
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair

2023 - 2024 Regular Session

AB 1400 (Bryan) - Student financial aid: College Access Tax Credit Fund: community college student transfers: Historically Black Colleges and Universities

Version: July 5, 2023

Urgency: No

Hearing Date: August 14, 2023

Policy Vote: ED. 7 - 0, GOV. & F. 8 - 0

Mandate: No

Consultant: Lenin Del Castillo

Bill Summary: This bill re-purposes the College Access Tax Credit Fund (CATC), which was established to supplement Cal Grant awards for students enrolled at California-based colleges, to instead be used to cover college costs for California Community College (CCC) students seeking to transfer to historically black colleges and universities (HBCU) located outside of California.

Fiscal Impact:

- The California Student Aid Commission (CSAC) estimates a fund shift of about \$412,000 each year from the College Access Tax Credit Fund from one purpose to another. Assuming that each student receives the full award amount of \$5,000, there would be 80 students that receive an award each year. As currently structured, the grant only provides \$1.50 to each of the 289,000 Cal Grant B recipients.
- The CSAC estimates that any costs to administer the program would be minor and absorbable within existing resources, as it would shift staff from the administration of the prior program to the new program. However, there could be one-time General Fund costs of about \$52,000 to make changes necessary to implement the program, such as adopting regulations.

Background: Existing federal law defines the term “HBCU” (specifying it as part B institutions) as a school of higher learning that was accredited and established before 1964, whose principal mission was, and is, the education of Black Americans, and that is accredited by a nationally recognized accrediting agency or association determined by the Secretary of Education to be a reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation, except that any branch campus of a southern institution of higher education that prior to September 30, 1986, received a grant as an institution with special needs, as specified, and was formally recognized by the National Center for Education Statistics (NCES) as a HBCU, but was determined not to be a part B institution on or after October 17, 1986, shall, from July 18, 1988, be considered a part B institution (Section 322(a) of the Higher Education Act of 1965, as amended).

Existing federal law authorizes the HBCUs program and the Historically Black Graduate Institutions (HBGI) program, both of which award grants to eligible institutions to assist

them in strengthening their academic, administrative, and fiscal capabilities. These programs are typically funded through annual discretionary appropriations.

There are no HBCUs in California. According to NCES, HBCUs are institutions that were established prior to 1964 with the principal mission of educating Black individuals. These institutions were founded and developed in an environment of legal segregation and, by providing access to higher education, they have contributed substantially to the progress Black Americans made in improving their status. HBCUs include public and private institutions that vary in size and degree programs and are located primarily in the South and on the East Coast. Specifically, per the NCES, as of 2022, there are over 100 HBCUs located in 19 states, the District of Columbia, and the U.S. Virgin Islands. Of the over 100 HBCUs, at least 50 are public institutions and at least 49 are private nonprofit institutions.

Proposed Law: This bill sunsets provisions that establish the CATC Fund for purposes of supplementing other moneys appropriated for the Cal Grant Program.

This bill, commencing with the 2024–25 award year, authorizes the Commission to make disbursements of awards for the specified allocation directly to partnered HBCUs for postsecondary costs of their participating students and requires that the awards: be limited to one award per participating student; not exceed \$5,000, as determined by the commission based on the availability of moneys allocated to the commission and the financial need of the student; and are payable only to the extent that moneys are available from the fund.

This bill requires the Commission to inform each recipient that the award is a one-time grant, and in making awards, give priority to students with the greatest unmet financial need who do not exceed the maximum household income and asset level for an applicant for a Cal Grant B award.

This bill requires a participating student to file a statement of intent form stating that the student will enroll at a partnered HBCU and return to California after graduation from a partnered HBCU.

This bill authorizes the Commission to make disbursements in any fiscal year in which it determines there are sufficient funds and provides that if the Commission determines it would be in the best interest of the program, it can roll over moneys for disbursement in future fiscal years. It requires, if, after making disbursements as prescribed in the bill, moneys remain in the fund, those moneys remain in the fund for allocation in future fiscal years.

This bill defines “HBCUs” to mean the colleges and universities listed as “Historically Black Colleges and Universities” by the NCES and “Partnered HBCUs” as HBCUs that satisfy both of the following: have an associate degree for transfer memoranda of understanding on file with the chancellor’s office and satisfy a three-year student loan cohort default; not have a graduation rate of less than 30 percent, as specified in current law for Cal Grant eligibility; and be regionally accredited by an agency recognized by the United States Department of Education.

This bill specifies that a student must be enrolled in one of the HBCUs with an MOU as part of the California Community College HBCU Transfer Guarantee program to qualify to receive an award. The bill also specifies that an award recipient who does not enroll in an eligible program within one academic year of earning their Associate Degree for Transfer or return to California within two academic years of earning their baccalaureate degree shall agree to repay the state the total funds received.

Staff Comments: The CATC allows taxpayers to make charitable contributions to provide financial aid to postsecondary students receiving a Cal Grant B award from the Commission. Cal Grant B eligibility is limited to in-state colleges. At its height, the program generated \$5.9 million total and provided about \$25 per student. However, after decreases to the tax credit's revenue to \$412,000 annually due to federal tax changes, the Commission reports that the program currently provides \$1.50 to each of 289,000 Cal Grant B recipients.

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