

FISCAL EFFECTS OF UNDOCUMENTED IMMIGRATION AND AMNESTY

by

WILLIAM J HISLE III

B.A., Kansas State University, 2009

A REPORT

submitted in partial fulfillment of the requirements for the degree

MASTER OF ARTS

Department of Economics
College of Arts and Sciences

KANSAS STATE UNIVERSITY
Manhattan, Kansas

2012

Approved by:

Major Professor
Dr. Tracy M. Turner

Abstract

The report examines the fiscal impact of undocumented persons at the federal, state, and local levels in order to explain the likely effects of an amnesty program. The report first provides background on the population of undocumented persons in the United States and an overview of the laws which govern their status. Details of past and current amnesty legislation are given. The channels through which undocumented immigrants have a fiscal impact on the three levels of government in the United States are explained. The paper discusses the economic theory relating to immigration and its effect on economic growth. Published works on the fiscal impact of the undocumented on state and local budgets and on federal programs such as social security are reviewed. The research reviewed includes an analysis of the long-term fiscal impact of immigrants. Undocumented immigrants impose a net cost at the state and local levels in most cases. However, many undocumented immigrants make income and payroll tax payments and the population of undocumented immigrants imposes a net benefit at the federal level. These sources of information are then used to explain how an amnesty program might change the fiscal impact of the undocumented at the three levels of government. The recent executive order signed by President Obama, known as Deferred Action for Childhood Arrivals (DACA), is an amnesty program that has a strong potential to help the U.S. economy retain young and highly educated workers, who have a positive fiscal impact on government finances. This report draws certain recommendations for the design of a successful amnesty and for implementing other immigration reforms from published research.

Table of Contents

List of Figures	iv
List of Tables	v
Acknowledgements.....	vi
Dedication	vii
1. Introduction.....	1
2. Characteristics of Undocumented Persons in the United States	2
3. Labor Market Factors.....	7
4. Review of U.S. Legislation.....	9
5. Undocumented Persons and the Structure of U.S. Government.....	15
6. Empirical Evidence.....	18
Congressional Budget Office Estimates	18
Lee and Miller (1997)	21
Orrenius and Zavodny (2011).....	24
7. Immigration and Economic Growth	27
8. Conclusion	29
References.....	33

List of Figures

Figure 1. Possible Fiscal Effects of Undocumented Persons	37
--	-----------

List of Tables

Table 1. U.S. Amnesty Legislation Summary 38

Acknowledgements

I would like to express my gratitude to Professor Tracy Turner for her guidance and patience during the composition of this report. I could not have completed it without her investment of time and energy and willingness to share her knowledge and insights. I would also like to thank Professor Cassou and Professor Belley for their insights and helpful comments as members of my supervisory committee.

Dedication

I would like to dedicate this paper to my mother and father, who have always been actively involved in my life and encouraged my endeavors. Without their continued support, it would not have been possible for me to attend graduate school.

1. Introduction

On June 15, 2012, the Deferred Action for Childhood Arrivals (DACA) was issued as an executive order by President Obama. In essence, DACA extends temporary amnesty to a select group of undocumented persons: those who were brought here by their parents, those who are young adults, and those who are relatively educated. DACA is the first amnesty to be undertaken by executive order and follows decades of sometimes contentious debate on the topic of undocumented persons. What the data discussed in this report indicate is that undocumented persons make up an estimated 3.72% of the U.S. population, are concentrated in just a few U.S. states, and on balance generate net fiscal costs for these states, which helps to explain the contentious aspects of the debate. At the federal level, undocumented persons are estimated to contribute more in tax revenues than they take in federal services. What I conclude is that an amnesty program that includes compensation to the affected states can, on balance, generate a net positive economic effect.

The remainder of this report is organized as follows. Section 2 describes the characteristics of the undocumented persons in the U.S. labor market. Considerations and expectations about the effects of undocumented immigration according to economic theory are discussed in Section 3. Section 4 provides an overview of U.S. legislation since 1986 pertaining to undocumented persons. Section 5 explains how undocumented persons relate to the structure of government in the U.S. Specifically, it discusses the channels through which undocumented persons affect government finances. Section 6 provides empirical evidence from existing studies as to the fiscal impacts of undocumented persons. The possible economic growth effects of granting amnesty to

undocumented persons are discussed in section 7. Section 8 concludes by discussing amnesty design and the likely effects of a program such as DACA, which targets amnesty at the young and educated.

2. Characteristics of Undocumented Persons in the United States

The estimated number of undocumented persons in the U.S. declined somewhat during the past few years, after having grown during the previous two decades. Hoefer et al. (2012), of the Department of Homeland Security (DHS) Office of Immigration Statistics, using the 2010 American Community Survey (ACS), based on the 2010 Census, estimate that there were 11.5 million undocumented persons living in the United States in 2011, which is a 0.8% decline from the DHS estimate of 11.6 million undocumented persons in 2010. Passel and Cohn (2011), of The Pew Hispanic Center, report a slightly lower 2010 estimate at 11.2 million undocumented persons using the March Supplements to the Current Population Survey (CPS). Note that the U.S. population in 2011 was 311.6 million persons (U.S. Census Bureau, QuickFacts), so as a percentage of the U.S. population in 2011, undocumented persons comprise an estimated 3.72%.

The Pew Hispanic Center has undertaken extensive research to document the characteristics of undocumented persons. There are three reports in particular by Passel and Cohn in 2009, 2010, and 2011 that I draw on in this section. As noted in Passel and Cohn (2011), while the recent decline in the number of undocumented persons in the U.S. from 2010 to 2011 is small in magnitude, it is sizable when compared to 2007, when the number of undocumented persons present in the United States reached an estimated

historical peak of 12 million. The decline in the number of undocumented persons correlates with the U.S. recession. Prior to that, the number of undocumented persons was increasing steadily, from an estimated 3.5 million persons in 1990 to the peak of 12 million in 2007 (Passel and Cohn, 2011). Over this time period, from 1990 to 2007, the annual growth rate in the number of undocumented persons was 14.29%.

Most undocumented persons in the United States at present are Hispanic: 56% of them are Mexican, and an additional 20% are from other Central or South American countries according to Passel and Cohn (2011). In contrast, in 2008, Mexicans formed 59% of the undocumented population. Other data for 2008 include countries in Central America and South America, accounting for 11% and 7%, respectively, of the undocumented population in the U.S. Of the non-Hispanic undocumented persons, Asia was the source of 11%, the Caribbean 4%, and the Middle East was the source of less than 2% of undocumented people (Passel and Cohn, 2009).

Note that the growth or decline of the undocumented population is dependent on the flows of undocumented persons into and out of the United States. Using March Supplements to the CPS, Passel and Cohn (2010) estimate declining annual inflows during the 2000s, with 850,000 undocumented persons from 2000 to 2005, 500,000 undocumented persons from 2005 to 2007, and then only 300,000 undocumented persons from 2007 to 2009 coming into the U.S. Yearly inflows do not exactly match the growth in the undocumented population because some undocumented persons return to their home countries every year. For example, of the gross annual inflow of 850,000 undocumented persons, Hoefer et al. (2006) report a net increase in undocumented persons of only 400,000 in the early 2000s. Moreover, 55% of undocumented persons

living in the U.S. in 2011 are estimated to have arrived in the U.S. between 1995 and 2004, and only 14% have entered since 2005 (Hoefer et al., 2012). We can see from these numbers that a booming U.S. economy brings in undocumented persons.

Estimates indicate that undocumented persons are geographically concentrated, at present, primarily along the U.S.-Mexico border. For example, in 1990, California's share of the undocumented population was 42% (Passel and Cohn, 2009). However, undocumented persons tend to disperse to or settle in new areas over time. For example, Passel and Cohn (2010) report that California's share of the undocumented population is now 23%. Undocumented persons have increasingly settled in Georgia, Arizona, and North Carolina, however, geographic concentration persists, and, according to 2009 data, 54% of all undocumented persons live in five U.S. States: California, Texas, Florida, New York, and Illinois (Passel and Cohn, 2010).

In addition to their numbers, flows, and settlement patterns, understanding the fiscal impact of undocumented persons requires that we know something about their labor market participation. Research indicates that most undocumented persons in the U.S. participate in the U.S. workforce, have relatively low education levels and have lower median income levels than documented persons. Passel and Cohn (2011) find that, out of the estimated 11.6 million undocumented persons, there were around 8 million undocumented persons in the U.S. labor force in March 2010. Put differently, 69% of undocumented persons in the U.S. are estimated to be in the U.S. workforce.

Undocumented workers are strongly concentrated in low-skill and low-wage jobs. Note that "22% of the U.S. population age 25-64 with less than a high school education are unauthorized immigrants" (Passel and Cohn, p. 11, 2009), even though they comprise

only 3.72% of the U.S. population. This is a staggering statistic suggesting that undocumented persons make up a disproportionate share of the uneducated young adults in the U.S. In 2008, the labor force participation rate for male undocumented persons of 94% exceeded that of men born in the U.S. At 58%, the labor force participation rate for female undocumented persons was lower than that of women born in the U.S.

Undocumented households had a median annual household income of \$36,000 in 2007, which was lower than the median U.S. household income of \$50,000 (Passel and Cohn, 2009). In 2003, undocumented families had an average yearly income of \$27,400, whereas the corresponding figure for the U.S.-born families was \$47,700 Passel (2005).

Given that undocumented persons are barred from obtaining employment in the United States, one might wonder how they are able to work in the country. Orrenius and Zavodny (2011) discuss the relative lack of funding devoted to enforcement of immigration law in the interior of the United States and the lack of effective and consistent workplace enforcement following the Immigration Reform and Control Act of 1986 (IRCA). Undocumented persons have been able to work “under-the-table” in agriculture, day labor, and other areas. False Social Security numbers have allowed undocumented persons to obtain long-term employment.

One may also wish to look at anecdotal data to see how undocumented persons have been able to attend college and obtain work in white-collar areas. Writing in The New York Times in June, 2011, Jose Antonio Vargas tells the story of his life as an undocumented person in the United States. He came from the Philippines when he was 12 years old. His grandfather obtained a fake green card and a fake Filipino passport for him. He was able to attend college after finding a scholarship that “was not concerned

with” his “immigration status.” Using the fake passport, he obtained a Social Security card which he modified and later used to apply for an Oregon driver’s license. The license was his key to obtaining an internship and a position as a reporter for The Washington Post. He later joined The Huffington Post. After growing tired of misleading his employers, he wrote his story for the New York Times. He had been aided in obtaining documents, internships, and employment by a network of teachers, friends, and coworkers throughout his life.

The case of Adriana Sanchez is also instructive. Born in Mexico, she accompanied her family to California, where they overstayed their visas. She volunteered and worked several internships to pay tuition at California State University in Fresno where she earned a master’s degree in International Relations. Sanchez works as an independent contractor for a nonprofit education organization and teaches English at a domestic violence shelter. Federal law “does not require those who hire independent contractors to ask for proof of immigration status.” Sanchez is like many young undocumented persons who have obtained college degrees and now seek various opportunities as independent contractors and in legal, political, and nonprofit fields (Wozniacka, 2012).

Later, in section 5, I discuss how the children of undocumented persons impose costs on the education system in the United States. Therefore, it is important to have an estimate of the number of children of undocumented persons living in the country. Using estimates based on the March 2010 Supplements to the CPS, Passel and Cohn (2011) estimate that the 11.6 million undocumented persons include the parents of 4.5 million children (age 17 or younger) who were born in the U.S. and thus have U.S. citizenship,

and another million children who are not U.S. citizens and are therefore of undocumented status. Thus, in total, Passel and Cohn (2011) estimate that of the 11.6 million undocumented persons in 2010, one million are children, and, accounting for the documented (U.S. Citizen) children, the undocumented person families encompass an estimated 16 million persons in the U.S. (11.6 million undocumented persons and an additional 4.5 million U.S. Citizen children born to undocumented persons). Furthermore, undocumented persons were responsible for about 8% of all U.S. births between March 2009 and March 2010, numbering around 350,000 newborns, and a similar number is estimated for 2008 – 2009. Recalling the geographic concentration of undocumented persons in just five U.S. states, these children will pose significant costs on those states' educational systems as they become school-age.

3. Labor Market Factors

Economic theory can shed light on the cause of undocumented immigration to the United States and the labor market effects of that immigration. When wages in one labor market are significantly higher than those in another, workers have an incentive to attempt to gain employment in the higher-wage market. Indeed, the wage gap between the United States and home countries (e.g. Mexico) is the primary reason for undocumented immigration (Orrenius and Zavodny, 2007). Undocumented persons are able to provide valuable assistance to their families in the home countries via remittances. On average, undocumented people have higher labor force participation rates than those born in the U.S. The majority of undocumented workers are employed in low-skill, low-wage jobs. Mosisa (2002) found almost half of the labor force growth between 1996 and

2000 resulted from immigrant inflows, of which undocumented people made up one-third to one-half.

Note that when workers enter (or exit) a lower-wage market, the wages in that market may decrease (or increase), as workers with various skill sets are more (or less) available. Immigration may have these effects on the labor markets in source and host countries. For example, Mishra (2007) finds that wages for a given skill group in Mexico increase by 4% when emigration causes a 10% decrease in the number of Mexican workers in that group. When workers enter a higher-wage market, wages in that market may be reduced. Since the majority of undocumented workers work in low-skill occupations, there has been concern that, either via reduction in wages or crowding-out, undocumented immigration hurts low-skill U.S.-born workers. There is a lack of consensus in the literature over this point. Borjas (2003) states that wages among U.S.-born high school dropouts fell 9% during the 1980s and 1990s because of low-skill immigration. On the other hand, Hanson et al. (2002) find that the wages of low-skill native-born U.S. workers are not significantly adversely affected by undocumented immigration. Furthermore, other studies have not found evidence that undocumented immigration has caused higher unemployment among U.S.-born low-skill workers.

We might also expect undocumented immigration to raise the wages of those working in high-skilled jobs. This occurs when undocumented workers “complement the skills of American workers and businesses, increasing their productivity on the job and raising their wages” (Greenstone, Looney, and Marks, p. 4, 2012). Undocumented workers may also facilitate increased participation in the labor market by high-skilled workers by performing household services and other work for them at a lower cost than if

documented workers were hired for these tasks. Using the integrated Public Use Microdata Samples (PUMS) from the U.S. Census and the American Community Survey (ACS), Ottaviano and Peri (2008) find that immigration raises wages of U.S. – born workers a small amount on aggregate.

4. Review of U.S. Legislation

Undocumented persons' status and ability to pursue steps towards legalization depend on immigration legislation in effect in the United States. The last major legislation that included a large-scale amnesty in the United States was passed in 1986 and signed into law by President Reagan. Three large-scale amnesty measures have been put forward since then. In this section, I discuss the details of U.S. immigration legislation passed or debated in or after 1986 that have a large-scale amnesty provision. I discuss each of these four measures in turn. At the conclusions of this section, I provide a summary of the common features of these efforts.

First, the Immigration Reform and Control Act of 1986 (IRCA) is the most recent large-scale amnesty measure passed in the United States.¹ It was enacted November 6, 1986 and provided amnesty through two programs, the Legally Authorized Workers (LAW) program and the Special Agricultural Workers (SAW) program. LAW allowed undocumented persons to apply for temporary legal residency if they had been living continuously in the United States since January 1, 1982. Persons demonstrating knowledge of the English language, basic citizenship skills, and continuous residence

¹ Background information on IRCA and the other three amnesty measures is drawn from The Library of Congress *Thomas* database of legislative information.

within 18 months of being granted temporary status would have their status adjusted to legal permanent resident. Undocumented persons who qualified for LAW needed to apply between May 5, 1987 and May 4, 1988. SAW extended temporary permanent resident status to undocumented persons who worked at least 90 days in U.S. agriculture during each of the previous three years or who worked at least 90 days during the past year. Successful SAW applicants could have their status adjusted to legal permanent resident in one to two years. Undocumented persons who qualified for SAW needed to apply between May 5, 1987 and November 30, 1988 (Orrenius and Zavodny, 2003).

IRCA also requires employers to verify legal status when hiring employees, and employees are required to attest to legal work status. IRCA stipulates that it is unlawful to knowingly hire persons lacking legal work status, or to continue to employ persons discovered to be unauthorized to work in the U.S. IRCA authorizes penalties against employers violating these provisions. IRCA also authorized increased funding for the Immigration and Naturalization Service and the Border Patrol. IRCA prohibited Visa violators from having their status changed to permanent resident (U.S. Library of Congress, *Thomas*, Immigration Reform and Control Act of 1986).

Second, the Comprehensive Immigration Reform Act of 2006 (CIRA) marks the beginning of recent attempts at large-scale amnesties. CIRA was passed in the Senate on May 25, 2006, but it was not enacted and is not a law because a conference committee was unable to resolve differences with another immigration bill passed in the House. Rather than attempt to remove long-term undocumented persons from the country, CIRA would have granted permanent resident status to individuals continuously present in the United States since April 5, 2001. Applicants would have been required to show they

had been employed at least three of the five years from 2001-2005, with certain exceptions. CIRA was intended to be similar to IRCA in the sense of requirements for background checks and “basic citizenship skills.” Applicants would also have been required to pay a \$2,000 fine and make arrangements to pay any back taxes (U.S. Library of Congress, *Thomas*, Comprehensive Immigration Reform Act of 2006).

CIRA would have required undocumented persons with less than two years residence to depart the United States. Those with between two and five years residence would be granted deferred mandatory departure but be required to depart the U.S. within three years. Persons falling into either group would be allowed to seek legal readmission. CIRA would have created a new H-2C Visa providing up to six years of temporary legal residence for up to 200,000 workers annually. CIRA would have also provided for various enhancements along the border and funding for equipment and personnel for the Border Patrol (National Conference of State Legislatures, Comprehensive Immigration Reform Act of 2006).

Third, often referred to in the popular press, one of the most well-known initiatives for amnesty during the last decade has been the Development, Relief, and Education for Alien Minors Act (DREAM Act). The DREAM Act was originally introduced by U.S. Senators Richard Durbin and Orrin Hatch in 2001. It has been adjusted and reintroduced several times. The DREAM Act was last introduced in the Senate in 2011. The 2011 version of the DREAM Act was not passed, but would have extended conditional permanent resident status to undocumented persons who entered the United States on or before their 15th birthday and had been continuously present in the United States during the five years previous to the passage of the Act. Persons must have

been younger than 36 years of age. Persons must demonstrate “good moral character,” meaning they have not been convicted of serious crimes or three or more lesser offenses. They must have earned a high school diploma or GED or been admitted to a college or university. Persons meeting these requirements would be granted conditional permanent resident status for a period of six years. The conditional basis of the status would be removed for persons who earn a college degree or complete at least two years of study towards a bachelor’s or higher degree, or who complete two years’ service in the U.S. Armed Forces (U.S. Library of Congress, *Thomas*, Dream Act of 2011).

Fourth, the most recent amnesty action taken in the United States is Deferred Action for Childhood Arrivals (DACA), an executive order issued by President Obama on June 15, 2012. DACA has many provisions which are similar to the Dream Act, but it does not grant legal resident status to undocumented persons. Those who meet the provisions of the program are granted a two year period of “deferred action,” time during which they will not be deported and can receive temporary work authorization. In order to qualify, individuals must have entered the United States before reaching their 16th birthday, have continuously resided in the U.S. since June 15, 2007, and have been present in the United States on June 15, 2012 and the date of their application for DACA. Individuals must be under age 31 as of June 15, 2012. Like IRCA and CIRA, DACA also carries provisions requiring “basic citizenship skills” and “good moral character,” meaning that individuals must not have been convicted of a felony, serious misdemeanor, or three or more other misdemeanors, and must not pose any other threat to national security or public safety. Individuals must be in school, have completed high school or a GED, or be an honorably discharged veteran of the U.S. Armed Forces or Coast Guard.

An individual must be at least 15 years of age to request deferred action, unless currently in removal proceedings, in which case the individual may submit the request while less than 15 years of age. An individual receiving deferred action may apply for it to be renewed when the two years expires (U.S. Citizenship and Immigration Services, Consideration of Deferred Action for Childhood Arrivals Process).

In Table 1, I summarize the details of these measures. I highlight the common provisions outlined by the measures in regards to who may qualify for amnesty under the respective bills. Referring to Table 1, we see that all four measures require proof of residency for several years prior to receiving amnesty consideration. In addition, each of the measures requires that the undocumented person be of “good moral character.”

Two more pieces of legislation pertaining to undocumented persons were signed into law by President Bill Clinton. These measures do not provide any form of amnesty, but are important for the purposes of my paper because they contained provisions restricting access to federal welfare benefits and social security by undocumented persons. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) passed the House and Senate in July 1996 and was signed by President Clinton in August 1996. This bill affects the fiscal impact undocumented persons have on government budgets because it prevents Medicaid, food stamps, and cash welfare from being received by non-refugee undocumented persons as well as documented persons unless they are naturalized U.S. citizens (U.S. Library of Congress, *Thomas*, Personal Responsibility and Work Opportunity Reconciliation Act of 1996). According to Orrenius and Zavodny (2007), “PRWORA had little effect on undocumented immigrants, who were already ineligible for most welfare programs” (p. 7).

The Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) was enacted September 30, 1996 as part of the Omnibus Consolidated Appropriations Act. It provided funding for equipment and technology along the border and an increase in the number of INS agents during the late 1990s and early 2000s. It also makes undocumented persons ineligible for Social Security benefits. Section 346 of Subtitle C “makes an alien inadmissible for five years for student visa violations.” In perhaps the two most important provisions for undocumented persons, the law stipulated the legal route which undocumented persons may use to attempt to legalize their status, but this route is not an amnesty. The first provision states that adult undocumented persons present in the United States between 180 days and 365 days must voluntarily depart the U.S. and wait three years before seeking legal readmission. The second states that adult undocumented persons present in the U.S. 365 or more days must voluntarily depart the U.S. and wait 10 years before seeking legal readmission (Government Printing Office, Public Law 104-208). Clearly, it is not in an undocumented person’s self-interest to self-report and voluntarily depart the United States for either three or 10 years. Mary Giovagnoli, Director of the Immigration Policy Center, stated in 2009 that undocumented persons are encouraged to hide from the legal system by the enforcement of IIRIRA (qtd. in Smith).

The DREAM Act and DACA are representative of the growing political pressure for immigration reform in the United States. The DREAM Act and DACA are very similar to each other and their provisions are similar to those of CIRA, while having a few common goals with the provisions of IRCA. However, the DREAM Act and DACA mark a considerable departure from IRCA, PRWORA, and IIRIRA. Border Patrol and border improvements funding are not of primary concern, and the DREAM Act and

DACA are not intended to remove undocumented persons from the country. The DREAM Act and DACA are an attempt to bring young, educated undocumented persons into the U.S. labor force for the long term.

5. Undocumented Persons and the Structure of U.S. Government

Undocumented persons have a unique relationship with the various levels of government in the United States. In order to understand the impact undocumented persons have on federal, state, and local budgets, it is useful to review basic expenditures and sources of revenue at these different levels of government. (See Rosen and Gayer, 2010, for the structure of state and local government). While not eligible to receive all the benefits that government provides, undocumented persons and/or their children receive some government services. In Figure 1, I summarize the possible fiscal impacts of undocumented persons. Looking to the top of Figure 1, we see that undocumented persons can have an impact on expenditure and revenue streams at the federal level. The federal government services the national debt, provides goods such as national defense and national parks, and provides funding for education, state Medicaid programs (healthcare for the poor), and other public welfare activities. The federal government administers the U.S. public retirement programs of Social Security and Medicare.² It funds its spending in these areas by collecting the personal income tax, payroll tax, corporate tax, and excise taxes. Note that the payroll tax (or more formally, Federal Insurance Contributions Act (FICA) tax), is earmarked to exclusively fund the U.S.

² As noted in section 4, undocumented persons cannot presently receive benefits from these programs, but they may be able to do in the future if they receive amnesty.

public retirement programs of Social Security and Medicare. Note also, that the largest federal revenue sources are personal income and payroll taxes, amounting to 81% of federal revenues in 2008 (Rosen and Gayer, 2010).

On the revenue side, research indicates that undocumented persons pay federal income taxes and payroll taxes. Feinleib and Warner (2005) report that the Social Security Administration estimates that about one half of undocumented persons pay payroll taxes. Personal federal income tax returns are filed by about 6 million undocumented persons each year, according to IRS estimates (Singer and Dodd-Major, 2004). To put this number in perspective, recall from Section 2 that an estimated 8 million undocumented persons are in the workforce. Thus, we can state that an estimated 75% of undocumented persons in the U.S. workforce pay federal personal income taxes. Interestingly, both payroll and personal income taxes are withheld from paychecks, yet the percentage paying personal income taxes is estimated to be higher than the percentage paying FICA.

On the federal expenditure side, undocumented persons are barred (according to legislative action in the form of PRWORA and IIRIRA) from receiving benefits through Social Security, Medicaid, Medicare, or welfare. However, they do benefit from the national security provided by the federal government. Yet the government also spends money on deportation of undocumented persons. Thus undocumented persons help finance federal government expenditures to have them detected and deported. Undocumented persons also benefit from federal expenditures on a number of goods and services, including the federal funds that go to states for education, child care programs and some health care programs. If undocumented persons receive amnesty, they could

potentially become eligible for Social Security benefits. However, many undocumented workers make contributions to fictitious accounts using false social security numbers, and these undocumented workers would thus not be able to claim benefits.

Referring to Figure 1, we note the possible fiscal impact at the state level. State governments provide kindergarten through 12th grade education and fund public universities. They provide hospitals and law enforcement services such as the Highway Patrol. At the bottom of figure 1, we see possible fiscal effects at the local level. Local governments provide funding for K-12 education and fund county hospitals. They fund sheriffs' offices at the county level and police and fire departments at the local level.

State and local governments are not allowed to prevent children from attending public schools based on their immigration status. Undocumented persons also benefit from public hospitals, which must provide emergency services to them regardless of the patient's ability to pay if they accept Medicare or Medicaid funding. Undocumented persons make use of roads and highways. Those undocumented persons who have trouble with the law impose costs on local law enforcement.

State and local governments fund these activities through personal income taxes, sales taxes, property taxes, and grants from the federal government. Of these, property taxes, sales taxes, and federal government grants are the biggest source of state and local government revenues, amounting to about 55% in 2008 (Rosen and Gayer, 2010). All three of these are paid by undocumented persons. Reporting on a study by the Institute for Taxation and Economic Policy, the Immigration Policy Center states that undocumented immigrant households paid \$11.2 billion in state and local taxes in 2010. Of that amount, "\$1.2 billion was paid in personal income taxes, \$1.6 billion was paid in

property taxes, and \$8.4 billion was paid in in sales taxes” (Immigration Policy Center, 2011). Tsoodle and Turner (2008) report that when property taxes are raised, part of the increased cost to landlords is passed on to tenants in the form of higher rents. Thus, undocumented persons pay some property taxes even if they are renters. Undocumented persons make contributions to state and local budgets via their federal income taxes, which are used for federal grants to state and local governments. 20% of state and local government funding is sourced from grants from the federal government (Rosen and Gayer, 2010).

6. Empirical Evidence

While there are many papers on immigration, a search of the literature reveals few studies on the topic of undocumented persons and state and local fiscal impacts. Greenstone et al. (2012), in a Brookings Institution framing memo, confirm this by the few studies they cite on the topic of immigration and fiscal impacts. Generally, Greenstone et al. suggest the fiscal effects can be large and geographically concentrated. In this section, I review three papers that confirm this and provide direct evidence of the fiscal impacts of immigrants.

Congressional Budget Office Estimates

Congressional Budget Office (CBO) (2007) provides evidence on the extent to which the costs incurred by state and local governments for providing public services to undocumented persons are balanced by the tax revenues paid to those governments by their undocumented populations. To do so, CBO provides a series of examples from specific states, counties or groups of counties, and metropolitan areas in regard to costs

accumulated by providing undocumented persons with public services. These are followed by examples concerning comparisons of public services costs with tax revenues. The CBO begins with examples of the costs of public services, including education, health care, and law enforcement. I will now discuss these CBO examples in turn. It is important to note that stipulations in federal programs and court rulings at the state and federal level prevent states from evading costs by refusing to provide public services to undocumented persons. Moreover, it is useful to keep in mind that the estimated spending on undocumented persons represents a small portion of state and local budgets for most states.

The CBO notes that states may not exclude undocumented children from public education, and estimates that about 5 million children of undocumented persons are school-age children (note that this number is consistent with the estimated 5.5 million children noted in Passel and Cohn, 2011). To understand the costs facing states to fund education, the CBO considers Minnesota and New Mexico. In 2004, the Minnesota Department of Administration estimated total state and local spending of between \$118 million and \$157 million to educate children of undocumented persons. Analysts in New Mexico reported that the state spent \$67 million to educate 9,200 undocumented children during the 2003 – 2004 school year. It is a useful exercise to use the numbers from New Mexico, to estimate a per child cost of \$7,282 per year. Combining this with the CBO number of 5 million school age children, a back of the envelope national estimate would be a cost of \$36.4 billion dollars annually.

CBO gave two examples in terms of health care costs. The United States/Mexico Border Counties Coalition reported that “county governments that share a border with

Mexico incurred almost \$190 million in costs for providing care to unauthorized immigrants” in 2000 (p. 8). The Oklahoma Health Care Authority estimated in 2006 that emergency Medicaid services for undocumented persons would cost about \$9.7 million for that year. Childbirth was expected to account for 80% of those costs.

Law enforcement examples included a statistic from the United States/Mexico Border Counties Coalition, which reported a total cost in 1999 of more than \$108 million for law enforcement activities involving undocumented people in counties sharing a border with Mexico. San Diego County spent over \$50 million of that amount. What these examples suggest is that the state and local expenditures on undocumented persons can be sizable, especially along the Mexico – U.S. border.

Another way to gauge the possible costs of undocumented persons for state and local governments is to focus on net costs, that is, compare the costs of providing public services with tax revenues received. The CBO provides four examples that are for different years and states, all suggesting that the estimated state and local taxes collected from undocumented persons fall short of the estimated fiscal costs at the state and local level. Let us now go through these examples, starting with the case of New Mexico. The CBO cites the New Mexico Fiscal Policy Project, which reported in 2006 that the state collects about \$1 to \$2 million more than it spends on public education for undocumented children each year. Note that this comparison does not include health care or law enforcement costs, however. In another example, the CBO reports that Colorado spends between \$217 and \$225 million on these three public services for undocumented persons, while taxes collected from undocumented persons at both the state and local levels were between \$159 and \$194 million each year (p. 9). So, even assuming taxes at the high end

and spending at the low end, Colorado has a shortfall of \$23 million. In 2006, the state comptroller of Texas estimated that tax revenue exceeded the costs of undocumented persons by \$424 million, but, the evidence was mixed, as a separate report found that Texas hospitals incurred \$1.3 billion in uncompensated health care costs while serving undocumented persons in 2004. Finally, the CBO report data for Iowa, suggesting a net cost in 2004.

Thus, in answer to the net budget impact question, the CBO concludes that the cost of services provided to undocumented persons exceed the tax revenues they pay to state and local governments. Finally, the CBO reports that some of the costs of undocumented persons are defrayed by federal transfers to cover up costs, but, on net, states do not receive enough to cover the shortfall. Note that the CBO study does not imply that undocumented people impose strong negative fiscal impacts in every state and locality, but the states where they are concentrated experience negative fiscal impacts. The CBO report, however, does not take into account the block grants and other transfers from the federal government for non-undocumented persons purposes. Doing so may help to reduce the estimated shortfalls as these grants are a transfer of federal tax dollars (raised in part from undocumented persons) to the states.

Lee and Miller (1997)

Lee and Miller (1997) estimate long-term fiscal impacts of various categories of immigrants at both the federal and state and local levels. Lee and Miller argue that we cannot gain a complete understanding of the fiscal impacts of immigrants by looking at “static” calculations of the value of taxes paid and benefits received by immigrants at a point in time. A weakness of static calculations is that they group different immigrant

generations together when calculating fiscal impacts. “If, for example, elderly immigrants generally have had a higher level of income than younger, more recent immigrants, then the ratio of their Social Security benefits to the payroll taxes of the new immigrants will overstate the ratio based on the benefits and taxes of either group separately” (p. 297), so cohort effects need to be accounted for. Moreover, static calculations do not account for possible future changes in taxation or benefit rules, so they cannot be expected to reflect immigrants’ contributions or benefit costs throughout life. Finally, static calculations do not control for the changing nature of the age structure of the population of immigrants or discount future tax revenue or benefit flows. For example, if the cohort of school-age immigrants is larger in size relative to the cohort of working-age immigrants, the cost of educational expenditures will be overstated relative to the revenue from income taxes. However, the younger cohort will have its future tax revenues overstated in relation to its educational expenditures because of the failure to discount future income taxes in static analysis.

Lee and Miller use sample data from the March 1994 and 1995 Current Population Surveys (CPS) to estimate age profiles by educational level, immigrant generation, and, for immigrants, time since arrival, of taxes and benefits received. U.S. National Income and Product Accounts (NIPA) are used to adjust the age profiles to match U.S. population totals. The age profiles of benefits describe annual amounts of benefits received under any of 25 federal, state, and local programs by age and immigrant generation. Age profiles of taxes describe the annual tax revenues paid through federal income taxes, payroll taxes, property taxes, and sales taxes, by age and immigrant generation.

Lee and Miller define a baseline scenario under which they will examine the net present values of the fiscal impacts of immigrants. They make various assumptions in the baseline scenario, such as a constant GDP/debt ratio. The age profiles are used to estimate the net present values (NPV) of taxes paid and benefits received by additional immigrants and their descendants, out to periods as long as 300 years. Lee and Miller use these NPVs to represent the total fiscal impact of an additional immigrant. Lee and Miller calculate NPV at the federal, state, and total levels. Immigrants arriving at different ages and with different education levels will have different impacts. For example, an immigrant arriving at age 21 with a high school education has an NPV of \$126,000. An immigrant arriving with a high education level (beyond high school) at age 70 has a negative NPV of -\$148,000 (Lee and Miller, p. 327 – 328, 1997).

Lee and Miller find that, limiting the results to federal tax revenues and benefit costs, all immigrants arriving before about the age of 30 have a positive NPV at the federal level. High education immigrants have a positive NPV until age of arrival in the late 40s, when they may not have many working years left in which to contribute taxes. At the state level, immigrants with less than a high school education have a negative NPV regardless of the age of arrival. High education immigrants arriving between 20 and 40 and high-school educated immigrants arriving between 35 and 55 have a positive NPV. This is largely because states did not need to pay the costs of their education, but still receive tax benefits (Lee and Miller, p. 330 – 331, 1997).

When disaggregation is limited to age at arrival and education level is not considered, immigrants have a positive total and federal NPV as long as they arrive before age 40, the NPV is always negative thereafter. The state NPV is only positive for

arrival between the late 20s and late 40s. Lee and Miller estimate that the average overall NPV of an immigrant is positive in the amount of \$80,000. If overall NPVs are disaggregated only by education level, the overall NPV of an immigrant with less than a high school education is -\$13,000. With a high school education, NPV is \$51,000, and with high education it is \$198,000 (Lee and Miller, p. 334 – 335, 1997). The overall positive net contribution of \$80,000 found by Lee and Miller is confirmed by Hanson (2005), who evaluates the total net contributions of immigrants and their descendants (as cited in Greenstone et al., 2012).

As noted in Section 5, state and local governments bear heavy costs of educating the children of immigrants, and this explains why NPVs are almost always negative at the state level and significantly positive at the federal level. This education enables these children to gain employment when they reach working age, and they pay taxes based on their earnings. However, the federal government receives the majority of tax revenues these individuals pay. In a sense, the federal government reaps the rewards of the state and local governments' investment. Since a person "pays" for the education benefits they receive as youngsters later in life, discounting reduces future taxes value relative to benefits, making the NPV more negative. This occurs in the state level calculations. In the federal level calculations, a person pays taxes throughout the working life for benefits they receive many years later, and discounting reduces the value of these benefits relative to the taxes paid (Lee and Miller, p. 347 – 348, 1997).

Orrenius and Zavodny (2011)

Orrenius and Zavodny (2011) examine the likely economic consequences of a future amnesty program. In order to do so, they explain the effects of the Immigration

Reform and Control Act of 1986 (IRCA), which granted amnesty to 2.7 million undocumented persons. Orrenius and Zavodny then comment on what design aspects might make a future amnesty program successful in terms of impacts on the populations concerned and reducing future illegal immigration.

The LAW and SAW programs were plagued by “lax verification of documents...and complex residency requirements” (Orrenius and Zavodny, p. 20, 2007), and were subject to fraud. For example, over 1 million people were granted legal resident status under the SAW program, while the number of those who were thought to qualify was about 300,000 (Passel, p. 33 – 34, 1999). After conducting surveys in fifty communities in Mexico, Donato and Carter (1999) estimated that about 73% of persons included in their sample who had filed LAW applications had done so fraudulently, while 40% of those who filed SAW applications had done so fraudulently.

Orrenius and Zavodny (2011) argue that IRCA was not successful in slowing undocumented immigration. Using Border Patrol apprehensions as a proxy for illegal crossings, they find that apprehensions took a temporary downturn after IRCA was passed, but returned to their long-term growth trend after a few years. “Since IRCA legalized a huge fraction of the undocumented population, people who formerly crossed illegally were able to cross legally. Since over 2 million Mexican migrants were legalized, illegal immigration along the Southwest border should have slowed more than it did” (p. 89). They also argue that although undocumented immigration along the border slowed for a few years after 1986, “giving an almost universal amnesty to undocumented immigrants did not alter long-run patterns of illegal immigration, which some believed it would” (p. 90 – 91).

Other problems with IRCA discussed by Orrenius and Zavodny involved the enforcement scheme that took shape after the bill was passed. Increased funding for Border Patrol has not translated to increased effectiveness at preventing illegal border crossing. Relatively little funds are devoted to interior enforcement. Undocumented persons are less able to engage in circular migration, the practice of entering and leaving the United States on a periodic basis, which once “composed more than 50 percent of the flow of undocumented Mexican immigrants” (Orrenius and Zavodny, p. 18, 2007). This means that they will “contribute to the unemployment pool” when out of work and that their relatives are more likely to attempt to enter the United States.

Orrenius and Zavodny report that Social Security Administration letters to employers with lists of employees who provided Social Security numbers that did not match led to economic costs for undocumented people, who were dismissed from jobs or quit jobs for fear that the government would follow up with arrests at their workplaces. Economic costs extended to employers, who lost workers, and for legal workers, who were discriminated against by employers. Actual workplace enforcement was weak. IRCA did not address the wage gap motivation for migration to the U.S., and lack of interior enforcement meant that job availability was still a motivating factor for migrants.

Orrenius and Zavodny argue that an effective amnesty program will be one that encourages the socioeconomic success and assimilation of undocumented people. “Legal status might lead to skill attainment and economic advancement” (p. 15). This should allow the formerly undocumented to “accumulate more human capital and contribute to the tax base,” especially in future generations (p. 18). Their eligibility for welfare programs could be restricted so that they do not contribute to increased costs. Any new

amnesty should include several aspects. Strict document verification, simple residency requirements, and background checks would reduce fraud and address security concerns. An amnesty program should include a strong focus on internal enforcement. It should also include “a low-cost, reliable way for employers to verify legal work status” and tougher workplace enforcement. Orrenius and Zavodny recommend a guest worker program as a means to “reduce undocumented migration motivated by economic considerations” (p. 22). The program must give workers incentives to return home when their guest period expires. Better internal and workplace enforcement and a guest worker program should help to address the wage gap issue and the motivation to immigrate illegally due to availability of jobs preferable to those available in source countries. In combination with strict enforcement of status verification, a guest worker program would reduce demand for undocumented workers.

7. Immigration and Economic Growth

Before attempting to answer the question of whether an amnesty is likely to be beneficial or detrimental to government finances, it will be useful to review the basic sources of economic growth and how amnesty, and immigration in general, should interact with them according to economic theory. As noted in any introductory textbook, such as O’Sullivan, Sheffrin, and Perez (2008), the size of the economy is limited by its factors of production. The natural resources available in a country influence choice bundles of goods possible in a country. The labor force in a country also affects production possibilities. Capital is required to produce goods and the amount and types of capital available affect production possibilities. The abilities of the labor force are

enhanced through human capital, i.e., the knowledge and skills of workers. Technology enhances the productivity of labor and capital. Entrepreneurship, the ability to organize combinations of these factors to bring valuable products to market, also contributes to the size of the economy (O'Sullivan, Sheffrin, and Perez, 2008).

Ceteris paribus, the economy can be expected to grow when any one of these factors of production becomes more abundant. The discovery of new oil deposits may spur growth by decreasing the cost of gas. Growth in the labor force provides more workers for producing goods and services. Investment in capital stock makes more or newer physical assets available for production. Growth in human capital makes workers more efficient and productive and allows them to work on knowledge based products and services. Growth in technology makes capital and labor more efficient, increases productivity, and makes new products and services possible. When an entrepreneur combines factors of production to offer a new product or service or offer an existing product or service more efficiently, jobs can be created and economic growth occurs.

In what ways might undocumented persons, or their legalization, affect the different factors of production? We already know that undocumented workers account for a large part of the labor force growth in recent years. Although they are concentrated in low-skill jobs, they do have knowledge and skills necessary to perform work in the areas where they are employed. For example, there is a heavy demand for such workers in agriculture. Undocumented workers are already providing a necessary skill set in the U.S. economy.

An amnesty is likely to allow for increased abundance in the factors of production. The formerly undocumented will have easier access to higher levels of

education after an amnesty. They will not only contribute to labor force growth, but also bring higher levels of human capital to the labor market. Immigrants are likely to make positive contributions to technological growth and entrepreneurship growth. Wadhwa et al. (2012) find that 24.3% of the technology companies founded in the United States between 2006 and 2012 had least one immigrant founder. Among Silicon Valley technology companies, the proportion is 43.9%. The Fiscal Policy Institute (2012) reports that 18% of small business owners are immigrants, while immigrants comprise only 13% of the overall population. Legalization makes greater access to education available for the undocumented population, increasing human capital as they enter the labor market. Attaining higher levels of education may also allow formerly undocumented persons to contribute to technology growth and to pursue entrepreneurial activities. Amnesty has thus the strong potential to spur economic growth.

8. Conclusion

In this paper, I document what is known about the characteristics of undocumented persons, their impacts on federal, state and local governments, and past efforts to provide some form of amnesty. In terms of net revenue impact, when looking at CBO (2007), we see that overall, undocumented persons tend to have a negative effect on state finances, with few exceptions. This is particularly true for states with high concentrations of undocumented persons. CBO (2007) provides examples of these negative fiscal effects. A successful amnesty program would thus need to help offset the education costs in states with a concentration of undocumented persons.

Lee and Miller (1997) is general to immigrants, both documented and undocumented, so how do we use it learn about the fiscal effects of undocumented immigrants and how those impacts may change after amnesty? On overage, immigrants have a positive federal fiscal impact. This is true for undocumented persons. An aforementioned statistic estimates that about 75% of undocumented persons file income tax returns, but under current law they will not be able to receive benefits later in life. Also, persons who are legalized will only be able to receive Social Security benefits stemming from working years that follow legalization. Persons will not be able to receive benefits stemming from working years when they were paying income and payroll taxes to fictitious accounts using false social security numbers. After amnesty, many currently undocumented persons will eventually qualify for benefits from the federal government. However, legalization will allow more young immigrants to obtain financial aid and attend colleges and universities, and the ability to complete employer verifications will allow them to obtain more and better jobs. Legalization should result in higher income and payroll tax compliance rates and higher tax revenues resulting from higher educational attainment and earnings among the population of formerly undocumented persons. Lee and Miller (2007) indicate that young immigrants with high education levels have a highly positive NPV at the federal and combined state and federal levels.

Considering the recent legislation, it is clear that the DREAM Act and DACA are aimed at those undocumented persons who are most likely to provide a positive fiscal impact at the federal and total levels. Persons who arrived in the United States early in life and who pursue education beyond high school are those with the highest net present values in the Lee and Miller (2007) study. Lee and Miller (1997) and other studies show

that it makes good fiscal sense to legalize young undocumented persons who have or will pursue higher education. If the only goal of legislation for undocumented persons is to maximize positive budgetary impacts and to avoid costs, the DREAM Act or DACA could be viewed as sufficient answers to the question of the undocumented population if accompanied by measures to remove those who do not qualify from the country and ensure compliance. However, such a policy would not address the wage gap between the United States and sending countries that is the primary cause for undocumented immigration. Given that (Lee and Miller, 1997; Hanson, 2005) on average, immigrants have a positive total fiscal impact and are a net benefit, I hypothesize that we can afford to extend amnesty to the entire undocumented population, and avoid the problem of attempting to separate the upwardly educationally mobile young undocumented population from their parents and other relatives.

To address the fiscal burden born by states funding education for the population of young undocumented persons, Greenstone et al. (2012) suggest that “one way to remedy the unfair distribution of costs for immigrants would be to offset the costs to heavily impacted states using the aggregate gains that accrue elsewhere. This would also serve to decrease some of the political tension surrounding the immigration issue in many states” (Greenstone et al, p. 6, 2012). Given the strongly positive NPVs of federal fiscal impacts of immigrants, perhaps a program could be devised by which the federal government would subsidize states providing education to young immigrants, weighted by population.

An interesting question that has not yet been fleshed out by the literature is whether, when compared with U.S. citizens of similar characteristics, undocumented

persons contribute relatively more to the U.S. economy. Because of the potentially higher costs they face if arrested (i.e. deportation), undocumented persons may be less likely than similarly-situated U.S. citizens to commit crimes to begin with. It may be that enforcement costs for undocumented persons are lower than for U.S. citizens of similar socioeconomic status once Border Patrol costs are subtracted. As such, estimates like the CBO's on law enforcement may be skewed upwards.

Amnesty is positively correlated with the factors of production. It should also result in higher tax revenues at the different levels of government, although it will eventually mean that there may be additional public service costs for the formerly undocumented. It makes good fiscal sense to extend amnesty to the undocumented population that is young and educated, and Lee and Miller (1997) reveal that there is a fiscal argument that we can afford to extend amnesty to the rest of the undocumented population along with them. Through its ability to move people from the population of undocumented immigrants into the population of legal immigrants, amnesty will likely generate benefits in terms of economic growth and move the fiscal impacts of undocumented immigrants in a positive direction through higher tax revenues and a net positive impact on government budgets.

References

- Borjas, George. "The Labor Demand Curve *Is* Downward Sloping: Reexamining the Impact of Immigration on the Labor Market." *Quarterly Journal of Economic* 118.4 (2003): 1335-74.
- Congressional Budget Office. "The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments." 6 December 2007.
<<http://www.cbo.gov/publication/41645>> Downloaded 9/25/2012.
- Donato, Katherine M. and Rebecca S. Carter. "Mexico and U.S. Policy on Illegal Immigration: A Fifty-Year Retrospective," in David W. Haines and Karen E. Rosenblum, eds., Illegal Immigration in America: A Reference Handbook. Westport, CT: Greenwood Press, (1999): 112-132.
- Feinleib, Joel and David Warner. (2005). "Issue Brief #1: The Impact of Immigration on Social Security and the National Economy." Social Security Advisory Board. December 2005. Web. 28 Oct 2012.
- Fiscal Policy Institute. "Immigrant Small Business Owners." *Immigration Research Initiative*. June, 2012 <<http://fiscalspolicy.org/category/topics/immigration>> Downloaded 11/11/2013.
- Greenstone, Michael, Adam Looney, and Harrison Marks. "The U.S. Immigration System: Potential Benefits of Reform." *The Hamilton Project*. The Brookings Institution, May 2012. < <http://www.brookings.edu/research/papers>> Downloaded 11/7/2012.
- Hanson, Gordon. "Challenges for US Immigration Policy," in C. Fred Bergsten, ed., The United States and the World Economy: Foreign Economic Policy for the Next Decade. Washington, DC: Institute for International Economics, (2005): 343-372.
- Hanson, Gordon et al. "Immigration and the U.S. Economy: Labor-Market Impacts, Illegal Entry, and Policy Choices," in Tito Boeri, Gordon Hanson and Barry McCormick, eds., Immigration and the Welfare State. New York, NY: Oxford University Press, (2002): 169-285.
- Hoefler, Michael, Rytina, Nancy, and Baker, Bryan. (2012). "Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2011." *Population Estimates*. Department of Homeland Security Office of Immigration Statistics. <<http://www.dhs.gov/publications-0#2>> Downloaded 10/25/2012.

- Hoefler, Michael, Rytina, Nancy, and Campbell, Christopher. (2006). "Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2005." *Population Estimates*. Department of Homeland Security Office of Immigration Statistics. <<http://www.dhs.gov/publications-0#2>> Downloaded 10/25/2012.
- Immigration Policy Center. "Unauthorized Immigrants Pay Taxes, Too." American Immigration Council. 18 April 2011. Web. 15 Nov 2012.
- Lee, Ronald and Timothy Miller. "The Lifetime Fiscal Impacts of Immigrants and Their Descendants," in James Smith and Barry Edmonston, eds., *The New Americans*. Washington, DC: National Academy Press, (1997): 297-362.
- Mishra, Prachi. "Emigration and Wages in Source Countries: Evidence from Mexico." *Journal of Development Economics* 82.1 (2007): 180-199.
- Mosisa, Abraham T. "The Role of Foreign Born Workers in the U.S. Economy." Bureau of Labor Statistics. *Monthly Labor Review* 125.5 (2002): 3-14.
- National Conference of State Legislatures. "Comprehensive Immigration Reform Act of 2006, S.2611." 2012. <<http://www.ncsl.org/issues-research/immig/comprehensive-immigrationreform-act-of-2006-summ.aspx>> 16 Oct 2012.
- Orrenius, Pia M. and Madeline Zavodny. "The Economic Consequences of Amnesty for Unauthorized Immigrants." *The Cato Journal* 32.1 (2012): 85-106.
- Orrenius, Pia M. and Madeline Zavodny. "Effects of an Amnesty for Undocumented Immigrants." *Migrant Workers: A Socio Legal Debate*. Ed. D. Sjuatha. Hyderabad, India: Amicus Book, 2007. 174-197. Print.
- Orrenius, Pia M. and Madeline Zavodny. "Do Amnesty Programs Reduce Undocumented Immigration? Evidence from IRCA." *Demography* 40.3 (2003): 437-450. Print.
- Ottaviano, Gianmarco and Giovanni Peri. "Immigration and National Wages: Clarifying the Theory and the Empirics." NBER Working Paper #14188. July 2008 <http://www.nber.org/papers/w14188.pdf?new_window=1> Downloaded 11/10/2012.
- O'Sullivan, Arthur, Steven M. Sheffrin, and Stephen J. Perez. *Microeconomics: Principles, Applications, and Tools*. 5th Ed. Upper Saddle River: Pearson Education, 2008. Print.
- Passel, Jeffrey S. "Unauthorized Migrants: Numbers and Characteristics," Washington, DC: Pew Hispanic Center, June 14, 2005. <www.pewhispanic.org/category/publications> Downloaded 10/30/2012.

- Passel, Jeffrey S. "Undocumented Immigration to the United States: Numbers, Trends, and Characteristics," in David W. Haines and Karen E. Rosenblum, eds., Illegal Immigration in America: A Reference Handbook. Westport, CT: Greenwood Press, (1999): 27-111.
- Passel, Jeffrey S. and D'Vera Cohn. "Unauthorized Immigrant Population: National and State Trends, 2010." Washington, DC: Pew Hispanic Center, February 1, 2011. <www.pewhispanic.org/category/publications>. Downloaded 10/30/2012.
- Passel, Jeffrey S. and D'Vera Cohn. "A Portrait of Unauthorized Immigrants in the United States. Washington, DC: Pew Hispanic Center, April 2009. <www.pewhispanic.org/category/publications> Downloaded 11/1/2012.
- Passel, Jeffrey S. and D'Vera Cohn. "U.S. Unauthorized Immigration Flows Are Down Sharply Since Mid-Decade," Washington, DC: Pew Hispanic Center, September 1, 2010. <www.pewhispanic.org/category/publications> Downloaded 11/1/2012.
- Rosen, Harvey S. and Ted Gayer. Public Finance. 9th Ed. New York: McGraw-Hill, 2010. Print.
- Singer, Paula and Linda Dodd-Major. "Identification Numbers and U.S. Government Compliance Initiatives." *Tax Notes* 104.13 (2004): 1429-1433.
- Smith, Allen. "Report: Enforcement of 'Broken' Immigration Laws Isn't Working." Society for Human Resource Management. 26 Oct 2009. Web. 12 Nov 2012.
- The Library of Congress. "Comprehensive Immigration Reform Act of 2006, Bill Summary & Status." *Bills, Resolutions*. ONLINE. Thomas. Available: <<http://thomas.loc.gov/cgi-bin/bdquery/z?d109:S2611>> 16 Oct 2012.
- The Library of Congress. "Development, Relief, and Education for Alien Minors Act of 2011, Bill Summary & Status." *Bills, Resolutions*. ONLINE. Thomas. Available: <<http://thomas.loc.gov/cgi-bin/bdquery/z?d112:s.00952>> 5 Nov. 2012.
- The Library of Congress. "Immigration Reform and Control Act of 1986, Bill Summary & Status." *Bills, Resolutions*. ONLINE. Thomas. Available: <<http://thomas.loc.gov/cgi-in/bdquery/z?d099:SN01200:@@@L&summ2=m&>> 4 Oct 2012.
- The Library of Congress. "Omnibus Consolidated Appropriations Act, 1997, Bill Summary & Status." *Bills, Resolutions*. ONLINE. Thomas. Available: <<http://thomas.loc.gov/cgi-bin/bdquery/z?d104:H.R.3610>> 14 Oct 2012.
- The Library of Congress. "Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Bill Summary & Status." *Bills, Resolutions*. ONLINE. Thomas. Available: <thomas.loc.gov/cgi-bin/bdquery/z?d104:h.r.03734> 14 Oct 2012.

Tsoodle, Leah J. and Tracy M. Turner. "Property Taxes and Residential Rents." *Journal of Real Estate Economics*, 36.1 (May 2008): 63-80.

United States Census Bureau. "State & County QuickFacts." 18 September 2012. Web. 14 Nov 2012.

U.S. Citizenship and Immigration Services. "Consideration of Deferred Action for Childhood Arrivals Process." 6 September 2012. Web. 8 Oct 2012.

U.S. House. 104th Congress, *Public Law 104-208*. ONLINE. Government Printing Office Federal Digital System. Available: < <http://www.gpo.gov/fdsys/pkg/PLAW-104publ208/pdf/PLAW-104publ208.pdf>> Downloaded 10/14/2012.

U.S. Immigration and Naturalization Service. Estimates of the Unauthorized Immigrant Population Residing in the United States: 1990 to 2000, January 2003. <www.dhs.gov/archives> Downloaded 10/31/2012.

Vargas, Jose Antonio. "My Life as an Undocumented Immigrant." *The New York Times*. The New York Times Company. 22 June 2011. Web. 10 Oct 2012.

Wadhwa, Vivek, AnnaLee Saxenian, and F. Daniel Siciliano. "Then and Now: America's New Immigrant Entrepreneurs." *Immigrant Entrepreneurs Series*. Ewing Marion Kauffman Foundation, October 2012. < <http://www.kauffman.org/research-and-policy/immigration-and-the-american-economy.aspx>> Downloaded 11/11/2012.

Wozniacka, Gosia. "Illegal Immigrants find paths to college, careers." *USA Today*. USA Today, a division of Gannett Co. Inc. 26 May 2012. Web. 10 Oct 2012.

Figure 1. Possible Fiscal Effects of Undocumented Persons

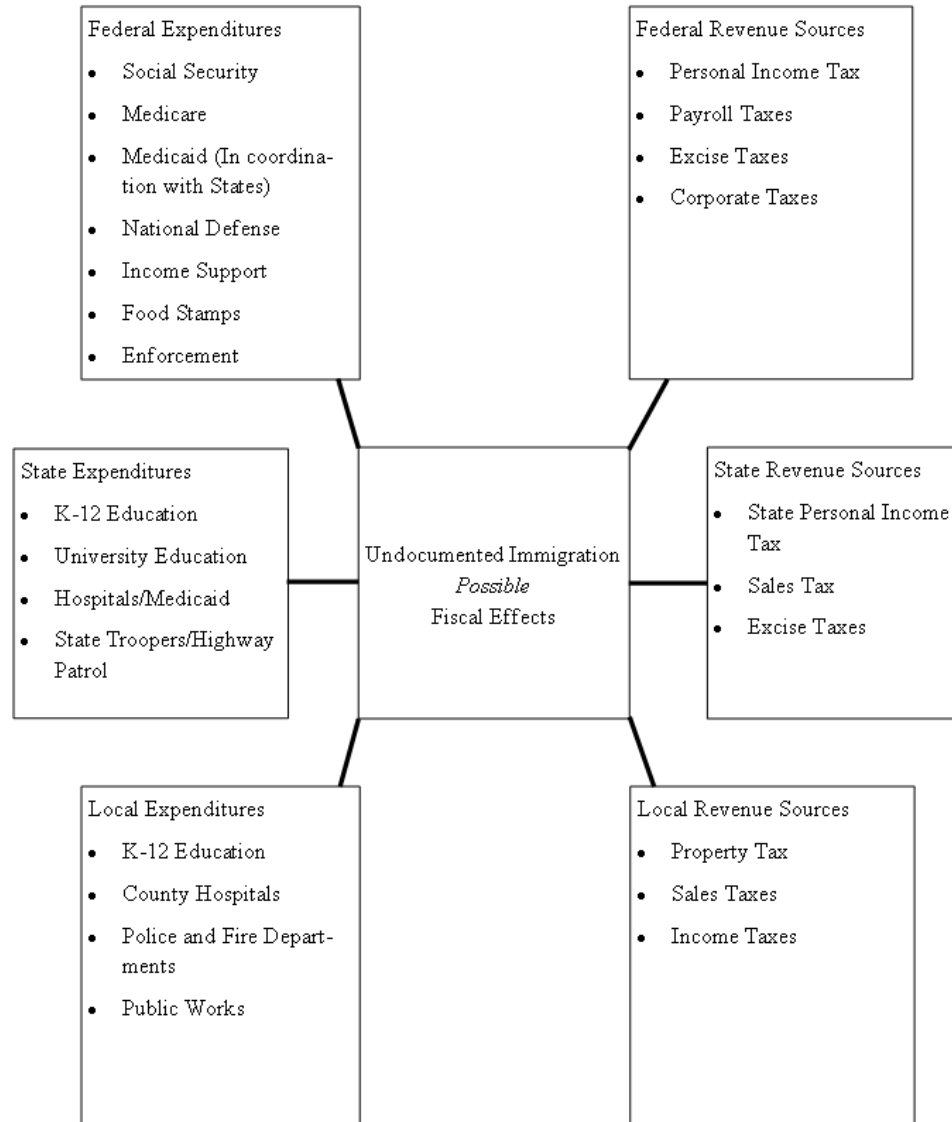


Table 1. U.S. Amnesty Legislation Summary

Legislation	Immigration Reform and Control Act (IRCA) (1986)	Comprehensive Immigration Reform Act (CIRA) (2006)	DREAM Act (2011)	Deferred Action for Childhood Arrivals (DACA) (June 15, 2012)
Status	Signed by Pres. Reagan	Failed to pass	Failed to pass	Executive Order
	Requirements			
Residency	<p>LAW: Living continuously in the U.S. since January 1, 1982 or</p> <p>SAW: Satisfy employment requirement below</p>	Must have been continuously present since April 5, 2001	<p>Must have entered the U.S. on or before 15th birthday.</p> <p>Must have continuously resided in the U.S. during the five years prior to passage of the Act.</p>	<p>Must have entered the U.S. before reaching 16th birthday</p> <p>Must have continuously resided in the U.S. since June 15, 2007</p> <p>Must have been present in the U.S. on June 15, 2012 and the date of application</p> <p>Must have entered without inspection before June 15, 2012, or lawful immigration status expired as of that date.</p>
Employment	SAW: Must have worked at least 90 days in U.S. agriculture during each of the previous three years or at least 90 days during the past year	At least 3 of 5 yrs. From 2001 – 2005 (with exceptions)		

Table 1. U.S. Amnesty Legislation Summary (Cont.)	IRCA (1986)	CIRA (2006)	DREAM Act (2011)	DACA (2012)
Age			Must be under 36 years of age at the time of passage of the act	Be under age 31 as of June 15, 2012
Education			Must have graduated from a U.S. high school, obtained a GED, or gained admission to a college or university	Must be in school, have completed high school or a GED, or be an honorably discharged veteran of the U.S. Armed Forces or Coast Guard
“Character”	Must not have been convicted of a felony or three or more misdemeanors	Must undergo background checks and demonstrate “basic citizenship skills”	Must complete background checks and a medical examination and possess “good moral character” Must be registered with the Selective Service if male	Must not have been convicted of a felony, serious misdemeanor, or three or more other misdemeanors, and do not pose any other threat to national security or public safety
Fines		\$2,000 (and agreement to pay back taxes)		
Additional Details:				
Gaining Permanent Legal Residence	Demonstrate knowledge of English, knowledge of American civics, and continuous residence within 18 months of being granted temporary status		Those granted conditional permanent resident status pursuant to Dream Act could have conditional basis removed upon completion of one of the following:	

Table 1. U.S. Amnesty Legislation Summary (Cont.)	IRCA (1986)	CIRA (2006)	DREAM Act (2011)	DACA (2012)
Gaining Permanent Legal Residence (Continued)			<ul style="list-style-type: none"> • A degree from a U.S. college or university • Two years study towards a bachelors or higher degree • Two years service in the U.S. Armed Forces 	
General Information				An individual must be at least 15 years of age to request deferred action, unless currently in removal proceedings, in which case the individual may submit the request while less than 15 years of age.
Application Period	LAW: May 5, 1987 – May 4, 1988 SAW: May 5, 1987 – Nov. 30, 1988		Persons must apply within one year of the latter of earning a high school diploma (or GED) or the Act's enactment	No deadline for persons who meet requirements.

Note: Not listed here are the Clinton-Era immigration laws, PRWORA and IIRIRA, discussed in the text, because neither of these measures included amnesty provisions.