

## **AB 540 TUITION EXEMPTION RECIPIENTS ACADEMIC YEAR 2002-03**

### **Executive Summary**

In 2002-03, 719 UC students received AB 540 tuition exemptions, an increase of 423 (143%) over the Spring 2002 recipients. The 2002-03 recipients included 304 continuing UC students who had all made the decision to enroll at UC before the inception of the program. Also included were 415 new students who had all applied before the inception of the program but had generally not yet made a commitment to enroll.

It is estimated that the availability of the tuition exemptions influenced the enrollment decisions of about 245 of the new recipients. This number is likely to increase in future years as the program is phased in to new student cohorts and as the availability of the exemptions has the opportunity to affect the decisions of students to apply to the University.

The financial value of the exemptions to the recipients was \$8.7 million. If one excludes the cost of exemptions to the estimated 245 recipients who would probably not have enrolled at UC without the exemptions, the cost to the University in lost nonresident tuition revenue was approximately \$5.7 million.

Overall, 626 (87%) of the 2002-03 exemptions went to U.S. citizens, permanent residents, or students with some other documented visa status, whereas 93 (13%) went to potentially undocumented students. The potentially undocumented recipients were almost all undergraduates.

Among all recipients, Chicano and Latino students accounted for 20% of the 2002-03 exemptions, students of Chinese and European/Middle East ancestry each accounted for another 21%, and Korean students accounted for 17%. Among undergraduates, Chicano and Latino students accounted for 22% of the 2002-03 exemption recipients with Chinese and Korean students accounting for another 45%. Among graduate students, 57% of the exemptions went to students of European/Middle East ethnicity.

The growth in recipients over Spring 2002 occurred at all campuses, at both the graduate and undergraduate levels, among both documented and potentially undocumented students, in almost all ethnic groups, and at all income levels. However, the growth was highest among undergraduates with parental income less than \$40,000, especially among the potentially undocumented who were previously ineligible for any type of assistance other than private outside agency scholarships. This pattern suggests that the exemptions did increase access to UC for lower-income students.

### **Background**

## **AB 540 TUITION EXEMPTION RECIPIENTS ACADEMIC YEAR 2002-03**

California Assembly Bill 540 (AB540) was signed into law in October 2001 and provides that students meeting all of the following requirements will qualify to pay in-state tuition:

- Attend a California high school for three or more years,
- Graduate from a California high school or receive the equivalent general education diploma (GED),
- Register or be currently enrolled in a California Community College (CCC), California State University (CSU), or the University of California (UC), and
- Sign a statement with the college or university stating that he or she will apply for legal residency as soon as he or she is eligible to do so.

To conform to this law, the UC Regents conditionally approved in January, 2002 a tuition exemption for nonresident UC students meeting the AB 540 criteria. The exemption became effective April 8, 2002 and was implemented for the 2002 Spring term.

The exemption covers nonresident tuition and the nonresident differential in the Education Fee. For Spring quarter 2002, the value of the exemption was \$3,691 per undergraduate student and \$3,631 per graduate student (\$5,537 per undergraduate student and \$5,447 per graduate student for spring semester at Berkeley). For the 2002-03 academic year, the value of the exemption was \$12,379 per undergraduate student and \$11,322 per graduate student.

A previous report, *AB 540 Tuition Exemption Recipients in Spring 2002*, provided information on the number and characteristics of the initial recipients. This document provides information on the number and characteristics of the recipients of exemptions in 2002-03.

The AB 540 tuition exemption program is intended to open access to UC for students who have attended and graduated from California high schools but are nevertheless subject to nonresident tuition. This group includes students who are precluded from establishing California residency because they lack documentation permitting their legal presence in the country, but it also includes documented students who do not qualify for California residency (e.g., dependent students with parents residing outside of California).

In Spring 2002, all AB 540 tuition exemption recipients had enrolled in UC prior to the inception of the exemption program. Thus there was no opportunity for the exemptions to influence their enrollment decisions. However, for academic year 2002-03 the tuition exemption program is likely to have had some impact on student enrollment decisions. At the time the tuition exemption program was announced, the 2002-03 recipients had all already applied for admission. Thus, the availability of the exemptions did not affect their decision to apply to UC. However, those not already enrolled in a prior year had not yet made a commitment to attend UC. As a result, the exemptions did have the opportunity to affect the final enrollment decisions of this new cohort of students. For 2004-05, the program will have its first opportunity also to affect the decision to apply to UC.

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The tuition exemptions represent a significant source of support for recipients. For documented nonresident undergraduates, the exemptions make their financial support comparable to awards to California residents. Undocumented students remain ineligible for any other type of federal, state, or University support. Thus for them, the exemptions provide relief from the higher nonresident tuition and fees they are charged but still leave them having to fund all of their in-state expenses (e.g., in-state fees, books and supplies, housing and food, transportation, health insurance, and miscellaneous personal expenses) from their own or their family's resources or from a private outside agency scholarship.

### **2002-03 Recipients**

Total. In 2002-03, UC provided a total of 719 AB 540 tuition exemptions<sup>1</sup>.

Continuing Students. Of the total, 304 were continuing students who were all enrolled at UC before the tuition exemption program was implemented. Thus the exemptions had no opportunity to influence the original decisions of these students to enroll at UC.

New Students. In addition to the continuing students, 415 new UC students received AB 540 tuition exemptions in 2002-03. At the time the tuition exemption program was announced, the 415 new recipients had already applied to UC. Therefore, the availability of the exemptions did not affect their decision to apply to UC. However, they had not yet made a commitment to attend UC. As a result, the exemptions did have the opportunity to affect their final enrollment decisions. The largest number of these new exemptions went to new freshmen (189), but significant numbers were also issued to new junior transfer students (106) and new masters degree students (65).

Influence of Exemptions on Enrollment. Given that students eligible for AB 540 tuition exemptions had enrolled without the benefit of program prior to its inception in Spring 2002, it is likely that not all of the 415 new student recipients in 2002-03 were influenced by the exemptions. In Spring 2002, 170 recipients were new to UC in 2001-02 and had originally enrolled without benefit of the exemptions. Assuming that a similar number of new students would have enrolled in 2002-03 even if the tuition exemptions had not been available, we estimate that the exemptions may have influenced the enrollment decisions of about 245 of the 415 new students recipients. These 245 students, who are likely not to have enrolled without the tuition exemptions, represent 34% of the total number of 2002-03 recipients. This number may grow as the program is phased in to new student cohorts and as the exemptions have an opportunity to influence the decisions of students to apply to UC for 2003-04 and subsequent years.

Class Level. Of the 2002-03 exemptions, 561 (78%) went to undergraduate students, with 158 (22%) going to graduate academic and professional degree students.

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<sup>1</sup> The 2002-03 numbers in this document reflect campus reports as of May, 2003.

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Documentation Status. Overall, 626 (87%) of the 2002-03 exemptions went to U.S. citizens, permanent residents, or students with some other documented visa status. Among undergraduates, 473 (84%) of the 2002-03 recipients had a documented status whereas 88 (16%) were potentially undocumented. Among graduates, only 5 recipients (3%) were potentially undocumented.

Ethnicity. Among all recipients, Chicano and Latino students accounted for 20% of the 2002-03 exemptions, students of Chinese and European/Middle East ancestry each accounted for another 21%, and Korean students accounted for 17%. Among undergraduates, Chicano and Latino students accounted for 22% of the 2002-03 exemption recipients with Chinese and Korean students accounting for another 45%. Among graduate students, 57% of the exemptions went to students of European/Middle East ethnicity.

Income. Almost half (48%) of 2002-03 recipients reported parent incomes less than \$40,000. Only 12% reported incomes of \$80,000 or more.

### **Trends in Recipient Numbers**

Increase over Spring 2002. The 719 AB 540 tuition exemptions provided in 2002-03 are more than double (an increase of 143%) the 296<sup>2</sup> provided in spring 2002. The growth occurred among both documented and potentially undocumented students and at all campuses.

Increases Among New and Continuing Students. Most of the increase in exemption recipients is due to the 415 new students who received tuition exemptions. The 304 continuing students who received tuition exemptions in 2002-03 represent a small (3%) increase of 8 students over the 296 Spring 2002 recipients. Among the 296 Spring 2002 recipients, 243 (82%) returned to UC and continued to receive an AB 540 tuition exemption. Of the remaining, 28 (9%) graduated or otherwise left UC, and 25 (8%) qualified for residency and thus no longer needed a tuition exemption. An additional 61 students who were enrolled in Spring 2002 without a tuition exemption received an exemption for the first time in 2002-03. Despite publicity efforts about the new exemptions, these students may have been unaware of their eligibility last year.

Increases by Ethnicity. Although increases occurred among almost all ethnicity groups, the most notable growth in 2002-03 occurred among Chicano and Latino recipients, who increased by 100 undergraduates. These two groups accounted for over a quarter (29%) of the overall undergraduate growth and over half (55%) of the growth among potentially undocumented undergraduates. They also experienced the greatest rate of growth. At the undergraduate level, the number of documented Chicano recipients increased from 13 to 67 and the number of documented Latino recipients increased from 5 to 21. Among potentially undocumented

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<sup>2</sup> This number includes the 281 recipients described in the existing report on Spring 2002 recipients (*AB 540 Tuition Exemption Recipients in Spring 2002*) plus 15 Spring 2002 recipients identified since the previous report was completed.

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undergraduates, Chicano recipients increased from 6 to 30, and Latino recipients increased from 3 to 9.

Chinese and Korean recipients also increased substantially in overall numbers, by 126 undergraduates. Together they accounted for over a third (37%) of the overall undergraduate recipient growth. Although the growth among Chinese recipients occurred exclusively among documented undergraduate students, Koreans accounted for nearly a quarter (22%) of the total growth among potentially undocumented recipients. The rate of growth among potentially undocumented Korean recipients was also high, with the number increasing from 5 to 17.

Although their absolute numbers remained small, Filipino recipients grew from 5 to 23 students among documented undergraduates and from 3 to 8 students among potentially undocumented undergraduates.

*Increases by Income.* The growth in recipients was highest among low-income undergraduates, especially among the potentially undocumented who were previously ineligible for any type of assistance other than private outside agency scholarships. Overall, the number of recipients reporting parental income below \$40,000 tripled (from 90 recipients in Spring 2002 to 268 recipients in academic year 2002-03). The growth declined as parent income increased, with recipients reporting parent incomes of \$120,000 or more increasing by only 10 recipients or 71%. Among potentially undocumented students, the number of recipients reporting parent incomes below \$40,000 increased by 257%, from 14 to 50 students. These results suggest that the exemptions had a greater impact on lower-income students.

### **New Recipients Compared to All New Students**

New AB 540 tuition exemption recipients differed somewhat from other new students in 2002-03. The exemption recipients had a higher than proportional representation among undergraduates, among junior transfer students, among master degree students, among potentially undocumented students, and among lower-income students. Most notable was the difference in the representation of lower-income students. Half (50%) of the new students who were exemption recipients reported parent incomes below \$40,000, compared to only a quarter (26%) of all new students.

Relative to their overall enrollment, new Chicano and Korean (and to a smaller extent Chinese) undergraduates were more likely to have been recipients of AB 540 tuition exemptions than other new undergraduates. Latino and Thai/Other Asian students also appear to have benefited disproportionately to their enrollment, but their overall numbers among exemption recipients were much smaller. In contrast, the percentage of new undergraduates of European/Middle East ethnicity/ancestry among AB 540 tuition exemption recipients was significantly lower than among all new undergraduates.

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Chicanos and Latinos qualified for the exemptions at disproportionately high rates among both documented and potentially undocumented entering undergraduates. In contrast, Korean and Chinese recipients were overrepresented only among documented new undergraduates. New Chinese undergraduates were actually underrepresented among the potentially undocumented.

### **Financial Value of Tuition Exemptions**

The Spring 2002 tuition exemptions, which just covered nonresident charges of one term of the 2001-02 academic year, represented \$1.3 million of nonresident charges. The annualized value of these exemptions (i.e., the value assuming the exemptions had been available for the full 2001-02 academic year) would have been \$3.3 million. The full-year value of the 2002-03 exemptions is \$8.7 million<sup>3</sup>, an increase of \$5.5 million over the annualized value for 2001-02<sup>4</sup>.

The cost of the 2002-03 exemptions to the University in terms of lost nonresident tuition revenue is less than the value to the recipients. The students who received tuition exemptions in Spring 2002 were already enrolled and paying nonresident tuition when the AB 540 tuition exemptions became available. Thus the value of the exemptions these students received represents lost nonresident tuition revenue to the University. However, not all of the new student recipients in 2002-03 would have enrolled at UC without the benefit of the exemptions. These recipients would never have paid nonresident tuition to UC. Assuming no change in the number of recipients who would have enrolled at UC even if the exemptions had not been available, we estimate that only 170 of the new student recipients in 2002-03 would have enrolled and paid nonresident tuition if there had been no exemptions. The value of their exemptions along with the 304 exemptions received by continuing students amounts to about \$5.7 million in lost nonresident revenue.

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<sup>3</sup> As a comparison to put the cost of this program into context, the cost of Cal Vet fee exemptions, which are awarded to dependents of California veterans who have a zero percent or greater disability, was a minimum of \$9.3 million in 2002-03.

<sup>4</sup> About 10% of the increase in the value of the exemptions is the result of the 2002-03 increase in nonresident tuition. The rest of the increase in value is due to the higher number of recipients.