 2/3’s requirement offers the minority party in the Legislature a powerful bargaining chip. Republican Senator Abel Maldonado chained that chip in this year because he represented the one—and last—vote needed to pass the budget and save the state from near total collapse.

In exchange for their handful of votes, Maldonado and his clique won a host of concessions, including the removal of a 12 cent per gallon gas tax increase; deep cuts in social services; tax cuts for multinational corporations; and the removal of a proposed severance fee on oil extracted from our state.

The oil severance fee would have produced $300 million a year in needed revenues. It would have been targeted at big oil companies including Exxon Mobil and Chevron. These companies reported approximately $95 billion in profits in 2008.

Instead, thanks to the 2/3’s rule, all California taxpayers will NOT share in the sacrifice. State workers were forced to take two unpaid days leave a month, construction projects were stopped, state money to pay for social services had dried up, and now working families face billions in higher sales tax and income tax rates. But the state’s most profitable big businesses get a $1.5 billion TAX CUT in perpetuity.

Consider the facts: the average working family of four will pay an additional $1100 a year in increased sales tax, personal income tax and vehicle license fees. The California Budget Project estimates the tax hikes will disproportionately hurt working-class earners. A couple with $40,000 in taxable income will see a 12.9 percent increase in taxes, while a couple making $750,000 would get a 2.9 percent increase.

As education, public safety, health, and transportation faced $15 billion in program cuts, big business received billions in temporary tax credits and permanent tax breaks that will reduce state revenues even more—potentially leading to even deeper program cuts in future budgets.

To restore budget sanity, fiscal responsibility, and tax fairness, the 2/3’s rule must be repealed. CFC has begun gathering names to gear up for an expected ballot measure fight next year to restore the principle of majority rule and take back control of our government. We hope you will join our effort. Sign up on our website: www.consumerca.org.

Curbing Vocational School Fraud

By Richard Holaber • Executive Director, Consumer Federation of California

400,000 Californians attend over 1500 private post secondary vocational educational institutions. Despite recurring instances of fraud committed against students, the state currently provides no oversight of these for-profit schools.

Consumer Federation of California has joined with Consumers Union and the Center for Public Interest Law in calling on state lawmakers to crack down on vocational education businesses that hoodwink students into costly programs that promise career advancement but deliver worthless diplomas, and that pile on loan debt that leads to financial ruin.

AB 48 (Portantino), as amended April 2, 2009, falls short in addressing the gap in trade school regulation created when the Bureau for Private Postsecondary and Vocational Education ceased operation in 2008. In its current version, the legislation lacks effective enforcement and accountability measures that are badly needed to prevent widespread abuses by the industry. Our position on AB 48 is Oppose Unless Amended.

Young adults lacking career skills and workers losing jobs are susceptible to misleading sales pitches from these trade schools. With tuition costs running in the tens of thousands of dollars for short term programs, the potential losses borne by consumers signing up for unregulated and inferior training programs are high.

Abuses in the for-profit job training sector date back at least to the enactment of the original GI bill after World War II. This legislation created a pool of government funding for tuition, and attracted both quality programs and unscrupulous training providers eager to cash in on this funding stream.

CFC Honors 2009 Consumer Heroes

The Consumer Federation of California (CFC) held its third annual Legislative Reception at the State Capitol on April 13. The event provides CFC with the opportunity to honor the work of some of our state’s most influential consumer rights champions.

State lawmakers, CFC members and representatives of a broad spectrum of public interest advocacy organizations were on hand for the festivities. Honorees were:

Consumer Journalist Award: Michael Finney (host of ABC’s 7 on Your Side)

Legislator of the Year: Assembly member Jared Huffman

In 1987 the state established regulation of vocational schools in the Department of Education. In 1997 the Bureau for Private Postsecondary and Vocational Education moved to the Department of Consumer Affairs. The Bureau performed its oversight job poorly. It failed to issue basic regulations on the running of the Student Tuition Recovery Fund and failed to collect assessments from schools, which left its account depleted and the Department without funding to administer it. A 2004 law established an “Enforcement Monitor” to report on the Bureau’s performance. The Monitor’s 2005 report found a “twenty-year record of repeatedly identified, fundamental problems in every one of the Bureau’s key operations.” In 2007 the Bureau ceased operating. Last year, Governor Schwarzenegger vetoed legislation (SB 823 - Perata) that would have re-established agency oversight with tougher enforcement standards.

Industry abuses include advertising job placement success rates that have no basis in reality. In one case, students completing a culinary career academy found that their diplomas were worthless in the eyes of the restaurant industry, yet the school boasted of high placement rates because they counted jobs sweeping floors at fast-food restaurants as successful career placements. Tax definitions in the law allowed the school to count “jobs in the field” instead of “the job trained for” as the standard for a placement.

Students are not informed about the transferability of course credits towards graduation requirements at another institution of higher education. Blank diplomas buried in fine print in

Consumer Champion Awards to leaders in the 2008 No on Prop 10 campaign:

• California School Employees Association
• California Nurses Association
• AFSCME California PEOPLE
• California Federation of Teachers
• Tony Rubenstein (Prop 87 chair and clean energy advocate)

Albin Grunh Lifetime Achievement Award: Lenny Goldberg (CA Tax Reform Association)

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