

Policy Brief

Recruiting, Retaining, and Capitalizing on International Students at U.S. Universities

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EXECUTIVE SUMMARY

The United States enrolls more foreign students at its colleges and universities than any other country in the world. In 2017–2018, approximately 1.1 million foreign nationals studied in the United States. These students have limited options to work and live in the country after graduation, even though both the George W. Bush and Barack Obama administrations sought to expand their work opportunities postgraduation. Looking to capitalize specifically on STEM (science, technology, engineering, and mathematics) students and their contributions to the modern economy, both administrations expanded the Optional Practical Training (OPT) program — the primary pathway for foreign graduates to gain valuable on-the-job experience and improve their chances of transitioning to longer-term work visas.

The Trump administration has taken a less welcoming approach by enacting policies that penalize and deter foreign students, while also altering the H-1B lottery to modestly improve the odds for foreigners with American degrees. The uncertainty created by the administration — paired with a simultaneous increase in opportunities offered by other countries to foreign students — has triggered a drop in U.S. foreign-student matriculation. For the first time, America's dominance in foreign student recruitment is being threatened, and the negative economic impacts are emerging.

The Niskanen Center is a 501(c)3 issue advocacy organization that works to change public policy through direct engagement in the policymaking process.

Foreign students and graduates are key demographics for maintaining economic dynamism in the 21st century. Failure to adequately recruit and retain international talent reverberates throughout the U.S. economy, leading to reduced productivity, fewer jobs, and the shuttering of educational programs that American-born students rely upon. The drop in foreign student matriculation comes at the expense of opportunities for native-born Americans — students, workers, and consumers alike.

This Niskanen Policy Brief explores current policy regarding foreign students and includes an examination of the unique contributions these students make to the United States. Moreover, it offers policy recommendations that would allow the United States to better capitalize on the skills of foreign students, to the benefit of their university communities and the American economy at large.

PART I: Current Foreign Student Policy

The F-I visa is the most common avenue foreign nationals use to study in the United States. To qualify, applicants must enroll full-time in an academic program and prove that they have the financial means to support Applicants without English themselves. proficiency are required to complete English courses during language their International students and their universities must also comply with ongoing reporting requirements of the Student and Exchange Visitor Program during their time in the United States.1

To ensure foreign students have an opportunity to build upon their skills and education in a job setting, all graduates are offered 12 months of work authorization known as Optional Practical Training (OPT).

This program allows graduates to work in the United States, gain necessary experience, and create relationships with employers who may want to sponsor them for a work visa in the future. Students who continue their education by pursuing a higher-level degree are eligible for an additional year of OPT.²

In 2008, the Bush administration established STEM OPT³, which extended OPT for STEM graduates by an additional 17 months to address labor shortages in the United States.⁴ In 2016, the Obama administration increased the extension to 24 months, giving STEM graduates a total of three years to work in the

¹ U.S. Immigration and Customs Enforcement, "SEVP's governing regulations for students and schools" (Department of Homeland Security, last modified March 19, 2019).

² Jie Zong and Jeanne Batalova, "<u>International</u> <u>Students in the United States</u>," Migration Policy Institute, May 9, 2018.

³ U.S. Citizenship and Immigration Services, "Optional Practical Training Extension for STEM Students (STEM OPT)" (Department of Homeland Security, last modified August 17, 2018).

⁴ Department of Homeland Security, "Extending Period of Optional Practical Training by 17 Months for F-1 Nonimmigrant Students With STEM Degrees and Expanding Cap-Gap Relief for All F-1 Students With Pending H-1B Petitions," 73 Federal Register 18944, April 8, 2008.

United States post-graduation.⁵ In its 2016 rule, the Department of Homeland Security wrote, "The nation also will benefit from the increased retention of such students in the United States, including through increased research, innovation, and other forms of productivity that enhance the nation's economic, scientific, and technological competitiveness."

One motivation for these changes was to provide international students with more chances to apply for the H-1B visa, which authorizes recipients to work a maximum of six years in the United States. (Employers may also sponsor their H-1B workers for permanent residence, which allows them to reapply for a visa beyond the six-year maximum while they wait in line for their green cards.)

The H-1B visa is capped at 85,000 total visas annually, with 20,000 set aside for international students from graduate programs. The visa is distributed via lottery, so employers have no guarantee of securing a visa if they go through with the expensive process.

As competition for the H-1B continues to increase, the STEM OPT extension provides high-value graduates more bites at the proverbial apple.

PART II: The Economic Contributions of Foreign Students

International students contribute to the economy and their campuses in four main ways.

First, international students enhance American innovation. The World Bank found that every 10 percent increase in foreign students in U.S. graduate programs increases non-university patent grants by almost 7 percent and university patent grants by 5 percent. The report warned that fewer foreign students could "reduce innovative activity significantly."

Second, foreign students spend money on goods and services such as food, transportation, and health insurance while they are studying in the United States.⁷ This spending adds up: In the 2017–2018 academic year, international students contributed a total of \$39 billion to the U.S. economy and supported 455,000 jobs. For every seven international students enrolled in U.S. universities, three American jobs are created.⁸ This spending has positive implications for small college towns that see a burst of

⁵ Department of Homeland Security, "<u>Improving and Expanding Training Opportunities for F-1</u> Nonimmigrant Students With STEM Degrees and <u>Cap-Gap Relief for All Eligible F-1 Students</u>" 81 Federal Register 13039, March 11, 2016.

⁶ Gnanaraj Chellaraj, Keith E. Maskus, and Aaditya Mattoo, "<u>The Contribution of Skilled Immigration</u> and International Graduate Students to U.S. <u>Innovation</u>," *World Bank Policy Research Working Paper* no. 3588, May 2005.

⁷ "NAFSA International Student Economic Value Tool," NAFSA: Association of International Educators, accessed April 4, 2019.

⁸ "The United States of America: Benefits from International Students," NAFSA, 2018.

economic activity that flows from their university with spillover effects locally.

Third, foreign students make college more affordable for native-born students by paying out-of-state tuition (at public schools) and, depending on the university, additional international student fees that range from \$100 to \$2,000 per year.⁹ This effectively subsidizes native students' education. Moody's estimates that foreign students pay 10 percent of all tuition dollars that schools receive, even though they comprise only 5 percent of total students.¹⁰ Much of this revenue goes towards scholarships and other financial assistance programs for native-born students.

revenue is used to fund financial assistance for lower-income American students.¹⁷

Economist Kevin Shih finds that, on average, an increase of 10 international students leads to the enrollment of eight additional U.S. students. This is likely due in large part to international students' contributions to university revenue.¹²

Fourth, international students bolster U.S. academic programs. An analysis by the National Foundation for American Policy (NFAP) found that in 2015, 93 percent of U.S. graduate electrical engineering programs with 30 or more enrollees had a majority of

Field	Percent of Programs With a Majority of International Students (2015)
Electrical Engineering	93%
Computer Science	88%
Industrial/Manufact. Engineering	88%
Mechanical Engineering	73%
Civil Engineering	70%
Chemical Engineering	64%
Mathematics/Applied Math.	49%

At the University of California, for instance, international students pay roughly \$41,000 in tuition and fees — almost triple what their U.S. counterparts pay. One-third of this

The numbers were similar for fields like computer science and industrial engineering, listed in the chart above from NFAP.

international students.¹³

⁹ Jake Varn, "<u>The Hidden Impact of International</u> Students," Bipartisan Policy Center, April 11, 2017.

¹⁰ Danielle Douglas-Gabriel, "Moody's warns Trump presidency could hurt colleges counting on international students," *Washington Post*, November 18, 2016.

¹¹ Dick Startz, "<u>Sealing the border redux: American universities are losing international students</u>," *Brown Center Chalkboard* (blog), February 7, 2018.

¹² Kevin Shih, "<u>Do international students crowd-out or cross-subsidize Americans in higher education?</u>" *Journal of Public Economics* 156 (2017): 170-184.

¹³ Stuart Anderson, "<u>The importance of international students to American science and engineering</u>," National Foundation for American Policy (2017).

Because many of these programs could not be maintained without the participation of foreign students, native-born students benefit from more placement opportunities thanks to international enrollment.

Foreign students also comprise well over three-fourths of enrollees in graduate STEM programs for top-ranked schools like Carnegie Mellon. At the University of Florida, international students represented over 90 percent of graduate computer science enrollees in 2015.

The White House noted in a December 2018 report that access to quality STEM education is essential to America's economic success and national security. For years, international students have facilitated this access by pursuing STEM degrees at higher-than-average rates. Foreign students aren't substituting Americans in STEM fields—they are complementing them and opening up more opportunities to study, not fewer.

Foreign students bring other assets to the United States, too. For example:

 International students are often bilingual and can bridge gaps in global markets by forging relationships across borders.

- International students are by their nature young and in prime working age. They can bring vitality to cities and communities and aid safety nets as the native population ages.
- International students provide a cross-cultural learning experience that aids American students.

Moreover, Jeremy L. Neufeld finds that for every 10 participants in the OPT program — which offers all international graduates at least 12 months of work authorization — at least five new patents are created in the same metropolitan area. He also finds no negative effects on employment.

Additionally, immigrants start new businesses at higher rates than the national average. As of 2016, they had founded or co-founded 44 of America's 87 startups valued at \$1 billion.¹⁷ And of those companies, 20 were started by people who originally came to the United States on a student visa.

Part III: Current Reform Proposals

In January 2019, the Trump administration announced a new rule postponing the allocation of the 20,000 H-1B visas reserved for holders of U.S. graduate degrees until the other 65,000 available for the general pool of

¹⁴ White House Office of Science and Technology Policy, *Charting a course for success: America's strategy for STEM education* (Executive Office of the President of the United States, 2018).

¹⁵ Francis Kai-Hwa Wang, "<u>Study: International Students Outpace Americans in STEM Degrees</u>," NBC News, June 23, 2015.

¹⁶ Jeremy L. Neufeld, "Optional Practical Training (OPT) and International Students After Graduation," *Research Paper* (Niskanen Center, 2019).

¹⁷ Stuart Anderson, "Immigrants and billion dollar startups," National Foundation for American Policy (2016).

applicants are allocated.¹⁸ Historically, the 20,000 reserved visas were issued first, plucking the people who received them from the general application pool. Under the new policy, all applicants with U.S. graduate degrees must apply through the general visa lottery; then, the remaining 20,000 visas are issued to advanced degree holders unsuccessful in the general lottery.

The rule change slightly improves the odds for foreign student petitioners to win the lottery compared to previous years. U.S. Citizenship and Immigration Services (USCIS) estimates that this change will allow approximately 5,340 foreign workers with an advanced degree from a U.S. university to win the general H-1B lottery. An analysis from Quartz found that the new policy would slightly increase the chance of advanced degree holders winning an H-1B visa, from 51 percent to 55 percent. From 51 percent to 55 percent.

On net, however, the administration has backed policies that make the United States a less welcoming destination for foreign students. This slight rule change doesn't swing the trend in the opposite direction.

18 Department of Homeland Security, U.S.

A February 2019 survey from the Council of Graduate Schools revealed that international graduate enrollment declined through the previous two fall admissions cycles.²¹ Engineering programs were hit hard. with particularly international enrollment dropping 16 percent during the 2017-2018 school year and 10 percent the year before. In fall 2018, 49 percent of U.S. colleges and universities reported declines in new international enrollment. The two top factors identified as responsible for these drops were visa denials and delays and shifts in America's political climate — the "Trump effect,"22 amplified by additional restrictions on foreign students generally and narrowly tailored policies targeting specific nationalities.

Broad Crackdowns on Foreign Students

In August 2017, the Department of State gave consular officers broader authority to reject any F-1 applications if they are not convinced of the applicant's intent to return home after completing their studies or OPT.²³ Although requiring foreign visitors to demonstrate nonimmigrant intent is longstanding U.S. policy, previous guidance encouraged consular officers to consider foreign students'

Citizenship and Immigration Services, "Registration Requirement for Petitioners Seeking To File H-1B Petitions on Behalf of Cap-Subject Aliens," 84

Federal Register 888, January 31, 2019.

19 U.S. Citizenship and Immigration Services, "DHS Announces Final Rule for a More Effective and Efficient H-1B Visa Program" (Department of Homeland Security, last modified January 30, 2019).

20 Youyou Zhou, "A proposed change to the H-1B lottery would benefit advanced degree holders,"

Quartz, November 1, 2018.

²¹ Hironao Okahana and Enyu Zhou, "<u>International Graduate Applications</u> and Enrollment: Fall 2018" (Council of Graduate Schools, 2019).

²² Julie Baer, "<u>Fall 2018</u> <u>International Student Enrollment</u> <u>Hot Topics Survey</u>," Institute of International Education (2018).

²³ "Stricter F-1 Residence Abroad Language in FAM," NAFSA, September 12, 2017.

unique circumstances when enforcing this rule.24 Unlike other international visitors, who can point to their familial or work obligations as evidence that they intend to return home, foreign students are younger and often lack such ties to their home country. Since at least 2005, consular officers were discouraged from using this as justification for rejecting student applications.²⁵ But the visa Trump administration's 2017 change eliminated this distinction. The heightened scrutiny is also burdensome for students renewing their F-1 status who have also applied for an H-1B visa, their pending H-1B application is technically direct evidence that they intend to remain in the United States. Officials could reject an F-1 renewal on this basis.²⁶

The White House also plans to change criteria regarding international students' length of stay. Currently, F-1 holders may study full-time in the United States as long as they comply with their visa requirements. But in the fall of 2018, the Trump administration announced plans to enact a rule that creates a specified end date for international students to remain in the country.²⁷ If it is enacted, F-1 holders would be forced to extend their status should their academic timelines change, potentially flooding the U.S. government with applications it would struggle to process.

²⁴ Ibid.

The administration has also sought to severely penalize students who unknowingly violate their visa requirements.²⁸ Because these rules are often technical and unclear²⁹, students accidently fall out of status over mundane issues, such as forgetting to report a change of address or accidently exceeding the number of months they are allowed to work while in school.30 When a student falls out of status, they have 180 days to either rectify the issue and regain lawful presence or prepare to return to their home country. Those who fail to meet this deadline face a 3-year ban from the United States. Students who are unlawfully present in the country for over a year are penalized with a decade-long ban.

For over 20 years, the 180-day clock would only start ticking after an adjudicator notified the student of their unlawful presence. But in May 2018, the White House announced that it would begin counting against the unlawful presence deadline on the day the student fell out of status.

The implications of such a regulatory change are massive. Students could be banned for years — in the middle of their studies — for committing minor infractions. The White House's justification rested on a flawed report

(Department of Homeland Security, last modified August 9, 2018).

²⁵ Ibid.

²⁶ Rajula Sati and Maria Fernanda Gandarez, "New Guidance in the Foreign Affairs Manual May Add Challenges to Visa Issuance at US Consular Posts Abroad," National Law Review, August 23, 2017.
²⁷ "Proposal to Replace Duration of Status," NAFSA, October 23, 2018.

²⁸ U.S. Citizenship and Immigration Services, "USCIS Issues Revised Final Guidance on Unlawful Presence for Students and Exchange Visitors"

²⁹ Cyrus Mehta, "<u>To Leave Or Not To Leave: The Devastating Impact of USCIS's Unlawful Presence Policy on Foreign Students</u>," ILW.com, January 29, 2019.

³⁰ Stuart Anderson, "<u>Lawsuit Charges USCIS Move Against Foreign Students Is Illegal</u>," *Forbes*, November 9, 2018.

that inflates the number of visa overstays by failing to account for unreported departures.³¹ Numerous other problems³² with the regulation were cited in a lawsuit involving over 60 colleges.³³ These objections included that the regulation was issued without public notice, conflicts with statutory text, and violates students' right to due process. In May 2019, a federal district court judge issued a nationwide preliminary injunction blocking the policy, which now remains in legal limbo.³⁴

The Trump administration also considered curtailing the STEM OPT program in its fall 2018 regulatory agenda but to date has made no changes.³⁵ Although the administration removed this plan from the regulatory agenda, it may return at a later date.³⁶

2. Targeted Crackdowns Against Select Nationalities

³¹ Robert Warren, "<u>DHS Overestimates Visa</u> <u>Overstays for 2016; Overstay Population Growth</u> <u>Near Zero During the Year</u>," *Journal on Migration and Human Security* 5, no. 4 (2017): 768-779. On June 2018, the Supreme Court upheld³⁷ the third version of the president's "travel ban," restricting the entry into the United States of citizens of countries including Iran, Syria, Libya, Somalia, and Yemen.³⁸ The order prohibits Syrians from receiving an F-1 visa and subjects other applicants to intense scrutiny, often delaying their applications for months.³⁹ In the academic year after the first version of the travel ban was issued in January 2017, new graduate enrollments from Middle Eastern and North African nations declined by 12 percent.⁴⁰

Around the same time the travel ban ruling was issued, the Department of State restricted the length of stay for Chinese graduate students studying robotics and high-tech manufacturing to just one year.⁴¹ In the months following the change, the White House considered other measures to target Chinese students, ranging from monitoring their phone calls to banning them outright.⁴²

These announcements coincided with slowed growth in new Chinese enrollment, with nearly half of U.S. colleges and universities

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³² Anderson, "Lawsuit Charges USCIS."

³³ Brief of Institutions of Higher Education as *amicus curiae* in support of plaintiffs in *Guilford College, et al.* v. *Kirstjen Nielsen, et al.*, December 21, 2018.

³⁴ "USCIS Temporarily Blocked from Enforcing New Unlawful Presence Rules for Students and Exchange Visitors," Fragomen, May 3, 2019.

³⁵ Department of Homeland Security, "<u>Practical Training Reform</u>" (Executive Office of the President, 2018).

³⁶ "Federal Immigration Agencies Release Fall 2018 Regulatory Agendas," Fragomen, October 17, 2018.

³⁷ Trump, President of the United States, et al. v. Hawaii et al., 585 U.S. (2018).

³⁸ "<u>Indefinite Entry Bar Under Executive Order</u>," NAFSA, June 26, 2018.

³⁹ Bozorgmehr Sharafedin and Yeganeh Torbati, "<u>U.S. issues fewer student visas to Iranians despite exemption</u>," Reuters, November 26, 2018.

⁴⁰ Okahana and Zhou, "<u>International Graduate Applications</u>."

⁴¹ Jeffrey Mervis, "<u>More restrictive U.S. policy on Chinese graduate student visas raises alarm</u>." *Science*, June 11, 2018.

⁴² Patricia Zengerle and Matt Spetalnick, "<u>Exclusive</u>: <u>Fearing espionage</u>, U.S. weighs tighter rules on <u>Chinese students</u>," Reuters, November 29, 2018.

reporting a drop for fall 2018.⁴³ Because Chinese students alone represent 30 percent of all international students studying in the United States, a sizable majority of colleges have expressed concern about future declines. ⁴⁴ In fact, the University of Illinois at Urbana-Champaign bought an insurance policy in November 2018 to cover its engineering and business schools for up to \$60 million in losses from possible declines in Chinese enrollment.⁴⁵

The risks posed by admitting international students from these countries do not justify the benefits squandered by excluding them. Although the Chinese government has previously used international students to collect intelligence, this risk is better addressed by requiring that the cultural centers the Chinese government funds on U.S. campuses operate with greater transparency and university oversight — conditions that should apply to foreign funding sources generally.⁴⁶

Part IV: Policy Recommendations

As new international student enrollment at U.S. institutions declines, more students are

pursuing an education in other countries, particularly as developing economies invest in improving their own institutions with the hopes of retaining native-born talent.⁴⁷

Even with the restrictions they face, international students have made outsized contributions to American innovation, education, and economic revitalization. U.S. lawmakers should recognize these contributions and enact reforms that allow foreign students to fully realize their potential for the good of the U.S. economy.

The following recommendations establish a starting point for staying ahead in the global competition for student talent and bolstering the American economy:

- 1. Lengthen the employment duration for STEM OPT participants. Under the current system, F-1 visa holders employed through STEM OPT have a maximum of three chances to obtain an H-1B visa. Instead, STEM OPT workers should be granted benefits comparable to those of H-1B holders, including six vears of authorization and an option to apply for permanent residency. STEM OPT participants could be exempted from both the per-country caps and the overall cap on the annual number of green cards allotted.
- 2. Expand OPT extensions to other high-value fields. STEM graduates play a unique role in the 21st century economy, but other high-value

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⁴³ Baer, "Fall 2018."

⁴⁴ Youyou Zhou, "<u>The impact of Chinese students in the US, charted and mapped</u>," Quartz, October 2, 2018.

 ⁴⁵ Lynne Marek, "Why U of I is insuring itself—literally—against a drop in Chinese students,"
 Crain's Chicago Business, January 11, 2019.
 ⁴⁶ Larry Diamond and Orville Schell, <u>Chinese Influence and American Interests: Promoting Constructive Vigilance</u> (Hoover Institution, 2018).

⁴⁷ Baer, "Fall 2018."

graduates, such as those with MBAs and students specializing in health care fields — nursing, occupational therapy, medicine — should be afforded similar opportunities. Currently, F-1 students who specialize in some health care fields do not qualify⁴⁸ for the STEM OPT extension even though the Bureau of Labor Statistics categorizes these professions as STEM.⁴⁹

- 3. Create an entrepreneur/start-up visa. Crafted for foreign graduates and non-students, an entrepreneur visa as seen in more than a dozen other advanced economies - could offer work authorization and a potential path to residency for the creation of, investment in, and growth of business projects. For example, Government Accountability Office has noted several "cases in which entrepreneurs attempting to establish very early-stage technology start-ups were unable to obtain H-1B or other work visas for themselves and either relocated the project abroad or had to abandon the start-up."50
- 4. Offer international PhD students an immediate path to a green card.

These graduates truly represent the best and the brightest and deserve a special path to a green card after graduation. They have spent extended time in the United States and are masters of their fields, and they should be rewarded for their accomplishments. This is the clearest example of possible merit-based immigration reform.

It's also important to fund programs and initiatives to get native-born Americans, specifically women and people of color, into STEM programs. While international students have helped U.S. colleges and universities become global leaders in STEM, the White House notes that only 20 percent of college-bound U.S. high schoolers possess the skills necessary to earn a STEM degree.⁵¹

CONCLUSION

Policies that recruit, retain, and capitalize on foreign students enhance the employment and of educational prospects native-born Americans, the well-being of the immigrants themselves, and the dynamism of the U.S. economy. The implications of foreign-student policy in a dynamic, 21st century economy should not be overlooked. Two years of declining new international student enrollment and stiffening competition around the world comes to the detriment of our economic future.

⁴⁸ U.S. Immigration and Customs Enforcement, "<u>STEM Designated Degree Program List</u>" (Department of Homeland Security, last modified May 10, 2016).

 ⁴⁹John I. Jones, "An overview of employment and wages in science, technology, engineering, and math (STEM)," Beyond the Numbers 3, no. 8 (Bureau of Labor Statistics, Department of Labor, April 2014).
 ⁵⁰ U.S. Government Accountability Office, <u>H-1B Visa Program: Reforms Are Needed to Minimize the Risks and Costs of Current Program</u>, January 14, 2011.

⁵¹ National Science and Technology Council, <u>Charting a course for success</u> (Executive Office of the President, 2018).

STEM training makes the modern world possible, and eliminating or reducing STEM OPT would dramatically undercut the ability of American students to study these crucial fields. But foreign students aren't attractive simply because some study math. Immigrant owners make up one-third of small, independent businesses — the hallmark of Main Street — and the health care and business sector are populated by and depend on immigrants.

When foreign students graduate and leave the United States, they take their newly-minted education, valuable skills, specialized talents, rigorous academic training, and ideas incubated by elite U.S. institutions. Failing to accommodate promising foreign graduates only squanders benefits of our top-tier educational system and blunts our economy's competitive edge. American workers lose out on jobs. American cities lose out on tax revenues. The economy as a whole loses out on the compounding effects of added growth.

Lawmakers can't divorce foreign students from native-born students. Policies that restrict foreign students with the intention to help native-born students will have the opposite effect. The presence of foreign students at U.S. institutions creates more, not fewer, opportunities for native-born students. Policies that restrict international students, such as ending STEM OPT, will shut down programs, dry up university revenue, and harm local tax bases while reducing the flow of talent into our country.

The United States is at the cutting edge of innovation, but it also has an aging

population. As the number one destination for global talent, we have a unique opportunity to capitalize on students who will drive our economy forward. Squandering that potential with bad policy, dangerous rhetoric, and a climate of uncertainty harms American workers and native-born students.