

**Unauthorized Immigration: Is it really a fiscal burden for
California?**

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Introduction

Unauthorized immigration¹ is likely to pose a fiscal burden to taxpayers. However, it is important to distinguish between upfront, short-term costs and long-term benefits of unauthorized immigration. The ability to determine if long-term benefits of immigration are greater than the short-term costs allows governments to properly estimate the fiscal impact of unauthorized immigration and to direct immigration policy.

In recent years, there has been a heated debate about immigration reform and the need to adopt policies that reflect the reality of unauthorized immigration in the U.S. Various studies in the literature have attempted to provide a clear picture about the costs, benefits, and implications of unauthorized immigration in the U.S. economy. However, none have been specifically tailored to address particular states in the country. This is an important omission because of the particular nature of immigration and the cluster of unauthorized immigrants in certain regions of the country.

California attracts a significant proportion of the unauthorized immigrant population in the U.S. because of employment opportunities and generous governmental assistance programs. This paper will analyze the fiscal burden of unauthorized immigration in California by complementing national studies on this subject. We attempt to demonstrate that although the short-term burden of unauthorized immigration is high for taxpayers, the long-term benefits and eventual status regularization of these immigrants is beneficial for California.

This paper will allow us to understand and provide a consistent argument about the fiscal implications of unauthorized immigration and first-generation born citizens by giving the reader

¹ Author's note: The term "Illegal" or "undocumented" are usually politicized. I use the term 'unauthorized' in an attempt to provide neutrality on the issue to the reader.

an idea of the net impact of immigration in the California economy. It will also allow the reader to understand that the fate of the California economy is not riding on the state's policy towards unauthorized workers/immigrants and their US citizen children.

Literary Review

According to 2012 estimates there was a net immigration of 3.62 migrant(s) per 1,000 habitants in the US.² Immigration has become a controversial issue in the US because of its economic and social impact. More importantly, unauthorized immigration has become more of a concern because of the 11 million people who already live in the US but do not have proper documentation. In California, the unauthorized immigrant population is believed to be approximately 2.55 million people (6.8% of the state population).³

Immigration is an issue capable of dividing like-minded people, and neither political party is unified in their legislative approach to the issue. The liberal side, backed by labor unions, argues in favor of closed borders to keep labor supply steady and competitive wages while some in the same political spectrum have joined voices in support of immigration reform that would address unauthorized immigrants. On the other hand, conservative voices advocate for access to foreign labor emphasizing the economic benefits of immigration. But many conservative groups oppose immigration due to the perception that it expands the welfare state, dilutes American culture, and threatens national security (Hanson 2005).⁴

² *The World Factbook 2012*. Washington, DC: Central Intelligence Agency, 2012.
<https://www.cia.gov/library/publications/the-world-factbook/index.html>

³ *2011 Yearbook of Immigration Statistics*. Washington, DC: Department of Homeland Security. Web. May 2013.
http://www.dhs.gov/sites/default/files/publications/immigration-statistics/yearbook/2011/ois_yb_2011.pdf

⁴ Gordon H. Hanson and Institute for International Economics (U.S.), *Why Does Immigration Divide America?: Public Finance and Political Opposition to Open Borders* (Washington, DC: Institute for International Economics, 2005).

This paper will discuss the fiscal implications of welfare participation among unauthorized immigrants and first-generation citizens (the children of unauthorized immigrants) in the state of California to determine if said population burdens the state taxpayers. We will use a similar framework to the one used by George T. Hanson (2005) and George Borjas (1994)⁵ on a national scale. Our main goal is to determine if there is a positive return on welfare payments to unauthorized immigrants and their children (who are US citizens) in the state.

This paper will complement national scale research of this claim at a state level. Some research claims that immigration to the United States does not pose a long-term burden on U.S. taxpayers. The typical immigrant and his or her descendants pay more in taxes than they consume in government services in terms of net present value. Low skilled immigrants do impose a net cost on government, in particular on the state and local level, but those costs are often exaggerated by critics of immigration and are offset by broader benefits to the overall economy (Griswold 2012).⁶

We will focus on the fiscal implications of educational and welfare spending on unauthorized immigrants and first-generation citizens in California. While 34% of the nation's welfare recipients live in California only 12% of the population lives here. This makes California a state with very generous welfare measures. California is third among states in per-capita welfare spending with \$179 dollars per capita spent.⁷ This figure only represents welfare spending and does not include the additional government services spending. While most of governmental assistance programs are only available to US citizens, governmental services – such as education

⁵ George J. Borjas, "The Economics of Immigration," *Journal of Economic Literature* V. 32, No. 4 (December 1994): 1667 – 1717.

⁶ Daniel T. Griswold, "Immigration and the Welfare State," *Cato Journal* 32, no. 1 (Winter 2012), <http://www.cato.org/sites/cato.org/files/serials/files/cato-journal/2012/1/cj32n1-11.pdf>.

⁷ "Is California the Welfare Capital?," U-T San Diego, accessed April 26, 2013, <http://www.utsandiego.com/news/2012/jul/28/welfare-capital-of-the-us/>.

and health care – cannot be denied to anyone so an increase in population, unauthorized or otherwise, imposes budgetary constraints on government.

Some argue that unauthorized immigrants make a positive contribution to governmental budgets. The lack of residency status does not prevent immigrants from being liable for property taxes, sale taxes, or other governmental fees. Also, many times unauthorized immigrants use stolen identities to find employment. By using stolen identities, unauthorized immigrant workers contribute to Social Security and Medicare but never withdraw from the programs (Hanson 2005). By analyzing the fiscal contributions of unauthorized immigrants, we will have a reference to compare the cost-benefit impact of welfare payments and governmental services to unauthorized immigrants and first-generation US citizens.

We are also paying close attention to first-generation citizens (those born to unauthorized immigrants) and the long-term impact they have in the California labor market and economy. While in the short-term, governmental service costs for these children are a burden to the taxpayers, long-term returns in terms of labor-market participation, consumption, and taxes are likely to outweigh these costs.

Despite opposite views in the literature, there is an agreement that a truly comprehensive study of the fiscal impact of immigration must take into account the long-term as well as short-term effects of immigration and welfare payments. One must also be careful to take into account the trans-generational aspects of immigration and the fiscal impact of first-generation citizens.

George Hanson claims that, despite the implications of inflows of unauthorized workers into the US labor market and its impact on wages, unauthorized immigration overall impact on the US economy is small. I will translate this interpretation into an analysis of the impact in the

California economy. Hanson uses 1990 and 2000 census data relating to wages and immigration population to describe how the inflow of unauthorized workers has broadly tracked economic performance thus having a positive impact in the growth of the economy. Also, using US Current Population Survey data, he analyzes the cost of unauthorized labor in relative and absolute terms, concluding that although there is a short-run net fiscal cost of approximately 0.1 percent of US GDP because of unauthorized immigration, the number is close enough to zero to be considered a *wash* (Hanson 2009)⁸.

By utilizing similar data in a more recent time frame, we will calculate the net fiscal impact of unauthorized immigrant population in the California economy. We will focus on the welfare cost of immigration by estimating the expenditures in education and government welfare programs, and compare that to direct and indirect fiscal contributions of unauthorized workers and first-generation citizens in net present value terms. Since Hanson's model only considers national data, I expect the end result to differ once we consider unauthorized immigrant flows in the state.

On the other hand, one of the arguments against immigration is that unauthorized immigrants are a burden to the system. George Borjas, Harvard economist, talks about wage parity and trans-generational shift comparisons between different groups of immigrants and native population. He also addresses the first-generation citizens and wage/job differentials. Borjas argues that immigration has economic, cultural, and political significance, so it is not surprising that immigration policy is now a central ingredient in the debate over social policy (Borjas 1994).

Contrary to conservative and liberal immigration proponents, Borjas shows that the total 'annual net gain is a modest one-tenth of a percent of gross domestic product,' which amounts to a

⁸ Hanson, Gordon. "The Economics and Policy of Illegal Immigration in the United States." Report. Migration Policy Institute, Dec. 2009. <<http://www.migrationpolicy.org/pubs/hanson-dec09.pdf>>

financial gain of less than \$30 per person. In California, studies show that current immigration levels cost the typical native household an additional \$1,200 per year. Moreover, relatively high immigration levels suppress the wages of domestic workers in highly competitive fields. Public assistance is considerably greater among immigrant than domestic households. The percentage of native welfare recipients is 15.4% to 22.4% of immigrant recipients. Borjas documents with compelling data that economic prosperity is not undermined by reductions in immigration levels (Borjas 2003).

Borjas uses his model on welfare payments to argue that immigrants do not pay their way into the system and become a burden to the taxpayers. This has tremendous economic implications in terms of immigration reform and taxation. Using a similar framework, we will use California state data to replicate his model. By doing this, we will be able to contrast Borjas and Hanson's views on the issue, and have a better case to answer our research question.

The concern over adverse labor market impact and fiscal burden of immigration has always played a central role in the immigration debate. We will try to stay away from this issue and only focus on the fiscal implications of unauthorized immigration. We know it is clear that the economic impact of unauthorized immigration has two sides to consider, one, the fiscal cost of these immigrants, and the impact on the labor market. By narrowing down our analysis to the state level, we will be able to formulate an opinion about the fiscal implications of unauthorized immigration in California. Being able to have a research based answer to our question allows for better immigration policy and facilitates the creation of immigration laws that favor robust economic growth.

Cost-benefit analysis model

Cost-benefit analysis, in government planning and budgeting, is the attempt to measure the social benefits of a proposed project in monetary terms and compare them with its costs. A cost–benefit ratio is determined by dividing the projected benefits of a program by the projected costs. In general, a program having a high benefit–cost ratio will take priority over others with lower ratios. Determining this ratio is a difficult task because of the wide range of variables involved. Both quantitative and qualitative factors must be taken into account, especially when dealing with social programs.⁹

The model presented here is an adaptation of the work of Hanson (2005) and Borjas (1994) into a cost-benefit analysis that will allow the reader to make an informed decision about the fiscal implications of unauthorized immigration in California’s economy. The model will review the cost of unauthorized immigrants and first-generation children in terms of spending in state governmental services – education, CalWORKs, Medi-Cal, and Supplemental Nutrition Assistance Program (food stamps) – and compare it against the increase in tax revenues and economic activity due to unauthorized immigrants. We attempt to prove that although the initial cost of unauthorized immigration is a burden to the state government, in the long run, unauthorized immigration and first-generation children are beneficial for California.

Estimate of unauthorized immigrant population in California

For our analysis, we need a reasonable estimate of the unauthorized population in California. The literature obtains this estimate when you subtract the legally foreign resident population from the total foreign born population using the American Community Survey (ACS), a nationwide

⁹ “*Cost-benefit Analysis (economics)*” Encyclopedia Britannica, accessed May 12, 2013, <<http://www.britannica.com/EBchecked/topic/139466/cost-benefit-analysis>>

sample survey that collects information from the US households on social, demographic, and economic characteristics, including country of birth and year of entry of the foreign-born population.¹⁰ Despite being widely used for estimates of the unauthorized immigrant population, caution must be used because the estimates are subject to sampling error in the ACS and considerable non-sampling error because of uncertainty in some of the assumptions required for estimation.

The Department of Homeland Security uses this methodology to estimate that the unauthorized immigrant population in the United States was 11.8 million in 2010.¹¹ Unauthorized immigrants tend to concentrate in a few states, California being one of them. According to the Pew Hispanic Center, 2.55 million unauthorized immigrants lived in California (6.8% of the state population). This is nearly a quarter (23%) of the unauthorized immigrant population of the United States.¹² We will use this estimate of the unauthorized immigrant population in California as the basis for our calculations. This is a crucial assumption for our model since we attempt to analyze the fiscal impact of said population in the state.

Fiscal impact of K-12 and Higher Education

In 1982, by a 5 – 4 vote, the Supreme Court issued *Plyler v. Doe*, a landmark decision holding that states cannot constitutionally deny students a free public education on account of their immigration status. The court found that a Texas law, allowing school officials to reject undocumented students or to charge them tuition, violated the Equal Protection Clause of the 14th

¹⁰ “*American Community Survey*.” Washington, DC: Department of Commerce. Web. May, 2013. <http://www.census.gov/acs/www/about_the_survey/american_community_survey/>

¹¹ Hoefer, Michael, Nancy Rytina and Bryan C. Baker. “*Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2009*,” Office of Immigration Statistics, Policy Directorate, U.S. Department of Homeland Security, Web. <http://www.dhs.gov/xlibrary/assets/statistics/publications/ois_ill_pe_2009.pdf>

¹² Passel, Jeffrey S. and D’Vera Cohn, 2011. “*Unauthorized Immigrant Population: National and State Trends, 2010*,” Pew Hispanic Center, Web. <<http://pewhispanic.org/files/reports/133.pdf>>

Amendment of the US Constitution because it amounted to a total deprivation of education without a reasonable basis. As a result, all states are required to borne the costs of providing K-12 education to students in their systems regardless of their legal status.

Since federal law prohibits questions about immigration status, obtaining an estimate of unauthorized immigration status in the California K-12 system is difficult. We use an approximation of the unauthorized immigrant population and the average cost-per-student to estimate the total spending in providing education to unauthorized students.

The average cost per student in K-12 can be determined by dividing total expenditures in the K-12 system by the Average Daily Attendance. The ADA is defined as the total days of student attendance divided by the total days of instruction. In 2012, California spent 38.3 billion of dollars and 41.2% of its budget in K-12 education.¹³ Using ADA data obtained from the California Department of Education, the average cost-per-student amounted to a total of \$8,382 per pupil.¹⁴ These figures allow us to understand that the cost associated with an additional child in the educational system is substantial but should be contrasted with the benefits of having a more educated workforce later in the life cycle.

A 2008 report by the Pew Hispanic Center found that 13.5% of K-12 students in California were either unauthorized immigrants or children of unauthorized immigrants.¹⁵ If we apply this percentage to the CA Department of Education figure of 6,252,000 students enrolled in the 2008 – 2009 academic year, we estimate that 844,020 were unauthorized or first-generation students. In 2012, K-12 student enrollment was 6,214,199; adjusting the unauthorized and first-generation

¹³California Department of Education, Web. May 2013.

<http://www.dof.ca.gov/budgeting/budget_faqs/information/documents/CHART-C.pdf>

¹⁴ California Department of Education, Web. May 2013 <<http://www.cde.ca.gov/ds/fd/ec/currentexpense.asp>>

¹⁵ Jeffrey S. Passel and D’Vera Cohn. “*A Portrait of Unauthorized Immigrants in the United States.*” Washington, DC: Pew Hispanic Center, April 2009

percentage to account for the decrease in total enrolment we estimate that in 2012, 838,955 enrolled students were unauthorized or first-generation. We calculate that the cost of educating unauthorized or first-generation children in California is slightly above \$7 billion or 18.3% of its K-12 budget by multiplying the estimated number of unauthorized and first generation students by the spending-per-pupil figure calculated above (838,955 x \$8,382) .

These figures only consider K-12 education because higher education cost in California is difficult to estimate. The recently introduced AB540 legislation allows students, who were not citizens or permanent residents of the US (authorized or not), to be classified as California residents and be entitled in-state tuition rates as long as the student attended a California high school for 3 or more full academic years (don't need to be consecutive) or receive a California high school diploma or GED. The state Senate Committee on Appropriations estimated the total cost of the AB540 bill up to an initial \$40 million and an ongoing cost of \$23 to \$40 million per year, mostly on financial assistance to eligible students.¹⁶ Yet this price tag did not consider the marginal cost of increased enrollment in the University of California, the California State University or California Community Colleges due to the amount of unauthorized immigrant students taking advantage of reduced tuition rates.

We made several assumptions in this analysis, thus we need to take caution when interpreting the results. The calculation of the population of unauthorized immigrants, both in the US and California, follows conventional methodology when making the estimation but still needs to take into consideration sampling errors. Also, the estimation of average cost-per-pupil is based on governmental data that can be skewed, and does not consider federal subsidies for education to California. However, this calculation is a consistent approximation of educational costs

¹⁶California State Assembly – Committee of Appropriations: Web. May 2013. <<http://apro.assembly.ca.gov/>>

according to the research literature. Despite costs to educate unauthorized and first-generation students in California, we will also need to consider the long-term impact of having an educated population and the opportunity cost of not educating unauthorized immigrant students.

Fiscal impact of government assistance programs

In his book, “Why does immigration divide America?” George Hanson (2005) describes that the predominance of the low-skilled among recent U.S. immigrants means that many new arrivals work in low-wage occupations and have incomes towards the bottom of the earnings distribution. These low wage-earning immigrants are likely to pay little in taxes and to make large demands on public expenditures, relative to other U.S. residents. He adds that immigrants tend to have large families that increase their demand on public services. The summation of these factors raises concern that immigration causes a net drain on U.S. public finances and increases the net fiscal burden on native taxpayers.¹⁷

As previously mentioned, immigrants (unauthorized or not) tend to concentrate in few specific locations across the United States, which means their fiscal impact is likely to vary from state to state. California is a popular destination because its labor market allows for low-skill workers to find employment and because of the generous public assistance programs it offers to its residents. This combination of factors means California residents are very likely to be exposed to the fiscal cost of unauthorized immigration. California residents, including immigrants, demand a wide range of services, including public education, health care, public safety, and governmental assistance.

¹⁷ Gordon H. Hanson and Institute for International Economics (U.S.), *“Why Does Immigration Divide America? Public Finance and Political Opposition to Open Borders”* (Washington, DC: Institute for International Economics, 2005).

Using Hanson's (2003) methodology to estimate public benefit usage by unauthorized immigrants, we use California specific data from the US Census Bureau, CA Health Department, and CA Department of Social Services to identify individual participation in the various types of social assistance from 2009 - 2011. We will classify individuals as living in households headed either by a foreign-born or a native-born individual and then examine usage of social assistance by members of the household. First-generation children are counted as members of immigrant-headed households to ascribe the welfare behavior of children to their parents. Households are counted as receiving welfare if anyone in the household received any type of social assistance. We will limit the focus of the analysis to the specific participation by immigrants and native households in three major entitlement programs: CalWORKs, Medi-Cal, and Supplemental Nutrition Assistance Program (food stamps).

Once the percentage of native and immigrant household participation in these programs is estimated, this analysis will then allow us to estimate the percentage of unauthorized immigrants using governmental assistance services and their cost.

Medi-Cal

The California Medical Assistance Program (Medi-Cal) is a federal/state funded program that provides healthcare to low income households, pregnant women, and elderly people, those with disabilities, dependent children, and related caretakers. Medi-Cal has certain requirements to be eligible to participate in the program, thus certain Medi-Cal benefits are not available to unauthorized immigrants due to statutory limitations. However, medical emergency care is allowed to be provided to people who would otherwise qualify for Medicaid regardless of their immigration status.

We use the Medicare Statistical Information System and the Medicaid Financial Management Report provided by the Center for Medicare & Medicaid Services of the U.S. government to obtain total expenditure costs of Medi-Cal in California (FIGURE 1). To obtain total enrollment and breakdown in the state, we use the California Health Interview Survey, which allows us to calculate Medi-Cal covered members by their citizenship or immigrant status (FIGURE 2).

To calculate costs associated with unauthorized immigrants we find the percentage of non-citizens who are covered by Medi-Cal relative to the total Medi-Cal covered individuals using Figure 2. Once we obtain this number we multiply it by the expenditure share of the state using Figure 1 for each respective year. Although we only have 2007 & 2009 enrollment figures, we assume trends of growth in expenditures and enrollment remain consistent through the years thus we can calculate the state share of Medi-Cal expenditures for unauthorized immigrants (non-citizens) at \$2.9 billion for 2007, \$3.06 billion for 2009, and \$3.69 billion for 2012.¹⁸

Supplemental Nutrition Assistance Program

The Food Stamp Act of 1977 established the Supplemental Nutrition Assistance Program (SNAP), which offers nutrition assistance to millions of eligible, low income individuals and families, and provides direct economic benefits to communities that are enrolled in the program.¹⁹ The Food and Nutrition Service (FNS) administers the program and pays approximately 50 percent of State agency administrative costs to operate the program. In California, the program is known as CalFresh and is administered by the California Department of Social Services.

¹⁸ $[984,000/5,782,000]*\$17,291,564,394$ for 2007. We repeat the process for 2009; for 2012 we calculate growth trends and repeat the process.

¹⁹ "Supplemental Nutrition Assistance Program (SNAP)," Web. June 6, 2013, <<http://www.fns.usda.gov/snap>>

We use the SNAP State Activity Report provided by the Food and Nutrition Service of the U.S. government to obtain total expenditure costs of Food Stamps in California (FIGRUE 3). To obtain total enrollment and breakdown in the state, we use the California Health Interview Survey, which allows us to calculate Food Stamps use by participant citizenship or immigrant status (FIGURE 4).

Similar to the Medi-Cal analysis, we assume trends of growth in expenditures and enrollment remain consistent through the years. By law, the state covers 50% of the cost of the program. Using the data in Figures 3 and 4, we calculate the state's share of Food Stamps expenditures for unauthorized immigrants (non-citizens) at \$236.4 million for 2007, \$464.5 million for 2009, and \$794 million for 2012.²⁰

CalWORKs

CalWORKs is the state equivalent of federal Temporary Assistance for Needy Families (TANF), a welfare program that gives cash aid and services to eligible needy California families. The amount of monthly assistance payment depends on a number of factors, including the income of the household being considered.²¹ Unauthorized immigrants are not eligible for these types of benefits but we allocate first-generation citizen children beneficiaries to the household of their parents.

We use data of the California Department of Social Service to estimate CalWORKs' total expenditures (FIGRUE 5). To obtain total enrollment and breakdown in the state, we use the California Health Interview Survey, which identifies use by unauthorized immigrants (non-citizens) (FIGURE 6).

²⁰ To calculate these figures use the same method we previously used for the Medi-Cal estimates.

²¹ California Department of Social Services, Web. June 2013. <<http://www.cdss.ca.gov/calworks/>>

As before, we assume trends of growth in expenditures and usage remain consistent through the years. The data on expenditures and enrollment allows us to estimate the total expenditures for unauthorized immigrants (non-citizens) due to CalWORKs assistance at \$682.9 million for 2007, \$948.1 million for 2009, and \$1,243.1 million for 2012.²²

Benefits of immigration in California

Immigration generates benefits to a nation in the form of extra income to domestic factors of production, which is known to economists as the immigration surplus. By increasing the supply of labor in the economy, immigration raises the productivity of factors that are complementary to labor.²³ This also creates an increase in output and consumption in the economy. We will focus on labor, wages, and estimates of income and sales local and state taxes to calculate the benefits of immigration to California.

According to Raul Hinojosa (2012), of the Cato Institute, in terms of 2008 gross product (the total value added by workers of goods and services produced in the considered area), immigrant workers added \$492 billion to California. The unauthorized workforce by itself added \$158 billion to California's gross product.²⁴ The increase in economic activity is a significant indicator of the positive impact of immigration in the state and these estimates allow us to make assumptions regarding the benefits of unauthorized immigration in California.

An issue to consider is wage disparity and the potential increase in earnings by unauthorized immigrants. According to a study by the Center for the Study of Immigration Integration of the

²² To calculate these figures use the same method we previously used for the Medi-Cal and SNAP benefits.

²³ Gordon H. Hanson and Institute for International Economics (U.S.), *“Why does Immigration Divide America? Public Finance and Political Opposition to Open Borders”* (Washington, DC: Institute for International Economics, 2005).

²⁴ Hinojosa, Raul. *“The Economic Benefits of Comprehensive Immigration Reform”*. Cato Journal, Vol. 32, No. 1 (Winter 2012).

University of Southern California, in aggregate, unauthorized immigrant workers earned \$27.4 billion in wages but could have received \$29.6 billion had it not been for the wage penalty of being unauthorized. Not taking into account the potential multiplier effects, an increase in wages for unauthorized workers would generate an additional \$74.4 million in sales tax revenue by eliminating the wage penalty. This would be in addition to the estimated \$1.7 billion in income taxes unauthorized immigrants already pay to California.²⁵

Other fiscal benefits of unauthorized immigration are difficult to estimate because of the intricacies of the tax system. Many unauthorized immigrants use stolen identities to join the workforce thus employment taxes are not assigned to them. Another example is property taxes indirectly paid to the state by unauthorized immigrants who either buy or rent housing. It is important to note that we rely on the estimates cited beforehand to make the cost-benefit analysis because is an estimation of income taxes directly paid by unauthorized immigrants to the state.

Conclusion

This paper attempted to make a cost-benefit analysis of unauthorized immigration in California. We used California data and applied it to models used on a national scale to calculate a reasonable estimate of the cost and benefits of unauthorized immigrants in the state. To estimate the cost we focused on four major expenditures: education, medical care, nutritional assistance, and welfare assistance. We focused on the impact of labor output and income tax payments to calculate the fiscal and economic benefits of unauthorized immigration.

It is important to understand the implications of certain assumptions taken during the process of this analysis. Our estimate of the unauthorized immigrant population was performed according to

²⁵ Pastor, Manuel, et al. “*The Economic Benefits of Immigrant Authorization in California*”. January 2012. Center of the Study of Immigration Integration, USC. Los Angeles, 2010.

common methods used by other literature but is still subject to sample errors. Also, much of the data used was based on government figures that might be skewed to fit certain reporting requirements. Yet, despite these limitations, the methods we used have been used by other authors in this topic so these estimates are fair calculations and should be interpreted as a reasonable approximation.

When we focus on the costs of providing education and other government assistance services to unauthorized immigrants, during 2008, the total estimated cost to California was approximately \$10 billion dollars in direct spending in education, Medi-Cal, CalWORKs, and Supplemental Nutrition Assistance. Compared to the \$1.7 billion in income taxes paid by unauthorized immigrants to California, it appears that unauthorized immigration is a fiscal burden to California.

However, we must consider that the majority of the short-term burden of unauthorized immigration lies in education spending, which was near \$7 billion in 2008. This expenditure can be justified by considering the long-term benefits of an educated population in the future. We also have to take into consideration the real economic impact of unauthorized immigrants, who added nearly \$158 billion to the gross product of California.

In addition, our analysis does not consider the marginal cost of other governmental services – security, recreation, and general services – not does it consider all taxes and fees paid by unauthorized immigrants. By considering the real economic impact of unauthorized immigrants, in the long-run it seems clear that the increase in economic activity justifies the spending in government programs that cater to unauthorized immigrants.

Immigration, authorized or unauthorized, seems to be a recent topic of discussion among political circles. The debate about whether or not comprehensive immigration reform should be a priority in U.S. policy should include a sincere, unbiased debate about the fiscal implications of immigration. There is the need to consider the long-term benefits of providing education and social services to unauthorized immigrants to facilitate a better integration for them into society in the future. California state officials should understand the fiscal costs and benefits of unauthorized immigration for California to make an educated decision about the future of immigration in our state. This paper attempted to provide a guide to answer that question.

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Appendix – Governmental Program cost/participation

FIGURE 1 – Medi-Cal Total Expenditures, FY 2007 - 2011

Medi-Cal Total Expenditures, FY 2007 – 2011			
Year	Total Medicare Paid	Federal Share Paid	State Share Paid
2007	\$34,884,518,837	\$17,592,954,446 (50.43%)	\$17,291,564,391 (49.57%)
2008	\$38,586,119,797	\$19,465,364,164 (50.45%)	\$19,120,755,633 (49.55%)
2009	\$40,847,829,842	\$24,476,827,191 (59.92%)	\$16,371,002,651 (40.08%)
2010	\$42,141,722,389	\$25,705,075,718 (60.99%)	\$16,436,646,671 (39.01%)
2011	\$40,919,106,336	\$22,980,912,426 (56.16%)	\$17,938,193,910 (43.84%)

Sources: Medicare Statistical Information System & Medicaid Financial Management Report for Medicare enrollment and expenditures.

FIGURE 2 – Enrollment to Medi-Cal by Residency Status (3 levels)

Covered by Medi-Cal		Citizenship and immigration status (3 levels)			All
		U.S. born citizen	Naturalized citizen	Non-citizen	
Covered by Medi-Cal	2007	15.3% (14.7 - 15.9) 4,173,000	13.5% (12.2 - 14.8) 625,000	20.3% (18.7 - 21.9) 984,000	15.7% (15.2 - 16.2) 5,782,000
	2009	15.9% (15.0 - 16.7) 4,374,000	15.0% (12.7 - 17.3) 749,000	24.5% (21.8 - 27.2) 1,181,000	16.9% (16.1 - 17.6) 6,304,000
Not covered by Medi-Cal	2007	84.7% (84.1 - 85.3) 23,153,000	86.5% (85.2 - 87.8) 3,992,000	79.7% (78.1 - 81.3) 3,859,000	84.3% (83.8 - 84.8) 31,004,000
	2009	84.1% (83.3 - 85.0) 23,179,000	85.0% (82.7 - 87.3) 4,238,000	75.5% (72.8 - 78.2) 3,639,000	83.1% (82.4 - 83.9) 31,057,000
Total	2007	100.0% 27,326,000	100.0% 4,617,000	100.0% 4,843,000	100.0% 36,786,000
	2009	100.0% 27,553,000	100.0% 4,988,000	100.0% 4,821,000	100.0% 37,362,000

Source: California Health Interview Survey (2007 & 2009)

FIGURE 3 – Issuance Cost of Supplemental Nutrition Assistance Program

Issuance Cost of SNAP (Food Stamps)

Year	Issuance Cost
2007	\$2,569,814,590
2009	\$4,382,007,874
2011	\$6,481,947,277

Source: SNAP State Activity Report 2007, 2009, & 2011.

FIGURE 4 – Enrollment to SNAP by Residency Status (3 levels)

Currently receiving Food Stamps		Citizenship and immigration status (3 levels)			All
		U.S. born citizen	Naturalized citizen	Non-citizen	
Currently receiving Food Stamps	2007	12.8% (11.8 - 13.8) 1,423,000	3.9% (2.8 - 4.9) 89,000	9.0% (7.7 - 10.2) 342,000	10.8% (10.1 - 11.5) 1,854,000
	2009	14.9% (13.6 - 16.1) 1,944,000	5.3% (4.0 - 6.5) 150,000	14.4% (12.1 - 16.8) 565,000	13.4% (12.4 - 14.4) 2,659,000
Not currently receiving Food Stamps	2007	87.2% (86.2 - 88.2) 9,690,000	96.1% (95.1 - 97.2) 2,202,000	91.0% (89.8 - 92.3) 3,462,000	89.2% (88.5 - 89.9) 15,354,000
	2009	85.1% (83.9 - 86.4) 11,145,000	94.7% (93.5 - 96.0) 2,701,000	85.6% (83.2 - 87.9) 3,354,000	86.6% (85.6 - 87.6) 17,200,000
Total	2007	100.0% 11,114,000	100.0% 2,290,000	100.0% 3,804,000	100.0% 17,208,000
	2009	100.0% 13,089,000	100.0% 2,851,000	100.0% 3,919,000	100.0% 19,859,000

Source: California Health Interview Survey (2007 & 2009)

FIGURE 5 – CalWORKs Expenditures

CalWORKs Expenditures (In Millions)	
Year	Expenditure
2007	\$4,898.5
2009	\$5,305.1
2011	\$5,404.6

Source: California Department of Social Services.

FIGURE 6 – CalWORKs Enrollment by Residency Status (3 levels)

		Citizenship and immigration status (3 levels)			All
		U.S. born citizen	Naturalized citizen	Non-citizen	
Currently receiving TANF or CalWORKS					
Currently receiving TANF or CalWORKS	2007	7.7% (6.9 - 8.4) 853,000	1.8% (1.0 - 2.6) 42,000	3.8% (3.0 - 4.7) 145,000	6.0% (5.5 - 6.6) 1,040,000
	2009	7.4% (6.5 - 8.3) 939,000	1.7% (1.1 - 2.4) 49,000	5.5% (3.9 - 7.1) 215,000	6.2% (5.5 - 6.9) 1,203,000
Not receiving TANF or CalWORKS	2007	92.3% (91.6 - 93.1) 10,260,000	98.2% (97.4 - 99.0) 2,248,000	96.2% (95.3 - 97.0) 3,659,000	94.0% (93.4 - 94.5) 16,167,000
	2009	92.6% (91.7 - 93.5) 11,804,000	98.3% (97.6 - 99.0) 2,802,000	94.5% (92.9 - 96.1) 3,703,000	93.8% (93.1 - 94.5) 18,308,000
Total	2007	100.0% 11,114,000	100.0% 2,290,000	100.0% 3,804,000	100.0% 17,208,000
	2009	100.0% 12,743,000	100.0% 2,850,000	100.0% 3,918,000	100.0% 19,511,000

Source: California Health Interview Survey (2007 & 2009)