

## **The Economic Benefits of the DREAM Act and the Student Adjustment Act**

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### ■ Introduction

The DREAM Act (Student Adjustment Act in the House) is bipartisan legislation pending in Congress to clear up the immigration status of and address federal barriers to education and work confronted by the U.S.-raised children of undocumented immigrants.

Under current law, about 65,000 students graduate from American high schools each year who have been in the United States more than 5 years but who face limited prospects for completing their education or working legally in the U.S. because they were originally brought here by parents lacking immigration status. Among those prevented from working legally or completing their education are valedictorians, honors students, award winners, homecoming queens, class presidents, and other student leaders.

These young people deserve a fresh start, both in fairness to them and in our own self-interest. The pending legislation would address the issue in two ways:

- by providing a mechanism for certain long-term resident immigrant students with good moral character to apply for legal residency so that they can work and otherwise fully participate in their communities; and
- by deleting a federal provision that interferes with a state's right to determine whether these students qualify as "residents" for purposes of in-state tuition or other state education benefits.

### ■ Impact on the Economy

#### **REDUCED DROPOUT RATES**

The DREAM Act would reduce the dropout rate of immigrant students. Foreign-born students represent a significant and growing percentage of the current student population. The proportion of foreign-born students in grades 6-12 increased from 1.7 to 5.7 percent from 1970 to 1995.

The children of undocumented immigrants are far more likely to drop out of high school than are students who were born in the U.S. Immigration status and the associated barriers to higher education contribute to this high dropout rate, which costs taxpayers and the economy billions of dollars each year. The DREAM Act would eliminate these barriers for thousands of students.

Beyond eliminating barriers, the DREAM Act's high school graduation requirement would provide a powerful incentive for students who have not yet achieved legal residency to remain in school until graduation. The impact of such a requirement for legal residency is impossible to quantify, but would likely be huge.



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### **INCREASED INCOME AND POSITIVE FISCAL IMPACT**

Because the DREAM Act would lead more immigrants to graduate from high school and college, it would also increase tax revenues and reduce government expenses. This positive fiscal impact is likely to be quite large. For example, based on estimates in a 1999 RAND study, an average 30-year-old Mexican immigrant woman who has graduated from college will pay \$5,300 more in taxes and cost \$3,900 less in criminal justice and welfare expenses each year than if she had dropped out of high school. This amounts to a total annual increased fiscal contribution of more than \$9,000 per person.

The increased fiscal contribution would repay the required educational investment within a few years and thereafter would provide a profit to taxpayers for several decades.

Some of those helped by the DREAM Act would be encouraged to graduate from high school but would not go on to college. These, too, would greatly increase their fiscal contribution in the years and decades to come. Almost half, or about \$4,200, of the annual increased contribution of the average 30-year-old Mexican immigrant woman discussed above is due to high school graduation. The rest is attributable to the effects of college attendance and graduation.

Beyond fiscal impact, the DREAM Act would benefit the economy by significantly increasing the income of affected immigrants, thereby stimulating spending and investment. Again using numbers from the RAND study cited above, the average Mexican immigrant woman who graduates from college as a result of the DREAM Act instead of dropping out would likely increase her pretax income at age 30 by more than \$13,500 per year.

All of these calculations are based solely on the educational advancements that the DREAM Act would make possible. The income and fiscal contribution of DREAM Act students would increase an additional amount due to their newly legalized immigration status and consequent ability to work legally. Studies of the 1986 Reagan-era legalization program showed a dramatic improvement in income for the newly legalized population. The cumulative impact of the DREAM Act on the economy could amount to hundreds of billions of dollars.

### **A LEGAL WORKFORCE**

The impact of the DREAM Act would not be limited to increased earnings, tax revenues, and social services savings. Freeing thousands of young immigrants to join the legal workforce would also help business and the economy fill crucial needs.

Under current law, most children of undocumented immigrants who were brought to the U.S. by their parents are unable to complete their education and are forced to work illegally in the cash economy. Many settle for work as domestic servants, day laborers, ambulatory sellers, and sweatshop factory workers.

The DREAM Act would make tens of thousands of these young people eligible for work authorization and Social Security numbers, allowing them to participate above-board in the regular workforce. Once legalized, DREAM Act beneficiaries would be in a position to help fill some chronic long-term labor needs that economists predict will threaten our economy if not addressed in coming decades, including those for teachers, nurses, and service employees.

### **REWARD CHARACTER**

Finally, the DREAM Act is good for the economy because it rewards character. These young people had no say in the decision that resulted in their coming to the U.S., and it is inefficient as well as wrong for the government to keep them from the achievements that they can earn by their own talent and hard work in the land where they were raised.