

The Economic Cost of Repealing In-State Tuition in Texas

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 (HB) 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. This landmark law has made the state’s college tuition system fairer by providing equal access to the same tuition levels for all Texas students—irrespective of immigration status—at the state colleges to which they are admitted.

Since 2001, these students, known as “affidavit students,” have directly added tens of billions of dollars to the Texas economy. These gains could be lost should the state legislature move to repeal equal access to in-state tuition. By changing the residency requirements for eligibility, Texas would make higher education prohibitively expensive for thousands of potential college graduates—specifically, Dreamers: undocumented students who live in Texas and graduated from the state’s high schools.

The American Immigration Council’s new research finds that if residency requirements were changed, it could result in up to **\$461.3 million** in lost wage earnings and 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 57%**.
- In 2019, affidavit graduates with a bachelor’s degree could expect to earn nearly **\$19,600 more annually** than non-citizen workers without a college degree.
- Affidavit students who enroll in college but do not graduate also add millions to the economy. Every year, affidavit workers with some college education earn more than **\$52.3 million in additional wages**, which in turn creates an additional **\$46.4 million in economic activity** in Texas.

Additional income of graduates who benefited from HB 1403:

\$33.0B

Additional economic activity graduates have generated in Texas since 2001:

\$28.5B

Each new class of affidavit graduates adds nearly **\$461.3M** to the Texas Economy every year, directly through their increased earnings and indirectly through the additional economic activity and tax revenue they generate through increased spending.

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

\$244.4M in wage earnings in just one year

\$216.9M in additional spending power annually

This research puts the benefits of the state’s landmark in-state tuition policy in perspective. The results are clear: since 2001, affidavit students who 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 lead to 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 is estimated to be an average of approximately 25,000 per annum, based on data from the Texas Higher Education Coordinating Board.² We assume data remains approximately 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 36.1 percent graduation rate within four years and a 57.8 percent rate within six years.³

Through regression analysis we control for various factors such as sex, age, English language proficiency, race, and marital status and quantify the added earnings of undocumented students that result from 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 provide 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 2015-2019 5-year Texas sample of the American Community Survey, downloaded from IPUMS.⁴

The model regresses the loss 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

Additional Income to Texas

We estimate the additional gains in wages and aggregate 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 2019 dollars.⁵ The total income is the sum accrued since the program began in 2001 through 2022.

ABOUT THE AMERICAN IMMIGRATION COUNCIL

The American Immigration Council works to strengthen America by shaping how America thinks about and acts towards immigrants and immigration and by working toward a more fair and just immigration system.

Visit www.Americanimmigrationcouncil.org to learn more.



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 Texas Higher Education Coordinating Board, "Overview: Eligibility for In-State Tuition and State Financial Aid Programs," December 2018, <https://reportcenter.highered.texas.gov/reports/data/overview-eligibility-for-in-state-tuition-and-state-financial-programs/>.
 - 3 Brian O'Leary and Nick Perez, "Student Outcomes," The Chronicle of Higher Education, September 7, 2022, <https://www.chronicle.com/article/student-outcomes>.
 - 4 Steven Ruggles, Sarah Flood, Ronald Goeken, Megan Schouweiler, and Matthew Sobek, IPUMS USA: Version 12.0 [dataset] (Minneapolis, MN: IPUMS, 2022), <https://doi.org/10.18128/D010.V12.0>.
 - 5 Bureau of Economic Analysis, RIMS II Multiplier, <https://apps.bea.gov/regional/rims/rimsii/>.
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