

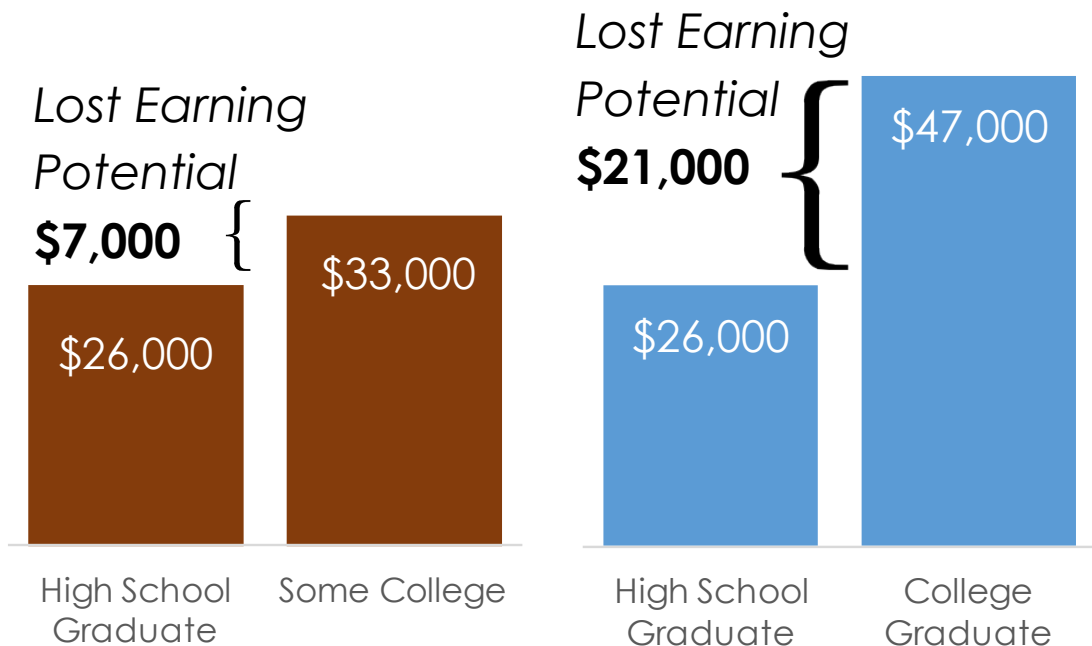


Keeping DREAMers Out of College *Missouri Makes a Costly Mistake*

April 19, 2016

Language in Missouri’s appropriations bill for higher education contains instructions for a tuition policy that would result in significantly higher tuition rates at Missouri state colleges and universities for a small group of immigrant students by charging them as foreign students rather than state residents. The students are those who came to this country without legal authorization and have been granted relief under the Deferred Action for Childhood Arrivals (DACA) program. Most attended Missouri elementary, middle, and/or high schools. What are the economic and fiscal consequences of making it harder for these “DREAMers” to attend college?

- **Higher education provides a very strong return on investment.** Students who graduate from college are better prepared to contribute to the Missouri economy. Foreign-born workers in Missouri with some college or a 2-year degree have median earnings that are \$7,000 more than those with a high school degree. Those with a bachelor’s degree earn \$21,000 per year more. The higher earnings are good for workers, but they also reflect the higher value of educated employees to businesses, helping them to boost their bottom line and add to the state’s economic output.¹



- **Students who have been granted Deferred Action for Childhood Arrivals (DACA) are generally authorized to work.** These are young people who came as children to the United States. Most graduated from Missouri high schools, and under DACA they can apply for federal authorization to work. Unlike foreign students, these are young people who grew up in Missouri and are likely to live and work in Missouri. The state has a strong interest in making it possible for them to complete their degrees so that they may reach their full potential for contribution to the Missouri economy.
- **The loss of earning potential translates into an annual loss of Missouri state and local tax revenues of \$630 per graduate of a 2-year college and \$1,890 for a 4-year college.** Immigrants who have been granted deferred action under DACA can obtain a Social Security number, and have very strong incentives to make sure that they are in full compliance with all tax laws. The combined state and local tax rate is between 8.7 and 9.5 percent for Missouri families with an income between \$18,000 and \$85,000 a year.²
- **Missouri's state and local tax revenues will be about \$800,000 lower per year, and more for each year that this policy is continued.** A common rough estimate of the number of DACA students in college in Missouri today is 250 in 4-year colleges and 500 in 2-year colleges. If that is about right, it represents a tax loss of roughly \$800,000 per year in state and local taxes. That represents just the loss of earning potential to those students currently in college; for each year that the policy is continued there is a cumulative loss for future students who may not attain a higher degree.
- **Undocumented immigrants pay \$48 million in Missouri state and local taxes.**³ The parents of these students, though generally undocumented, pay more taxes than is generally appreciated, so unlike foreign students, their families are already contributing to the financing of Missouri public colleges and universities. All residents, including undocumented immigrants, pay sales tax. Property tax is paid directly by people who own homes, and renters cover at least a part of the property tax with their rent. And about half of undocumented currently file income tax returns using Individual Taxpayer Identification Numbers. The Institute on Taxation and Economic Policy estimates that when all state and local taxes are added together, undocumented immigrants in Missouri pay \$48 million per year.

Annual Lost Missouri State and Local Tax Revenue When Students Don't Attend College

\$1,890 per BA degree

\$630 per 2-year degree

Potential Total Loss of State and Local Tax Revenues:

\$800,000 per year, with the cumulative costs growing higher for each year students are discouraged from attending college

- **“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. Signaling to businesses around the state and around the country that Missouri does not support its immigrant students in reaching their full potential is not good for business. As the marketing chair for the Greater Phoenix Economic Development Council said in the aftermath of Arizona’s passage of a “show me your papers” law in 2010, “Six million media hits, almost all of them negative—What does that do to your brand as a welcoming, diverse state?”⁴ As the *New York Times* wrote of bill proposing to extend tuition aid to undocumented immigrants in New York State: “Students with college degrees make a state more attractive to businesses, earn more and pay more in taxes. Giving a boost to the dreams of undocumented young people is not only the decent thing to do, it’s also a wise investment.”⁵

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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.

¹ Fiscal Policy Institute and Economic Policy Institute analysis of 2011 American Community Survey 3-year data.

² See “[Who Pays? A 50-State Report by the Institute on Taxation and Economic Policy.](#)”

³ “[Undocumented Immigrants’ State & Local Tax Contributions.](#)” Institute on Taxation and Economic Policy, February 24, 2016

⁴ David Dyssegaard Kallick, “[AZ Business Leaders: An Anti-Immigrant Reputation Hurts Our Economy.](#)” *Huffington Post*, April 16, 2014.

⁵ “Editorial: [Dream Act for New York.](#)” *New York Times*, March 12, 2012.