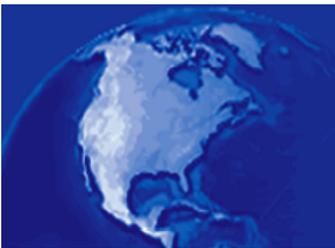




# No DREAMers Left Behind

The Economic Potential of DREAM Act Beneficiaries



North American Integration and Development Center  
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## The Economic Potential of DREAM Act Beneficiaries

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### Introduction

The Development, Relief, and Education for Alien Minors (DREAM) Act has gained wide support this year from legislators attempting to provide solutions to the national immigration conflict. First introduced in 2001 by Senators Orrin Hatch (R-UT) and Richard Durbin (D-IL), the DREAM Act is a bipartisan bill that would provide undocumented youths who came to the United States before the age of sixteen a path toward legalization on the condition that they attend college or serve in the U.S. military for a minimum of two years while maintaining good moral character. After years of back-and-forth debate on the issue, momentum has been building to turn the DREAM Act into law. Despite heavy Democratic losses in the recent midterm elections, the bill may still come up in the 2010 lame-duck Congress or in early 2011, as has been suggested by Senate Majority Leader Harry Reid (D-NV).

The DREAM Act's primary goal is to legalize the more than 2 million undocumented youths who have resided in the U.S. and attended schools in this country, but the bill's education requirements have an underlying economic stimulus potential that has largely gone unnoticed by members of Congress. The legislation requires undocumented youths to attain at least an associate-level college degree to be eligible for legalization. If

implemented, the DREAM Act would produce thousands of college graduates, contributing to the pool of higher-income earners needed by the nation at large. This study aims to measure the economic impact of integrating these youths into the national economy, through the DREAM Act, by calculating their income over a 40-year period.

Our study builds on the findings of the 2010 Migration Policy Institute (MPI) report, *DREAM vs. Reality: An Analysis of Potential DREAM Act Beneficiaries* (Betalova and McHugh 2010). In its analysis, the MPI estimates that slightly more than 2.1 million individuals could qualify for legalization through the DREAM Act (see Table 1). However, it concludes that only an estimated 38 percent (825,000 individuals) of the 2.1 million would likely apply for and obtain benefits under the DREAM Act. In this study, we examine two scenarios. In the first, we calculate the income that the lower-bound estimated 825,000 beneficiaries would generate over a 40-year period, representative of the work life of a 25- to 65-year-old employed individual. In our second scenario, called "No DREAMers Left Behind," we analyze the income that would be generated in the same 40-year period if the entire group of 2.1 million potential beneficiaries could successfully meet the education or military service requirement.

By observing the educational attainment of the Latino population (which represents over 80 percent of the total potential beneficiary cohort, according to the MPI) and applying those trends to the 825,000 eligible individuals in the MPI scenario, our study concludes that the income generated over 40 years would be \$1.4 trillion in *current* dollars,

(actual income would be significantly higher if inflation over 40 years is taken into account). In the No DREAMers Left Behind scenario, 2.1 million undocumented immigrants would become legalized and generate approximately \$3.6 trillion over the same 40-year period (also in current dollars).

It is important to note that these results represent only a subset of the full economic contribution of the DREAM Act beneficiary cohort. These calculations do not include total direct value added or indirect value added impacts (see Hinojosa 2010 for methodological discussion). An analysis of full fiscal benefits would have to take these impacts into consideration, and would substantially increase the overall economic contributions of DREAM Act beneficiaries.

Beyond the direct and indirect economic impacts of a more productive, legal workforce, the DREAM Act represents an opportunity for American taxpayers to significantly increase the return on our current, and already spent, investment in youths that the public school system educates in their K-12 years. It is common sense to create legislative and policy mechanisms to better ensure an economic return on this taxpayer investment. Passing the DREAM Act enhances national economic earnings by developing a highly-educated workforce that will contribute trillions of dollars to the U.S. economy. A higher supply of skilled students would also advance the U.S. global competitive position in science, technology, medicine, education and many other endeavors.

Our report is organized into three sections:

- 1) Data Sources for Estimating Dream Act Beneficiaries
- 2) Estimating Educational Attainment
- 3) Estimating Economic Attainment

The Data Sources section summarizes the resources used to develop our findings. In our Estimating Educational Attainment section, we provide a detailed explanation of how we built upon these resources to calculate the economic estimates published here for the first time. The Estimating Economic Attainment section presents our final estimation of the economic impact of the DREAM Act over the 40-year work life of potential beneficiaries.

## **Data Sources for Estimating Dream Act Beneficiaries**

### *Migration Policy Institute*

The Migration Policy Institute (MPI) is a non-partisan organization that analyzes migration policies at the local, national, and international levels. The information and analysis presented by the MPI, often based on published government data, is considered non-biased and produced with high professional standards.

The MPI's report, *DREAM vs. Reality: An Analysis of Potential DREAM Act Beneficiaries*, explores the obstacles that potential DREAM Act beneficiaries would encounter in achieving permanent residency, leading to an estimate of how many undocumented immigrants would actually achieve permanent residency through the DREAM Act. The report evaluates English language ability, income/poverty status,

presence of dependent children, and employment status as potential barriers to achieving legalization. By examining the historical trends of these barriers' effects on the educational attainment of immigrant groups, the report estimates the number of youths able to overcome these challenges and become eligible for legalization. The report demonstrates that 2.1 million undocumented children and young adults qualify for conditional legalization under the DREAM Act and organizes them into four groups of potential beneficiaries:

- 1) Ages 18-34 with at least an associate's degree (plus retroactively eligible adults over age 35)
- 2) Ages 18-34 with only a high school degree
- 3) Children under 18
- 4) Ages 18-34 without a high school degree (See Table 1)

Each group is analyzed according to how the identified barriers might prevent individuals in that group from achieving permanent residency according to the stipulations of the DREAM Act. The study finds that Group 1 is the least likely to encounter any barriers because these individuals have met all of the legislation's major requirements, including age upon enactment, age at entry to the U.S., and post-secondary education accomplishment. The report estimates that 96,000 individuals match this description. An additional 18,000 adults over the age of 35 would retroactively qualify because they have met the act's requirements, meaning 114,000 individuals in this cohort would gain legalization.

Group 2, comprised of individuals ages 18-34 with only a high school degree or GED,

would have to achieve the minimum two-year higher education requirement or two years in the military while exhibiting good moral character. The report states that 47 percent of these individuals have family incomes below 200 percent of the federal poverty level, and 35 percent have limited English proficiency. The majority of them are currently in the workforce. These characteristics present challenges to attaining two years of higher education and thus limit their ability to qualify for permanent residency through the DREAM Act. The study concludes that 260,000 individuals from this group would achieve legalization via the education channel. An additional 30,000 individuals would qualify through military service, meaning a total of 290,000 of the 612,000 potential beneficiaries in Group 2 would qualify for permanent residency.

Children under age 18 represent Group 3 and confront greater challenges than the previous groups because they lack the conditional status requirement of a high school degree or equivalent. These children would additionally have to complete at least two years of college toward a Bachelor's degree or two years of military duty to achieve legalization, all while facing English-language proficiency and education cost barriers. Considering all of these obstacles, the study estimates that 400,000 of the 934,000 potential beneficiaries would qualify.

Group 4, comprised of individuals ages 18-34 without a high school diploma, is expected to have the lowest permanent residency attainment rates. The MPI illustrates the significant challenges this group faces: "Sixty-six percent have limited English proficiency; 65 percent are in households

below 200 percent of the poverty line; 57 percent of women in the cohort are parents; and 85 percent of men are working” (2010: 16). Given these circumstances, this group has the lowest likelihood of progressing to permanent residency under the DREAM Act. The study estimates that out of 489,000 potential beneficiaries, only 22,000 would be able to adjust status under the legislation. (See Table 1)

### *National Center for Education Statistics*

The National Center for Education Statistics (NCES) is the primary federal entity for collecting, analyzing, and reporting data related to education in the U.S. and other nations. The NCES provides data for the U.S. Department of Education, Congress, education policy makers, and the general public.

Our study uses figures from the 2010 NCES report, *Status and Trends in the Education of Racial and Ethnic Groups* (Aud, Fox and . Kewal Ramani 2010), which determines the 2007 median earnings by educational attainment for the Hispanic population 25 years of age and older. The median earnings of an individual are defined as the annual wage and salary earnings of a fully-employed worker 25 years of age or older. The NCES report indicates that the median annual earnings of a Hispanic male with an Associate’s degree were \$42,000, with a Bachelor’s degree were \$50,000, with a Master’s degree were \$68,000, and with a Doctorate or first professional degree were \$85,000. The figures were slightly lower for Hispanic females. Those with an Associate’s degree had median earnings of \$32,500, while those with a Bachelor’s degree earned \$40,000 and those with a Master’s degree earned \$52,500. The median earnings of a

Hispanic female with a Doctorate or first-professional degree were not stated because reporting standards were not met.

The results presented here are based on the NCES database for the year 2008.

### *Military Median Income Sources*

To determine income from military employment, we used the U.S. Army Benefits Web site, a resource that informs the public sector of the ranks conferred by the U.S. Army and their corresponding pay scales. Our numbers for the median income of those who have fulfilled military service were gathered from this site and then verified by Salary Wizard, a service of Salary.com that provides human resources software to help businesses and individuals manage pay and performance.

These sources do not consider "other benefits" such as bonuses, allowances, and war zone deployment in their wage calculations. This omission represents a potential source of error, and the median value displayed may be significantly different from the actual salary that an individual obtains. The median value used here is compiled from median income from all 50 states because of regional wage fluctuations.

**Table 1: Potential and Estimated Beneficiaries by Group according to MPI\***

	Steps needed to qualify for residency	Number of potential beneficiaries	Number estimated to gain residency
GROUP 1 Ages 18-34 with at least an associate's degree (plus retroactively eligible adults)	<ul style="list-style-type: none"> <li>- Already have met the educational requirements for <i>both</i> conditional <i>and</i> permanent statuses.</li> <li>- Will have to wait for six years to apply to adjust to permanent status.</li> <li>- Must satisfy the good moral character requirement.</li> </ul>	<b>114,000</b>	<b>114,000</b>
GROUP 2 Ages 18-34 with only a high school degree	<ul style="list-style-type: none"> <li>- Already have met the educational requirements for conditional status (already have a U.S. high school degree or GED).</li> <li>- Must complete either a qualifying higher education degree, at least two years toward a Bachelor's degree, or two years of military service, within the six-year conditional status period.</li> <li>- Must satisfy the good moral character requirement.</li> </ul>	<b>612,000</b>	<b>290,000</b>
GROUP 3 Children under 18	<ul style="list-style-type: none"> <li>- Will need to earn a U.S. high school degree/GED in order to obtain conditional status.</li> <li>- Must complete either a qualifying higher education degree, two years toward a Bachelor's degree, or two years of military service, within the six-year conditional status period.</li> <li>- Must satisfy the good moral character requirement.</li> </ul>	<b>934,000</b>	<b>400,000</b>
GROUP 4 Ages 18-34 without high school diploma	<ul style="list-style-type: none"> <li>- Currently ineligible for conditional legal status.</li> <li>- Will need to obtain a high school degree/GED or be admitted to an institution of higher education in order to obtain conditional status.</li> <li>- Must complete either a qualifying higher education degree, two years toward a Bachelor's degree, or two years of military service, within the six-year conditional status period,</li> </ul>	<b>489,000</b>	<b>22,000</b>
<b>TOTAL</b>		<b>2,150,000</b>	<b>825,000*</b>

*\*Rounding on percentage estimates for each group accounts for discrepancy in total.*

## Estimating Educational Attainment

Our report calculates the cumulative income that DREAM Act beneficiaries would generate over their working lifetimes. The range of values is the result of calculating this income based on two different scenarios. The first scenario assumes that only 825,000 undocumented immigrants would gain legal status, while the “No DREAMer Left Behind” scenario suggests that all 2.1 million potentially eligible undocumented immigrants would become legal residents.

Data taken from the MPI’s 2010 *DREAM vs. Reality* report were combined with data from the U.S. Census Bureau ([www.factfinder.census.gov](http://www.factfinder.census.gov)) to calculate income statistics by education category. By determining the number of undocumented immigrants that falls into each educational category (based on the MPI report) and verifying what their average income would be (using Census data), we were able to calculate the income that the entire DREAM Act beneficiary cohort would generate over a 40-year period, which represents the work-life of a 25- to 65-year-old employed individual.

The process employed to generate the future educational and service attainment of the MPI and “No DREAMer Left Behind” scenarios is displayed in Figures 1 and 2. First we estimated the projected eventual distribution of educational degrees and military service of the DREAM Act beneficiary pipeline of current and former students.

**Figure 1** shows that, according to the MPI, 114,000 youths in Group 1 would become immediately eligible for residency if the DREAM Act passed today. The MPI breaks down these 114,000 individuals as follows:

1) There are 48,000 students who already hold an Associate’s degree (MPI 2010:5). This ratio of 42 percent (48,000/114,000) is used throughout as the ratio of students projected to receive an Associate’s degree.

2) There are 66,000 students who already hold a Bachelor’s degree or higher (ibid:5). This ratio of 58 percent (66,000/114,000) is used throughout as the ratio of students projected to receive a Bachelor’s degree or higher for the future beneficiary pipeline (a conservative estimate).

3) The Bachelor’s degree or higher projection further breaks down as follows: Doctorate or first professional degree rate for Hispanics (1 percent):  $(.01 \times 438,360) = 4,383$ ; Master’s degree for Hispanics (2.9 percent):  $(.029 \times 433,977) = 12,585$ .

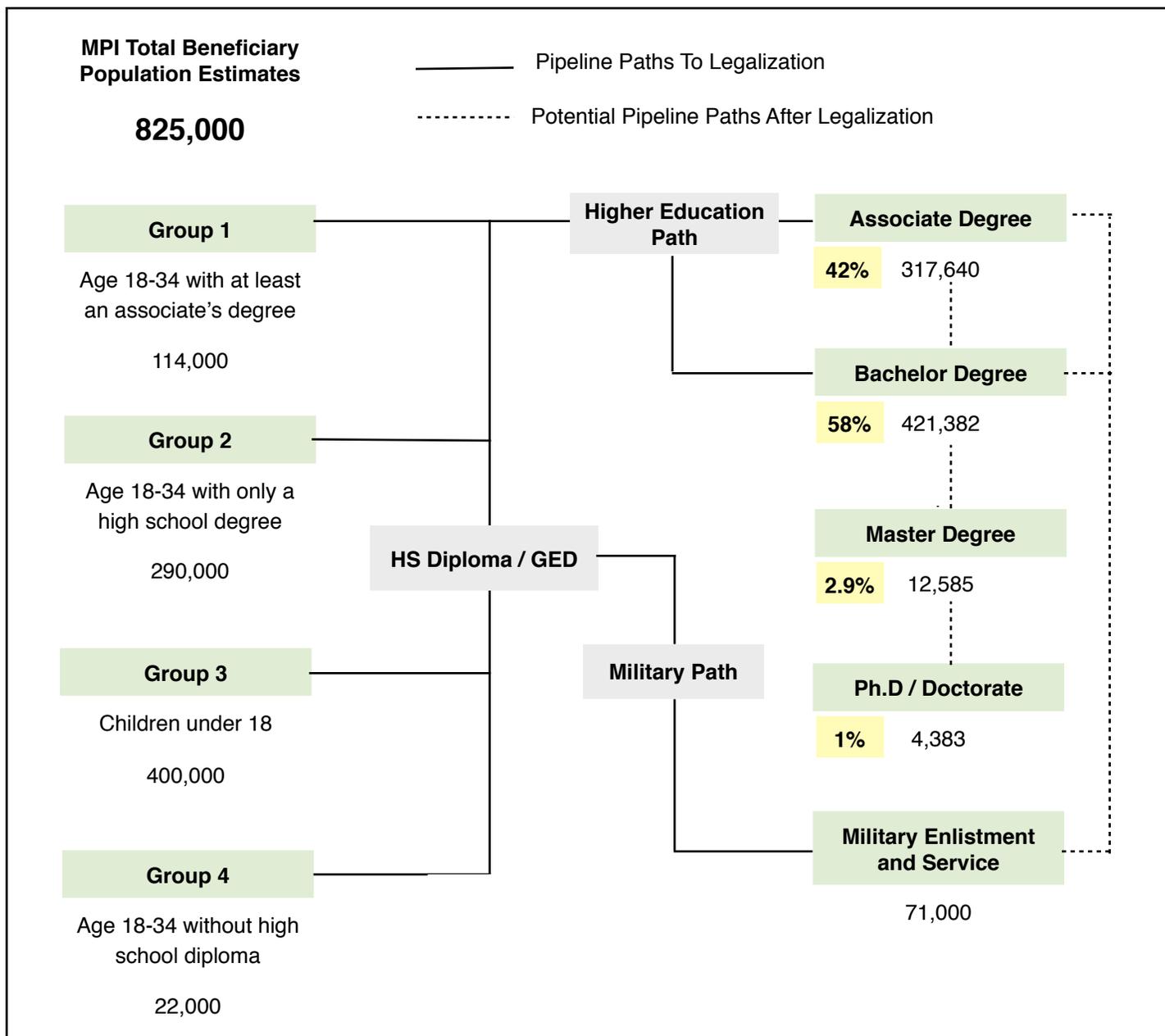
4) Of the future high school graduates/GED holders in the MPI scenario, an estimated 71,000 would join the military.

**Figure 2** shows the educational and service attainment in the “No DREAMer Left Behind” scenario. Calculations are based on an estimated beneficiary population of 2,150,000, of whom 107,500 would join the military. The remaining 2,042,500 break down as follows:

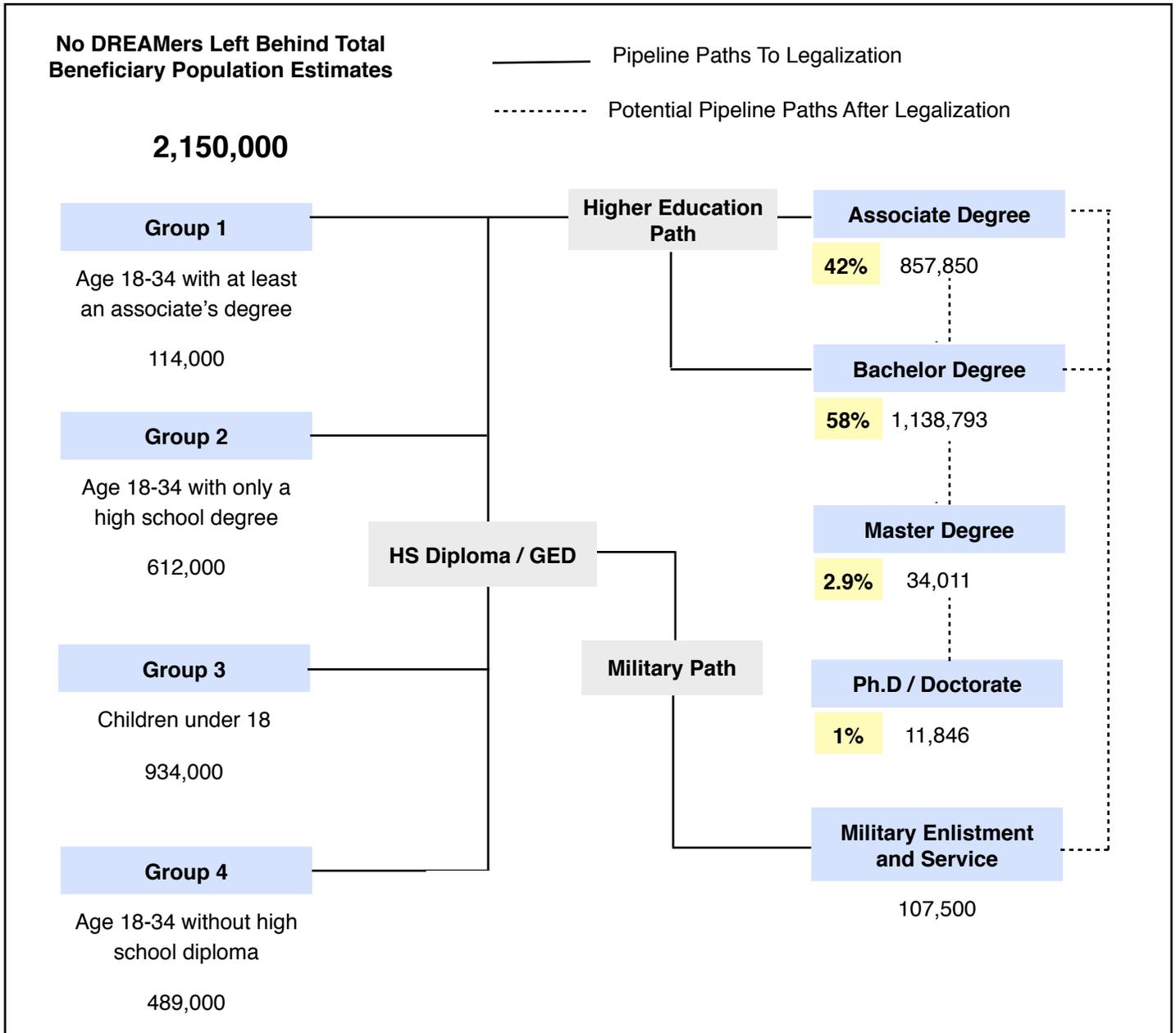
1) 857,850 (42 percent of 2,042,500) who would have an Associate’s degree.

2) 1,184,560 (58 percent of 2,042,500) would have a Bachelor’s degree or higher, of whom 1,138,793 would hold only a Bachelor’s degree, 34,011 would hold a Master’s degree, and 11,846 would hold a Doctorate or first professional degree.

**Figure 1: Distribution of Academic and Service Attainment by DREAM Act Beneficiaries**



**Figure 2: Distribution of Academic and Service Attainment by DREAM Act Beneficiaries**



## Estimating Economic Attainment

Our economic attainment estimates are based on two different scenarios – one based on the MPI’s estimate that only 825,000 undocumented immigrants would gain legal status through the DREAM Act, and the other based on the “No DREAMer Left Behind” scenario, which suggests that 2.1 million undocumented immigrants would become legal residents as a result of the legislation.

**Table 2** shows that, in the first scenario, 31,000 undocumented immigrants would gain residency through military service. By observing the educational attainment trends of the Hispanic population and applying those percentages to the population of 825,000 qualifying individuals, we determined that 317,640 would obtain an Associate’s degree, 421,392 would obtain a Bachelor’s degree, 12,585 would obtain a Master’s degree, and 4,383 would obtain a Doctorate or first professional degree. The income that would be generated by this first scenario totals nearly \$1.4 trillion over a 40-year period.

**Table 3** shows that, in the “No DREAMer Left Behind” scenario, 107,500 immigrant youths would be legalized through military service. By applying the same education attainment trends as above, 857,850 would obtain an Associate’s degree, 1.1 million would obtain a Bachelor’s degree, 34,011 would obtain a Master’s degree, and 11,846 would obtain a Doctorate or first professional degree. Taken together, these 2.1 million individuals would generate more than \$3.6 trillion over a 40-year period. (See Figure 3)

**Table 2: MPI Scenario  
40 Year Income Total**

	Estimates of Beneficiaries	Average Income (Current Dollars)	Time	Total
Ph.D / Doctoral Degree	4,383	\$85,000	40 yrs	\$14.9 billion
Master Degree	12,585	\$60,250	40 yrs	\$30.3 billion
Bachelor Degree	421,392	\$45,000	40 yrs	\$758.5 billion
Associate Degree	317,640	\$37,250	40 yrs	\$473.3 billion
Military Service	71,000	\$36,799	40 yrs	\$104.5 billion
<b>Total Impact</b>				<b>\$1.38 Trillion</b>

**Table 3: No DREAMers Scenario  
40 Year Income Total**

	Estimates of Beneficiaries	Average Income (Current Dollars)	Time	Total
Ph.D / Doctoral Degree	11,846	\$85,000	40 yrs	\$40.3 billion
Master Degree	34,011	\$60,250	40 yrs	\$81.9 billion
Bachelor Degree	1,138,793	\$45,000	40 yrs	\$2,049.8 billion
Associate Degree	857,850	\$37,250	40 yrs	\$1,278.1 billion
Military Service	107,500	\$36,799	40 yrs	\$158.2 billion
<b>Total Impact</b>				<b>\$3.6 Trillion</b>

## Policy Implications

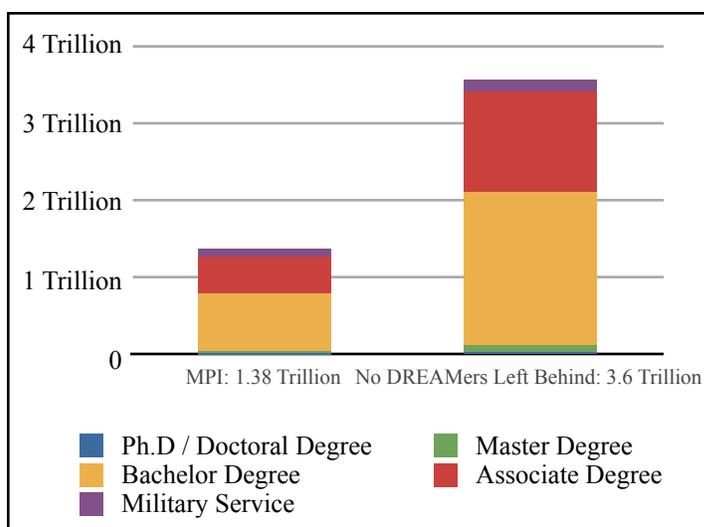
The MPI's failure to include the incentive effect of the DREAM Act may account for its conservative estimate of total eligible immigrant youths that would achieve legalization. The DREAM Act will unquestionably motivate youths to pursue higher education as a means through which to gain legalization, making it both a desirable and necessary step toward improving their overall life opportunities. The barriers indicated by the MPI are indeed challenges that these individuals will face in their efforts to complete higher education or military service, but we believe the legalization incentive can supersede the barriers and provide strong encouragement and potential access to resources to overcome such obstacles. On this premise, our study offers an alternative scenario in which no eligible youths are left behind and all 2.1 million DREAMers complete the act's requirements because of their determination to become legal U.S. residents and citizens. This analysis shows that it is clearly in the nation's interest to enhance the possibilities that as many youth as possible take advantage of the Dream Act and thus increase the potential benefit to the overall economy.

The DREAM Act would undoubtedly provide thousands and perhaps millions of young people the means to become fully integrated into the U.S. society and economy. Many of the DREAM Act's potential beneficiaries arrived in the U.S. at a young age, and in many cases the U.S. is the only country they know and the one with which they most identify. They have a strong desire to contribute to it more fully.

Passage of the DREAM Act is not only a question of individual fulfillment; it is a

practical step toward realizing a return on the U.S. public education system's investment in immigrant youths. DREAMers make up a highly-educated and potentially high-income-earning group that can contribute billions of dollars to the U.S. economy across diverse industries. The DREAM Act offers a moral solution to the trap of being a young, motivated, undocumented immigrant in the U.S. It is also an economically sensible piece of legislation that advances the interests of U.S. society as a whole.

**Figure 3: Comparison of Impacts**



### *About the Authors*

Dr. Raul Hinojosa Ojeda is an Associate Professor of the UCLA César E. Chávez Department of Chicana/o Studies, and the Founder/Director of the UCLA North American Integration and Development (NAID) Center. Dr. Paule Cruz Takash is the NAID Center Research Director. Gerardo Castillo (Chemistry), Gilmar Flores (Anthropology) and Delroy Sargeant (Math) are undergraduate students at UCLA; Adriana Monroy holds a BA in History (UCLA '09).

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### *About the UCLA NAID Center*

*Pioneering the 21st Century study of transnationalism and globalization through action research, community development and technology innovation.*

Founded in 1995, the North American Integration and Development Center (NAID) Center conducts interdisciplinary research concerning the economic integration process between the United States, Mexico and Canada; and assists communities and governments with projects and policies for sustainable and equitable development across borders. NAID Center activities have followed the trajectory of globalizing trade, capital, migration and remittances flows in the midst of intra- and inter- regional disparities in income and productivity across communities and regions in the United States.

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