



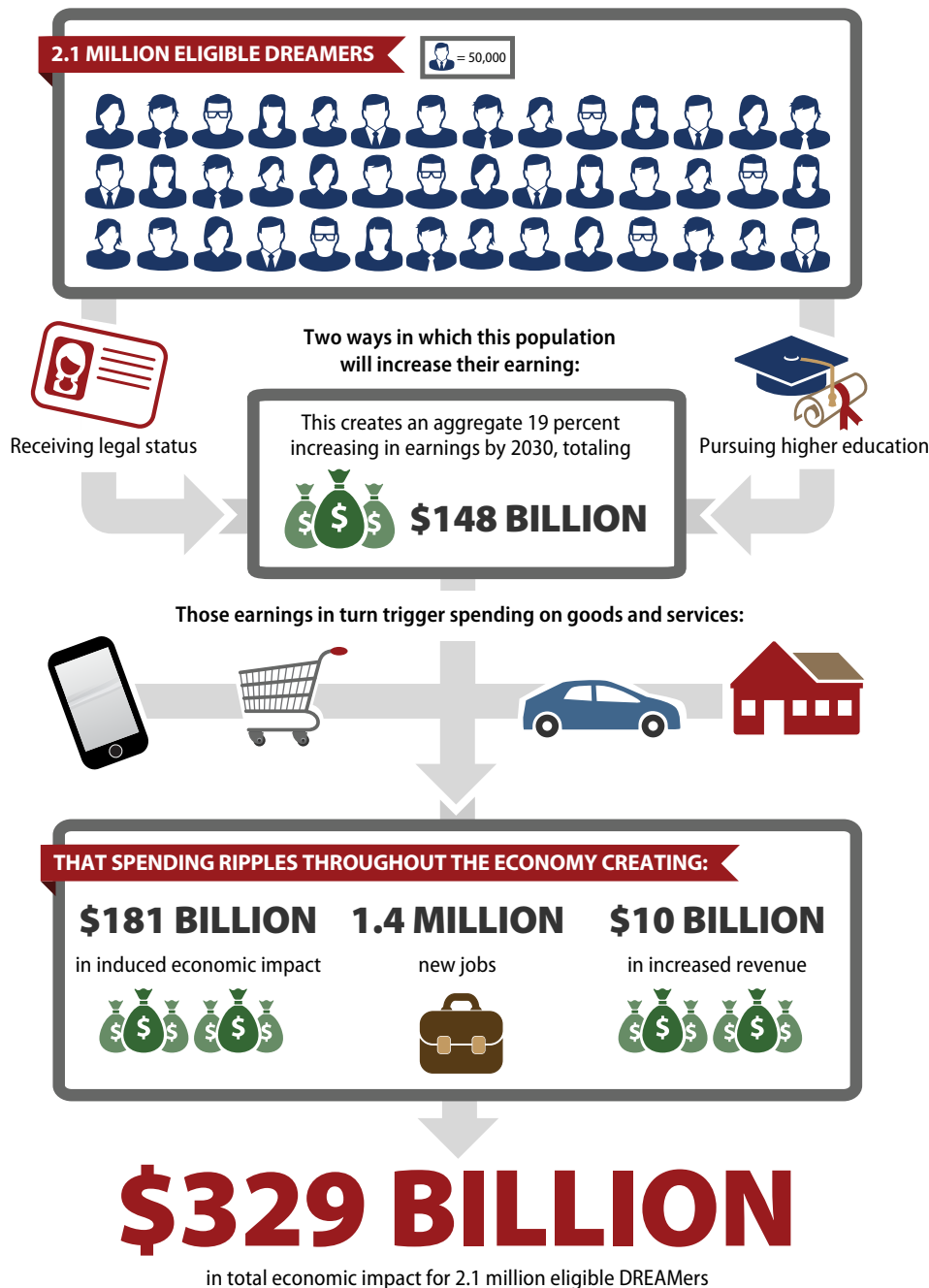
The Economic Benefits of Passing the DREAM Act

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FAST FACTS

How the DREAM Act helps the economy

Passing the federal DREAM Act would add a total of \$329 billion to the American economy by 2030. This infographic explains how the act provides such a boost to the nation, by granting legal immigration status to 2.1 million young people and incentivizing higher education. The \$148 billion in higher earnings that result from DREAMers being able to work legally and achieve greater education leads to increased spending on goods and services such as houses, cars, and computers. This spending ripples through the economy, supporting another \$181 billion in induced economic impact, the creation of 1.4 million new jobs, and more than \$10 billion in increased revenue.



Source: Author's estimates based on American Community Survey Data 2006-2010, and 2010 IMPLAN Modeling.

Introduction and summary

Until now, much of the debate surrounding the Development, Relief, and Education for Alien Minors Act, or DREAM Act—a bill to provide a pathway to legal status for eligible young people who were brought here as children and who complete high school and some college or military service¹—focused on legal, ethical, and logistical concerns.² But there are other important benefits of enacting the DREAM Act, most importantly the boost to the economy.

This report takes a close look at this economic perspective. We present an analysis to understand what would happen if the United States were to grant a pathway to legal status to an estimated 2.1 million eligible youth in our country by passing the DREAM Act. Overall, we find that the passage of the DREAM Act would add \$329 billion to the U.S. economy and create 1.4 million new jobs by 2030,³ demonstrating the potential of the proposed law to boost economic growth and improve our nation's fiscal health.

In making these projections we used American Community Survey data from 2006 to 2010 to calculate the number of eligible unauthorized youth that would qualify for the DREAM Act—creating the largest dataset of unauthorized immigrants to date—and then put the data into a robust model of the likely educational and job attainment potential of eligible DREAMers to estimate their likely future earnings.⁴ This model takes into account factors such as educational level, age, sex, race and ethnicity, and constitutes our estimate of the direct economic consequences of the DREAM Act. This is similar to the methodology used by education economist Luis Crouch and many of his colleagues in the field.⁵

We then used the IMPLAN system of input-output matrices to detail the so-called induced effects of passage of the DREAM Act on the U.S. economy. This approach enables us to gauge how the buying power from the increased future earnings of DREAMers ripples through the economy to support additional economic growth, job creation, and increased revenues.⁶ The IMPLAN model is used by the U.S. government—including the Bureau of Economic Analysis and the Department

of Defense—as well as a variety of departments in 39 different states and private industry to estimate the induced effects of legislative and other changes that impact the inputs in an economy.⁷

Because the data sets used for both direct and induced impact were taken from 2006 to 2010 and include the height of the recession in generating expected performance, the findings presented here likely understate the actual economic impact of the DREAM Act. Our forward-looking analysis begins in the year 2010, the last year in which detailed economic and demographic baselines are available, and runs through 2030, at which point a significant portion of eligible DREAMers would have completed their schooling and entered the workforce.⁸

We find in this report that enabling these 2.1 million eager-to-be-Americans to contribute to building the American Dream would deliver a double boost to our economy. First, enacting the law would provide an incentive for their further education because for most of those who would be eligible the legalization provisions can only be attained through completion of high school and some college.⁹ Receiving more education opens access to higher-paying jobs, enabling these undocumented youth to become much more productive members of our society. Second, gaining legal status itself translates into higher earnings for these youth since legal status allows DREAMers to apply to a broader range of high-paying jobs rather than having to resort to low-wage jobs from employers who are willing to pay them under the table.¹⁰

Thus our projections track both the gap in current earnings between unauthorized individuals at various levels of education and their U.S.-born counterparts, as well as the gains in earnings from attaining more education. Overall, our research finds that by 2030 the eligible DREAMer population will earn 19 percent more in earnings than without passage of the DREAM Act, in turn increasing their consumption and contributing more in the way of tax revenue to the federal government.¹¹

In detailing the ways in which passage of the DREAM Act will add significant value, jobs, and tax revenue to the American economy, it is important to note that the benefits would not simply be a one-time addition but instead unfold over time, with the economic benefits growing larger as time goes on. This upward trajectory comes because eligible DREAMers will have a staggered entrance into the workforce, with many eligible youth still in elementary or secondary school at the time of passage.

While studies by groups in favor of restricting immigration tend to take a snapshot view of the costs and benefits of immigrants at one specific point in time—usually finding high education costs from the children of immigrants¹²—our study finds that investments in these students will pay off greatly in the future.¹³ The passage of the DREAM Act (see Box on page 4) will ensure that a steady stream of people is able to attend college and achieve better jobs.

One important caveat is necessary: This study looks solely at the economic benefits from passing the DREAM Act, and not any costs that may be incurred. But we believe future costs from the DREAM Act will be limited.¹⁴ Eligible DREAMers will still be subject to the same restriction for most public benefits as other legal immigrants, and would only be allowed to receive most non-emergency federal benefits after five years of lawful permanent residence—holding a green card, or becoming a citizen through naturalization. The Act contains an additional 6 year conditional period before eligible DREAMers can receive legal permanent resident status.¹⁵

The U.S. economy is not a zero-sum game and increased earnings from DREAMers create greater demand for services among the most important drivers of job growth in the country, expanding opportunities for all Americans.¹⁶ There are also very good reasons to think that the DREAMers will not be displacing American workers.

First, many economists find that immigrants tend to complement the skills of native workers rather than compete with them, especially as immigrants move up the education and skills chain. Increasing the education of immigrant workers would therefore decrease the competition between DREAMers and the native-born.¹⁷

Second, research shows that an increase in college-educated immigrants directly increases U.S. gross domestic product—the largest measure of economic growth—which correlates to more jobs for American workers. In the 1990s, for example, the increase in college-educated immigrants was found to be responsible for a 1.4 percent to 2.4 percent increase in U.S. GDP.¹⁸ Finally, by giving legal status to DREAMers, fewer employers would be able to pay workers under the table and more would have to abide by a system that is fair to all workers.

This study's findings are clear: Passage of the DREAM Act would improve the American economy and contribute to the economic recovery and our future economic stability. (see Table 1)

TABLE 1
Fast facts on the DREAM act, 2010 to 2030

Increased economic impact	
• Direct impact on the economy	\$148 billion
• Induced impact on the economy	\$181 billion
• Total	\$329 billion
New jobs created	1.4 million
State and federal household income tax revenue collected	\$5.6 billion
Federal business tax revenue collected	\$4.6 billion

History of the DREAM Act

First introduced in 2001 by Sens. Orrin Hatch (R-UT) and Richard Durbin (D-IL), the Development, Relief, and Education for Alien Minors Act, or DREAM Act, would provide a path to citizenship for people brought to this country at a young age. Since 2001 the DREAM Act has been introduced yearly, either as amendments to other legislation or as a standalone bill.

Though it failed to become law, the DREAM Act has drawn bipartisan support in each session of Congress since the original introduction. A 2010 version of the DREAM Act passed the House of Representative and achieved a majority of votes in the Senate, falling just five votes short of achieving cloture, which would have enabled a straight up-or-down vote on the measure.¹⁹ Sen. Richard Durbin (D-IL) and Rep. Howard Berman (D-CA) reintroduced the DREAM Act in the current 112th Congress, though it has yet to come up for a vote.²⁰

Under the provisions of the most recent version of the DREAM Act, a person is eligible for citizenship if they came to the United States at age 15 or younger, are currently age 35 or younger, have been present in the country for at least five years, completed high school, and completed at least two years of higher education or honorably served

in the armed forces for at least two years. Eligible immigrants first receive conditional legal status for a period of 6 years, under which they can complete their studies and work legally in the United States. After that period, if they have met all of the requirements, they can apply for permanent legal status (a green card) and eventually citizenship.²¹

The Obama administration's June 15 announcement authorizing deferred action on deportation for undocumented youth who would be eligible for the DREAM Act's provisions along with authorization to work mimics many key aspects of the DREAM Act but does not provide a path to citizenship. Nor does it have any of the educational requirements.²² Thus, while recipients will gain legal status, the temporary nature of it makes it unclear whether the economic benefits of legalization will continue in the long term. And without the educational incentives, deferred action does not grant the same double bump to earnings that the DREAM Act does. This temporary reprieve marks the limit of the president's constitutional authority. Only Congress can provide a permanent fix through passage of the federal DREAM Act that grants security to DREAMers and the full economic benefits they provide to the United States.

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About the Partnership for a New American Economy

The Partnership for a New American Economy brings together more than 500 Republican, Democratic, and independent mayors and business leaders who support immigration reforms that will help create jobs for Americans today. The Partnership’s members include mayors of more than 35 million people nationwide and business leaders of companies that generate more than \$1.5 trillion and employ more than 4 million people across all sectors of the economy, from agriculture to aerospace, hospitality to high tech, and media to manufacturing. Partnership members understand that immigration is essential to maintaining the productive, diverse, and flexible workforce that America needs to ensure prosperity over the coming generations.

The Partnership’s education efforts are supported by the Partnership for a New American Economy Research Fund, and its advocacy efforts are supported by the Partnership for a New American Economy Action Fund.

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