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To whom it may concern

The DREAM Act in Arizona: An Economic Perspective

Economics cannot clarify the complicated social politics of the DREAM Act, but it can speak to the significant financial implications for undocumented immigrants, the Arizona workforce, and the state as a whole. Given the current economic environment, these implications should be considered carefully in the public discussion of the Act.

The DREAM Act offers a chance for qualified undocumented high school graduates to earn permanent resident status and create a viable economic future for themselves and their family. Because of the state's large number of undocumented youths, the DREAM Act is of particular interest in Arizona.

One of the routes for earning permanent resident status - completing two years in a Bachelor's degree program - would likely incentivize a large number of qualified high school graduates to pursue college studies. Many of these students would eventually earn a Bachelor's degree. An individual with a bachelor's degree has average net lifetime earnings of approximately \$750,000 more than an individual with only a high school diploma, assuming the individuals spend 44 years in the workforce. If 1,000 individuals per year received a bachelor's degree instead of stopping their education with a high school diploma, additional individual earnings in Arizona would be nearly \$750 million per year higher after 44 years.

Financial impacts of increasing educational attainment are not limited to the individual. The work of Enrico Moretti has shown that increasing the share of a region's workers with a university degree by 1 percentage point increases wages by:

- 1.9 percent for those with less than a high school diploma
- 1.6 percent for high school graduates
- 1.2 percent for those with some college
- 0.4 percent for those with university degrees

The increased productivity created by more highly skilled workers produces wage benefits that accrue to all workers in the region. Additionally, an educated workforce boosts wages by making the state more attractive to high-paying knowledge industries. Based on Arizona's workforce and earnings profile in 2006, a 1 percentage point increase in the share of workers with a university degree in the Arizona workforce eventually would raise aggregate earnings in Arizona by \$2.1 billion per year.

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In addition to monetary benefits, the DREAM Act would have less tangible impacts on Arizona. Studies have shown that regions with high proportions of college graduates experience less crime, greater and more informed civic participation, and improved performance across a host of socioeconomic measures. One of the most important and least quantifiable impacts would be nurturing a culture of higher education among Hispanics in Arizona. Arizona's population is 30 percent Hispanic; educational attainment of Hispanics is not only an issue of equity, but is central to the state's long-term economic competitiveness.

While the DREAM Act would increase public expenditures on certain education programs, the concomitant increases in personal and aggregate income would increase tax revenues. In addition, the lesser demand for social services of more educated residents would lower other costs borne by Arizona taxpayers.

Arizona faces unique challenges in advancing its economy. Currently, the state has a dilemma: it has a disproportionately high share of poorly paid, low-skilled jobs and because of the state's low-skilled workforce, it has had difficulty attracting companies offering more skilled jobs. Increasing the number of college-educated workers in the state and matching those workers to new jobs through concerted economic development policies can resolve this dilemma - and improve the state's public finances. Any barriers, disincentives, or lack of incentives for increasing the educational attainment of the workforce, especially within economically marginalized groups, necessarily means forgoing potential tax revenue, and prosperity and quality of life improvements for all Arizonans.

Faithfully,



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