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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:

In 2013, the Governor vetoed nearly identical legislation (SB 284 & 285) when the Department of Finance belatedly noticed that even though the tax credit created by the legislation reimburses the General Fund making it budget neutral, it does so with private donations which cannot be counted toward Prop 98. The Governor's veto message contained a request to fix this technical error so as not to inadvertently hurt K-12. SB 174 & SB 798 contains the language from these vetoed bills, plus the technical clean-up.

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. To further help our neediest students complete college we need to be creative.

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 2014-15 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.



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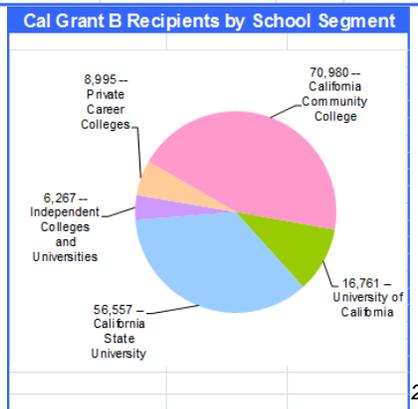
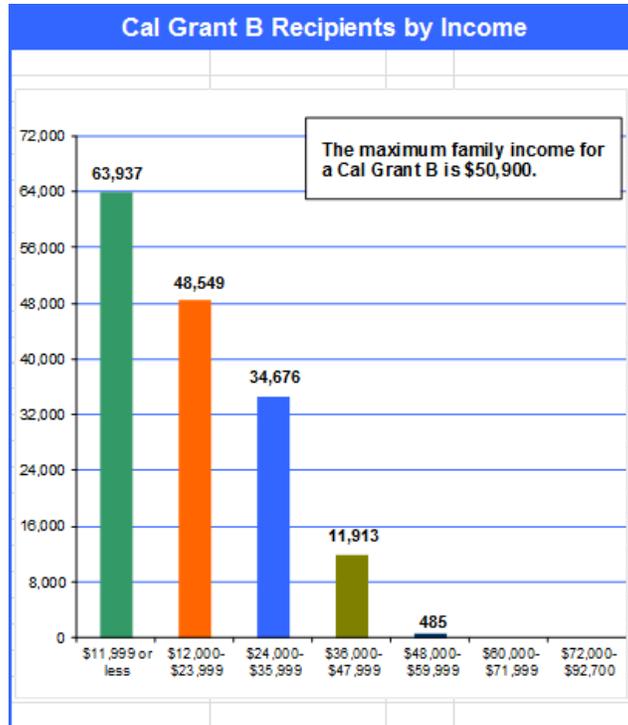
¹ November 2012 Cal Grant Snapshot, The Institute for College Access and Success

Adjusted for inflation, a Cal Grant B Award today should be \$5,900. Instead, it has lost most of its purchasing power over time.

Cost in Millions* to Increase the Cal Grant B Access Award to \$3,000

	2015-16
Net Gain from previous year	\$560
Expansion Cost	\$238
# Students Helped	177,000

*Costs calculated by the California Student Aid Commission



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

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.

PROPOSAL:

- Create 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.
- Cap credits for taxpayers at \$500 million per calendar year.
- 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.
- Sunset the College Access Tax Credit Fund program after three years.
- After 2017, allow 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 have been 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

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