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An Economic Opportunity: Removing Barriers to Higher Education in Wisconsin

With Wisconsin's unemployment rate at a near-record low, businesses across the state are facing worker shortages that limit their ability to grow and compete. To address this challenge, it is imperative that state policies leverage local talent by increasing access to higher education. Wisconsin stands to benefit from restoring access to in-state tuition for thousands of potential college graduates—specifically, undocumented students who have grown up in the state and graduated from Wisconsin's high schools. While these students were granted access to in-state tuition in 2009, in 2011 that access was repealed through Assembly Bill 40, and they have been ineligible to pay the in-state tuition rate at public colleges and universities, putting the cost of higher education out of reach for many of them.

Recognizing the financial barrier that out-of-state tuition imposes for undocumented students, nearly 20 states—including Oklahoma, Kansas, Nebraska, and Texas—currently grant these students access to in-state tuition. And there is evidence that these policies are already achieving their goal of increasing college enrollment for disadvantaged students and bolstering the state's workforce. Previous studies have found that Latino non-citizens living in states with in-state tuition policies are anywhere from **31[1] to 54 percent[2] more likely to be enrolled in higher education** than their peers in other states. Research also shows that these policies impact high school completion as well, **reducing dropout rates among certain immigrant students by as much as 14 percent.**[3] Expanding in-state tuition access to more than 2,000 additional graduates would translate into millions of dollars that benefit all Wisconsin residents.

New American Economy's new research finds that if residency requirements were changed, it could lead to **$4.3 million** in state and local tax revenue and **$29 million** in spending power that could be reinvested in the Wisconsin economy each year.[4] Specifically, the research found that:

If all Wisconsin high school graduates had access to in-state tuition, the state would see an additional...

3,395
students enrolled in higher education,
based on the enrollment rates of students from similar backgrounds

2,013
graduates
within six years, resulting in a total of
$38.8M
in annual income

$29.0M
in annual spending power
due to additional wages after graduation*

$9.8M
in federal income, state, and local taxes**

The results are clear.

The additional students who could potentially enroll in and complete college as a result of a change in Wisconsin's law would earn millions of dollars in additional income—translating into meaningful financial benefits for all of the state's residents.

* After graduation, these students would hold an additional $29 million in income that could be reinvested into the state and local economy through consumer spending.

** The higher wages of new graduates would allow them to spend more as consumers, benefitting the state in the form of sales, excise, and property tax revenues, among others. We estimate that the 2,013 students who would benefit from tuition equality and graduate within six years would pay as much as $5.5 million in additional federal income taxes as well as an additional $4.3 million in Wisconsin state and local taxes.

METHODOLOGY

Estimating the Number of Students Eligible for In-State Tuition and Tuition Opportunity Policies and Expected Graduation Rates

The number of people eligible for Wisconsin's potential tuition opportunity program was estimated assuming that the beneficiary population would be undocumented immigrants between the ages of 16 and 64. Estimates for this were generated using NAE's methodology used to identify undocumented individuals in U.S. Census microdata.

Identifying the Undocumented Population

Using data from the 5-year 2012-2016 American Community Survey, we apply the methodological approach outlined by Harvard University economist George Borjas to arrive at an estimate of the undocumented immigrant population in the overall United States and individual states.[5] The foreign-born population is adjusted for misreporting in two ways. Foreign-born individuals who reported naturalization are reclassified as non-naturalized if the individual had resided in the United States for less than six years (as of 2016) or, if married to a U.S. citizen, for less than three years. We use the following criteria to code foreign-born individuals as legal U.S. residents:

- Arrived in the U.S. before 1980
- Citizens and children less than 18 years old reporting that at least one U.S.-born parent
- Recipients of Social Security benefits, Supplemental Security Income, Medicaid, Medicare, military insurance, or public assistance
- Households with at least one citizen that received SNAP benefits
- People in the Armed Forces and veterans
- Refugees
- Working in occupations requiring a license
- Working in occupations that immigrants are likely to be on H-1B or other visas, including computer scientists, professors, engineers, and life scientists
- Government employees, and people working in the public administration sector
- Any of the above conditions applies to the householder's spouse
- The remainder of the foreign-born population that do not meet these criteria are reclassified as undocumented. For the purposes of this analysis, we limit the population of interest to those between the ages of 16 and 44 with a high school degree or its equivalent or some college experience, but lacking a bachelor's degree.

To estimate the share of this population that would enroll in higher education under this policy, we assume that easing the financial burden will result in the same college attendance rates for the non-citizen population.

To estimate the share of enrollees that would ultimately graduate, we apply statistics from the Chronicle of Higher Education regarding public 4-year colleges.[6] This estimate gives us the number of additional successfully graduating students within 4 years as well as within 6 years of their enrollment that would be attributable to the state's tuition opportunity program.

Given that current U.S. Census data does not include information on where an individual completed/attended high school or received their GED equivalency, we are unable to target that specific population. We are, however, confident that we have estimated the likely eligible population who would take up the opportunity to enroll and graduate from higher education based on their income and past educational experience.

Wage Premium

We use regression analysis to arrive at the total yearly gain in income resulting from obtaining a college degree. Our sample includes full-time employed non-citizen workers aged 25 and above. The model regresses the log of wages on education and controls for race, sex, age, marital status, and English language skills. The model allows for wage levels and returns to education to vary by citizenship status.
Our analysis of the wage premium that undocumented students gain from earning a college degree shows that each graduate in Wisconsin would earns $23,058 in additional annual earnings each year (in 2016 dollars) as a direct result of earning a bachelor's degree.

Each graduate in Wisconsin would earn **$23,058 in additional earnings** each year

Tax Estimates

Figures on the additional taxes that would be paid as a result of this policy were calculating using the increase in wages mentioned above multiplied by the per capita incidence of state and local taxes in Wisconsin as well the federal income tax rate. The state and local tax incidence rate used was taken from the Tax Foundation, one of the country's leading independent tax policy research organizations. This percentage represents the total amount of taxes paid to state and local governments divided by the total amount of income earned by all state residents. The state and local taxes included in the Tax Foundation's calculation include income, sales, excise, property, public utilities, motor vehicle, death, severance, and other licensing taxes.[7] The federal income tax rate was also taken from the Tax Foundation.[8]

ABOUT NAE

New American Economy (NAE) is a bipartisan research and advocacy organization fighting for smart federal, state, and local immigration policies that help grow our economy and create jobs for all Americans.

Visit www.NewAmericanEconomy.org to learn more.

ENDNOTES

1 Kaushal, N. (2008). In-State Tuition for the Undocumented: Education Effects on Mexican Young Adults. Journal of Policy Analysis and Management, Vol. 27, No. 4.

2 Flores, S. M. (2010). State Dream Acts: The Effect of In-State Resident Tuition Polices and Undocumented Latino Students. The Review of Higher Education, Vol. 33, No. 2.

3 Potochinick, S. (2010) How States Can Reduce the Dropout Rate for Undocumented Immigrant Youth: The Effects of In-State Resident Tuition Policies. Paper presented at the APPAM Conference.

4 "Spending Power" here refers to the additional spending and consumer activity that occurs due to people having more income to spend. This includes expenditures on everything from housing and transportation to consumer goods and services. As more spending and consumer activity is created, the cycle of earning and spending continues to ripple through the rest of the state's economy.

5 George J. Borjas, "The Labor Supply of Undocumented Immigrants," NBER Working Paper (National Bureau of Economic Research, Inc, 2016).

6 The Chronicle of Higher Education, "College Completion: Wisconsin" (2013 Rates). Available here: http://collegecompletion.chronicle.com/state/#state=wi&sector=public_four.

7 Tax Foundation, "Taxes in Wisconsin." Accessed on January 24, 2019. Available at: https://taxfoundation.org/state/wisconsin/

8 Scott Greenberg, (2017), "Summary of the Latest Federal Income Tax Data, 2016 Update." Tax Foundation, February 1, 2017. Available online: https://taxfoundation.org/summary-latest-federal-income-tax-data-2016-update/