

## Removing Barriers: Expanding In-State Tuition for Dreamers in South Carolina

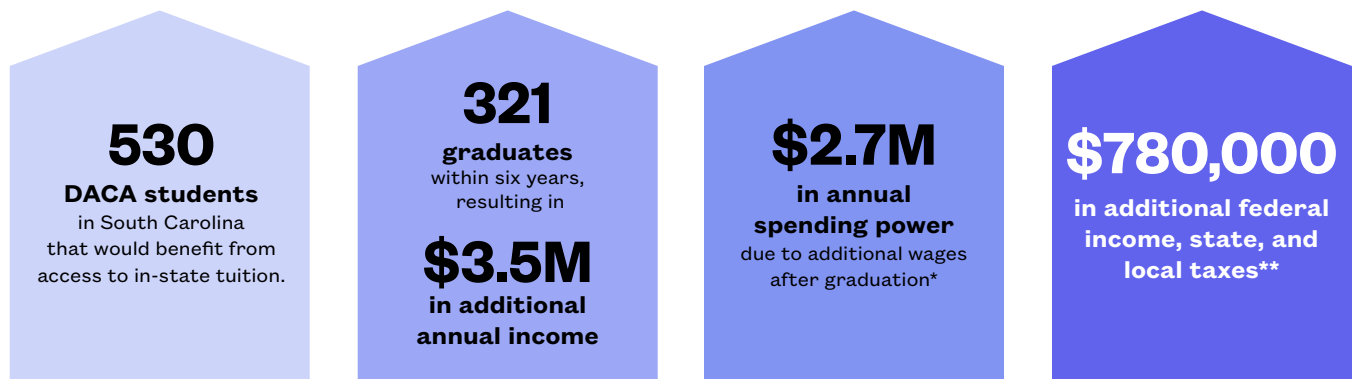
**E**mployers and communities across South Carolina are facing critical worker shortages with no end in sight. In fact, the state’s unemployment rate of 3.2 percent ranks below the national average. It is imperative that state policies leverage local talent toward a robust workforce by ensuring that every graduate of South Carolina’s high schools can access higher education, regardless of where they were born.

**Granting access to in-state tuition for Deferred Action for Childhood Arrivals (DACA) recipients is an important step toward meeting this need and would greatly benefit the state’s economy.** These students, South Carolinians who have grown up in and graduated from the state’s high schools, are currently ineligible to pay the in-state tuition rate at South Carolina’s public colleges and universities. That rate is, on average, two to four times less expensive than the out-of-state rate—putting the cost of higher education out of reach for many of them.

By passing House Bill 3404 and Senate Bill 431, the College Workforce Development Act, South Carolina would join the nearly 20 states—including Florida, Oklahoma, Kansas, Nebraska, and Texas—that recognize the financial barrier out-of-state tuition imposes on undocumented students. These policies are a logical next step for many states, whose taxpayers have already invested in a public school education for DACA recipients at the elementary and high school levels.

In other states, there is clear evidence that these policies are already achieving their goal of increasing college enrollment for disadvantaged students and bolstering the state’s workforce. Previous studies have found that Latino non-citizens living in states with in-state tuition policies are anywhere from **31<sup>1</sup> to 54 percent<sup>2</sup> more likely to be enrolled in higher education** than their peers in states without these policies. Research shows that these policies also **reduce high school dropout rates among certain immigrant students by as much as 14 percent.**<sup>3</sup> Expanding in-state tuition access South Carolina’s DACA students would translate into millions of dollars in additional economic activity and tax revenue that benefit all South Carolina residents.

### If the College Access and Workforce Development Act was signed into law, the state would see...



**South Carolina’s DACA-eligible population already pays \$10.9M in state and local taxes, and holds \$164.6M in spending power.**

\* After graduation, these students would hold an additional \$2.7 million in income that could be reinvested into the state and local economy through consumer spending on everything from housing and transportation to consumer goods.  
 \*\* The higher wages of new graduates would allow them to spend more as consumers, benefitting the state in the form of sales, excise, and property tax revenues, among others. We estimate that the 321 students who would benefit from in-state tuition and graduate within six years would pay as much as \$490,000 in additional federal income taxes as well as an additional \$290,000 in state and local taxes.

## METHODOLOGY

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### **Estimating the Number of Students Eligible for In-State Tuition and Tuition Opportunity Policies and Expected Graduation Rates**

The number of people eligible for South Carolina's potential tuition opportunity program was estimated assuming that the beneficiary population would be DACA<sup>4</sup> eligible students between the ages of 16 and 44. Estimates for this were generated using NAE's methodology used to identify undocumented individuals in U.S. Census microdata.

### **Identifying the Undocumented Population**

Using data from the 5-year 2012-2016 American Community Survey, we apply the methodological approach outlined by Harvard University economist George Borjas to arrive at an estimate of the undocumented immigrant population in the overall United States and individual states.<sup>5</sup> The foreign-born population is adjusted for misreporting in two ways. Foreign-born individuals who reported naturalization are reclassified as non-naturalized if the individual had resided in the United States for less than six years (as of 2016) or, if married to a U.S. citizen, for less than three years. We use the following criteria to code foreign-born individuals as legal U.S. residents:

- Arrived in the U.S. before 1980
- Citizens and children less than 18 years old reporting that at least one U.S.-born parent
- Recipients of Social Security benefits, Supplemental Security Income, Medicaid, Medicare, military insurance, or public assistance
- Households with at least one citizen that received SNAP benefits
- People in the Armed Forces and veterans
- Refugees
- Working in occupations requiring a license
- Working in occupations that immigrants are likely to be on H-1B or other visas, including computer scientists, professors, engineers, and life scientists
- Government employees, and people working in the public administration sector
- Any of the above conditions applies to the householder's spouse
- The remainder of the foreign-born population that do not meet these criteria, but arrived before the age of 16, hold a high school degree or equivalent or are enrolled in a high school are reclassified as DACA students. For the purposes of this analysis, we limit the population of interest to those between the ages of 16 and 44 with a high school degree or its equivalent or some college experience, but lacking a bachelor's degree.

To estimate the share of this population that would enroll in higher education under this policy, we assume that easing the financial burden will result in the same college attendance rates for the non-citizen population.

To estimate the share of enrollees that would ultimately graduate, we apply statistics from the Chronicle of Higher Education regarding public 4-year colleges.<sup>6</sup> This estimate gives us the number of additional successfully graduating students within 4 years as well as within 6 years of their enrollment that would be attributable to the state's tuition opportunity program. Given that current U.S. Census data does not include information on where an individual completed/attended high school or received their GED equivalency, we are unable to target that specific population. We are, however, confident that we have estimated the likely eligible population who would take up the opportunity to enroll and graduate from higher education based on their income and past educational experience.

## Wage Premium

We use regression analysis to arrive at the total yearly gain in income resulting from obtaining a college degree. Our sample includes full-time employed non-citizen workers aged 25 and above. The model regresses the log of wages on education and controls for race, sex, age, marital status, and English language skills. The model allows for wage levels and returns to education to vary by citizenship status. Our analysis of the wage premium that undocumented students gain from earning a college degree shows that each graduate in South Carolina would earn \$13,060 in additional annual earnings each year (in 2016 dollars) as a direct result of earning a bachelor's degree.

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## Tax Estimates

Figures on the additional taxes that would be paid as a result of this policy were calculating using the increase in wages mentioned above multiplied by the per capita incidence of state and local taxes in South Carolina as well the federal income tax rate. The state and local tax incidence rate used was taken from the Tax Foundation, one of the country's leading independent tax policy research organizations. This percentage represents the total amount of taxes paid to state and local governments divided by the total amount of income earned by all state residents. The state and local taxes included in the Tax Foundation's calculation include income, sales, excise, property, public utilities, motor vehicle, death, severance, and other licensing taxes.<sup>7</sup> The federal income tax rate was also taken from the Tax Foundation.<sup>8</sup>

## ABOUT NAE

New American Economy (NAE) is a bipartisan research and advocacy organization fighting for smart federal, state, and local immigration policies that help grow our economy and create jobs for all Americans.

Visit [www.NewAmericanEconomy.org](http://www.NewAmericanEconomy.org) to learn more.

## ENDNOTES

- 1 Kaushal, N. (2008). In-State Tuition for the Undocumented: Education Effects on Mexican Young Adults. *Journal of Policy Analysis and Management*, Vol. 27, No. 4.
- 2 Flores, S. M. (2010). State Dream Acts: The Effect of In-State Resident Tuition Policies and Undocumented Latino Students. *The Review of Higher Education*, Vol. 33, No. 2.
- 3 Potochinick, S. (2010) How States Can Reduce the Dropout Rate for Undocumented Immigrant Youth: The Effects of In-State Resident Tuition Policies. Paper presented at the APPAM Conference.
- 4 See <https://www.uscis.gov/archive/consideration-deferred-action-childhood-arrivals-daca> for guidelines of DACA eligibility
- 5 George J. Borjas, "The Labor Supply of Undocumented Immigrants," NBER Working Paper (National Bureau of Economic Research, Inc, 2016).
- 6 The Chronicle of Higher Education, "College Completion: South Carolina" (2013 Rates). Available here: <https://taxfoundation.org/publications/facts-and-figures/>
- 7 Tax Foundation <https://taxfoundation.org/publications/facts-and-figures/>
- 8 Scott Greenberg, (2017), "Summary of the Latest Federal Income Tax Data, 2016 Update." Tax Foundation, February 1, 2017. Available online: <https://taxfoundation.org/summary-latest-federal-income-tax-data-2016-update/>