

STATE CAPITOL
ROOM 205
SACRAMENTO, CA 95814
TEL (916) 651-4024
FAX (916) 651-4924

DISTRICT OFFICE
1808 W. SUNSET BLVD.
LOS ANGELES, CA 90026
TEL (213) 483-9300
FAX (213) 483-9305

California State Senate

SENATOR
KEVIN DE LEÓN
PRESIDENT PRO TEMPORE

TWENTY-FOURTH SENATE DISTRICT

STANDING COMMITTEE
SENATE RULES
CHAIR



SB 174/798 (De León) College Access Tax Credit Fund Fully Fund the Cal Grant B Access Award to Improve Graduation Rates

PURPOSE:

Increase the underfunded Cal Grant B Access Award amount for California's lowest income students to improve graduation rates through \$500 Million in available tax credits in the College Access Tax Credit Fund by leveraging federal tax deductions for charitable contributions.

BACKGROUND:

The clearest path to the American Dream is a college degree and educational attainment levels predict the overall economic performance of states and nations. However most students are spending too much time at part-time and full-time jobs to pay for school and living costs when they should be and want to be focused on their studies. Those who don't drop out due to costs are graduating with crippling debt. Allowing students to focus on their studies instead will help them stay enrolled and graduate and allow graduates to contribute to our local economies rather than focusing on loan-repayment.

College Access Tax Credit Fund

California is a so-called donor state, only receiving around 78-cents for every dollar state taxpayers send to Washington. It's time to leverage Federal dollars to help offset skyrocketing college costs.

In 2014, for every dollar donated to the College Access Tax Credit Fund, the individual taxpayer or the corporate donor would receive a 60-cents credit from the state and the Fund would retain 40-cents which would earn interest. According to the Internal Revenue Service, the taxpayer would also be able to take a donation deduction on their Federal tax filing. The taxpayer would get back on every dollar donated a total of 80 cents to over 95 cents depending on how they file.

College Access Tax Credit Fund Revenue Estimates in Millions

	2014-15	2015-16	2017-18
Revenue raised by donations	\$750	\$700	\$600
Credit Cost Reimbursed to the General Fund	-\$190	-\$360	-\$330
Net Gain	\$560	\$340	\$270

Proposed Cal Grant B Access Award Increase

Students who meet all the Cal Grant income and asset eligibility requirements, and have at least a 2.0 GPA and apply by March 2 of the year they graduate from high school or the following year, or by September 2 for community college students, may receive a Cal Grant B, and other students can compete for one. For the 2011-12 school year, the average income for the over 159,000 Cal Grant B recipients was \$16,640.

The Cal Grant B Access Award provides up to \$1,648 for books and living expenses for students.

- Cal Grant recipients at public colleges, especially Cal Grant B recipients, are more likely to be underrepresented minorities.



- Lower income Cal Grant recipients generally receive money for educational costs beyond tuition and fees. This stipend was worth \$900 in 1969-70, the year of its inception.

For 2012-13, it is worth \$1,473 – **ONE QUARTER** of what the original award would be worth had it kept pace with inflation.



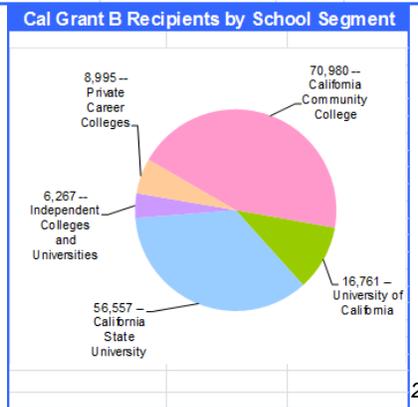
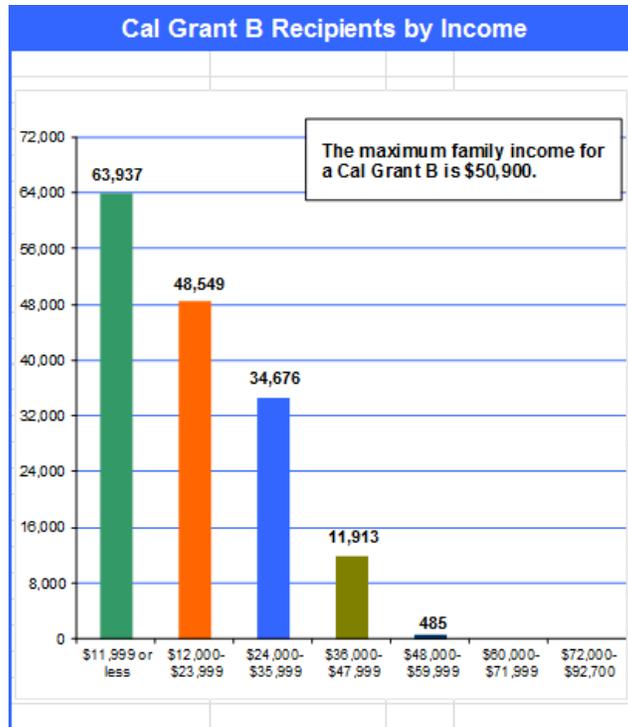
Adjusted for inflation, a Cal Grant B Award today should be \$6,181. Instead, it has lost most of its purchasing power over time and is only \$1,648.

Cost in Millions* to Increase the Cal Grant B Access Award from \$1,648 to \$3,500

	2015-16
Net Gain from previous year	\$560
Expansion Cost	\$363
# Students Helped	196,000

*Costs calculated by the California Student Aid Commission

¹ November 2012 Cal Grant Snapshot, The Institute for College Access and Success



The FTB's analysis shows that all tax credit costs to the general fund and all administrative costs will be reimbursed to the state from the revenue earned by the College Access Tax Credit Fund.

As enacted:

- Created the College Access Tax Credit Fund providing both individual and corporate taxpayers with an available tax credit worth 60% of the amount donated in 2014-2015, 55% in 2015-2016 and 50% in 2016-2017.
- Caps credits for taxpayers at \$500 million per calendar year.

² Cal Grant High School Entitlement Program, Facts at Your Fingertips 2010-11, California Student Aid Commission

- The money in the fund will be collected for an entire year and then certified by the California Education Facilities Authority at the Treasurer's office before CSAC increase Cal Grant B Access Award grants for California's neediest students at all 5 sectors of colleges and universities.
- Sunsets the College Access Tax Credit Fund program after three years.
- After 2017, allows remaining funds to be used to continue increasing the Cal Grand B Access Award so long as there are funds in the account.
- Urgency clauses were added to ensure that donations made in 2014 can be counted toward the tax credit to help students for the 2015-2016 academic year.

SUPPORT:

American Career College
 American Federation of State, County and Municipal Employees (AFSCME)
 Association of Independent California Colleges and Universities (AICCU)
 Associated Students of UC Davis
 California Catholic Conference
 California Community College Association of Student Trustees
 California Competes
 California Faculty Association
 California State Student Association (CSSA)
 California Student Aid Commission (CSAC)
 Campaign for College Opportunity
 Coast Community College District
 Community College League of California
 Education Trust – West
 Faculty Association of California Community Colleges (FACCC)
 Los Angeles Community College District (LACCD)
 Los Angeles Area Chamber of Commerce
 NAACP California
 NAACP Los Angeles
 National Council of La Raza
 Public Advocates
 Southern California College Access Network
 Student Senate for California Community Colleges (SSCCC)
 The Institute for College Access and Success (TICAS)
 West Coast University
 University of California Student Association (UCSA)
 Young Invincibles

For more information, please contact: Claire Conlon, Legislative Aide, at (916) 651-4022 or Claire.Conlon@sen.ca.gov.