

**Annual Report on
AB 540 Tuition Exemptions
2006-07 Academic Year**

March 5, 2008

This report presents current and historical data regarding the University of California's implementation of AB 540, a California law enacted in 2001 to exempt students who meet certain eligibility requirements from paying nonresident tuition at California public colleges and universities. The report includes a brief overview of AB 540, an analysis of general trends in AB 540 exemptions at UC, and detailed tables regarding AB 540 utilization during the 2006-07 academic year.

I. Overview of AB 540

California Assembly Bill 540 (AB 540) was signed into law in October 2001 and provides that students meeting all of the following requirements are exempt from paying nonresident tuition at California public colleges and universities:

1. The student attended a high school in California for three or more years.
2. The students graduated from a California high school, received a High School Equivalency Certificate issued by the California State GED Office, or received a Certificate of Proficiency resulting from the California High School Proficiency Examination. Note that, beginning in 2006, graduation from a California public high school requires that students pass the California High School Exit Exam (CAHSEE).
3. The student is not a nonimmigrant student. Non-immigrants, as defined by federal immigration law, may hold visas in one of the following categories: A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, TN, TD and V, and TROV and NATO.

In effect, the third provision above limits eligibility to U.S. Citizens, permanent residents, students with immigrant visas (including approved petitioners), and students with no legal immigration status ("undocumented" students). AB 540 requires undocumented students who meet the other eligibility requirements to certify that they are taking steps to legalize their immigration status or will do so as soon as they are eligible.

In enacting AB 540, the State recognized that many high school students have attended elementary and secondary schools in California for most of their lives, and are likely to remain in the state, but are precluded from obtaining an affordable college education because they are required to pay nonresident tuition. The bill specifically acknowledged that its provisions apply to all eligible students, including undocumented students.

Undocumented students face three major barriers in attending public colleges and universities that other students do not. First, under The Federal Personal Responsibility

and Work Opportunity Reconciliation Act of 1996 (PRWORA), they are ineligible to receive any aid from the Federal government, such as Pell Grants and Federal student loans. PRWORA also prevents states from offering public benefits (e.g. a Cal Grant award) to undocumented students unless the state passes a statute expressly qualifying undocumented students for such benefits. Second, a 1990 California court decision, *Bradford v. Regents*, found that undocumented students cannot establish California residency under California law. Lastly, the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRIRA) bars states from extending benefits on the basis of residency (e.g. residence classifications for tuition purposes) to undocumented students unless the same benefit is offered to all U.S. citizens regardless of their residency.

AB 540 addressed these last two barriers by allowing students—including undocumented students—to be exempt from paying nonresident tuition based on criteria related to their high school attendance, not their state of residence. As an act of the state legislature, it also satisfied the terms of PRWORA. Note that undocumented immigrants are still not eligible for Cal Grants or other state aid.

To conform to this law, in January, 2002, the UC Regents conditionally approved a systemwide tuition exemption for nonresident UC students meeting the AB 540 criteria. The exemption became effective April 8, 2002, following passage of AB 1543, a bill that made public higher education institutions immune from any imposition of money damages if AB 540 were ruled unlawful by the courts. The exemption was implemented for the 2002 Spring term.

As noted above, the AB 540 tuition exemption program was intended to improve access for students who have attended and graduated from California high schools but who 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. Examples of such students include:

- U.S.-born offspring of immigrant parents who chose to return to their native country, but left their children in California with relatives because of the better K-12 opportunities here (so-called “parachute children”).
- Students from other states attending boarding school in California.
- A graduate student who attended high school in California, attended college out-of-state, and returns to California to pursue graduate studies. Domestic graduate students can establish California residency after one year, but during their first year they must pay nonresident tuition; under AB 540, a returning graduate student would be able to avoid nonresident tuition during his first year at UC or CSU.

The tuition exemptions provide 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. For these students, the exemptions provide relief from nonresident tuition but do not address their need to fund all of their in-state expenses (e.g., fees, books and supplies, housing and food, transportation, health insurance, and miscellaneous personal expenses) from their own or their family's resources, or a private outside agency scholarship¹.

II. Trends in the Utilization of AB 540 Tuition Exemptions²

Trends by Student Level and Documentation Status

The Corporate Student System (CSS), which serves as the source of all data presented in this report, contains no data element that would allow the University to unambiguously identify the documentation status of every UC student. For purposes of this report, however, AB 540 recipients are grouped into the following four categories:

- *Documented* students are those who appear in the CSS as U.S. citizens, permanent residents, or holders of an immigrant visa.
- *Indeterminate* students have no identifiable documentation status in the CSS, but do have some characteristics (e.g., a non-blank social security number) that suggest they may be documented.
- *Potentially undocumented* students appear in the CSS with no identifiable documentation status and no other indication that they may be documented students.
- "Other" refers to students who appear in the CSS as approved petitioners for immigrant visas. Approved petitioners are not subject to deportation, but they are also not capable of establishing residency or receiving federal, state or UC aid.

The number of AB 540 recipients has increased each year since the program's inception. Increases have occurred at both the undergraduate and graduate level; see Display 1A, 1B, and 1C, below³. The displays indicate that the early, rapid growth in the AB 540 program has begun to level off. Although the overall number of recipients more than doubled between 2002-03 and 2005-06 (from 722 to 1,491), the number of recipients increased by only 9.9% between 2005-06 and 2006-07 (1,491 to 1,639).

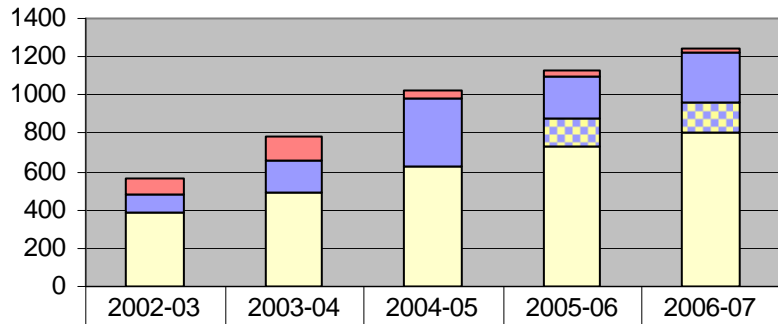
Note that documented students accounted for approximately 70% or more of the AB 540 recipients in every year since the program's introduction. The proportion of documented students is particularly high among graduate students, where they comprise over 96% of the total in every academic year.

¹ Because of provisions in the PATRIOT Act, undocumented students are not able to qualify for private loans because they are unable to provide the necessary proof of identity.

² Recipient counts represent academic year headcount. Data for 2006-07 are from the October 2007 CSS file and are subject to change. Preliminary 2005-06 data used in last year's report has been updated.

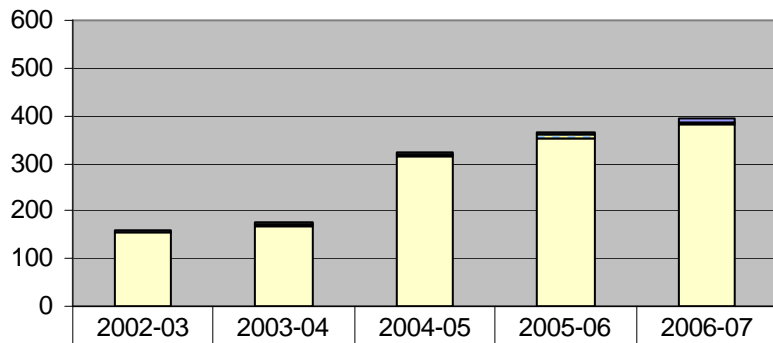
³ For Display 1, prior to 2005-06, students classified as "indeterminate" were included in the "potentially undocumented" category. Consequently, the sum of "indeterminate" and "potentially undocumented" students in 2005-06 and later years is equivalent to the "potentially undocumented" category in prior years.

Display 1A
Undergraduate AB 540 Recipients by
Documentation Status



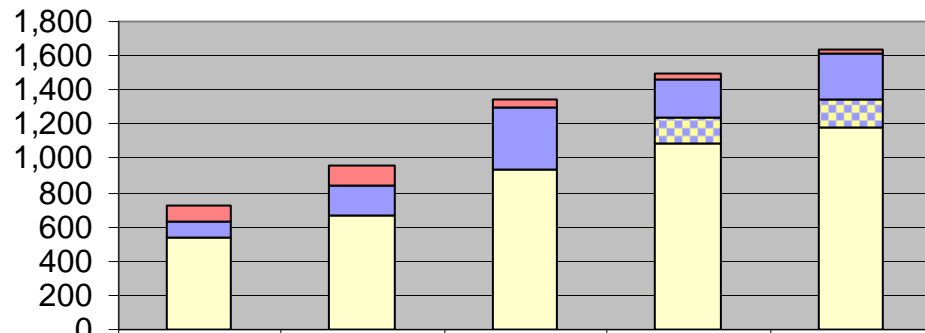
total	561	781	1,027	1,125	1,246
other	85	118	48	28	22
potential undoc.	89	167	355	219	265
indeterminate	0	0	0	143	156
documented	387	496	624	735	803

Display 1B
Graduate AB 540 Recipients by Documentation
Status



total	161	175	322	366	393
other	0	1	2	2	0
potential undoc.	5	5	5	5	6
indeterminate	0	0	0	5	6
documented	156	169	315	354	381

Display 1C
All AB 540 Recipients by Documentation Status



	2002-03	2003-04	2004-05	2005-06	2006-07
total	722	956	1,349	1,491	1,639
other	85	119	50	30	22
potential undoc.	94	172	360	224	271
indeterminate	0	0	0	148	162
documented	543	665	939	1,089	1,184

The anomalous increase in AB 540 exemptions among graduate students in 2004-05 is possibly explained by graduate programs belatedly becoming aware of the AB 540 program and, once aware of the program, promoting its utilization to cover nonresident tuition for students who would otherwise need to have their tuition covered from other sources. Growth has leveled off since 2004-05.

Trends by Registration Status

Displays 2A, 2B and 2C, below, show the recent trend in AB 540 utilization among new and continuing students by student level. At the graduate level, a significant increase in both new and continuing recipients occurred in 2004-05. As noted above, this may be due to departments' increased awareness and promotion of the exemption.

At the undergraduate level, the number of new AB 540 recipients increased markedly in 2005-06 compared to either of the two previous years. The cause of the increase is not known. However, it may be that as campuses developed the ability to identify AB 540-eligible students earlier in the admissions process and to communicate the value of the awards to students prior to the Statement of Intent to Register deadline, more students decided to enroll. 2006-07 data indicate that the undergraduate trend is following the graduate trend and the number of new AB 540 undergraduate students is beginning to level off.

Given these significant annual fluctuations at both the graduate and undergraduate level, it is difficult to predict how the number of AB 540 recipients will change in the near term. The total number of AB 540 recipients appears to be tapering off, or at least increasing at a slower rate. Initially, the total number of AB 540 recipients increased rapidly each year as additional cohorts of students were enrolled under the program. This number will reach a “steady state” once the number of new AB 540 recipients roughly equals the number of AB 540 students who graduate or withdraw each year.

Display 2A
All Undergraduate AB 540 Recipients by Registration Status

	2002-03	2003-04	2004-05	2005-06	2006-07
New	320	306	338	429	476
Continuing	241	475	689	696	770
Total	561	781	1,027	1,125	1,246

Display 2B
All Graduate AB 540 Recipients by Registration Status

	2002-03	2003-04	2004-05	2005-06	2006-07
New	93	108	172	177	166
Continuing	68	67	150	189	227
Total	161	175	322	366	393

Display 2C
All AB 540 Recipients by Registration Status

	2002-03	2003-04	2004-05	2005-06	2006-07
New	413	414	510	606	642
Continuing	309	542	839	885	997
Total	722	956	1,349	1,491	1,639

Trends by Ethnicity

As shown in Displays 3A, 3B, and 3C⁴, below, the ethnic distribution of AB 540 recipients has been relatively stable since the program began. In each year of the program’s existence, Latinos have made up approximately 25-30% of the total, Asians between 45-50%, and Caucasians between 5-10%.

The ethnic distribution of AB 540 recipients differs by documentation status, however. Among documented undergraduates, Asian students represent the largest group (about 60%), followed by Latino students (about 25%). In contrast, among potentially

⁴ For 2005-06 and 2006-07, the “potentially undocumented” and “indeterminate” categories are combined in order to provide comparability with how recipients were classified in prior years.

undocumented undergraduates, Latino students represent the largest group (45-52%) followed by Asian students (40-44%).

The distribution also differs by level. White/Caucasian students consistently represent half or more of all graduate AB 540 recipients, a far greater share than they do among undergraduate recipients.

Display 3A
Undergraduate AB 540 Recipients by Ethnicity and Documentation Status

	2002-03			2003-04			2004-05		
	Doc	Pot. Undoc	Other	Doc	Pot. Undoc	Other	Doc	Pot. Undoc	Other
Latino	59	41	26	85	86	35	110	162	12
Asian	248	39	41	320	68	62	402	156	28
Black/Afr. Amer.	7	1	1	11	1	1	17	1	0
American Indian	2	0	0	1	0	0	0	0	0
White/Caucasian	49	6	8	54	8	7	64	20	4
Other/unknown	22	2	9	25	4	13	31	16	4
Total	387	89	85	496	167	118	624	355	48

	2005-06			2006-07		
	Documented	Pot. Undoc. or Indeterminate	Other	Documented	Pot. Undoc. or Indeterminate	Other
Latino	155	190	6	198	216	5
Asian	452	144	18	471	174	16
Black/Afr. Amer.	23	0	1	24	2	0
American Indian	1	0	0	1	0	0
White/Caucasian	66	17	1	71	15	1
Other/unknown	38	11	2	38	14	0
Total	735	362	28	803	421	22

Display 3B
Graduate AB 540 Recipients by Ethnicity and Documentation Status

	2002-03			2003-04			2004-05		
	Doc	Pot. Undoc	Other	Doc	Pot. Undoc	Other	Doc	Pot. Undoc	Other
Latino	14	3	0	9	1	0	16	1	0
Asian	26	2	0	38	3	0	76	3	1
Black/Afr. Amer.	6	0	0	5	0	0	18	0	0
American Indian	1	0	0	1	0	0	1	0	0
White/Caucasian	90	0	0	100	0	0	161	0	0
Other/unknown	19	0	0	16	1	1	43	1	1
Total	156	5	0	169	5	1	315	5	2

	2005-06			2006-07		
	Document ed	Pot. Undoc. or Indeterminate	Other	Docum ented	Pot. Undoc. or Indeterminate	Other
Latino	24	3	1	22	2	0
Asian	76	3	0	76	7	0
Black/Afr. Amer.	23	0	0	18	0	0
American Indian	1	0	0	2	0	0
White/Caucasian	180	1	0	201	0	0
Other/unknown	50	3	1	62	3	0
Total	354	10	2	381	12	0

Display 3C
All AB 540 Recipients by Ethnicity and Documentation Status

	2002-03			2003-04			2004-05		
	Doc	Pot. Undoc	Other	Doc	Pot. Undoc	Other	Doc	Pot. Undoc	Other
Latino	73	44	26	94	87	36	126	163	12
Asian	274	41	41	358	71	62	478	159	29
Black/Afr. Amer.	13	1	1	16	1	1	35	1	0
American Indian	3	0	0	2	0	0	1	0	0
White/Caucasian	139	6	8	154	8	7	225	20	4
Other/unknown	41	2	9	41	5	14	74	17	5
Total	543	94	85	665	172	119	939	360	50

	2005-06			2006-07		
	Document ed	Pot. Undoc. or Indeterminate	Other	Docum ented	Pot. Undoc. or Indeterminate	Other
Latino	179	193	7	220	225	5
Asian	528	144	18	547	181	16
Black/Afr. Amer.	46	0	1	42	2	0
American Indian	2	0	0	3	0	0
White/Caucasian	246	18	1	272	15	1
Other/unknown	88	14	3	100	17	0
Total	1,089	372	30	1,184	433	22

Trends by Parent Income

Information about the parent income of AB 540 recipients is available only for undergraduate students. For financial aid applicants, the parent income is taken from information provided by the FAFSA; otherwise, it is taken from the undergraduate application for admission.

The trend in the parent income distribution of dependent undergraduate AB 540 recipients is shown in Display 4, below, along with the income distribution for all UC dependent undergraduates.

While the parental incomes of AB 540 recipients are skewed lower than for the UC student population, there are still a significant number of AB 540 recipients each year whose annual parental income exceeds \$80,000 (in constant 2002 dollars). This reflects the fact that AB 540 exemptions are awarded without regard to a student’s financial need. Restricting AB 540 exemptions to students with financial need would significantly reduce the number of exemptions and the overall cost of the program to the University. However, the University would fully recoup the cost of AB 540 exemptions to non-needy students only if those students decided to enroll at UC anyway, or if their seats were backfilled by other students paying nonresident tuition.

Display 4
Dependent Undergraduate AB 540 Recipients by Parent Income
(in constant 2002 dollars)⁵

Parent Income	2002-03		2003-04		2004-05		2005-06		2006-07	
	AB 540	All Student	AB 540	All Student	AB 540	All Student	AB 540	All Student	AB 540	All Student
Less than \$40,000	49.4%	26.2%	57.8%	27.7%	55.0%	28.0%	59.8%	28.3%	59.6%	28.3%
\$40,000 to \$79,999	19.8%	22.8%	14.4%	23.7%	17.5%	23.3%	16.2%	23.5%	17.3%	23.5%
\$80,000 to \$119,999	8.3%	17.9%	6.4%	18.0%	6.3%	17.9%	5.4%	17.6%	4.6%	17.6%
\$120,000 or more	4.0%	16.7%	3.7%	16.4%	3.3%	16.1%	3.1%	15.6%	3.5%	15.6%
Unknown Income	18.5%	16.4%	17.7%	14.2%	18.0%	14.8%	15.5%	15.1%	15.0%	15.1%

Trends by Campus

Display 5, below, shows the trend in the total number of AB 540 recipients at each UC campus. While some campuses show a steady and predictable increase – leveling off in recent years, for reasons described above – others trends are more erratic. It is unknown to what extent this is due to past or continued issues affecting data quality.

⁵ Income distribution for all dependent undergraduates may differ from that reported elsewhere, which often includes imputed incomes for students whose income is not known.

Display 5
AB 540 Recipients by Campus

	2002-03	2003-04	2004-05	2005-06	2006-07
Berkeley	119	85	225	305	357
Davis	70	101	111	163	220
Irvine	120	162	193	232	227
Los Angeles	189	318	415	334	359
Merced	0	0	0	6	2
Riverside	93	130	163	173	186
San Diego	96	128	164	151	147
San Francisco	1	1	0	8	0
Santa Barbara	18	10	45	68	72
Santa Cruz	16	21	33	51	69
Total	722	956	1,349	1,491	1,639

Trends in the Dollar Value of AB 540 Tuition Exemptions

The value of the exemptions provided under AB 540 has increased significantly since the program was first implemented 2002-03. The increases have been due both to increases in the number of AB 540 recipients (which is expected to level off, for reasons described above) and increases in the University's nonresident tuition. The total value of the exemptions for undergraduates and graduate students is shown in Displays 6A, 6B, and 6C, below. Figures are not adjusted for inflation.

Display 6A
Undergraduate Value of AB 540 Tuition Exemptions

Year	Recipients	Average Value of Exemptions	Total Value of Exemptions
2002-03	561	\$11,192	\$6.3 M
2003-04	781	\$11,321	\$8.8 M
2004-05	1,027	\$15,258	\$15.7 M
2005-06	1,125	\$16,159	\$18.2 M
2006-07	1,246	\$16,828	\$21.0 M

Display 6B
Graduate Value of AB 540 Tuition Exemptions

Year	Recipients	Average Value of Exemptions	Total Value of Exemptions
2002-03	161	\$10,543	\$1.7 M
2003-04	175	\$9,095	\$1.6 M
2004-05	322	\$13,412	\$4.3 M
2005-06	366	\$13,265	\$4.9 M
2006-07	393	\$12,818	\$5.0 M

Display 6C
Total Value of AB 540 Tuition Exemptions

Year	Recipients	Average Value of Exemptions	Total Value of Exemptions
2002-03	722	\$11,048	\$8.0 M
2003-04	956	\$10,914	\$10.4 M
2004-05	1,349	\$14,817	\$20.0 M
2005-06	1,491	\$15,352	\$23.0 M
2006-07	1,639	\$15,866	\$26.0 M

III. Detailed Statistics for 2006-07 AB 540 Recipients

Display 7
AB 540 Recipients by Level, Documentation Status, and Campus, 2006-07

	UCB	UCD	UCI	UCLA	UCM	UCR	UCSD	UCSF	UCSB	UCSC	Total
Undergraduate											
Documented	178	145	81	112	1	120	62	0	57	47	803
Indeterminate Potentially	24	14	50	34	0	16	14	0	0	4	156
Undocumented	48	19	68	61	1	36	16	0	3	13	265
Other	0	0	7	9	0	0	6	0	0	0	22
Total	250	178	206	216	2	172	98	0	60	64	1,246
Graduate											
Documented	106	40	17	140	0	14	48	0	11	5	381
Intermediate Potentially	1	0	2	1	0	0	1	0	1	0	6
Undocumented	0	2	2	2	0	0	0	0	0	0	6
Other	0	0	0	0	0	0	0	0	0	0	0
Total	107	42	21	143	0	14	49	0	12	5	393
All Recipients											
Documented	284	185	98	252	1	134	110	0	68	52	1,184
Intermediate Potentially	25	14	52	35	0	16	15	0	1	4	162
Undocumented	48	21	70	63	1	36	16	0	3	13	271
Other	0	0	7	9	0	0	6	0	0	0	22
Total	357	220	227	359	2	186	147	0	72	69	1,639

Display 8
AB 540 Recipients by Level and Detailed Ethnicity, 2006-07

	Documented		Potentially Undocumented or Indeterminate		Other		Total	Percent of Total
	UG	Grad	UG	Grad	UG	Grad		
Chicano	159	16	187	2	3	0	367	
Latino	39	6	29	0	2	0	76	
All Latino	198	22	216	2	5	0	443	27.0%
African American Indian	24	18	2	0	0	0	44	2.7%
	1	2	0	0	0	0	3	0.2%
Chinese	209	39	25	2	5	0	280	
Japanese	5	2	1	0	0	0	8	
Korean	152	18	105	3	9	0	287	
Vietnamese	20	1	1	0	0	0	22	
Filipino	25	5	17	1	1	0	49	
Indian/Pakistan	24	6	12	1	0	0	43	
Pacific Islander	1	3	1	0	0	0	5	
Thai/other Asian	35	2	12	0	1	0	50	
All Asian	471	76	174	7	16	0	744	45.4%
White/Caucasian	71	201	15	0	1	0	288	17.6%
Other/unknown	38	62	14	3	0	0	117	7.1%
TOTAL	803	381	421	12	22	0	1,639	100.0%

- Note the general relationship between the percentage of students in each ethnic category who are documented and the time frame of immigration to the US for that ethnic group. The percentage is highest among Chinese recipients (89%), and lower for the other groups that generally immigrated more recently (e.g., Korean and Indian/Pakistani).

Display 9
Dependent Undergraduate AB 540 Recipients by Parent Income and Documentation Status, 2006-07
(in 2002 constant dollars)⁶

Parent Income	Documented	Pot. Undoc. or Indeterminate	Other	All AB 540	% of AB 540 recipients	All UC undergraduate	% of all students
Less than \$40,000	420	272	9	701	59.6%	43,678	28.3%
\$40,000 to \$79,999	145	53	6	204	17.3%	36,190	23.5%
\$80,000 to \$119,999	45	7	2	54	4.6%	27,105	17.6%
\$120,000 and above	34	5	2	41	3.5%	23,987	15.6%
No data	95	79	3	177	15.0%	23,280	15.1%
Total	739	416	22	1,177	100%	154,240	100%

⁶ Income distribution for all dependent undergraduates may differ from that reported elsewhere, which often includes imputed incomes for students whose income is not known.

Display 10
Value of AB 540 Recipients by Student Level, Documentation Status, and Campus, 2006-07

	UCB	UCD	UCI	UCLA	UCM	UCR	UCSD	UCSF	UCSB	UCSC	Total
Undergraduate											
Documented	\$2,922,777	\$2,749,337	\$1,407,528	\$1,688,110	\$9,342	\$1,883,416	\$1,133,556	\$0	\$965,340	\$840,780	\$13,600,186
Undocumented or Indeterminate	\$1,244,508	\$610,235	\$1,880,856	\$1,514,000	\$18,684	\$838,756	\$548,064	\$0	\$18,684	\$317,628	\$6,991,415
Other	\$0	\$0	\$118,332	\$145,344	\$0	\$0	\$112,104	\$0	\$0	\$0	\$375,780
Total	\$4,167,285	\$3,359,572	\$3,406,716	\$3,347,454	\$28,026	\$2,722,172	\$1,793,724	\$0	\$984,024	\$1,158,408	\$20,967,381
Graduate											
Documented	\$1,413,474	\$542,049	\$213,818	\$1,619,280	\$0	\$195,920	\$663,665	\$0	\$154,597	\$74,805	\$4,877,608
Undocumented or Indeterminate	\$12,245	\$27,206	\$52,364	\$34,286	\$0	\$0	\$18,684	\$0	\$14,961	\$0	\$159,746
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,425,719	\$569,255	\$266,182	\$1,653,566	\$0	\$195,920	\$682,349	\$0	\$169,558	\$74,805	\$5,037,353
All Students											
Documented	\$4,336,251	\$3,291,386	\$1,621,346	\$3,307,390	\$9,342	\$2,079,336	\$1,797,221	\$0	\$1,119,937	\$915,585	\$18,477,794
Undocumented or Indeterminate	\$1,256,753	\$637,441	\$1,933,220	\$1,548,286	\$18,684	\$838,756	\$566,748	\$0	\$33,645	\$317,628	\$7,151,161
Other	\$0	\$0	\$118,332	\$145,344	\$0	\$0	\$112,104	\$0	\$0	\$0	\$375,780
Total	\$5,593,004	\$3,928,827	\$3,672,898	\$5,001,020	\$28,026	\$2,918,092	\$2,476,073	\$0	\$1,153,582	\$1,233,213	\$26,004,735