

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY (CEFA)

College Access Tax Credit Fund

Taxable Year 2023 – Update

February 29, 2024

Background

The College Access Tax Credit Fund (CATCF or the Fund) was enacted with the passage of Senate Bill 798 in 2014 and amended by Senate Bill 81 in 2015. The CATCF allowed individuals, insurance companies, and businesses to claim a tax credit equal to a certain percentage of cash contributions made to the Fund in Taxable Year (TY) 2014-2017. The tax credit was based on an annual sliding scale, from 60% in TY 2014 to 50% in TY 2017, and the maximum aggregate of tax credits allowable was \$500 million each year, in addition to the amount of unallocated and uncertified tax credits from the previous TY. CEFA administers the Fund and is responsible for allocating and certifying the tax credits for individuals, insurance companies, and businesses, and providing copies of the certifications to the Franchise Tax Board (FTB) and the Department of Insurance.

Under the original legislation, the CATCF was set to expire after TY 2017. Assembly Bill 490, passed in 2017, extended the Fund through TY 2022, and then again Assembly Bill 2880 in 2022, extended the Fund through TY 2027. All of CEFA's responsibilities remain unchanged, and CEFA continues to allocate and certify tax credits equal to 50% of the amount contributed by the taxpayer to the Fund; however, the maximum aggregate of tax credits CEFA can allocate and certify cannot exceed a total cumulative amount of \$500 million for TYs 2017 – 2027 combined.

The Fund was designed to support the moneys currently available to provide Cal Grant B awards to low-income college students. A portion of the contributions made to the Fund goes to the California Student Aid Commission (CSAC), which administers the State's Cal Grant Program. Cal Grants are for students attending Universities of California, California State Universities or California Community Colleges, or qualifying independent and career colleges or technical schools in California.

Contributions to the Fund

For TY 2023, CEFA received \$1,489,700 for the Fund across 68 contributions. The table below reflects a summary of contribution and tax credit data for TY 2023.

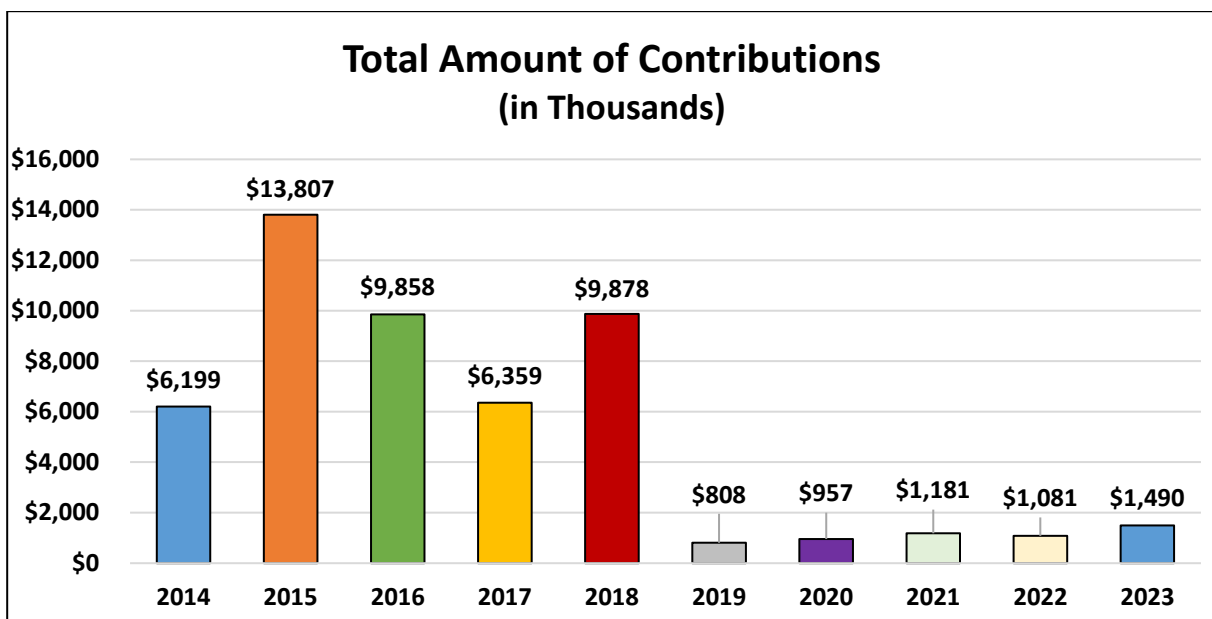
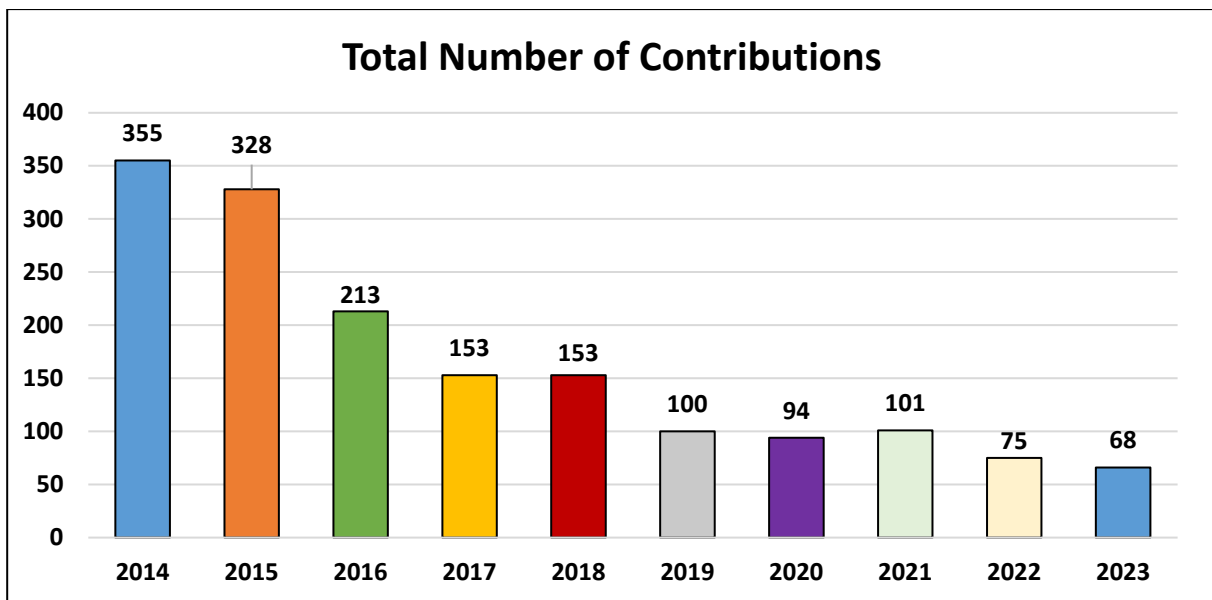
| | <u>2023</u> |
|--|-------------|
| Total Number of Contributions | 68 |
| Total Amount of Contributions | \$1,489,700 |
| Tax Credits Allocated and Certified | \$793,600 |
| Largest Contribution | \$374,000 |
| Smallest Contribution | \$200 |
| Average Contribution | \$21,907 |
| Median Contribution | \$7,500 |

In TYs 2014 - 2023 the total number of contributions consisted of 1,640 for a total of \$51,618,000 in contributions and \$28,346,254 in allocated tax credits. Of the \$500 million tax credits available from TYs 2017 - 2027, \$489,005,758 remains available.

Annual Trends & Program Marketing

The total number of contributions to the Fund has steadily decreased over the years from 355 in TY 2014 to 68 in TY 2023. Although the total dollar amount contributed in TY 2023 increased by approximately 38% from the previous year, it is still much lower when compared to TY 2018 and prior years. It is presumed that the passing of the Tax Cuts and Jobs Act (TCJA) in December 2017 is largely responsible for the reduction of contributions after TY 2018. The TCJA made several significant changes to individual income taxes, such as larger standard deductions and new limitations on itemized deductions. Additionally, much of the total dollar amount of contributions received prior to TY 2019 were made up of a single large contribution, which was no longer made after TY 2018.

CEFA and CSAC have engaged in several marketing efforts in an attempt to increase the number of contributions, including promotional efforts on social media, collaborations with FTB, and sending informational fliers to various tax associations across the state.



Upcoming Changes to the Fund

Up through TY 2023, moneys collected by the Fund have been distributed to Cal Grant B recipients. With the passing of Assembly Bill 1400 (AB 1400) on September 30, 2023, the target population benefitting CATCF contributions has changed to California community college student transfers to regionally accredited Historically Black Colleges and Universities (HBCUs) that have an associate degree for transfer memoranda of understanding on file with the office of the Chancellor of the California Community Colleges.

The amount of contributions collected by the Fund have not been significant enough to provide Cal Grant B recipients a meaningful award, due to the large number of recipients. By changing the target population to a significantly lower number of transfer students enrolled at HBCUs, the Fund can potentially disburse up to \$5,000 per participating student.

Although AB 1400 changes the target population that benefits from the Fund's contributions, CEFA's administration responsibilities will remain the same as previous years. All responsibilities that pertain to awarding HBCU transfer students instead of the Cal Grant B population are assigned to CSAC.