

Immigration

Effects on Colorado and the nation: A review of research



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Issue Brief
Dec. 29, 2005

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Summary

Immigration will be one of the hottest issues facing Colorado in 2006. A group called Defend Colorado Now is working to put an initiative on the 2006 ballot to deny state and local government services to undocumented immigrants.

We believe sound policies grow from thorough, objective research. This report presents the results of the Bell Policy Center's review of existing research on the effects of immigration.

Key findings from the research include:

Demographics

- In 2004, 35.7 million foreign born immigrants lived in the U.S.
- Nationwide, 29 percent or 10.3 million are estimated to be undocumented.
- In 2004, 434,938 foreign born immigrants lived in Colorado, about 10 percent of the state population.
- In Colorado, about half of the state's immigrants, between 200,000 and 250,000 people, are estimated to be undocumented.

Economic impacts

- Immigration drives economic growth in the nation as a whole, adding about \$10 billion to the U.S. economy annually.
- Immigrants come to the U.S. to work. While 83 percent of native-born men work, the rate is 86 percent for documented immigrant men and 90 percent for undocumented immigrant men.
- Wages and employment of native-born U.S. workers are affected minimally by immigration.

State and federal policy

- Immigration is a federal issue. Current immigration laws and policies need to be revised to better meet the needs of our economy.
- Immigrants pay their way. Under most scenarios, immigrants pay more in taxes to all levels of government than they consume in services.
- However, there tends to be a net surplus at the federal level and a net cost to states and localities.
- The costs of implementing proposals to deny government services to undocumented immigrants exceed the savings they generate.

Bell Policy Center's position

Most government spending on documented and undocumented immigrants pays for education and health care for their U.S. born, citizen children. These costs are mandated by federal law and explicitly exempted by the proposed initiative. Documented and undocumented immigrants pay taxes at a rate that covers the costs of the other services they use.

For these reasons the Bell Policy Center opposes the initiative proposed by Defend Colorado Now.

Not only does this proposal cost taxpayers more than it saves, it opens governments up to new litigation liability and creates unnecessary hurdles for legal immigrants and citizens when they seek the government services their taxes pay for.

Our efforts are better directed at modernizing immigration laws and urging the federal government to pay a bigger share of the educational costs for the children of immigrants.

During the coming year, the Bell Policy Center will examine immigration in more depth, focusing on costs and benefits to Colorado, and issue reports on our findings.



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Immigration effects on Colorado and the nation: A review of research

1. Introduction

All over Colorado, people are talking about how immigrants — documented and undocumented — impact the economy, communities and government services. The public conversation is, at times, emotional, heated and packed with rhetoric.

Now a move is afoot to place an initiative on the 2006 ballot to restrict state and local government services to U.S. citizens and legal immigrants. The proposal from Defend Colorado Now is similar to legislation that failed in the 2005 legislative session. Several bills dealing with immigration are also likely to be introduced in the 2006 session.

To help policy makers and the public judge these proposals and other immigration issues in Colorado, the Bell Policy Center reviewed existing research. We believe sound social and fiscal policies grow from thorough, objective research. To solve a problem, we must first understand it.

In conducting our analysis, we:

- Researched current U.S. immigration policies.
- Summarized key immigration reform bills now before the U.S. Congress.
- Reviewed existing studies and reform proposals that:
 - Measure and describe the immigrant population, including undocumented immigrants, in the United States and Colorado.
 - Assess the impact of immigrants on the national and state economies, and their relationship to the U.S. demand for workers.
 - Identify the fiscal impacts of immigrants on various levels of government, documenting services provided and taxes paid.
 - Calculate the costs and savings of implementing measures to limit government services to U.S. citizens and legal immigrants.

Based on the results of this review, the Bell Policy Center opposes the Defend Colorado Now initiative and other legislation with similar provisions. These types of proposals simply miss the mark.

While fueling emotion and rhetoric, these proposals fail to address the real issues of immigration: the need to revise and update national immigration laws and related fiscal policies governing mandated services.

Our analysis shows the costs outweigh the savings of these proposals.

Most immigration-driven costs shouldered by state and local governments are for K-12 education for all children and for Medicaid coverage for U.S. born, citizen children. These services are mandated by federal law and are explicitly exempted by the initiative.

The DCN proposal also opens state and local governments up to new grounds for lawsuits that could be filed by any legal resident who suspects public services are being improperly provided to undocumented immigrants.

Studies show that except for mandated services, undocumented immigrants pay more in taxes than they use in services.

However, revenues vs. services are not fairly balanced between different levels of government. State and local governments pay more to serve immigrants, while the federal government gains more in tax revenues.

Equalizing this imbalance would be a more productive effort for policy reform. Colorado should press the federal government to pay a greater portion of the cost of educating and providing medical care for eligible children of immigrant households.



2. Overview of current immigration policy and the demand for labor

Immigration policy is under the purview of the federal government, which governs how many and what kinds of immigrants may legally enter the United States, permanently or temporarily.

The federal government sets priorities based on national security, humanitarian issues, nationality or race, family ties, economic contribution and economic self-sufficiency.

Permanent immigration

Immigrants may receive permanent residency under five categories:

- Relatives of citizens and permanent residents
- Asylum seekers
- Refugees
- Diversity immigrants
- Employment immigrants

The Immigration Act of 1990 set annual limits on each category.

However, no limit is set on immediate family members of U.S. citizens, which include parents, spouses and children under 20.

The act gives preferences to family relationship over employment. Currently, two-thirds of new legal immigrants are admitted because they are related to a citizen or permanent resident of the United States.

| 2004 U.S. Immigration | |
|-----------------------------|----------------|
| Immediate relatives: | 406,074 |
| Other relatives: | 214,355 |
| Asylum: | 10,016 |
| Refugees: | 61,013 |
| Diversity: | 50,084 |
| Employment: | 155,330 |
| Other: | 49,270 |
| Total: | 946,142 |

- Other family member immigration: 226,000 per year. This basis includes siblings and adult children of citizens, as well as spouses and children under 20 of permanent residents.

- Asylum seekers: 10,000 per year.
- Refugees: 70,000 per year.
- Diversity: 55,000 per year. This category is for people from countries that otherwise send low numbers of immigrants, such as many African and European nations. They are admitted with lower skill levels than employment immigrants from other countries, but must still have a high school education or two years of work in an occupation that requires training.
- Employment: 140,000 permanent work visas per year, plus any family member slots not used in the previous year. These immigrants generally must have a college degree or special work skills. Only 10,000 of the 140,000 work visas are allocated to low-skilled workers.
- Other: U.S. immigration policy includes several small categories for people who, for example, were slated for deportation until an immigration judge reversed their case or were admitted for humanitarian reasons.

Temporary immigration

Another option for employment immigration is a temporary work visa, typically used when native-born workers are not available.

Like the policy for permanent worker status, most temporary work visas are granted for highly educated or skilled workers.

The H-1B visa can be used by up to 65,000 people per year. It's good for three years, and can be renewed once. The visa allows employers to bring in specialized foreign workers, such as architects, engineers, computer programmers, accountants, doctors, nurses and college professors.

Only two of the 16 types of temporary work visas apply to low-skill industries. They are:

- H2A visas for seasonal agricultural workers, with no numerical cap. Good for one year, not renewable.
- H2B visas for unskilled labor outside of agriculture, with a cap of 66,000 per year. Good for one year, renewable for two more years.



2. Overview of current immigration policy and the demand for labor, continued

Labor market demand for workers

Adding together the 10,000 permanent work visas for low-skilled workers, the annual average of 22,500 H2A visas and the 66,000 H2B visas, fewer than 100,000 low-skilled workers can legally come to the United States each year to work.

While federal legislation restricts unskilled workers to three options for legal immigration, the U.S. labor market continues to draw many low-skilled workers.

- From 1996 to 2003, the U.S. economy gained 11 million jobs. Of these, 58 percent went to foreign-born workers.²
- During the 1990's, a half million undocumented workers successfully crossed the border every year. In this decade, the rate slowed slightly to an average of 485,000 a year.
- In 2004, undocumented workers held 6.3 million out of 146 million jobs, or 4.3 percent of all jobs in the United States.
- Undocumented immigrant job growth has come largely in service occupations and other industries that require little education or skills.³ The U.S. Bureau of Labor Statistics projects that over the coming decade, five of the 10 largest growing occupations will be for low-skilled workers, such as food and cleaning services.

| 2004 U.S. Temporary Work Visas | |
|---|---------|
| Total visas: | 684,381 |
| H2A visas: | 22,141 |
| H2B visas: | 86,958* |
| * Includes visa extensions, which do not count against the annual cap of 66,000. ¹ | |

Immigration application backlog

Backlogs in processing applications impose another limit on immigration.

As of January 2005, the Homeland Security and State departments tallied 271,000 backlogged employment-based visa applications from immigrant workers and their families.

Employers who want to hire immigrants must also be certified. The point is to be sure the job has been offered to native-born workers, and that U.S. workers will not be harmed by immigrant labor. As of January 2005, the Department of Labor had a backlog of 300,000 employer applications.

The U.S. labor market needs foreign-born labor, particularly the unskilled. But federal policies impose below-market limits on legal immigration and the government's immigration processing system can't keep up with the inflow of legal applications.

Unskilled workers are coming to the United States even if they can't get government approval, and most find jobs.^{4,5}

Congress considers immigration reform legislation

Several proposals have been introduced in Congress to change the nation's immigration policy to better address the flow of undocumented immigrants.

Sen. John McCain, R, Ariz., and Sen. Edward Kennedy, D, Mass., introduced the Comprehensive Border Security and Immigration Reform Bill.

Sen. John Cornyn, R, Texas, and Sen. Jon Kyl, R, Ariz., introduced the Comprehensive Enforcement and Immigration Reform Act.

U.S. Rep. Tom Tancredo, R, Colo., introduced the REAL GUEST act.

These bills contain provisions dealing with immigration enforcement, employers, undocumented immigrants now in the country, guest workers programs, return migration and immigrant families.

All three are pending before the 109th Congress.

For details on these bills, please refer to Appendix 1, page 18.



3. Immigrant demographics in the U.S. and Colorado

To study the effects of immigration, we need a good picture of the immigrant population. It's not easy to find this information. Generally, undocumented immigrants do not want to be counted and census data does not include specific information about them.

However, demographers can use existing data to estimate numbers of undocumented immigrants and information about them.

Much of this data is available only for the United States as a whole, and demographic data that describes undocumented immigrants nationally would generally apply to those living in Colorado. We have added some census data on Colorado's foreign-born population.

Immigrants in the United States ⁶

- Foreign-born immigrants living the U.S. in 2004: 35.7 million
- Percent of immigrants who are undocumented: 29 percent or 10.3 million
- Increase in foreign-born U.S. population, 1990-2004: 73 percent
- Undocumented immigrants living in the U.S. in 1992: estimated 3.4 million
- Undocumented immigrants coming to the U.S. each year, 1990-99: 500,000, estimated
- Undocumented immigrants coming to the U.S. each year, 2000-04: 485,000, estimated

Demographics of the undocumented immigrants in the United States (2004)

Where undocumented immigrants came from:

- Mexico: 57 percent
- Other Latin America countries: 24 percent
- Asia: 9 percent
- Canada and Europe: 6 percent
- Africa and other countries: 4 percent

Where undocumented immigrants live:

- California: 24 percent
- Texas: 14 percent
- Florida: 9 percent
- New York: 7 percent
- Arizona: 5 percent
- Illinois: 4 percent
- New Jersey: 4 percent
- North Carolina: 3 percent
- Colorado: 2 percent
- Other states: 30 percent

Colorado is one of 17 new "settlement states" where immigrants are locating.

Age and gender differences among U.S. immigrants

- Males: 56 percent
- Females: 44 percent
- Men 18-39: 43 percent
- Women 18-39: 29 percent
- Children 17 and younger: 17 percent
- Men and women 40 and older: 11 percent

Undocumented immigrant family composition in the United States

Counting undocumented families is difficult because there are so many definitions. The Pew Hispanic Center defines undocumented families as having a head of the house or spouse who is undocumented.

They may consist of married or unmarried couples with children, married or unmarried couples with no children, other adults with children or single adults.

- Single men: 46 percent
- Single women: 20 percent
- Undocumented families with children: 41 percent
- Children living in undocumented families: 4.7 million
- Legal status of children living in undocumented families: 3.1 million U.S. citizens, 1.6 million undocumented

Mixed status families are defined as having one



3. Immigrant demographics in the U.S. and Colorado, continued

or more undocumented parents and one or more children who are U.S. citizens by birth.

- Children living in mixed status families: 3.8 million
- Undocumented immigrant children with U.S. citizen siblings: 580,000
- U.S. citizen children with undocumented immigrant siblings: 620,000

U.S. employment rates by legal status and gender

Men

- Undocumented: 90 percent
- Legal immigrants: 86 percent
- Native-born: 83 percent

Women

- Undocumented: 56 percent
- Legal immigrants: 64 percent
- Native-born: 73 percent

Fewer undocumented immigrant women are in the workforce because they are caring for children at home.

Immigrants in Colorado ⁷

The numbers for foreign-born immigrants include immigrants who have become naturalized U.S. citizens and those who are not U.S. citizens.

- Official count of foreign-born immigrants living in Colorado in 2004: 434,938 people, 10 percent of the 2004 state population of 4.6 million
- Official count of foreign-born immigrants living in Colorado in 1990: 142,434 people, 4.3 percent of the 1990 population of 3.3 million
- Increase in foreign-born immigrants living in Colorado, 1990 to 2004: 205 percent
- Undocumented immigrants estimated to be living in Colorado: 200,000 to 250,000 ⁸

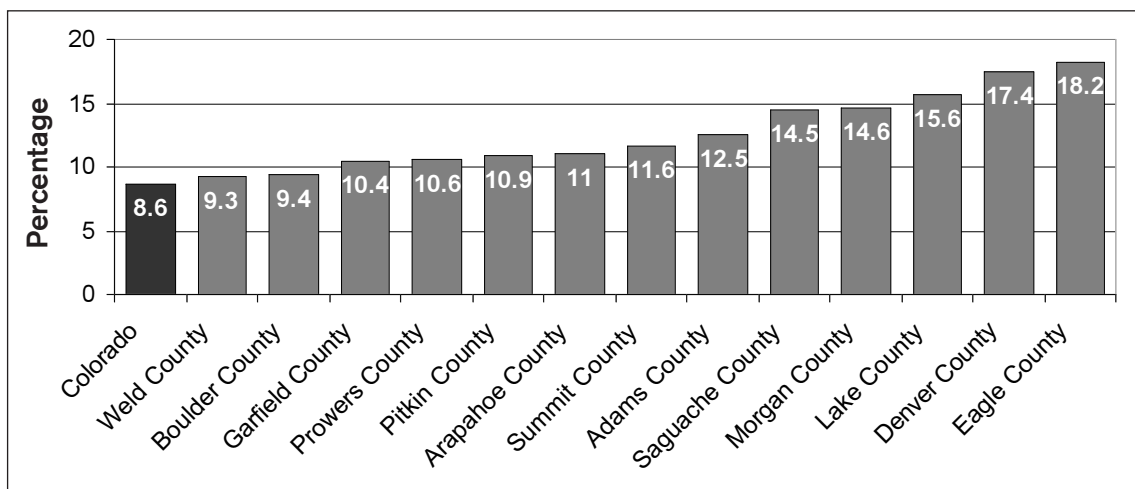
Countries of origin

- Mexico: 52 percent
- Asia: 18 percent
- Europe: 14 percent
- Central and South America: 6 percent

Poverty levels

- Foreign-born Colorado residents living at or below 150 percent of the federal poverty level: 32 percent
- All Colorado residents living at or below 150 percent of the federal poverty level: 18 percent

Figure 1. Percent of total population that is foreign-born, 2000, Colorado's above-average counties





4. Immigrants and the economy

Immigrants are workers and consumers. Their presence in the workforce in growing numbers could affect the job market and wages for U.S. workers. Their purchases add to the local, state and national economy.

Generally, studies find that immigration is good for the U.S. economy. It contributes to economic growth and has a minimal effect on unemployment and wages paid to native workers. Those workers who share similar characteristics with immigrants compete most directly and are affected more substantially.

National Research Council: *The New Americans*

The National Research Council conducted a thorough assessment of the economic impact of immigrants. *The New Americans* was published in 1997,⁹ followed by a companion report containing more detail in 1998.¹⁰ Although they are somewhat dated, the findings from this study are still considered relevant.

This study considered all immigrants, both documented and undocumented. It found that immigration contributed as much as \$10 billion annually to the national economy. It's a small number relative to the \$8 trillion U.S. economy in 1998, but represents a net gain.¹¹

NRC's research showed the benefits of immigration expand when immigrants and natives differ in skills. It does not matter whether immigrants have more or fewer skills than natives. The more they differ, the bigger the gains, because immigrants and native workers complement rather than compete with each other.

Immigration's benefits are not evenly distributed throughout the economy, however.

Beneficiaries include employers who pay lower wages, consumers who pay lower prices, suppliers of goods and services to immigrants who have more customers, and skilled natives whose relative wages rise.

But those who compete directly with immigrants for jobs could be worse off from immigration.¹²

Effects on the wages of native workers

The NRC found that immigrants have little overall effect on wages paid to native workers, including skilled and unskilled, male and female, and minority and white. The NRC found that immigration reduced wages of competing native-born workers by 1 or 2 percent.¹³

The group most directly affected by immigration is low skilled workers. Studies by George Borjas of Harvard University and confirmed in the NRC research found that from 1980 to 1995, immigration accounted for a 5 percent decline in real earnings for workers with less than a high school education. Overall, wages for this group fell by 11 percent during the period.¹⁴

Other studies reviewed by the NRC found more modest effects on the wages for low-skilled workers.

Fortunately, high school dropouts are a declining proportion of American workers. In 2004, 13 percent of the U.S. workforce and 11 percent of the Colorado workforce lacked high school diplomas.¹⁵

Another group that appears to suffer more from new waves of immigrants is immigrants from earlier waves. Studies indicate that new immigrants reduce the wages of previous immigrants by 2 to 4 percent.¹⁶

None of the evidence examined by the NRC suggests that African Americans suffer disproportionately from the immigration of low-skilled workers on a national level. Some have been affected more directly in places where immigrants are concentrated.¹⁷

As more unskilled workers enter the workforce, they need supervisors and the supervisors' wages increase. Many of the supervisors are native workers.¹⁸

Overall, estimates suggest that a 10 percent increase in the proportion of foreign-born workers cuts wages for native workers by less than 1 percent.¹⁹



4. Immigrants and the economy, continued

Effects on jobs held by native workers

The NRC study found that immigrants tend to be low skilled compared to native workers, and are not substitutes for most native-born workers.²⁰

However, researchers at RAND found that from 1970 to 1999, from 1 to 1.5 percent of the native population in California left the workforce or became unemployed because of competition from immigrants.²¹

Many other studies have found either a limited or no link between immigration and the displacement and unemployment of native workers.

One example cited in the 2005 Economic Report of the President was the Mariel Boatlift. That event brought 45,000 people from Cuba to Miami in the summer of 1980. Research found that these immigrants — the equivalent of 7 percent of Miami's labor force at the time — had virtually no effect on wages or unemployment rates of less-skilled workers in Miami.²²

Effects on the national workforce

According to the U.S. Bureau of Labor Statistics, the demand for less-skilled labor will grow over the next five years. In absolute numbers, most jobs will be in occupations that require minimal on-the-job training. The number of low-skilled jobs is expected to grow by more than 700,000 per year.

However, the number of native workers available for these jobs continues to decline as the workforce gets older and more highly educated. Immigrants provide a source of labor to fill the gap between supply and demand for low-skilled workers.²³

In addition, immigration can counteract the aging of the U.S. workforce.

Because immigrants are usually young and tend to have more children, immigrants can keep the mean population age fairly constant. They will also help keep the ratio of workers to retirees constant, at about 2 to 1.

A younger population is potentially more productive, giving the United States a competitive advantage over international competitors in Europe that will have much older workforces.²⁴

Bear Stearns: The Underground Labor Force is Rising to the Surface

A report issued by the investment company Bear Stearns in January 2005 estimates the total number of undocumented immigrants in the United States may be as high as 20 million.

Analysts used school enrollments, foreign remittances, border crossings, housing statistics and interviews in immigrant communities to make their estimates. They argue that Census Bureau data used by demographers undercounts many undocumented immigrants.

The report does not provide estimates for the number of undocumented immigrants by state or any other demographic information.

The techniques used in this analysis could be used to cross-check other estimates for undocumented immigrants in Colorado.

Center for Work and Community Development: *The Economic Contribution of Non-Native (Immigrant) Hispanics to Nevada*

The Center for Work and Community Development of Chicago analyzed the economic impacts of Hispanic immigrants, both documented and undocumented, on Nevada's economy in 2004. The center is an independent research and consulting group that works on economic development issues for unions, community organizations and state and local governments.

The center reports 152,635 Hispanic immigrants in Nevada's workforce in 2000 and provided a direct economic benefit to Nevada's economy for that year of \$12.7 billion.



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4. Immigrants and the economy, continued

Using an economic model that projects economic outputs, center researchers also calculated the indirect and induced economic impacts of Hispanic immigrants.²⁵ Researchers estimated the effects of immigrants on jobs in Nevada, economic output and state tax revenues.

Researchers counted 41,910 indirect jobs created as a result of immigrant worker spending and added a second multiplier of 43,614 jobs created from the spending by holders of the indirectly created jobs. Combined with direct employment of Hispanic immigrants, Nevada gained a total of 238,157 jobs.

Researchers count an indirect impact to the state's economy of \$3.4 billion and a secondary economic output of \$3.6 billion. Using these projections, the center estimated the total economic output from Hispanic immigrants working and spending in Nevada at \$19.7 billion in 2000.

Because the center relied on multiplier effects, the report may overstate the total economic impact. Even if the multiplier effects are discounted, the study still shows a positive economic effect from immigration.

What is a Green Card?

A Green Card gives a person official immigration status as a lawful permanent resident. It is legal evidence that the person is authorized to live and work in the United States.

The U.S. Citizenship and Immigration Service, a bureau of the U.S. Department of Homeland Security, issues the Green Card.

Immigrants can obtain a Green Card in different ways. They include:

- **Marriage to a U.S. citizen**
- **Petitions filed by immediate relatives who are U.S. citizens or permanent residents**
- **Petitions filed on their behalf by a U.S. employer**

Online:

U.S. Citizenship and Immigration

Services: <http://uscis.gov>

LegalMatch: www.legalmatch.com

**United States Immigration Support:
www.usimmigrationsupport.org**

Foreignborn.com: www.foreignborn.com



5. Fiscal effects of immigration

All Colorado residents benefit from public services, such as schools, roads and law enforcement. Residents and businesses pay for the costs of public services through taxes on income, sales, property (often passed along to renters) and gasoline.

In general, higher income residents consume fewer services and pay more in taxes than do lower income residents. The difference between what people pay in taxes compared to the cost of public services used is referred to as the *fiscal balance*.

The fiscal balance for immigrants, particularly undocumented immigrants, is one of the most hotly debated aspects of the immigration issue.

Overview of study results

Measuring the impact of immigration – documented and undocumented – is difficult. Should the costs and revenues be calculated for a single year or over the lifetime of the immigrants and their offspring?

Should educating immigrant children be considered as a short-term cost or a long-term investment?

Studies differ in approach on these questions. The National Research Council prefers the lifetime perspective. It balances the costs of education against the lifetime contributions of a future wage earner and taxpayer.

In general, studies conducted to date that assess the fiscal impacts of immigrants conclude:

- More net revenues tend to flow to the federal government than to state and local governments.
- Estimating costs and revenues over a lifetime tends to show immigrants generate a net benefit to the country as a whole.
- Estimating costs and revenues for a single year tends to show that immigrants generate a net cost. The costs are highest for state and local governments due to public education.

• The largest cost imposed by immigrant families is to educate children. Most of this

funding is spent on children born in the United States to immigrant parents. These children are U.S. citizens.

- Younger immigrants generate greater net benefits.
- Better-educated immigrants generate greater net benefits.
- Undocumented immigrant families impose fewer costs on the federal government than other households.

Four studies that estimate the costs imposed and revenues generated by immigrant families are summarized below. In some studies, both documented and undocumented immigrants are considered. In other studies, the effects of specific immigrant groups are studied.

National Research Council: *The New Americans and The Immigration Debate*

Again, the National Research Council study serves as the most comprehensive to date assessing the fiscal balance for immigrants.

The council calculated the costs of public services used at the federal, state and local level by immigrant families, defined as households headed by foreign-born people. The council also estimated the taxes paid by these households to all levels of government.

Researchers then calculated the fiscal balance (the cost of services used compared to the amount of taxes paid) for several different types of households.

The council calculated the fiscal balance for a single year for the nation as a whole. Researchers calculated net costs to the federal, state and local governments and tallied net costs to all levels of government combined.

The council commissioned a study on the net costs of immigration in California — the state with the largest number and percentage of immigrants — and reported on an existing study on the net costs of immigration in New Jersey, the No. 6 state for immigration.



5. Fiscal effects of immigration, continued

Table 1. Fiscal impact in the U.S. of immigrants by type of household in 1994, in billions of 1994 dollars.

| Study population | Overall fiscal impact | Federal impact | State & local impact |
|---|-----------------------|----------------|----------------------|
| Immigrants only | + \$32.4 | + \$28.2 | + \$4.2 |
| Immigrant and children under 20 in households | - \$13.3 | + \$16.0 | - \$29.3 |
| Immigrants and all children | + \$29.5 | + \$48.9 | - \$19.3 |
| Immigrants, all children and grandchildren | + \$23.5 | + \$50.9 | - \$27.4 |

As Table 1 shows, the fiscal impact in a single year of immigration varies and depends directly on household composition and the level of government.

- When the costs and revenues for only immigrants were considered, not including their U.S.-born children, the federal, state and local governments ended with a positive fiscal balance.
- When immigrant households with U.S.-born children under age 20 were considered, there was a negative fiscal balance at the federal, state and local levels.
- When immigrants and all of their U.S.-born children, including those over 20 or out of the household, were considered, the federal level showed a positive fiscal balance, while state and local levels showed a negative fiscal balance. The federal surplus was greater than the state and local deficit, resulting in an overall positive fiscal balance.
- When immigrants and all of their U.S. born children and grandchildren were considered, a positive fiscal balance was found at the federal level, but a negative fiscal balance persisted at the state and local level.²⁶ Again, the federal surplus was greater than the state and local deficit, resulting in an overall positive fiscal balance.

The primary cost to state and local governments from immigrants is K-12 education. It accounted for 48 percent of all costs to these governments in 1994, \$42.2 billion out of \$88.8 billion.²⁷

Other important caveats and additional findings associated with this study:

- An analysis of the future fiscal impacts of immigrants and all of their descendents found a net annual cost to state and local governments of \$750 per immigrant, a net annual benefit to the federal government of \$3,150 and a combined annual fiscal benefit of \$2,400 per immigrant.²⁸
- Although the expenditure and revenue data is dated, the relationships of costs imposed by immigrants on different levels of government remain the same.
- These calculations were based on 1994 data, collected before welfare reform legislation imposed a five-year waiting period on legal immigrants for welfare (Temporary Assistance to Needy Families) and Medicaid eligibility. Undocumented immigrants were never eligible and remain ineligible for these programs, except for Medicaid coverage for emergency medical care. These changes boosted the net benefit of immigration by \$264 per immigrant per year.²⁹
- The researchers note their estimates using households as a unit of analysis overstates the costs of immigration. The household definition includes U.S.-born children of immigrants only when they are of school age and impose high costs. The children are not included, however, once they have reached working age and moved out on their own to become contributors.



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5. Fiscal effects of immigration, continued

Center for Immigration Studies: *The High Cost of Cheap Labor*

The Center for Immigration Studies, a nonpartisan research organization in Washington, D.C., that generally supports more restrictive immigration policies, studied the total cost to the federal budget of undocumented immigrants. Using Census Bureau data from 2002, CIS researcher Steven A. Camarota followed the methodology used by the National Research Council in its 1997 study.

The CIS study estimated costs to the federal government and tax revenues paid by undocumented immigrants for a single year. The study used households headed by undocumented immigrants as the unit of analysis, the same category used by the NRC. These households include families with undocumented parents and U.S.-born, citizen children.

CIS concluded that households headed by undocumented immigrants paid \$16 billion in federal taxes and used \$26.3 billion in government services, for a net cost to the federal government of \$10 billion. However, CIS did not calculate the costs and revenues over the lifetime of the undocumented immigrants. NRC considers a lifetime view to be a more effective approach to determining fiscal impact.

CIS points out that many government services used by undocumented households actually go to the U.S.-born children. “Greater efforts at barring illegals from federal programs will not reduce costs, because their citizen children can continue to access them,” Camarota wrote.³⁰

Other findings of the CIS study include:

- Use of welfare by undocumented households tends to be very low and Medicaid use is less than other households.
- Only food assistance programs such as the Women, Infants and Children (WIC) and free school lunch programs show greater use by undocumented households. Again, U.S.-born children are among those who are eligible.

- On average, undocumented households use about half as much in federal government services as other households. But because many undocumented workers hold low paying jobs or are paid off the books, they pay about one-fourth as much in taxes as other households.
- Undocumented households create a net benefit of \$7 billion annually to the Social Security and Medicare programs. “Their impact on Social Security and Medicare are unambiguously positive,” Camarota reports.

The CIS concluded that reducing costs imposed by undocumented immigrants would be the most difficult policy option because many of the benefits are received on behalf of the immigrants’ U.S. citizen children. “The amount of money that can be saved by curtailing their use of public services even further is quite limited,” Camarota wrote.

Instead, CIS recommends greater enforcement of existing immigration laws.

Effects on the Social Security system

Most immigrants, documented and undocumented, are relatively young compared to native workers. The influx of younger workers expands the labor force and slows the decline in the ratio of workers per retiree. This helps to finance Social Security benefits to retired workers.³¹

In addition, many immigrant workers contribute to the Social Security system, but never file for benefits. Undocumented immigrants who are working under an invalid Social Security number cannot receive Social Security benefits, but pay into the system as long as their employers report their earnings to the Social Security Administration. Social Security’s chief actuary estimates that about three quarters of undocumented immigrants pay payroll taxes.

The Social Security Administration keeps an earnings suspense file. It contains records of the earnings of all workers who have a mismatched or invalid Social Security number, along with Social Security taxes paid by these workers and their employers.



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5. Fiscal effects of immigration, continued

In 2002, the most recent year reported, the file held \$463 billion, dating back to 1937. The amount in this file grew by \$189 billion in 1990s, more than twice the amount added during the 1980s.

Steven Camarota, director of research at the Center for Immigration Studies, estimates that 3.8 million households headed by undocumented immigrants generated \$6.4 billion in Social Security taxes in 2002.³²

The United States and Mexico signed a totalization agreement June 29, 2004, which allows dependents and survivors of Mexicans who worked in the U.S. to receive Social Security benefits even if they never lived in the U.S. As of May 2005, the agreement has not been sent to Congress for review, so has not taken effect.³³

Under current law, a Mexican worker can receive Social Security benefits outside of the U.S. but his family members must have lived in the U.S. for five years to receive benefits in Mexico.

The Social Security Administration estimates the new agreement will cost an average of \$105 million a year over the first five years. A Governmental Accountability Office (GAO) study declined to peg a price tag, reporting that the costs of the agreement are highly uncertain.

Arizona studies

Two recent studies estimate the fiscal impact of immigrants in Arizona.

One released in 2004 by the Federation for American Immigration Reform (FAIR), a nonpartisan, national group that seeks to improve border security and stop illegal immigration, focused on undocumented immigrants.

The other published in 2003 by Thunderbird, The Garvin School of International Management, a business school dedicated to international management located in Glendale, Ariz., focused on the economic impact of Mexican immigrants in Arizona.

Federation for American Immigration Reform: *The Costs of Illegal Immigration to Arizonans*

The FAIR study estimated the costs of undocumented immigrants in three areas:

- K-12 education
- Uncompensated medical care
- Incarceration

FAIR chose these topics because “they represent the largest cost areas and because a 1994 study conducted by the Urban Institute, which also examined these same costs, provides a useful baseline for comparison 10 years later.”³⁴

FAIR also estimated taxes paid by undocumented immigrants. In conducting the analysis, researchers adjusted the Urban Institute data for inflation and growth in the undocumented population. FAIR concluded that within Arizona, undocumented households impose \$1.3 billion in costs and pay \$257 million in state taxes, resulting in a \$1 billion impact to the state.



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5. Fiscal effects of immigration, continued

FAIR's revised estimates for educational and medical expenses are considerably higher than estimates used by the Urban Institute, even after adjusting for inflation and population growth.

For example, FAIR claims that from 1994 to 2004, the costs of K-12 education expanded 15-fold, and the costs of uncompensated medical care are 40 times greater.

In contrast, FAIR researchers estimate that the undocumented population grew by seven times since 1994 and tax receipts increased nine-fold.

Moreover, their estimates are much higher than those used by the Thunderbird study, cited below.

Given the policy perspective of the organization and the disproportionate estimates for growth in costs, population and tax revenues, this study does not appear to be as objective as it could be.

Thunderbird: *Economic Impact of the Mexico-Arizona Relationship*

Thunderbird researchers estimate the costs of federal, state and local government services used by Mexican immigrants to Arizona and the amount of taxes they pay.

Researchers used data from a 2001 Center for Immigration Studies report, "Immigration from Mexico: Assessing the Impact on the United States," and data estimating the costs of uncompensated health care for undocumented immigrants in Arizona's border counties.

Thunderbird researchers concluded that Mexican immigrants used \$281 million in government services in 2002. Using Census Bureau data, they estimate Mexican immigrants in Arizona also paid \$599 million in taxes to all levels of government in 2002. This resulted in a \$318 million surplus for Arizona.³⁵

The limited documentation provided by Thunderbird researchers makes it difficult to fully assess the accuracy of their estimates. In addition, the study was done in conjunction with the Consulate General of Mexico in Phoenix, which could also cast doubt on its objectivity.



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6. Recent Colorado proposals to limit government services to undocumented immigrants

In the 2005 legislative session, the General Assembly considered House Bill 05-1271. It would have directed the state and counties to provide non-emergency services or public benefits only to citizens of the United States.

It exempted only fire and police protection, K-12 education, emergency medical care in a hospital emergency room, services necessary in a public health emergency, incarceration and any other service mandated by the federal government.

Anyone seeking services would have to provide documentation issued by the U.S. government or state of Colorado demonstrating that the person is legally present in the United States.

State agencies and counties would have to maintain a record of that documentation, and services could be provided only so long as the person's documentation remained valid.

The House State, Veterans and Military Affairs Committee killed the bill on Feb. 22, 2005.

The new Colorado initiative

William G. and Janice Herron of Evergreen, on behalf of the organization Defend Colorado Now, submitted a proposed constitutional amendment on Oct. 27, 2005, for the November 2006 statewide ballot. It is identical to a proposed amendment offered in 2004 that did not qualify for the ballot.

The DCN amendment directs state and local governments to provide non-emergency services only to U.S. citizens or legal immigrants. It exempts services mandated by federal law, such as emergency health care and K-12 education.

It would also allow any legal Colorado resident to sue the state or local government to seek enforcement of this provision. The General Assembly could limit the time and manner of the suits through legislation.

Similar initiatives in Arizona and California

Arizona voters approved an initiative in 2004 to limit government services to U.S. citizens and legal immigrants. Proposition 200 faces a court challenge, but the court lifted a temporary

restraining order and the state is currently applying it to voter registration and five programs administered by the Arizona Department of Economic Security.

In 1994, California voters approved Proposition 187 to deny health care, education and welfare benefits to undocumented immigrants. But it never took effect as legal challenges moved through the courts. Then-Gov. Gray Davis dropped the appeals process in 1998, effectively killing the law.

Costs of implementing provisions to restrict access to services for undocumented immigrants

Would the initiative to limit public services for undocumented immigrants be effective? Would the savings of withholding services outweigh the administrative costs?

Earlier this year, the nonpartisan Legislative Council staff prepared a fiscal note evaluating costs and savings resulting from House Bill 05-1271. No fiscal note has been prepared for the proposed initiative.

The new DCN initiative and HB05-1271 are alike in some ways and different in others.

- Both measures would limit the state government from providing services beyond those required by federal law to anyone who is not a U.S. citizen or legally present in the United States.
- HB 05-1271 also applied to county governments, while the DCN initiative also applies to all local governments and special districts.
- HB 05-1271 required state agencies and counties to maintain records of the documentation people provide to show they are U.S. citizens or legal residents when applying for benefits. The DCN initiative does not.
- The DCN initiative allows any legal Colorado resident to sue the state or local governments to enforce its service provisions. HB 05-1271 did not.



6. Recent Colorado proposals to limit government services to undocumented immigrants, continued

The two measures are still close enough that the fiscal note prepared for HB 05-1271 is a good starting point for assessing the potential costs and savings from the DCN initiative.

In preparing the fiscal note, Legislative Council staff contacted all departments of state government and asked for cost estimates to implement the legislation and the savings from reducing services and benefits to undocumented immigrants.

The council staff calculated costs and savings for fiscal years 2005-06 and 2006-07.

According to the fiscal note, state spending would be “dependent on the services and benefits that would be subject to the provisions of the bill.” Because it applies to most state services, every agency could potentially incur additional administrative costs.³⁷

Table 3. Costs of establishing and administering a document review process to check citizenship or legal residence under HB 05-1271.

| Department | FY 2005-06 | FY 2006-07 |
|----------------------------------|-------------|-------------|
| Health Care Policy and Financing | \$11,100 | \$0 |
| Public Safety | \$207,386 | \$106,310 |
| Judicial | \$450,754 | \$383,367 |
| Human Services | \$560,739 | \$258,827 |
| Regulatory Agencies | \$3,100,575 | \$1,857,316 |
| Total | \$4,330,554 | \$2,605,820 |

After subtracting the projected savings, a law making people document their citizenship or legal residence when applying for government services is estimated to cost the state \$3,869,948 in fiscal year 2005-06 and \$2,145,214 in fiscal year 2006-07.

The costs are nine times greater than savings in fiscal year 2005-06 and almost six times greater in fiscal year 2006-07.

Although the bill also applied to county governments, the fiscal note did not estimate the costs and savings to them. Based on the state analysis, it is possible that they would also experience similar costs and savings.

Table 2. Estimated savings from reducing benefits and services to undocumented immigrants as required by HB 05-1271.³⁶

| Department | FYs 2005-06 and 2006-07 |
|---|-------------------------|
| Human Services family and children’s programs | \$25,764 |
| Human Services child welfare services | \$434,842 |
| Total | \$460,606 |

Three differences between HB 05-1271 and the initiative could affect the estimate of costs and savings. Maintaining records of the documentation presented by every applicant for government services required by HB 05-1271 is a potentially expensive task not required by the initiative.

However, the initiative allows any legal resident to sue the state or local governments over enforcement of its provisions. The potential for lawsuits is great and could be more costly than the administrative costs of retaining documentation.

The initiative applies to the state, counties and all local governments. If the estimated costs and savings to counties and local governments are similar to the state, it could be more expensive than HB 05-1271.

This analysis clearly shows that the potential costs of checking citizenship or legal residence of every person applying for government services far exceed the potential savings. If adopted, we could be spending tax dollars to make it more difficult for legal residents to get the services they are paying for in the first place.

Table 4. Costs vs. savings of HB 05-1271

| | FY 2005-06 | FY 2006-07 |
|-----------|-------------|-------------|
| Costs | \$4,330,554 | \$2,605,820 |
| Savings | \$460,606 | \$460,606 |
| Net costs | \$3,869,948 | \$2,145,214 |



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7. Conclusion: Aim for real reform, not rhetoric

America is a nation of immigrants. Our economy has been strengthened and our culture enriched over and over again with the arrival of new workers who seek only the opportunity this land promises.

This is as true today as it has ever been. This report affirms that immigrants today strengthen our economy. It is clear from the demographic information about today's immigrants that they come here largely to work, not to access social services.

The data shows that while the costs and benefits are not equally shared, over their lifetimes immigrants – whether documented or not – generally pay more in taxes than they take in government services.

America has a serious immigration problem. But it is a national problem. It concerns the security of our borders, the safety of citizens and immigrants alike, the way in which we match jobs with willing workers, and how we share the burden and the benefits between different levels of government. The solutions to these problems must be national solutions, not state solutions.

This report shows clearly that the proposed ballot measure sponsored by a group calling itself Defend Colorado Now seriously misses the mark. It will cost Colorado taxpayers far more than it will save them. It will burden hard working families, and it will increase barriers to government services for legal immigrants and U.S. citizens.

Nor will this ballot measure stem the tide of illegal immigration.

Immigrants – whether documented or not – come to America largely to work.

Some find their way to Colorado because they can find jobs here. Wanting to avoid detection, they are unlikely to seek out and utilize the services this ballot measure would deny them.

So long as there are jobs for them, they are unlikely to be deterred by the measure's provisions.

The Bell Policy Center will continue to follow these issues and share its findings with the people of Colorado. And if the proposal by DCN makes it to the ballot, we will work hard to ensure the voters understand the impact it will have – extra cost to governments and hassle for taxpayers and U.S. citizens with little or no impact on illegal immigration.



Appendix I. Summary of pending federal legislation for immigration policy reform

Enforcement

McCain-Kennedy:

- Calls for a new strategy to control the U.S.-Mexico border through information sharing at local, state, federal and international levels.
- Requires DHS to address human trafficking; does not expand state or local authority.
- Proposes helping Mexico screen foreign nationals, secure its southern border.

Cornyn-Kyl:

- Appropriates new funds for new border security technology and for added DHS investigators, CBP agents and inspectors, and federal attorneys.
- Increases detention capacity for ICE; expands deportation of immigrants ineligible for visas.
- Clarifies state and local rights in assisting with immigration law enforcement.

Tancredo:

- Increases CBP inspectors, ICE attorneys and fraud investigators to detain or deport ineligible immigrants.
- Allows military to support Border Patrol.
- Clarifies state and local authority to assist in enforcing federal immigration law.
- Makes illegal entry into the United States a felony offense.

Employer requirements

McCain-Kennedy and Cornyn-Kyl:

- Create electronic employment verification system, require all employers to participate.
- Issue a new, secure identification visa with biometric identifiers.
- Double financial penalties for employers who violate standards. New penalties would range from \$1,000 to \$20,000.

Federal agency acronyms

DHS: Department of Homeland Security

DHS agencies:

CBP: Customs and Border Protection
(includes Border Patrol)

ICE: Immigration and Customs Enforcement

USCIS: Citizenship and Immigration Service

DOJ: Department of Justice

Tancredo:

- Creates a similar employment verification system with penalties of \$5,000 to \$25,000.

Undocumented immigrants already in the United States

McCain-Kennedy creates the new H-5B temporary worker visa.

- Valid for three years, renewable once.
- Applicants must show work history, clean criminal record, pass security check, pay \$1,000 surcharge plus H-5B application fee.
- H-5B workers could seek permanent legal status after holding this visa for six years and paying another \$1,000 fee.

Cornyn-Kyl allows the undocumented to remain legally for up to five years if they accept a “deferred mandatory departure” status.

- Cannot become legal permanent residents at the end of the five years.
- Could leave the United States and apply for temporary status through legal channels.
- Each year spent in deferred status postpones a person’s eligibility to apply for legal status for a year after leaving the United States.

Tancredo has no provision for undocumented immigrants currently in the United States except ramped-up deportation efforts.



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Appendix I. Summary of pending federal legislation for immigration policy reform, continued

Temporary guest worker programs

McCain-Kennedy creates the H-5A temporary work visa for unskilled or low-skilled immigrants to fill jobs after such positions are offered to native-born workers.

- Good for three years; can be renewed once with no waiting period.
- H-5A visa holders can apply for permanent status after four years.
- Initially allots 400,000 H-5A visas; subsequent visa allotments adjusted annually based on employer demand.

Cornyn-Kyl creates a new W guest worker visa. While not explicitly for unskilled labor, the bill implies a broad spectrum of labor for eligibility. Employers would have to prove the position has been offered to native-born workers.

- Good for two years. Renewable twice, but worker must return home for one year between each renewal.
- Not an automatic path to residency. Workers could apply for permanent status.
- A task force recommends number and nature of visa allocations.

Tancredo would allow a guest worker program only after an expanded effort to secure borders, investigate employers that hire undocumented workers, and ensuring U.S. born workers aren't harmed.

- Denies U.S. citizenship for children born to a temporary worker.
- Requires temporary workers to waive government assistance.

Promote return migration

McCain-Kennedy would promote return migration by partnering with sending countries to encourage workers to return home and by promoting economic development in Mexico.

Cornyn-Kyl would create a temporary worker investment fund as an incentive for workers to return home.

Tancredo does not include any incentives for return migration.

Families of temporary workers

McCain-Kennedy would allow families of temporary workers to join them while they are in the United States.³⁸

Cornyn-Kyl would allow families to visit for 30 days during any one year.³⁹

Tancredo does not address families of temporary workers.⁴⁰



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