



The New York State DREAM Legislation

A strong return on investment

February 27, 2013

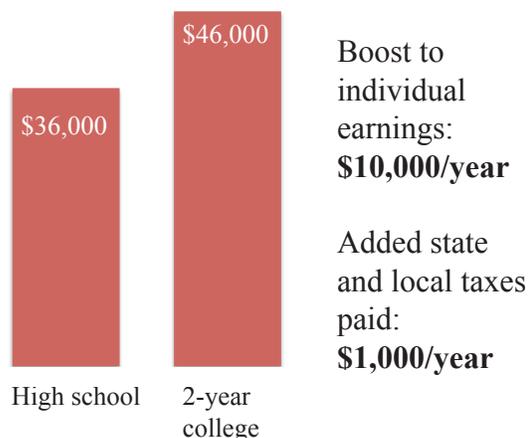
New York State DREAM Legislation proposes to open the Tuition Assistance Program (TAP) to all students who meet the funding criteria, irrespective of their immigration status. In 2012, the Fiscal Policy Institute provided a preliminary analysis of the costs and benefits. This brief looks in greater detail at the proposal's impacts on the New York State economy and fiscal situation.

The legislation would be fiscally and economically a sound investment for New York.

- The New York State DREAM Legislation would cost about \$17 million a year.** A Fiscal Policy Institute analysis concludes that extending aid to undocumented immigrant students would increase the annual cost of the state's Tuition Assistance Program by approximately \$17 million, which represents two percent of current expenditures for TAP.¹
- Higher education provides a very strong return on investment.** For a 4-year college student, the maximum cost of TAP is a one-time investment of \$20,000 (four years at \$5,000). Compared to a high school graduate, the college grad can then be expected typically to earn an additional \$25,000/year in New York State, spending money in the local economy, and paying about \$3,900 more per year in state and local taxes. For a 2-year graduate, the cost of TAP is a one-time \$8,000 investment (2 years at \$4,000), the boost in median earnings is \$10,000/year, and the added state and local taxes are about \$1,000/year. The economic benefits of an education are clear, even if for undocumented immigrants they may be less than these overall levels.²

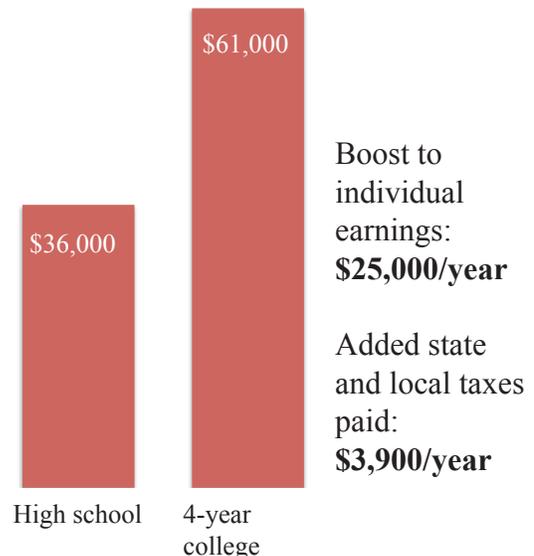
2-year college

\$8,000 in TAP funds
(2 years x \$4,000)



4-year college

\$20,000 in TAP funds
(4 years x \$5,000)



- **These college graduates will work in the New York economy.** Comprehensive immigration reform also seems like a real possibility this year, but even without it Deferred Action for Childhood Arrivals—the policy instituted in 2012 by the Obama Administration—means that many formerly undocumented immigrants of college age will be eligible to live and work in the United States for renewable 2-year periods. In addition, some number may also have other pathways to a lawful immigration status. With or without work authorization, however, it is also clear that undocumented immigrants work: the labor force participation rate for undocumented immigrants is as high as it is for U.S.-born citizens; there are currently about 450,000 undocumented immigrants working in New York State. Undocumented immigrants are likely to be working one way or the other; the question is whether they will go on the job market with a college degree.³
- **Future costs to the state budget should not be higher than \$17 million, and may well be lower.** The number of undocumented immigrants in the United States, including the number of undocumented children, reached a peak around 2007 and has declined since then. It is possible that access to TAP funds would increase the percentage of undocumented students in college. At the same time, with few new arrivals and far fewer undocumented children in the younger age brackets than at high school or college age, the number of young people eligible for tuition aid because of the New York State DREAM legislation is not expected to substantially increase.⁴
- **Even under current budget constraints, this expense is manageable.** If the \$17 million annual cost for the New York State DREAM legislation were financed through the state income tax, it would represent 87¢ *per year*—less than the price of a single donut—of what is owed by a typical (median) taxpayer with an adjusted gross income of \$45,000-\$50,000. It would represent a cost of \$4.92 for a taxpayer with an adjusted gross income of \$150,000-\$200,000, and 26¢ for those at the \$20,000-\$25,000 level.

If the DREAM Act were financed through the state income tax it would cost a typical taxpayer 87¢—less than the price of a donut

Taxpayer's Adjusted Gross Income	Average annual tax	Approximate percentile
\$20,000 - \$24,999	26¢	20th
\$35,000 - \$39,999	61¢	40th
\$45,000 - \$49,999	87¢	median taxpayer
\$55,000 - \$59,999	\$1.14	60th
\$75,000 - \$99,999	\$1.95	80th
\$150,000 - \$199,999	\$4.92	95th



Source: Fiscal Policy Institute calculation.⁵

- **“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. At a time when immigration reform is finally moving at the federal level, this legislation would send a message that a pragmatic solution to our immigration problems can be good for the economy and fiscally responsible.

Notes and sources

1. The Fiscal Policy calculations estimating the cost to the state are found in “The New York State DREAM Act: A Preliminary estimate of costs and benefits,” (New York: Fiscal Policy Institute), March 9, 2012. Two other estimates were cited in a recent Associated Press news story (“Dream Act would provide aid to illegal Immigrants,” Utica Observer Dispatch, January 21, 2013). Senator Jeffrey Klein’s “proposal would provide \$19.5 million a year for the state financial aid,” and “Senate Republicans a year ago estimated the cost at as much as \$30 million.” This range represents an expansion of TAP by two to three percent.
2. Fiscal Policy Institute, March 9, 2012. For tax revenues: It is difficult to predict what the conditions will be facing undocumented college students when they graduate. People granted deferred action can pay taxes using their own Social Security number. Even if others 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).
3. Estimate of undocumented labor force participation rate from an unpublished analysis by Jeffrey Passel, senior demographer, Pew Hispanic Center. Estimate of undocumented immigrants in the New York State labor force from Jeffrey Passel and D’Vera Cohn, “Unauthorized Immigrant Population: National and State Trends, 2010,” (Washington, D.C.: Pew Hispanic Center, February 1, 2011), Table A4.
4. Overall undocumented population has declined since 2007: Jeffrey Passel and D’Vera Cohn, “Unauthorized Immigrants: 11.1 Million in 2011,” (Washington, D.C.: Pew Hispanic Center), December 6, 2012. Fewer undocumented children in younger age brackets: Passel and Cohn, “A Portrait of Unauthorized Immigrants in the United States,” (Washington, D.C.: Pew Hispanic Center), April 14, 2009, figure 7.
5. Fiscal Policy Institute analysis for this paper, using 2009 tax data, the most recent available. Figures for full-time New York State residents with a tax liability. Percentile cutoffs are within the income range given.

The Fiscal Policy Institute (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. FPI’s Immigration Research Initiative looks at immigration issues in New York State, and around the country.

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