New American Economy | State & Local

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An Economic Opportunity: Removing Barriers to Higher Education for Dreamers in Arkansas (Update)

This week, Governor Asa Hutchinson signed House Bill 1684 into law, granting DACA recipients access to in-state tuition at Arkansas public colleges and universities.

With the unemployment rate at a near record low of 3.8 percent, increasing the local talent pool by ensuring that Arkansas' DACA recipients can access higher education will help businesses address worker shortages across industries and maintain the state's competitive advantage.

Granting access to in-state tuition for DACA recipients is an important step toward meeting the state's workforce needs. Before the bill was signed into law, these students who have grown up in Arkansas and graduated from the state's high schools had to pay out-of-state tuition rates at public colleges and universities—which is, on average, nearly twice as expensive than the in-state rate—putting the cost of higher education out of reach for many of them. By signing HB 1684, Arkansas joins the nearly 20 states—including Texas, Oklahoma, Kansas, and Nebraska—that recognize the financial barrier out-of-state tuition imposes on Dreamers.

These policies are already making a difference, increasing college enrollment for disadvantaged students. Previous studies have found that Latino non-citizens living in states with in-state tuition policies are anywhere from **31[1] to 54[2] percent more likely to be enrolled in higher education** than their peers in states without these policies. Research shows that these policies also **reduce high school dropout rates among certain immigrant students by as much as 14 percent**.[3]

New American Economy's research finds that changing residency requirements to include DACA students in in-state tuition laws could lead to an additional **$1.2 million in federal, state, and local taxes annually** and **more than $3.9 million in spending power** held by these graduates that could be reinvested in the Arkansas economy each year.

Specifically, the research found that by expanding in-state tuition to DACA recipients, Arkansas could see an additional:

590
DACA students enrolled in higher education,
based on the enrollment rates of students from similar backgrounds

234
graduates
within six years, resulting in
$5.2M
in annual income

$3.9M
in annual spending power
due to additional wages after graduation*

$1.2M
in federal income, state, and local taxes**

* After graduation, these students would hold an additional $3.9 million in income that could be reinvested into the state and local economy through consumer spending on everything from housing and transportation to consumer goods.

** 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 234 DACA students who would benefit from in-state tuition and graduate within six years would pay as much as $731,000 in additional federal income taxes as well as an additional $491,000 in state and local taxes.

METHODOLOGY

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

To estimate the share of enrollees that would ultimately graduate, we apply statistics from the Chronicle of Higher Education regarding public 4-year colleges. [4] 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.

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.

Identifying the Undocumented Population

Using data from the ACS, 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 2017) 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 United States 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
- 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, but arrived before the age of 16, hold a high school degree or equivalent or are enrolled in a high school are reclassified as DACA students. 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.

The remainder of the foreign-born population that do not meet these criteria are reclassified as undocumented.

Then, as DACA recipients are legally allowed to work in certain occupations that undocumented immigrants cannot work in, we adjust our methodology to reflect such differences between undocumented immigrants and the DACA-eligible population.

Since DACA-eligible population is a subset of the total undocumented population, we apply the guidelines for DACA from United States Citizenship and Immigration Services (USCIS) to ACS microdata to restrict our data further. We determine an undocumented person to be DACA-eligible if the individual:

- Was born after the second quarter of 1981;
- Came to the United States before reaching his or her 16th birthday; and
- Has moved to the United States by 2007.

While USCIS guidelines for DACA application also include restrictions on those who have criminal records, it is not possible to determine such information from the U.S. Census. We believe then, that our final numbers of the DACA-eligible population are the most reliable estimates that one can extrapolate from the U.S Census microdata.

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 Arkansas would earns $26,853 in additional annual earnings each year (in 2016 dollars) as a direct result of earning a bachelor's degree.

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 Arkansas 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[6] The federal income tax rate was also taken from the Tax Foundation.[7]

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

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

6 Tax Foundation, "Taxes in Arkansas." Accessed on January 24, 2019. Available at: https://taxfoundation.org/state/arkansas/

7 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/