

# An Economic Opportunity: Removing Barriers to Higher Education in Missouri

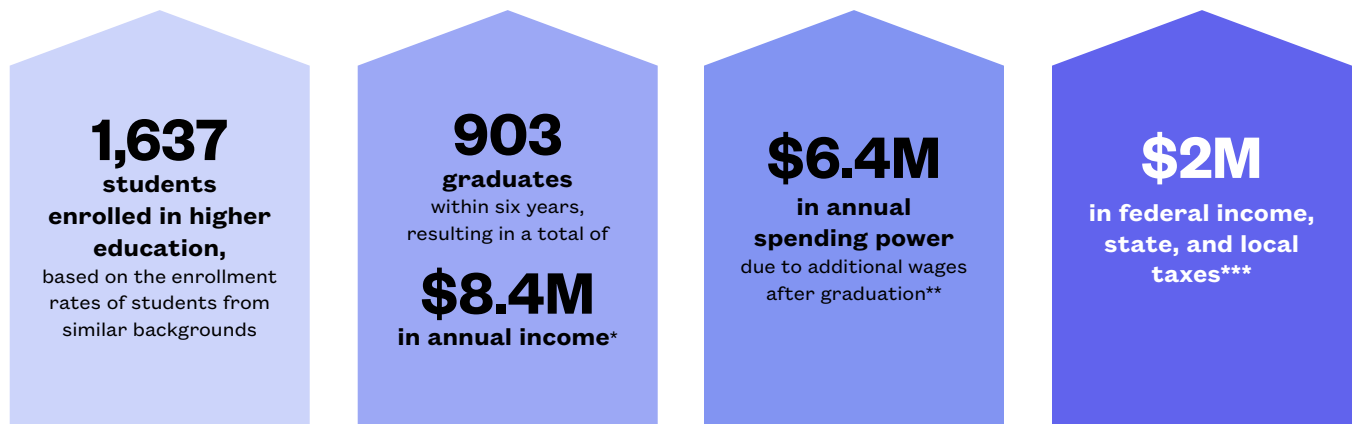
As Missouri’s unemployment rate hovers below the national average of 3.5 percent, the state continues to face the challenge of a labor force growth rate that has lagged behind the national average since the 1970s. These factors only serve to exacerbate critical worker shortages in the state, hampering the ability of local businesses to grow and compete. While Missouri continues to work to address its skills and workforce gaps, it is imperative that state policies leverage local talent by increasing access to higher education.

**By passing Senate Bill 642 and banning in-state tuition for the state’s Dreamers, Missouri could exacerbate workforce shortages and miss out on millions in additional tax revenue and spending power every year.**

Nearly 20 states—including Florida, Oklahoma, Kansas, Nebraska, and Texas—already recognize the financial barrier that out-of-state tuition imposes on undocumented students and have made tuition equity state law. These policies are a logical step for many states, given that their taxpayers have already invested in the education of undocumented students in public schools at the elementary and high school level.

In these states, there is clear evidence that in-state tuition 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 other states. Research also shows that these policies impact high school completion as well, **reducing dropout rates among certain immigrant students by as much as 14 percent.<sup>3</sup>** The additional students who could potentially enroll in and complete college if Missouri expanded in-state tuition access instead would earn millions of dollars in additional income—translating into meaningful financial benefits for all residents.

## If Missouri bans in-state tuition for Dreamers, the state risks missing out on an additional:



\* These students would earn \$8.4 million in additional income annually following graduation.  
 \*\* After graduation, these students would hold an additional \$6.4 million in income that could be reinvested into Missouri’s economy through consumer spending.  
 \*\*\* 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 903 students who would benefit from tuition equity and graduate within six years would pay as much as \$1.2 million in additional federal income taxes as well as an additional \$780,000 in Missouri state and local taxes.

## METHODOLOGY

---

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

The number of people eligible for Missouri's potential tuition opportunity program was estimated assuming that the beneficiary population would be undocumented immigrants 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 1-year American Community Survey for each year over the period 2014-2018, we constructed a 5-year sample of microdata in order to pool a large enough sample from which we could derive accurate estimates for the undocumented population in Missouri. To this dataset, 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 2018) 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 are reclassified as undocumented. 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 as 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 to 65. The model regresses the log of wages on education and controls for race, sex, age, marital status, and English language skills. Our analysis of the wage premium that non-citizens gain from earning a college degree shows that each graduate in Missouri would earn \$10,761 in additional annual earnings each year (in 2018 dollars) as a direct result of earning a bachelor's degree.

## Tax Estimates

on the additional taxes that would be paid as a result of this policy were calculated using the increase in wages mentioned above multiplied by the per capita incidence of state and local taxes in Missouri as well as 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>6</sup> The federal income tax rate was also taken from the Tax Foundation.<sup>7</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 George J. Borjas, "The Labor Supply of Undocumented Immigrants," NBER Working Paper (National Bureau of Economic Research, Inc, 2016).
- 5 The Chronicle of Higher Education, "College Completion: Missouri" (2013 Rates). Available here: [http://collegecompletion.chronicle.com/state/#state=MO&sector=public\\_four](http://collegecompletion.chronicle.com/state/#state=MO&sector=public_four).
- 6 Tax Foundation, "Taxes in Missouri." Accessed on February 10, 2020. Available at: <https://taxfoundation.org/state/Missouri/>
- 7 Robert Bellafiore, (2018), "Summary of the Latest Federal Income Tax Data, 2018 Update." Tax Foundation, November 13, 2018. Available online: <https://taxfoundation.org/summary-latest-federal-income-tax-data-2018-update/>