

Estimating the Impact of the DREAM Act

By Steven A. Camarota

This *Memorandum* examines the costs and likely impact of the DREAM Act currently being considered by Congress. The act offers permanent legal status to illegal immigrants up to age 35 who arrived in the United States before age 16 provided they complete two years of college. Under the act, beneficiaries would receive in-state tuition. Given the low income of illegal immigrants, most can be expected to attend state schools, with a cost to taxpayers in the billions of dollars. As both funds and slots are limited at state universities and community colleges, the act may reduce the educational opportunities available to U.S. citizens.

Among the findings:

- Assuming no fraud, we conservatively estimate that 1.03 million illegal immigrants will eventually enroll in public institutions (state universities or community colleges) as a result of the DREAM Act. That is, they meet the residence and age requirements of the act, have graduated high school, or will do so, and will come forward.
- On average, each illegal immigrant who attends a public institution will receive a tuition subsidy from taxpayers of nearly \$6,000 for each year he or she attends, for total cost of \$6.2 billion a year, not including other forms of financial assistance they may also receive.
- The above estimate is for the number who will enroll in public institutions. A large share of those who attend college may not complete the two full years necessary to receive permanent residence.
- The cost estimate assumes that the overwhelming majority will enroll in community colleges, which are much cheaper for students and taxpayers than state universities.
- The estimate is only for new students not yet enrolled. It does not include illegal immigrants currently enrolled at public institutions or those who have already completed two years of college. Moreover, it does not include the modest number of illegal immigrants who are expected to attend private institutions.
- The DREAM Act does not provide funding to states and counties to cover the costs it imposes. Since enrollment and funding are limited at public institutions, the act's passage will require some combination of tuition increases, tax increases to expand enrollment, or a reduction in spaces available for American citizens at these schools.
- Tuition hikes will be particularly difficult for students, as many Americans already find it difficult to pay for college. Research indicates that one out of three college students drops out before receiving a degree. Costs are a major reason for the high dropout rate.
- In 2009 there were 10.2 million U.S. citizens under age 35 who had dropped out of college without receiving a degree. There were an additional 15.2 million citizens under age 35 who had completed high school, but never attended college.

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- Lawmakers need to consider the strains the DREAM Act will create and the impact of adding roughly one million students to state universities and community colleges on the educational opportunities available to American citizens.
- Providing state schools with added financial support to offset the costs of the DREAM Act would avoid the fiscal costs at the state and local level, but it would shift the costs to federal taxpayers.
- Advocates of the DREAM Act argue that it will significantly increase tax revenue, because with a college education, recipients will earn more and pay more in taxes over their lifetime. However, several factors need to be considered when evaluating this argument:
 - Any hoped-for tax benefit is in the long-term, and will not help public institutions deal with the large influx of new students the act creates in the short-term.
 - Given limited spaces at public institutions, there will almost certainly be some crowding out of U.S. citizens — reducing their lifetime earnings and tax payments.
 - The DREAM Act only requires two years of college; no degree is necessary. The income gains for having some college, but no degree, are modest.
 - Because college dropout rates are high, many illegal immigrants who enroll at public institutions will not complete the two years the act requires, so taxpayers will bear the expense without a long-term benefit.

Data and Methods

When estimating the immediate costs of the DREAM Act, there are two key methodological issues that have to be resolved. First, how many illegal immigrants are potentially eligible. Second, how many would come forward and enroll in college, particularly at state schools? The size of the illegal immigrant population, the share who would come forward for amnesty, and the potential for fraudulent applications all make for a degree of uncertainty when estimating the number of beneficiaries and the costs associated with the DREAM Act.

Number of Potential Beneficiaries. Based on an analysis of the 2006 to 2008 public-use files of the Current Population Survey (CPS), the Migration Policy Institute (MPI), working with Jeffrey S. Passel of the Pew Hispanic Center, has estimated a total of 2.15 million persons who might qualify for the DREAM Act.¹ Our analysis of the 2009 and 2010 CPS indicates that the number of potentially eligible illegal immigrants has declined by 7 percent, for a total of 1.998 million illegal immigrants who meet the age and residency requirements.² For the most part, in the estimates below we rely on MPI's population share, but put in our slightly updated numbers for 2009 and 2010.

We think MPI's estimate is correct that, of those who meet the age and residency requirement, 43 percent (859,000) are under age 18 and 57 percent (1.139 million) are adults. Of the 1.139 million adults who could potentially benefit from the DREAM act, 5 percent (100,000) have already completed two years of college. Of the remaining 1.039 million adults, we estimate that 51 percent (530,000) have graduated high school.³ MPI estimates that 56 percent of these adults have completed high school. This difference slightly reduces our estimate for the number of potential beneficiaries of the DREAM Act compared to MPI's estimate.

In addition to the 530,000 adult high school graduates who could benefit from the act, we estimate there are 509,000 adults who have not graduated high school, but meet the act's age and residency requirements. MPI's work is not entirely clear on what share of these high school dropouts expect to eventually receive GEDs, but what is provided in their report suggests that 13 percent of these individuals will eventually get a GED.⁴ This is a reasonable estimate and, if correct, it would mean that 66,000 adult drop-outs will eventually complete high school and could enroll in college. MPI also estimates that 85 percent (730,000) of the children (currently under age 18) who meet the residency and age requirements of the DREAM Act will

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eventually graduate high school. Since we are interested in the added future costs of the act, we need to subtract from the above estimates the 60,000 illegal immigrants already enrolled in college at state expense.⁵ Thus, the total potential population of those who might enroll in college, but who are not enrolled and have not completed two years of college is 1.266 million (530,000 + 66,000 + 730,000 – 60,000). Again these figures do not include the roughly 100,000 illegal immigrants who have already completed two or more years of college and meet the act’s age and residency requirements.

Number Who Will Enroll in College. There is no way to know for certain what fraction of illegal immigrants who meet or will meet the DREAM Act’s age and residency will come forward and enroll in college. In the 1986 IRCA amnesty only a small share of potential amnesty beneficiaries did not come forward. Given that the illegal immigrants who can benefit from the DREAM Act have grown up in the United States in most cases, and the act allows six years to complete its requirements, we think it likely that 95 percent (1.203 million) of the 1.266 million illegal immigrants who could qualify will eventually come forward to register for provisional legal status under the DREAM Act. Of the 1.203 million high school graduates who will come forward, we assume 50,000 will enroll in the military, which leaves 1.154 million potential new college students.

Our estimate for the military is consistent with MPI’s estimate. We estimate that 90 percent (1.038 million) of the 1.154 million high school graduates will enroll in public institutions (state universities and community colleges). The remaining 10 percent will enroll in private universities. Of those that enroll in public institutions, we assume that 80 percent will attend community colleges and 20 percent will enroll in state universities.⁶

Impact on Taxpayers. To estimate the cost to taxpayers of 1.038 million new students at public institutions of higher learning, we use the 10 states with the largest illegal immigrant populations as reported by the Department of Homeland Security.⁷ Table 1 shows the average difference between in-state and out-of-state tuition at state universities and community colleges for one year of full-time tuition in the top states of illegal immigrant settlement. It is true that all students who attend college, even those that pay out-of-state tuition, receive indirect subsidies from taxpayers, but for the purposes of this analysis we ignore these added costs. If these costs were added into the estimate it would increase the fiscal burden created by the DREAM Act. To estimate the average costs illegal immigrants will create at community colleges we use the county or counties where illegal immigrants are concentrated in these 10 states.⁸

Table 1. Estimated Tuition Subsidy Illegal Immigrants Will Receive Under the Dream Act

State	State Universities Diff. Between In- and Out-of-State, 2009 ¹	Community Colleges Diff. Between In- and Out-of-State, 2009 ¹	Share of Nation’s Illegal Immigrant Population ²	Taxpayer Tuition Subsidy ³
California	\$17,159	\$4,176	24 %	\$6,773
Texas	\$10,465	\$1,596	16 %	\$3,370
Florida	\$20,140	\$3,508	7 %	\$6,834
New York	\$8,410	\$3,080	5 %	\$4,146
Illinois	\$14,142	\$3,528	5 %	\$5,651
Georgia	\$18,210	\$5,472	4 %	\$8,020
Arizona	\$16,358	\$5,784	4 %	\$7,899
North Carolina	\$14,730	\$4,608	3 %	\$6,632
New Jersey	\$11,756	\$3,408	3 %	\$5,078
Nevada	\$13,290	\$5,864	2 %	\$7,349
All Others	\$14,466	\$4,102	25 %	\$6,175
Cost per Student				\$5,970

¹ See text for more detail.

² Department of Homeland Security 2009 estimate.

³ Assuming weighted average (80 % - 20 %) between community college and state university.

Given the state distribution of illegal immigrants, and assuming an 80 percent/20 percent split between community colleges and state universities, the average per-year cost for the enrolled illegal immigrants students would be \$5,970. This individual cost combined with our estimate of 1.038 million new students enrolled at public institutions of higher learning would create a total cost of \$6.2 billion a year for each year these students are enrolled, assuming the current fee structure. In light of the age and educational distribution of those eligible for the DREAM Act discussed earlier, about half a million new students can be expected to enroll in public institutions soon after the act is passed, with the remaining half million coming enrolling over the next decade and half.

Our estimate can be seen as conservative because it only includes taxpayer-provided tuition subsidies to in-state students, not the costs of providing student loans, work study, or any other taxpayer-provided assistance that college students often receive. There is confusion over what financial aid DREAM Act beneficiaries will be eligible to receive. Both the current House and Senate versions of the bill allow recipients to get student loans, which are directly subsidized by taxpayers. In the Senate version of the bill, illegal immigrants cannot receive PELL grants, while the House version of the act, as currently written, would seem to allow some illegal immigrants to receive PELL grants. It should also be remembered that a significant share of these new students will likely drop out. The academic preparation of many of these students is limited as are their financial resources. These factors will work against high rates of completing two years of college.

Impact on American Students. Much of the discussion of the DREAM Act has focused on the potential benefit it will create for those that receive the amnesty. Almost no attention has been paid to the impact on American citizens. The DREAM Act does not provide funding to states and counties to cover the costs it imposes. The \$6.2 billion estimated cost reported above will have to be absorbed by state and local governments already struggling to close massive budget shortfalls. Public institutions of higher education, especially community colleges, have been hard hit by the drop in tax revenue caused by the current recession. Many are struggling to meet the current demand for enrollment.⁹ Since enrollment and funding are limited at public institutions, the act's passage will require some combination of tuition increases, tax increases to expand enrollment, or a reduction in spaces available for American citizens at these schools.

Tuition hikes will be particularly hard on students, as many Americans already find it difficult to pay for college. Some research indicates that one in three American college students drops out before receiving a degree. Costs are a major reason for the high dropout rate.¹⁰ In 2009, there were 10.2 million U.S. citizens under age 35 who had dropped out of college without receiving a degree. More than one in three of these college dropouts live in or near poverty. There were another 15.2 million citizens under age 35 who had completed high school, but never attended college. Nearly half of these younger citizens with no college experience live in or near poverty.¹¹

There is clearly a huge population of citizens who can or do attend college. Lawmakers need to consider the strains the DREAM Act will create and the impact of adding one million students to state universities and community colleges on the educational opportunities available to American Citizens.

Conclusion

Supporters of the DREAM Act have emphasized the often-compelling stories of illegal immigrants brought to the United States as children. But there has been almost no discussion of the likely impact the act would have on public institutions of higher learning and the American citizens and legal immigrants who wish to attend these same institutions. Given the income of most illegal immigrant families, the overwhelming majority can be expected to attend community colleges and state universities, which are much cheaper than private institutions.

Enrollment and funding at American's public institutions of higher learning are limited. As a result, passage of the DREAM Act will likely have significant negative implications for American citizens who wish to attend these same schools. Many of these institutions are already under enormous fiscal strain, as state and local governments struggle to close large budgetary shortfalls. The DREAM Act does not provide funding to states and counties to cover the costs it imposes. To deal with the added enrollment the act will create, public institutions will have to increase tuition, increase taxes, or reduce the number of spaces available for American citizens at these schools. Many Americans already find it difficult to pay for college. Research indicates that at least one in three American college students drops out before receiving a degree.

Advocates of the DREAM act argue that it will significantly increase tax revenue because the DREAM Act recipients will earn much more money over the

course of their lifetimes. It is certainly true that college graduates earn dramatically more than those with only a high school diploma. But even if the lifetime income and tax payments of DREAM Act recipients is enhanced in the manner supporters hope, those benefits are all in the long-term and provide no assistance to public institution dealing with the influx the act creates in the short-term.

In addition, the difference in earnings between high school graduates and those with some college but no degree is not so great. The DREAM Act requires only that two years of college be completed; no degree, not even an associate's, is necessary to gain permanent legal status. In 2009, foreign-born Hispanic high school graduates earned 77 percent as much as someone who had attended college, but not received a degree.¹² Perhaps most importantly, any argument that the act will increase tax revenue in the long-run has to address the fact that adding this many new students to public institutions of higher learning will have some negative impact on the college enrollment of U.S. citizens

given the limited funds and spaces available at public institutions. Thus, passage of the DREAM act is likely to reduce the lifetime earnings of U.S. citizens who might have attended or otherwise completed college, but who are crowded or priced out of such opportunities by the DREAM Act.

We know that the college drop-out rate is very high. There are more than 10 million U.S. citizen college drop-outs under age 35 in the United States. One way to deal with the burden the DREAM Act creates is for it to include funding that would offset the costs the act creates for state and local governments. In its current form, the act provides no such funding. We have estimated that, given the number of eligible recipients and their distribution across states, the likely costs to tax payers would be \$6.2 billion a year. This estimate provides a good starting point for the size of the funding Washington would need to provide public institutions of higher learning to avoid reducing educational opportunities for U.S. citizens and legal immigrants.

End Notes

¹ See "DREAM vs. Reality: An Analysis of Potential DREAM Act Beneficiaries," Migration Policy Institute, at <http://www.migrationpolicy.org/pubs/DREAM-Insight-July2010.pdf>.

² Our analysis is based on the 2009 and 2010 Current Population Surveys, which are the same surveys the Pew Hispanic Center used to estimate the illegal immigrant population. The Department of Homeland Security estimates a 9 percent decline in the illegal immigrant population between 2007 and 2010. Our estimate is similar to these declines for the overall numbers, but among those who arrived at younger ages and have been here longer the decline is somewhat less pronounced. Our 2009 estimate of the illegal population can be found at <http://www.cis.org/illegalimmigration-shiftingtide>. The Department of Homeland Security estimates of the illegal immigrant population can be found at http://www.dhs.gov/xlibrary/assets/statistics/publications/ois_ill_pe_2009.pdf.

³ We base our estimate on analysis of the 2009 and 2010 March Current Population Surveys.

⁴ See page 17 of "DREAM vs. Reality: An Analysis of Potential DREAM Act Beneficiaries," Migration Policy Institute, at <http://www.migrationpolicy.org/pubs/DREAM-Insight-July2010.pdf>.

⁵ Based partly on reported numbers from the states that provide in-state tuition, the Federation for American Immigration Reform has estimated 60,000 illegal immigrant students enrolled in public institutions of higher learning. See page 52 of "The Fiscal Burden of Illegal Immigration on United States Taxpayers," at http://www.fairus.org/site/DocServer/USCost-Study_2010.pdf?docID=4921.

⁶ In their estimates, MPI states that "community college systems would be the primary venues through which beneficiaries work to meet the law's requirements," page 11 of "DREAM vs. Reality: An Analysis of Potential DREAM Act Beneficiaries." We think this correct. Our own research from 2007 estimated that 59 percent of illegal immigrants lived in or near poverty (under 200 percent of the poverty threshold). In their estimates, MPI emphasizes the low income of most illegal immigrants. As a result, our estimate that 80 percent will attempt to meet the act's requirements by using community colleges is reasonable. However, if a larger share enroll in state universities then the cost to taxpayers would increase proportionally, as tuition subsidies are much more extensive at these schools.

⁷ DHS estimates of the illegal population can be found on page 4 of *Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2009*, at http://www.dhs.gov/xlibrary/assets/statistics/publications/ois_ill_pe_2009.pdf.

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⁸ For university costs we use the flagship school in each state university system, with the exception of California where we average costs for UC Berkeley and UCLA. California has a more centralized fee structure for community colleges than most states and so we use the overall state average for the difference between in- and out-of-state. For Arizona, we use the costs at Maricopa County Community College; for Nevada we use Clark County Community College; for Illinois we use Cook County; for Florida we use Miami-Dade County; and for New Jersey we use Bergen County. For Texas, we average the costs for Harris and Dallas Counties; for Georgia we average the costs for Fulton and DeKalb Counties; and for North Carolina we average the costs of Mecklenburg and Wake counties. For New York State we assume the following breakdown: 20 percent would attend state universities, 40 percent would attend New York City College, and 40 percent would attend community college. For New York community colleges we averaged the in- and out-of-state cost difference for Queens and Brooklyn.

⁹ See, for example, “Workers seek new skills at community colleges, but classes are full,” by Peter Whoriskey, *The Washington Post*, November 27, 2010, and “Community Colleges Cutting Back on Open Access” by Tamar Lewin, June 23, 2010.

¹⁰ Based on an analysis of the U.S. Department of Education’s Integrated Postsecondary Education Data System (IPEDS), a widely cited recent report from the American Institute for Research estimated that 30 percent of full-time and 50 percent of part-time college students drop out after the first year. See page 16 of “Finishing the First Lap: The Cost of First-Year Student Attrition in America’s Four-Year Colleges and Universities,” at http://www.air.org/files/AIR_Schneider_Finishing_the_First_Lap_Oct10.pdf. While there is some debate about the many reasons for the high drop-out rate, most researchers agree that the cost of college is one of the leading reasons. A report from Public Agenda found that more than half of those who left college stated as a reason the “need to work and make money.” See “With Their Whole Lives Ahead of Them,” at www.publicagenda.org/files/pdf/theirwholelivesaheadofthem.pdf.

¹¹ Based on a Center for Immigration Studies analysis of the public-use file of the 2009 American Community Survey.

¹² Based on a Center for Immigration Studies analysis of the public-use file of the 2010 Current Population Survey. The figures are for foreign-born Hispanics ages 25 to 65. We use this population as a point of comparison because 80 percent of those expected to benefit from the act are Hispanic.