New American Economy | State & Local

FEBRUARY 2019

Economic Cost of Texas House Bill 413 and Senate Bill 576

In 2001, Texas became the first state in the country to extend in-state tuition to all students who meet certain residency and other requirements, regardless of their immigration status. Since the passage of House Bill 1403, all students who have lived in state in the three years before graduating from Texas high schools or receiving their GED have been eligible to pay the in-state tuition rate at any of the state's public colleges and universities—which is, on average, **three times** less expensive than the out of state rate. Since then, these students, known as **affidavit students**, have directly added **tens of billions** of dollars to the Texas economy.

These gains could be lost should House Bill 413 and Senate Bill 576 be passed this session. By changing the residency requirements for eligibility, these bills would make higher education prohibitively expensive for thousands of potential college graduates—specifically, undocumented students who have grown up in Texas and graduated from the state's high schools.

NAE's new research finds that if residency requirements were changed, it could lead to nearly $400 million in lost economic activity for Texas each year.[1]

Specifically, the research found that:

- Having a bachelor's degree increases the earning potential of affidavit students by **more than 66%**.
- In 2016, affidavit graduates with a bachelor's degree could expect to earn **$19,330 more annually** than non-citizen workers without a college degree.
- Affidavit students who enroll but do not graduate also add millions to the economy. Every year, affidavit workers with some college education earn more than **$45.3M** in additional wages, which in turn creates an additional **$39.0M** in economic activity in Texas.

Additional income of graduates who benefited from HB 1403:

$19.7B

Additional economic activity graduates have generated in Texas since 2001:

$17.0B

Each new class of affidavit graduates adds **$397.8M** to the Texas Economy directly through their increased earnings but also indirectly though the additional economic and tax revenue they facilitate through increased spending.

Without these new graduates, Texas could lose up to...

$213.6M in wage earnings in just one year

$184.2M in additional spending power annually

This research puts the benefits of Texas' landmark tuition equity policy in perspective. The results are clear: Since 2001, affidavit students that graduated college thanks to HB 1403 have added tens of billions of dollars to the Texas economy. Passing legislation that limits access to in-state tuition would cost the state in lost wage earnings and decreased spending power, negatively impacting the Texas economy in the near- and long-term.

METHODOLOGY

The number of people covered by the Texas in-state tuition program was estimated to be an average of 25,000 per annum, based on data from the Texas Higher Education Coordinating Board. We assume data stays relatively constant across all years.

To estimate the number of students graduating from Texas colleges, we apply statistics from the Chronicle of Higher Education regarding public 4-year colleges, which indicate a 27.6 percent graduation rate within four years and a 51.7 percent rate within six years.[2]

Through regression analysis we control for various factors such as sex, age, English language proficiency, race, and marital status and quantify the added earnings undocumented students earn as a result of their added education. Using economic modeling techniques developed by the U.S. Department of Commerce's Bureau of Economic Analysis, we also estimate the impact of these additional earnings on the state's economy in order to show a more comprehensive look at the economic benefits of tuition equality.

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 and is taken from the 2012-2016, 5-year Texas sample of the American Community Survey, downloaded from IPUMS.[3] 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. We aggregate the wage individual yearly gain by multiplying the figure by the number of expected graduates.

Additional Income to Texas

We estimated the additional gains in wages and aggregated these wages across time. In addition, we use the RIMS II household multiplier to arrive at additional income gained from the increase in wages, spending and employment resulting from a college degree. All income is in 2016 dollars.[4] The total income is the sum accrued since the program began in 2001 through 2018.

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 to learn more.

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ENDNOTES

1 "Economic activity" here refers to the additional spending and consumer activity that occurs due to people having more income to spend. This includes expenditures on everything from housing and transportation to consumer goods and services. As more spending and consumer activity is created, the cycle of earning and spending continues to ripple through the rest of the state's economy.

2 The Chronicle of Higher Education, College Completion Rates, from: http://collegecompletion.chronicle.com/state/#state=tn&sector=public_four

3 ACS 5 year Texas sample: Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas, and Matthew Sobek. IPUMS USA: Version 8.0 [dataset]. Minneapolis, MN: IPUMS, 2018. https://doi.org/10.18128/D010.V8.0

4 Bureau of Economic Analysis, RIMS II Multipler, more information at: https://apps.bea.gov/regional/rims/rimsii/