



## The New York State DREAM Act *A preliminary estimate of costs and benefits*

March 9, 2012

*With the federal DREAM Act stalled in Congress, many people have been talking about a New York State DREAM Act. The New York State DREAM Act would open the state's Tuition Assistance Program (TAP) to all students who meet the funding criteria, irrespective of their immigration status.*

- **Extending the Tuition Assistance Program (TAP) to include eligible undocumented students would increase TAP expenditures by roughly two percent.** TAP provided \$885 million in aid in the 2010-2011 school year. Estimates relating to undocumented immigrants are inherently inexact, but a preliminary Fiscal Policy Institute analysis concludes that extending aid to undocumented immigrant students would increase that figure by approximately \$17 million, or about two percent of the total.
- **Higher education provides a very strong return on investment.** There are strong fiscal and economic benefits to the state when the labor force is better educated. For a student earning a 4-year degree, New York State would be investing a total of \$20,000 (4 years of the maximum TAP aid of \$5,000 for 4-year colleges). The median earned income of a New York State worker with a bachelor's degree is \$25,000 *higher per year* than for a worker with just a high school degree. The additional taxes paid by bachelor's degree holders amount to about \$3,900 per year to state and local governments (excluding an additional amount to the federal government). A 2-year degree would entail an \$8,000 state investment in aid (2 years of the maximum TAP aid of \$4,000 at 2-year colleges). The median earned income of a 2-year college graduate is \$10,000 per year higher in New York State than for a high school graduate, while state and local taxes paid each year are about \$1,000 higher.<sup>1</sup>
- **The economic benefits of college are clear, though for undocumented immigrants they may be less.** It is difficult to predict what will happen with federal immigration policy, making it hard to know what conditions today's undocumented college students will face when they enter the labor market. The added earning power of a college degree is so strong, however, that a college degree is undoubtedly a boost to undocumented immigrants even in the absence of federal action.
- **Most children of undocumented immigrants are U.S. citizens, and students who are themselves undocumented are already eligible for in-state tuition.** The large majority of children of undocumented immigrants were born in the United States, and are thus U.S. citizens and already eligible for TAP. In addition, New York already is one of a dozen states that allow undocumented students who qualify to pay in-state tuition for public colleges.
- **"It's the economy."** Increasing the education level of workers also increases their productivity, and the more highly educated a state's labor force, the more attractive is that state as a place to locate businesses. There are currently an estimated 475,000 undocumented immigrants in the New York State labor force.<sup>2</sup> Having large numbers of undocumented workers should not be considered a permanent situation: federal reform is urgently needed to fix immigration policy. But gridlock at the federal level should not prevent New York State from investing in its own economy.

## **DREAM Act costs and benefits: Summary of the analysis**

This preliminary estimate is intended to give a general estimate of the costs and benefits of the New York State DREAM Act. Fiscal Policy Institute may update this analysis as further information becomes available. Given the high degree of uncertainty around numerous factors, the estimate here should be understood to be a rough approximation. This is not an unusual situation: While getting a reliable count for undocumented immigrants is particularly challenging, providing precise projections is, in fact, frequently difficult in state budgeting.

**Estimate of TAP costs.** Details about the way we estimated the cost of added TAP aid can be found in the table and notes below. We started with a national estimate of the number of undocumented students graduating from high school and used that to develop a similar number for New York State. This was in turn used to calculate an estimated number of undocumented students continuing to college, and the share at 4-year and 2-year institutions. We made the conservative assumption that all undocumented students would have very low family incomes and thereby qualify for maximum TAP aid. And we assumed that two thirds of undocumented students qualifying for TAP aid would actually apply for and receive it. The resulting estimate is based on the number of undocumented students currently in college; it is possible that the number would increase if TAP aid made college more affordable.

The above statewide analysis is broadly consistent with independent estimates of the number of undocumented immigrants in the City University of New York (CUNY) system. Based on internal data, the CUNY administration believes the number of undocumented students in its system to be roughly 4,000 to 4,500. The above estimate shows 5,500 undocumented students in college statewide. This is a reasonably close fit, since in addition to undocumented students at CUNY, some smaller number of undocumented students are likely attending State University of New York (SUNY) colleges, some are at private colleges, and a few are at proprietary schools.

**Added tax revenue estimate.** In New York State, combined state and local taxes amount to about 10 percent of income for all but the very wealthy (who pay a lower share of their income in state and local taxes after the federal offset).<sup>3</sup> To calculate the added tax revenues, we used the added *average* earnings rather than the added *median* earnings to calculate the additional taxes paid. It is, again, difficult to predict what the conditions will be facing undocumented college students when they graduate. However, even if today's conditions persist and they remain undocumented, it is important to note that most of the state and local taxes paid by residents are paid by all residents, irrespective of their legal status. For all but the highest-earning New Yorkers, the majority of taxes are sales, excise, and property taxes—which undocumented immigrants also pay.

Of the 12 percent of income paid in state and local taxes by the middle quintile of families, for example, property taxes represent 3.9 percent of income, and sales and excise taxes 4.7 percent. This middle quintile of families pays 3.4 percent their income in state income taxes; about half of undocumented immigrants are estimated to pay state income tax (using Individual Taxpayer Identification Numbers, or ITINs, in place of Social Security numbers).

**Appendix: Calculations**

	National estimate of number of undocumented immigrants graduating from high school (single year)	Number of undocumented high school graduates per year in New York State (single year)	Number that enter college (single year)	Total number in college (2-year and 70 percent in 4-year colleges combined)	Projected additional TAP costs, assuming 2/3 of those eligible actually receive TAP	All TAP aid in 2010-2011	Estimated DREAM Act added cost as a share of total TAP funds
Estimate	65,000	3,627	1,777	5,469	\$17,135,245	\$855,000,000	2%

National estimate of undocumented students graduating from high school was taken from Jeffrey Passel, “Further Demographic Information Relating to the DREAM Act,” memorandum from the Urban Institute to the National Immigration Law Center, 2003.

Estimate for the number of undocumented students graduating from high school in New York State was based on the assumption that New York's share of graduating undocumented students is the same as its share of undocumented immigrants overall, which was estimated at 5.6 percent in 2010, in Jeffrey Passel and D'Vera Cohn, "Unauthorized Immigrant Population: National and State Trends, 2010," (Washington, D.C.: Pew Hispanic Center, February 1, 2011).

Share of undocumented high school graduates who go to college, 49 percent, was based on analysis in Jeffrey Passel and D'Vera Cohn, "A Portrait of Unauthorized Immigrants in the United States," (Washington, D.C.: Pew Hispanic Center, April 14, 2009), page 12. That study found that of undocumented immigrants 18 to 24 years old and who graduated high school, 49 percent were either in college or had attended college—compared to 61 percent for undocumented immigrants who arrived prior to age 14, 76 percent for legal immigrants, and 71 percent for U.S.-born residents.

According to CUNY administration, an estimated 70 percent of undocumented students at CUNY were in 4-year colleges and 30 percent in 2-year colleges in the most recent semester. We assumed that the same held true statewide, and 70 percent of undocumented students currently in college are in 4-year colleges. To translate the number of students entering each year into the number of students currently in the system, we assumed that 2-year college students attended college for two years, and 4-year college students for four years. While some students do not finish or take longer to finish than expected, it is also the case that there is a maximum limit on TAP funding of eight semesters.

Projected TAP aid was based on the maximum TAP grant of \$4,000 at 2-year colleges and \$5,000 at 4-year colleges. We assume that two thirds of newly eligible students will actually apply for and receive aid.

*For more information, contact David Dyssegaard Kallick, director of the Fiscal Policy Institute's Immigration Research Initiative. He can be reached at [ddkallick@fiscalpolicy.org](mailto:ddkallick@fiscalpolicy.org) or 212-721-7164.*

*The Fiscal Policy Institute ([www.fiscalpolicy.org](http://www.fiscalpolicy.org)) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.*

<sup>1</sup> Fiscal Policy Analysis of 2008-2010 American Community Survey data.

<sup>2</sup> Jeffrey Passel and D'Vera Cohn, “U.S. Unauthorized Immigration Flows Down Since Mid-Decade,” (Washington, D.C.: Pew Hispanic Center, September 1, 2010), Table A2. Estimate is based on 2009 data.

<sup>3</sup> In New York, combined state and local taxes (before federal offsets) are between 9.4 percent and 12.7 percent of income for all families. See: “Who Pays: A Distributional Analysis of the Tax Systems in all 50 States,” (Washington, D.C.: Institute for Taxation and Economic Policy), November 2009, page 80.