Funding Postsecondary Education for Undocumented Students in the United States: An Analysis of Policy Options and their Implications for Social Equity and Economic Outcomes

By Grant Blume

Although an abundance of policy research exists on undocumented students and the policy environment surrounding their access to education, little policy analysis exists on the topic. To address this lack of policy analysis, this article poses the question: In a framework based on feasibility, social equity, and potential economic outcomes, what are the benefits, drawbacks, and costs of policies to extend financial support to undocumented students? To answer this question I first review the arguments that supporters and critics have used to expand and restrict college access for undocumented students in the United States. Next, I analyze the policy background that governs undocumented students’ access to postsecondary education and financial aid in the United States. I use a significant amount of legal scholarship in this analysis because the status of undocumented students in the United States is predicated on the U.S. Supreme Court case Plyer v. Doe and two federal statutes, the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (Pub.L. 104-208) and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub.L. 104-193).

With this context in mind I analyze the following policy options related to college access for undocumented students: 1) Maintain the status quo whereby undocumented students are only eligible for institutional support and/or private organizations’ scholarships which do not require U.S. citizenship; 2) Revise existing federal statutes to make undocumented students eligible for federal financial aid; and 3) Revise state policies to make undocumented students eligible to receive state -based financial aid. From my analysis I find that while revising federal statutes (via the DREAM Act) holds the greatest promise for social equity and economic outcomes, this policy option is not feasible given the United States’ current political and economic environment. Likewise, I find that revising states policies is also unlikely, but for a perhaps surprising reason – in addition to an unfavorable political

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and economic environment, my analysis reveals that state colleges and universities are unable to distribute state financial aid to students who do not have a Social Security number or its equivalent. This adds a logistical barrier for implementation to an already politically complex policy issue. Finally, I find the status quo is at the same time feasible in the short-term and unsustainable in the long run; demographic shifts and a changing economy will increasingly require postsecondary education for more individuals from historically underserved backgrounds.

I. INTRODUCTION

College access for undocumented students may be one of the most divisive policy issues related to postsecondary education in the United States. On one hand, opponents charge that allowing undocumented students access to college is unlawful and strains an overburdened postsecondary education system (Kobach 2006a). On the other hand, proponents argue that denying undocumented students’ college access perpetuates inequity and penalizes students for their parents’ decision to immigrate to the United States (Gonzales 2009). Barring undocumented students from postsecondary education also denies the U.S. economy a pool of potentially educated workers (Romero 2001). Aside from the debate’s rhetoric, scholars agree that undocumented immigrants’ children – that is, children who lack proper immigration credentials to live lawfully in the United States but are legally entitled to a K-12 education – face significant barriers in accessing postsecondary education beyond high school (Chan 2009; Drachman 2008; Gonzales 2009; Gonzales 2007; Olivas 2008b; Rincón 2008). These barriers result from a combination of state policies, federal laws, and Supreme Court precedents. A compounding factor to this policy environment is poverty – 39 percent of undocumented children live below the federal poverty level compared to 17 percent of native-born children (Frum 2007). Undocumented immigrants also have average household incomes which are 40 percent lower than either native-born families or legal immigrant families (Frum 2007, 81).

In this article I examine the complex policy environment that undocumented students face in accessing higher education with a focus on policy options for undocumented students’ to finance their postsecondary education. Three research questions guide my analysis:

1. What arguments have supporters and critics used to expand or restrict college access for undocumented students in the United States?
2. What is the policy background that governs undocumented students’ access to postsecondary education and financial aid in the United States?
3. What are the benefits, drawbacks, and costs of policies to extend financial aid to undocumented students, specifically in terms of social equity and economic outcomes?
After reviewing why undocumented students’ college attendance is a growing concern for policymakers, I review the federal and state policies that impact how undocumented students access postsecondary education in the United States. I also discuss current proposals to extend access for undocumented students before state legislatures and the recent developments around the DREAM Act in the 111th Congress.

II. METHODOLOGY

College access for undocumented students in the United States is a pressing topic for scholars and policymakers as is evidenced by the amount of current literature and research on this issue. My analysis in this article relies heavily on scholarly research and journal articles, all of which are less than ten years old. In fact, most of the scholarship that informs this paper’s analysis was published in 2006 or later. Scholarly journals on social and education policy were the primary sources cited in this article. However, legal scholarship also plays a prominent role in my analysis for two reasons. First, the enrollment of undocumented students in the American K-12 education system is predicated upon U.S. Supreme Court cases, notably the 1982 *Plyer v. Doe* decision. Second, two federal statutes – the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRIRA) and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) – contain language on immigration status and higher education (Ruge & Iza 2004, 262). Title IV of the Higher Education Act of 1965 also governs federal financial aid for postsecondary education. These legal contexts are a critical element to the analysis in this article.

While research on undocumented students and college access is plentiful, some gaps exist in the extant literature. To address this limitation I used qualitative sources to gather information on the topic of state-specific policy dynamics. I conducted interviews with higher education practitioners and policy analysts at a public flagship university in the Pacific Northwest to understand the policies governing postsecondary enrollment of undocumented students. Finally, interviews with Washington State legislative analysts were also helpful to better understand the political environment around undocumented students and college access.

III. BACKGROUND

Nearly one-third of the immigrant population in the United States is undocumented. Estimates suggest that, of the 12 million unauthorized persons who reside in the United States, 1.8 million are children. Each year, 65,000 undocumented children who have lived in the U.S. for five years or more graduate from high school (Gonzales 2009). Because they are not legal residents of the United States, in most states these undocumented students must apply to public institutions of higher education and pay nonresident tuition rates which are typically three times higher than tuition prices for in-state residents (Feder 2006). Why does this matter to policymakers?
Gonzales (2009) suggests two reasons that policymakers should focus on undocumented students. First, the political and economic barriers that prevent undocumented students from attending college keep these students from “actualizing their education” (6). This is a social equity line of reasoning that argues if they are able to legally attend public school through the 12th grade, undocumented students should be provided “legitimate legal pathways” to postsecondary education (6). Second, Gonzales makes an economic argument for increasing college access for undocumented students; allowing undocumented students to pursue higher education and work legally in the U.S. benefits “taxpayers and the U.S. economy overall” (7). I revisit both of these arguments throughout this article.

Undocumented students have been called the “1.5 Generation” because they are neither first-generation immigrants nor native-born Americans (Rumbaut 2004, as cited in Gonzales 2009). Passel, Capps, and Fix (2004) estimated that 80 percent of undocumented immigrants in the United States are Hispanic (Table 1). While often assumed to be Latino, undocumented students also come from Filipino, Chinese, and Korean backgrounds (Chan 2009). The distribution of undocumented immigrants is not even across the United States – more than 60 percent of the undocumented population resides in five states (Table 2).

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Added to the challenges of their diverse backgrounds and intergenerational limbo, undocumented students face additional hurdles when it comes to navigating everyday life. In most states undocumented students cannot legally work, vote, or drive (Gonzales 2009). Additionally, Romero (2001) points out that, since close to 40 percent of undocumented students live in poverty, “undocumented status and poverty are mutually reinforcing obstacles to [educational] advancement” (Romero 2001, 395). Perhaps unsurprisingly, these compounding factors make it difficult for undocumented students to succeed educationally in the United States (Gildersleeve 2009).

Yet for all the barriers they face, more than 65,000 undocumented students graduate from high school each year (Gonzales 2009). Upon graduating from high school, however, undocumented students’ options are limited. Their legal status leaves them unable to work legally in the United States, although many will nonetheless find jobs in sectors of the U.S. economy that depend on
immigrant labor (Rincón 2008). Some high school graduates, mostly in states which grant undocumented students resident tuition rates, may attend college. In these states students remain ineligible for federal financial aid and most types of state financial aid. Once these students graduate from college, their employment options will be significantly limited due to their continued undocumented immigration status.

Determining the number of undocumented students enrolled in postsecondary education presents a major challenge to policy analysis on the topic. Scholars note that undocumented students are unlikely to reveal their undocumented status to anyone except for close friends and trusted confidants because of social pressure and discrimination (Contreras 2009; Martínez-Calderón 2009). Further, while Contreras (2009) notes that of the 65,000 undocumented students who graduate from high school each year “only approximately 13,000 enroll in U.S. colleges,” no empirically-based estimates exist on the number of undocumented students who graduate from American colleges and universities each year (611).

How do supporters and critics debate college access for undocumented students?

Rincón (2008) contends that arguments both for and against educating undocumented students have historically followed economic lines of reasoning. Opponents argue that in the face of limited resources, undocumented students consume educational resources that should be allocated exclusively to U.S. citizens and legal residents. Meanwhile, proponents respond by pointing out that, armed with postsecondary education, undocumented students are likelier to be more productive contributors to both the U.S. economy and society (Rincón 2008, 200).

Kobach (2006b) summarizes the economic argument against allowing undocumented students access at resident tuition rates: Allocating “an extremely valuable financial benefit to [undocumented] aliens… at the same time college costs are draining the savings of millions of American families… evokes a strong reaction from many students and their parents” (498). Kobach estimates that in California, “taxpayers pay in excess of $100 million every year to subsidize the college education of thousands of illegal aliens” (499).

Gonzales (2009) argues that providing undocumented students access to postsecondary education can help with the United States’ “mismatch” between the demand for educated workers and the available supply of workers (15). Projected job growth in professional fields which require a bachelor’s degree will necessitate that states with large immigrant populations develop ways to educate this group of potential workers. In California, for example, 34 percent of the state’s workforce is immigrants (Bureau of Labor Statistics 2006-2007, as cited in Gonzales 2009). Increasing access for undocumented students, scholars argue, will increase a state’s number of educated workers and ultimately increase the state’s tax base (Gonzales 2009, 17; Rincón 2008, 199; Ruge & Iza 2004, 275). The National Immigration Law Center (2004) estimates that an average 30-year-old Mexican immigrant woman in the United States with a baccalaureate degree will pay $5,300 more in taxes each year compared to the same individual who holds a high school diploma or less (2).
IV. THE POLICY ENVIRONMENT FOR UNDOCUMENTED STUDENTS AND POSTSECONDARY EDUCATION

The guidelines that govern the postsecondary enrollment of undocumented students are a patchwork of court cases, federal laws, and state policies. The background on these guidelines merits a discussion because of the complex relationship between federal and state policies. One federal law in particular which applies to the enrollment of undocumented students, the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996, has a clause leaving significant room for states’ interpretation and consequently, states’ ability to expand or limit undocumented students’ access to higher education.

Federal policy environment
Congress introduced federal financial aid for disadvantaged college-bound students in 1965 with the passage of the Higher Education Act. Title IV of the Act governs the distribution of financial aid (Stedman 2004) and limits federal aid to citizens and permanent residents of the United States (Drachman 2008). Subsequent reauthorizations of the Higher Education Act, such as the 2008 reauthorization, have amended parts of this legislation including Title IV. However, no changes have made federal aid accessible for undocumented students (ACE 2008).

A state’s responsibility to publicly educate undocumented students was affirmed by the U.S. Supreme Court in 1982 when it struck down a 1975 Texas law that banned undocumented students from the primary and secondary public school system. The Texas law was initially challenged in Smith County and eventually reached the Supreme Court. In 1982, the U.S. Supreme Court handed down the *Plyler v. Doe* ruling in which the Court affirmed that all minors in the United States, regardless of their immigration status could freely attend public schools (Ruge & Iza 2004). In summary, the U.S. Supreme Court found that:

> If the State is to deny a discrete group of innocent children the free public education that it offers to other children residing within its borders, that denial must be justified by a showing that it furthers some substantial state interest. No such showing was made here (*Plyler v. Doe*, 457 U.S. 202 (1982), VI).

In spite of this ruling, the Court’s decision applied only to K-12 education and left unresolved the question of postsecondary education for undocumented students (Drachman 2008). Drachman (2008) argues that the Supreme Court’s legal precedent essentially guaranteeing K-12 education for undocumented students should invalidate federal laws which bar undocumented students from accessing resident tuition rates at public colleges and universities.

In 1996, as Congressional Republicans sought to enact their “Contract with America” agenda, Congress passed two pieces of legislation that set federal rules for undocumented students and college attendance: the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) and
the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). PRWORA was a welfare reform plan that made immigrants without legal residency status ineligible for public benefits (Ruge & Iza 2004). Section 505 of IIRIRA, on the other hand, contained explicit language related to the postsecondary enrollment of undocumented students:

Notwithstanding any other provisions of the law, an alien who is not lawfully present in the United States shall not be eligible on the basis of residence within a state (or political subdivision) for any post-secondary education benefit unless a citizen or national of the United States is eligible for such benefit (in no less amount, duration, or scope) without regard to whether the citizen or national is such a resident (8 U.S.C. § 1623(a), as cited in Ruge & Iza 2004).

IIRIRA Section 505 does not explicitly prohibit an institution of higher education from enrolling undocumented students (Ruge & Isa 2004). Rather, Section 505 requires states to extend residency policies to all U.S. citizens and nationals, not solely to undocumented students. Lawmakers surmised, as Kobach (2006a) notes, that “no state would be interested in giving up the extra revenue from out-of-state students” in an attempt to give undocumented students resident tuition rates (2). The nuances of IIRIRA Section 505 will be discussed in the subsequent section of this paper that examines state-by-state policies on the enrollment of underrepresented students.

States’ policy environment
Federal laws and court rulings do not require states to expand or limit undocumented students’ postsecondary access per se. Disputes over IIRIRA Section 505 have allowed states to “adopt a wide variety of policies on the eligibility of undocumented students for in-state tuition” (Drachman 2008, 95). Since Texas granted undocumented students in-state resident tuition in 2001, eleven additional states have followed suit with similar legislation (Rincón 2008) although in 2007 Oklahoma rescinded its 2003 statute granting resident tuition to undocumented students (Olivas 2008b). In addition to Oklahoma’s reversal in 2007, five states have enacted laws to prevent undocumented students from paying in-state tuition (Drachman 2008, 95; Olivas 2008b, 20). Appendix A contains a state-by-state review of key provisions of these laws.

Salsbury (2005) has identified two legal mechanisms that states use to grant in-state tuition to undocumented students: (1) laws modeled after Texas’s that classify qualified undocumented students as residents for tuition purposes, and (2) laws like California’s A.B. 540 which create exemptions from nonresident tuition for qualified undocumented students (476). Although no state law governing undocumented students and resident tuition rates has yet been successfully challenged under IIRIRA, Salsbury (2004) suggests laws modeled after California’s A.B. 540 have the greatest likelihood of surviving legal challenge. Salsbury argues this because California’s policy is broadly defined and in theory, A.B. 540 extends to all U.S. citizens, permanent residents, and undocumented immigrants; on the other hand, Texas’s law is narrowly tailored to Texas state residents, which may violate IIRIRA Section 505 (Salsbury 2004, 476-478).

Graduation from an in-state high school is the centerpiece of laws that allow public colleges and
universities to grant resident tuition rates to undocumented students. If a student’s immigration status precludes her from being a legal resident of a certain state, the undocumented student can still qualify for resident tuition by attending for a predetermined number of years – usually three – and graduating from an in-state high school. In this way, the laws that allow undocumented students to pay resident tuition rates are legal under IIRIRA Section 505 because the statutes are not exclusive to undocumented students. Theoretically, a student who is a legal resident of Idaho but who attends a California high school for at least three years and graduates from that high school would be eligible for resident postsecondary tuition rates under A.B. 540.

Allowing resident tuition rates does not fully address a significant barrier which remains a struggle for many undocumented students: paying for college (Flores 2010). Except for New Mexico and Texas, states that grant resident tuition do not allow undocumented students access to state need-based aid. As mentioned earlier, Title IV of the Higher Education Act of 1965 precludes undocumented students from receiving federal financial aid. Inability to access financial aid, even when a state allows an undocumented student to pay resident tuition rates, leaves postsecondary education out of reach for many undocumented students (Gonzales 2009).

Policy options to extend financial aid to undocumented students
In this section I consider three options to extend postsecondary financial aid to undocumented students in the United States:

1. Maintain the status quo whereby undocumented students are only eligible for institutional support and/or private organizations’ scholarships which do not require U.S. citizenship.
2. Revise existing federal statutes to make undocumented students eligible to receive federal financial aid.
3. Revise state policies to make undocumented students eligible to receive state-based financial aid.

After reviewing these options, I analyze each option in terms of its feasibility, potential for positive economic outcomes, and capacity to increase equity for undocumented students. Equity will be broadly defined as the policy’s “capability to increase postsecondary access for less advantaged groups” (Baker & Vélez 1996). I gauge feasibility by considering the social, political, and institutional environment in which the policy option would be considered by decision makers (Gill & Saunders 2010).

Congress has considered extending federal financial aid to undocumented students since 2001 (Gonzales 2009) through the Development, Relief, and Education for Alien Minors (DREAM) Act in the Senate6 and the House7. This legislation seeks to repeal IIRIRA Section 505 to allow an undocumented person “eligibility for higher education benefits based on state residence” if a state so legislates (S. 729, Sec. 3(a))8. The DREAM Act authorizes the Secretary of Homeland Security to grant “conditional permanent resident status” for six years to undocumented students enrolled in higher education (S. 729, Sec. 5). The proposed legislation also allows students with conditional permanent resident status to become permanent residents of the United States once the student completes two years toward a bachelor’s degree or serves in the armed services for at least two
years with an honorable discharge (S. 729, Sec. 5(d)(1)(D)(i-ii)).

Specific to financial aid, Section 11 of the DREAM Act authorizes federal student loan and work study eligibility for undocumented students who meet the requirements in Section 5 of the Act for conditional permanent residency. Section 11 notes that student loans and work study are the only areas of financial assistance authorized under the Higher Education Act of 1965 for which conditional permanent resident students are eligible. The DREAM Act would maintain the clause in Title IV of the Higher Education Act of 1965 which requires citizenship or permanent residency for Pell grants or other types of federal financial grants. Accordingly, under the DREAM Act, an undocumented student is ineligible for federal grants during the first two years of their conditional permanent residency status. Upon fulfilling two years toward a bachelor’s degree (or two years in the military with an honorable discharge), the student’s new status as permanent resident would allow access to federal aid such as the Pell grant.

Of the ten states which extend resident tuition rates to undocumented students, Texas and New Mexico are the only states to also extend state-based financial aid. A number of state legislatures, such as in California and Washington, have considered extending some form of need-based aid to undocumented students. However, the College Board suggests that granting need-based aid for undocumented students is “a contentious issue” for states and present policies are unlikely to change in the near future (College Board 2010).

In rare cases, public institutions have provided financial support for undocumented students. For example, when Arizona’s Proposition 300 became law in 2006 and banned resident tuition rates for undocumented students at public universities in the state, Arizona State University awarded private scholarships to approximately 200 undocumented students who went from paying resident tuition rates to international rates (an annual difference of about $12,000) (Olivas 2009b). Arizona State University exhausted the funds for these private scholarships within 18 months (Olivas 2009b).

Scholarships from private organizations are a source of financial aid for undocumented students that do not depend on federal or state funding. In many cases, this limited type of financial aid is the only way undocumented students are able to offset the cost of their postsecondary education. Advocacy organizations, such as the Mexican American Legal Defense and Education Fund (MALDEF), maintain databases and informational resources for college scholarships that do not require U.S. citizenship or a Social Security number. For example, private organizations such as Johnson & Johnson award up to $250,000 a year in scholarship funding for which undocumented students are eligible (MALDEF 2010). The amount of scholarship money available to undocumented students, however, pales in comparison to the potential funding available through federal and state-based aid (Rincón 2008).
V. POLICY ANALYSIS: FEASIBILITY, SOCIAL EQUITY, AND ECONOMIC OUTCOMES

Through an analysis of feasibility, social equity, and economic outcomes this section looks at policy options to extend postsecondary financial aid to undocumented students. Analyzing the three options – the status quo, the DREAM Act, and state legislation to extend financial aid – using these criteria presents a variety of benefits and drawbacks. Feasibility is prioritized as the first criterion because this section of the paper assumes the audience for this analysis is state higher education policymakers who have an interest in supporting the most feasible policy option.

Policy analysis: Status quo

The status quo, while extremely limited in its scope, is a feasible option to continue financing postsecondary education for undocumented students in the United States. Private organizations are able to award scholarships and financial aid based on their respective criteria without regard for the federal or state laws that may govern public institutions and undocumented students. Private organizations may be cognizant of public attitudes toward undocumented students and the students’ access to private financial aid, but ultimately the private organizations that award aid to undocumented students face a narrower range of stakeholders than do public institutions. This relatively effective shield from public scrutiny makes it feasible for organizations to continue awarding financial aid to undocumented students. In rare cases, as was the case at Arizona State University, institutions may also choose to provide financial assistance to undocumented students through private scholarships.

Economic outcomes and the potential to increase equity for undocumented students, however, are significantly restricted under the status quo. Rincón (2008) laments that as it currently stands, states do very little to educate undocumented students about tuition policy and undocumented students are usually unaware of private scholarships available to them (196). It seems likely that under the status quo some undocumented students would have limited access to financial aid through private organizations, but the majority of undocumented students would still face considerable barriers in financing their postsecondary education.

Policy analysis: Federal legislation

The feasibility of Congress passing the DREAM Act during an economic recession is low because the DREAM Act increases federal spending in two ways. First, students are eligible for certain kinds of federal aid during their two years of college enrollment as conditional permanent residents. In 2002 the Congressional Budget Office (CBO) estimated this federal cost to be $195 million in the first year and $362 million in the second year following the DREAM Act’s passage (Congressional Budget Office 2002). Second, since the DREAM Act serves as a path to legal permanent residency, after two years of conditional residency students receive permanent resident status and become eligible for federal programs such as food stamps and Medicaid. The Congressional Budget Office in 2010 estimated these additional services would cost $912 million...
over a nine-year period after the DREAM Act became law. This $912 million, a miniscule amount relative to annual federal expenditures on social services, is nonetheless a potential lightning rod for critics of the DREAM Act.

In addition to the legislation’s projected costs, the DREAM Act appears to be a partisan bill which may limit the broad support needed to become law in today’s political environment. Of the 32 cosponsors of the Senate legislation in the 111th Congress, Senator Richard Lugar of Indiana was the sole Republican; in the U.S. House of Representatives, Rep. Nunes (CA-21) and Rep. Cao (LA-2) were Republican cosponsors along with 104 Democrats. Although a number of advocacy groups herald the DREAM Act as “bipartisan” legislation, in a political sense the bill seems narrowly supported. The American public, as reflected by polls in 2006 and later, also appears to be relatively unsupportive of allowing undocumented students access to resident tuition rates (Drachman 2008). Faced with a difficult economic and political environment as they approach the 2012 election, it seems unlikely that House and Senate Democrats will be inclined to advance the DREAM Act when the topic is politically risky with the American public.

In terms of economic analysis of a federal policy response, the potential economic outcomes of the DREAM Act are threefold: (1) increased development of human capital, (2) increased tax revenue from college-educated workers, and (3) decreased social service expenditures. These economic benefits are predicated on human capital theory which posits an individual’s potential and economic productivity increases with greater levels of education (Becker 1993; Schultz 1981). By providing a pathway to postsecondary education and a legal immigration status which allows an undocumented student to work after graduation, the DREAM Act removes two extant barriers undocumented students face in realizing their economic potential through increased human capital capacity.

Tax receipts generated from undocumented students’ ability to work legally are a noteworthy economic consequence of the DREAM Act. Under the DREAM Act, the United States federal government could increase net revenue up to $2.3 billion in a nine-year period after the bill’s passage (Congressional Budget Office 2010b). The CBO based this $2.3 billion nine-year estimate on the notion that legal permanent residents with some level of college education would generate, on average, net social benefits in excess of the government’s expenditures of $912 million in the same nine-year period. The monetized benefits of the DREAM Act capture increased tax payments (estimated at $5,300/year) plus savings in decreased criminal justice and welfare expense per college graduate (estimated to be $3,900/annually) (National Immigration Law Center 2004). These estimates, however, are not without controversy; Camarota (2010) notes that the CBO’s estimates fail to include an additional cost to states of at least $6.2 billion.

Of the three policy options considered in this article, the DREAM Act’s nationwide scope gives it the greatest potential to increase social equity for undocumented students. Only Congress can rescind the portion of IIRIRA which limits states’ policy options to educate undocumented students. States will remain vulnerable to legal challenge and will continue to struggle with policies to educate undocumented students as long as IIRIRA Section 505 remains law. In short, I consider the DREAM Act to have the greatest potential to increase social equity because the
legislation opens pathways to federal financial aid and legal employment. Providing the ability to 1) finance a postsecondary education and 2) work legally upon graduation are two indispensable steps toward creating equity for undocumented students in the United States.

Policy analysis: state legislation

Eleven states have granted undocumented students resident tuition rates since 2001 but only two states – Texas and New Mexico – currently allow undocumented students to receive state-based financial aid (see Appendix A). In Texas and New Mexico, the state laws that allowed resident tuition rates for undocumented students also made legal the award of financial aid to undocumented students. Existing legislation is now under consideration in states such as California, Washington, and others where the initial state law allowing resident tuition rates for undocumented students did not address state-based financial aid.

California and Washington are useful case studies in analyzing the feasibility, economic outcomes, and potential increase in social equity that may result from state legislation to extend financial aid to undocumented students. Before the Washington State Legislature in the previous legislative session, S.B. 5959 would have reclassified the residency requirements for state Need Grant eligibility. The California legislature has considered similar legislation in recent years and is currently considering need-based financial aid for undocumented students under A.B. 131.

The feasibility of state legislation to extend financial aid to undocumented students is low in the current budget environment. Governor Schwarzenegger stated that “it would not be prudent to place additional demands on our limited financial aid resources as specified in this bill” when he vetoed S.B. 1301 on September 30, 2008. Likewise, a higher education policy analyst with the Washington State Legislature suspected that lawmakers are unlikely to consider S.B. 5959 because of its potential cost in an already-stressed fiscal environment (Melchiori personal communication 2010).

Another issue related to state legislation feasibility is the logistical delivery of aid to students who lack Social Security numbers. A Social Security number is required to submit the Free Application for Federal Student Aid (FAFSA); a student’s financial information reported through the FAFSA determines that student’s expected family contribution (EFC). The federal government, along with state agencies, awards aid to needy students based on the EFC. If S.B. 5959 became law in Washington State, for example, the state’s public institutions and the Higher Education Coordinating Board would need to determine a delivery method for state-based financial aid to undocumented students in the absence of an EFC. Delivering state-based financial aid to undocumented students in this case would be bureaucratic, costly, and potentially inconsistent since the state would likely rely on self-reported information from undocumented students and their families (Melchiori personal communication 2010). The logistical ambiguity in the state’s delivery of financial aid adds to this policy option’s low feasibility. Although Texas and New Mexico deliver need-based financial aid to undocumented students who lack Social Security numbers by allowing students to use “000-00-0000” as an identifier, no evidence exists to verify this approach operates properly at the institutional level in these states.
The economic consequences of state policies to deliver financial aid to undocumented students are anemic compared to the economic consequences of the DREAM Act. States that award financial aid to undocumented students would theoretically benefit from an increase in educated workers and the workers’ subsequent increase in tax payments to the state. For example, the Comptroller of Texas “estimated that more than five dollars is generated in the economy for every dollar invested in immigrant students’ education” (Ruge & Iza 2004, 262). Unlike the DREAM Act, however, state legislation cannot create a legal pathway for undocumented students to work upon graduation, which is a significant shortcoming of this policy option in terms of economic outcomes. As Hedge (2011) calculates in a cost-benefit analysis of providing legal employment status to undocumented students in California, it would take 166 years of employment to recoup the state’s financial investment in an undocumented individual who earns a college degree but is forced to work in an “underground economy” and thereby pay no taxes.

An additional drawback of this policy option is the difficulty policymakers face in estimating the potential cost of state legislation to deliver financial aid to undocumented students. “We have no way to determine how many undocumented students are in this state,” remarked a Washington State policy analyst, “so we’ve really struggled to estimate a cost for this bill [S.B. 5959]” (Melchiori personal communication 2010). While no cost estimate exists for Washington State legislation, legislative analysts in California estimated it would cost about $2.8 million to extend state need-based financial aid to approximately 2,000 undocumented students.

The potential to increase social equity for undocumented students by creating state need-based financial aid policies would be similar to the equity gained from the DREAM Act in that state policies would provide greater educational opportunities for some students. On one hand, this equity seems desultory because students would obtain greater access to postsecondary education but gain no ability to work legally after graduation. On the other hand, however, recent quantitative research using nationally representative data suggests that state tuition policies send a strong signal to undocumented students and may play a significant role in the increased postsecondary participation rates of undocumented students; a signal of access and subsequent increase in enrollment may justify this policy option on its own accord. Flores (2010) notes that “[state] policies significantly increased the college-enrollment rates of Latino foreign-born noncitizens, a large percent of whom are undocumented” (266). Further, Flores states that, “Foreign-born noncitizen Latinos are indeed more likely (1.7 times) to enroll in college after the implementation of the tuition policies than their counterparts in states without the tuition benefit” (271). It seems possible that awarding state-based financial aid to undocumented students would further reinforce this signal of greater access to postsecondary education. While the economic outcomes and workforce access are not available with policies that create state need-based financial aid, the potential to increase social equity for undocumented students may motivate policymakers to seriously consider this option.
VI. SUMMARY

With a focus on policy options for undocumented students to finance their college education, this article examined the complex environment that undocumented students face in accessing higher education. Questions that guided my research included: What arguments have supporters and critics used to expand or restrict college access for undocumented students in the United States? What is the policy background that governs undocumented students’ access to postsecondary education and financial aid in the United States? Moreover, what are the benefits and drawbacks of policies to extend financial aid to undocumented students, specifically in terms of equity and economic benefits to individuals and society?

The DREAM Act, while not feasible in the current economic or political environment, holds the greatest potential for increasing undocumented students’ access to postsecondary education. The positive economic consequences of the DREAM Act, especially when compared with state legislation and the status quo, are significant. The potential increase in social equity for undocumented students is also substantial when compared to state policies and the status quo. Indeed, the DREAM Act’s passage would make many current state policies unnecessary since states must now legislate around IIRIRA Section 505 in order to provide undocumented students with resident postsecondary tuition rates. With these benefits in mind, it is understandable why many advocates for the DREAM Act are frustrated the legislation was not advanced in December, 2010, when the Senate failed to invoke cloture on the House-passed legislation. This may have been what political science scholar John Kingdon (1984) calls a “policy window,” in which rare opportunities arise to pass federal legislation. With the House of Representatives now under Republican control and a presidential election approaching in 2012, it is unclear when another policy window may open.

That said, state legislation allowing in-state tuition rates, sometimes referred to as “state Dream Acts” (Flores 2010), have an important place in the current policy environment even if they are unable to deliver need-based financial aid to undocumented students. These policies signal to undocumented students that postsecondary education is available to them (Flores 2010). In the absence of federal legislation that makes available federal financial aid and provides legal pathways to residency, state laws allowing resident tuition rates for undocumented students are the next best policy option to increase social equity. However, state policies to award state-based financial aid to undocumented students like those under consideration in Washington and California seem unfeasible at this time. The cost of such legislation is unclear and administrators are intimidated by the logistics of disbursing need-based aid to undocumented students who lack Social Security numbers.

The status quo is at the same time feasible in the short term and unsustainable in the long run. Demographic shifts and a changing economy will continue to require postsecondary education for more individuals from historically underserved backgrounds. Maintaining the status quo allows some undocumented students access to financial assistance from private organizations. However, the amount of private aid available is inadequate when considering that each year in the U.S. more
than 65,000 undocumented students graduate from high school and most would qualify for some sort of government need-based financial assistance if it was available to them (Gonzales 2009).

Undocumented students face significant access barriers to postsecondary education in the United States. States’ policies allowing resident tuition rates for undocumented students increase equity but create very limited economic opportunity. Current policies in most states, however, provide no financial assistance to undocumented students. In light of rising tuition costs and undocumented students’ poverty, this financial assistance piece is a critical element to increasing access for undocumented students.

States cannot solve the issues surrounding undocumented students and postsecondary education without Congress. Congress alone has constitutional authority over immigration issues. Additionally, the impact of expanding federal financial aid to undocumented students would dwarf any kind of financial aid potentially awarded by states. If state policymakers’ priority is providing postsecondary education to undocumented students, the primary focus of their advocacy efforts should be passage of the DREAM Act, and then legislative efforts at the state level.

NOTES

1 This paper refers to these students as “undocumented students” although they may be referred to in the media and some policy circles as “illegal aliens.” Besides being pejorative, illegal alien is in fact not the correct way to describe these students because their legal status is not necessarily illegal but rather undocumented and unknown (see Ruge and Iza 2004, 258).
2 Rincón (2008) notes, however, that without the ability to work legally in the United States, college-educated undocumented students are unlikely to make a significant economic contribution.
3 The Texas state legislature’s 1975 law barring undocumented children from attending public school was challenged by a class-action suit on behalf of “certain school-age children of Mexican origin…who could not establish that they had been legally admitted into the United States” (Drachman 2008, 92). A federal district court ruled in 1977 and 1980 that the Texas law violated the Equal Protection Clause of the Fourteenth Amendment. The school district’s superintendent against whom the class-action suit was brought, James Pyler, appealed the case to the U.S. Supreme Court (Drachman 2008).
4 A complex relationship exists between the federal and state governments regarding immigration policy. Article 1, Section 8 of the Constitution gives Congress the “power… to establish an [sic] uniform Rule of Naturalization.” However, a state must often provide or deny its services based on how Congress has defined an immigrant’s legal status in the United States. This dynamic, where states carry out Congressional immigration policy, can often lead to complicated state-by-state legal environments around immigration.
5 Rincón (2008) notes that on multiple occasions since 1965, Title IV of the Higher Education Act has been amended to extend federal financial aid to permanent residents, refugees, and noncitizens with asylum status (60).
6 This legislation, spearheaded by Sen. Richard Durbin (D-IL) was initially introduced as S. 729 in the 111th Congress. The DREAM Act is currently S. 952 in the 112th Congress and is under consideration in the Senate Committee on the Judiciary (Thomas.gov 2011).
7 H.R. 1842 in the 112th Congress.
8 In actuality Senator Durbin introduced five versions of the DREAM Act in the 111th Congress in attempts to find political compromises which would allow for passage of the legislation: S. 729, 3/26/2009; S. 3827, 9/23/2010; S. 3962, 11/17/2010; S. 3963, 11/17/2010; S. 3992, 11/30/2010. For the purpose of this policy analysis I will consider the DREAM Act synonymous with S. 729 unless otherwise noted.
10 California and Oklahoma at one time also offered state-based financial aid to undocumented students. Beginning in 2003, Oklahoma offered undocumented students limited financial aid but rescinded this when the state revoked in-
state tuition for undocumented students in 2007. Two court rulings relate to undocumented students and financial aid in California: In 1991, *Leticia A. vs. UC Regents and California State University System* allowed undocumented students to pay in-state tuition and qualify for state aid; in 1991, the Los Angeles Superior Court overturned *Leticia v. UC Regents* and removed the legal precedent which allowed undocumented students in-state tuition and student aid eligibility in California. Resident tuition rates were restored by the California Assembly and Senate in 2002 with the passage of A.B. 540.

11 S.B. 1301, known as the California Dream Act, was passed by the California Assembly and Senate in 2008. The bill was vetoed by Governor Schwarzenegger on Sept. 30, 2008. The legislation was reintroduced in the current session as A.B. 131 (http://www.leginfo.ca.gov/billinfo.html).

12 S.B. 5959 was considered in the Senate Committee on Higher Education & Workforce Development in the 2010 legislative session (http://apps.leg.wa.gov/billinfo/).

13 For example, see http://maldef.org/leadership/scholarships/2010_Scholarship_List.pdf


15 Senator John McCain of Arizona was an original cosponsor of the DREAM Act in past Congressional sessions and spoke in favor of the legislation during his 2008 presidential bid. Senator McCain has not signed onto the current bill, S. 729, as a cosponsor.

16 See, for example, the National Association of College Admissions Counseling (www.nacacnet.org) and the American Immigration Lawyers Association (www.aila.org).

17 *Day v. Sebelius* was a recent court case that challenged a state’s effort to allow undocumented students resident tuition rates. The case, brought against the state of Kansas by nonresident students attending Kansas institutions of public higher education, was dismissed by the Tenth Circuit Court of Appeals in December, 2007. The plaintiffs have purportedly considered appealing to the U.S. Supreme Court (Feder 2006). In California a similar case, *Martinez v. Regents of the University of California*, is under review by the state’s Supreme Court (http://www.nilc.org/immlawpolicy/DREAM/Dream010.htm).

18 Governor’s veto message to the California Legislature. See http://www.leginfo.ca.gov/pub/07-08/bill/sen/sb_1301-1350/sb_1301_vet_20080930.html.

19 This cost-benefit scenario assumes a 0% discount rate; even though 166 years of employment is purely theoretical, Hedge notes that at a 2% discount rate the state would never recoup its investment.


21 Flores (2010) used Current Population Survey data for 1998 through 2005; the dataset is a nationally representative sample sponsored by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics (250)
## Appendix A

### Table 1: States that allow resident tuition for undocumented students

<table>
<thead>
<tr>
<th>State</th>
<th>Bill Number</th>
<th>Year Enacted</th>
<th>Financial Aid Available?</th>
<th>Years of High School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>H.B. 1403 (77th Leg.)</td>
<td>2001</td>
<td>Yes</td>
<td>3</td>
</tr>
<tr>
<td>California</td>
<td>A.B. 540 (2001-02 Leg.)</td>
<td>2002</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>Utah</td>
<td>H.B. 144 (54th Leg.)</td>
<td>2002</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>New York</td>
<td>S.B. 7784 (225th Leg.)</td>
<td>2003</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Washington</td>
<td>H.B. 1079 (58th Leg.)</td>
<td>2003</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>S.B. 596 (49th Leg.)</td>
<td>2003</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>Illinois</td>
<td>H.B. 60 (93rd Leg.)</td>
<td>2003</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>Kansas</td>
<td>H.B. 2145 (2004 Leg.)</td>
<td>2004</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>New Mexico</td>
<td>S.B. 582 &amp; S.B. 482 (47th Leg.)</td>
<td>2005</td>
<td>Yes</td>
<td>1</td>
</tr>
<tr>
<td>Nebraska</td>
<td>L.B. 239 (99th Leg.)</td>
<td>2006</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>A.B. 75 (2009-10 Leg.)</td>
<td>2009</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>Maryland</td>
<td>S.B. 167 &amp; H.B. 470 (428th Ses.)</td>
<td>2011</td>
<td>No</td>
<td>2</td>
</tr>
</tbody>
</table>

### Table 2: States that ban resident tuition for undocumented students

<table>
<thead>
<tr>
<th>State</th>
<th>Bill Number</th>
<th>Year Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>Prop. 300 (Voter Initiative)</td>
<td>2006</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>H.B. 1804 (51st Leg.)</td>
<td>2007</td>
</tr>
<tr>
<td>Georgia</td>
<td>S.B. 429 (2007-08 Leg.)</td>
<td>2008</td>
</tr>
<tr>
<td>South Carolina</td>
<td>H.B. 4400 (117th Leg.)</td>
<td>2008</td>
</tr>
<tr>
<td>Indiana</td>
<td>H.B. 1402 (117th Gen. Ass.)</td>
<td>2011</td>
</tr>
</tbody>
</table>

REFERENCES


Leticia A. v. Board of Regents, No. 588982-4 (Superior Court, County of Alameda, May 7th, 1985).


Student Adjustment Act, H.R. 1751, 111th Cong.