

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY (CEFA)

College Access Tax Credit Fund

Taxable Year 2021 – Update

December 1, 2022

Background:

The College Access Tax Credit Fund (the Fund) was enacted with the passage of Senate Bill 798 (Chapter 367, Statutes 2014) in 2014 and amended by Senate Bill 81 (Chapter 22, Statutes 2015) in 2015. The Fund 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 Years (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.

Under the original legislation, the Fund was set to expire after TY 2017. Assembly Bill 490 (Chapter 527, Statutes 2017), passed in 2017, extended the Fund through TY 2022 and Assembly Bill 2880 (Chapter 976, Statutes 2022), recently passed in 2022 and taking effect January 1, 2023, extended the Fund through TY 2027.

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. 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 is designed to augment the moneys currently available to provide Cal Grants 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 eligible students pursuing an undergraduate degree or vocational career training at a qualifying California college, university, or school.

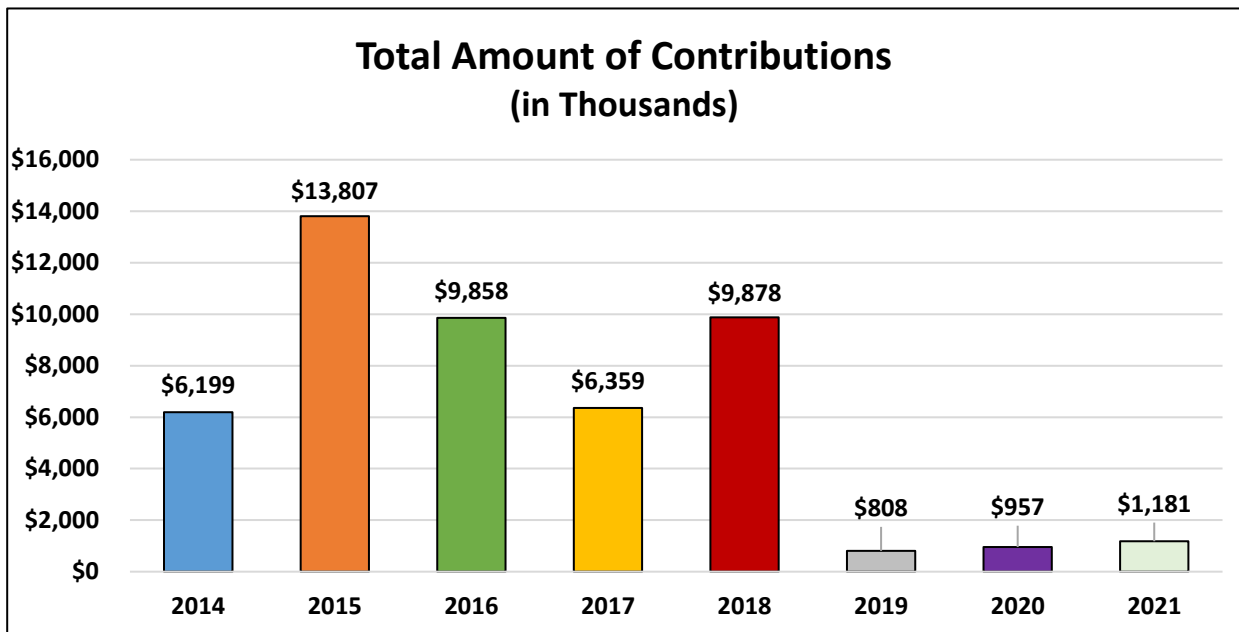
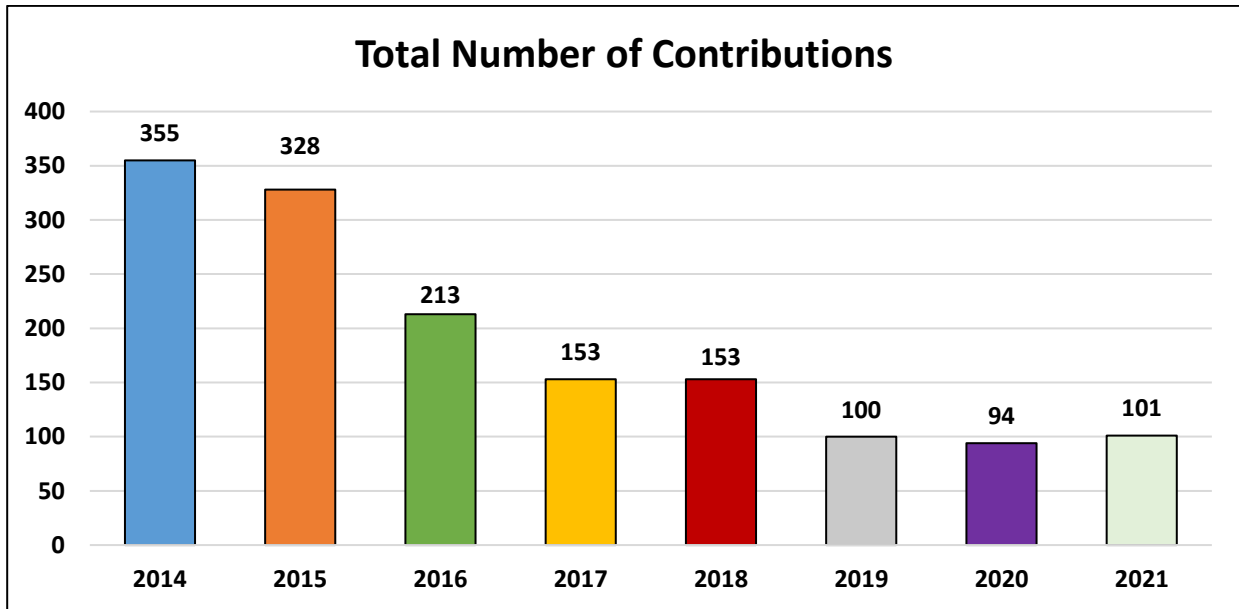
Contributions to the Fund

For TY 2021, CEFA received \$1,180,916 for the Fund across 101 contributions. The table below reflects a summary of contribution and tax credit data for TY 2021.

	<u>2021</u>
Total Number of Contributions	101
Total Amount of Contributions	\$1,180,916
Tax Credits Allocated and Certified	\$591,708
Largest Contribution	\$100,000
Smallest Contribution	\$60
Average Contribution	\$11,692
Median Contribution	\$6,000

Annual Trends & Program Outreach

The total number of contributions to the Fund has steadily decreased over the years from 355 in TY 2014 to 94 in TY 2020; however, the Fund rebounded to 101 contributions in TY 2021. While the total dollar amount contributed in TY 2021 increased from the previous two years, it is still relatively low when compared to TY 2018 and prior.



It is presumed that the passing of the federal Tax Cuts and Jobs Act of 2017 (TCJA) in December 2017 is largely responsible for the reduction of contributions to the Fund from 2018 onward. The TCJA made several significant changes that increased the federal standard deduction and eliminated or restricted many itemized deductions. Taxpayers find the federal tax deduction more valuable than the state tax credit, and when there is no benefit for charitable contributions at the federal level, they are less likely to contribute to the Fund. Another factor is a lack of awareness of the program. CEFA did not have the authority to use an appropriation for outreach purposes. This was hindering CEFA's ability to get the word out about the Fund, its benefit to taxpayers, and its benefit to college and university students.

With the signing of Assembly Bill 2880 by the Governor, CEFA starting January 1, 2023, will now be allowed to utilize some of the Fund to pay for outreach to hopefully increase contributions. Having the ability to perform outreach for the program is expected to increase the contributions to the Fund and an influx of money into the Cal Grant Program, enabling additional grants. Outreach efforts would include engaging a consultant, engaging in promotional efforts on social media, collaborating with the Franchise Tax Board and CSAC, hosting a webinar, and sending informational fliers to various tax associations across the state, among others.