

Unlawful Immigration:

A Comprehensive Look at the Fiscal Effects to California

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Winter 2014

1. Introduction

While there is an evolving consensus on key provisions of immigration legislation, the most fiery debate revolves around whether and/or how to provide a path to legal status for an estimated 11 or 12 million immigrants now in the U.S. illegally. Over the past 15 years, the amount of research conducted to determine the effects immigration has on the economy has been copious.

Immigration research can be separated into a look at two effects: the effects to the labor market and the fiscal effects of immigration. Logically, when looking at the fiscal effects of immigration it is meaningful to contrast the costs borne by the state and federal government in support of immigrants with the benefits of assimilating these immigrants into our country. On the other hand, the labor market effects can be difficult to pinpoint and the validity of these studies is heavily determined by the soundness of the assumptions made. Both of these issues will get a critical analysis throughout this paper.

To some extent, voters may feel disconnected from national issues: that is why this paper will focus on the state of California with the California voter in mind. This study will be appropriate for many Californians in the coming year as numerous large cities are holding mayoral elections in 2014¹. Now, a state by state look at the labor market will not yield accurate results, as labor can easily --- and frequently --- relocate to different states. A cost-benefit analysis per state, on the other hand, could be quite beneficial to the state's voters when it comes to choosing representatives. With this admission, the current paper will be using fiscal distribution analysis to assess the

¹ For a complete list of cities holding mayoral elections in 2014 see: <http://www.usmayors.org/elections/displayelections2014listing.asp>

magnitude of government distributions among unlawful immigrants in California. This will allow us to assess the fiscal impact unlawful immigrants have on the California state economy. This paper will be looking at the data made available by the state and federal government with a heavy reliance on the 2010 CPS. If certain estimations cannot be made, they will be taken from similar studies on unlawful immigration at which point a discussion of assumptions will be made. Data from these sources will allow us to quantify the deficit required to support a household containing unlawful immigrants. A traditional cost-benefit analysis model can be used to answer this pressing question. Such a model is used in the groundbreaking study entitled "The New Americans: Economic, Demographic, and Fiscal Effects of Immigration"(Smith, 1997)². Because of its acclaim and honors, this researcher believes it to be a sound process for conducting this sort of Cost-Benefit analysis.

2. Literature Review

For all recent studies regarding this topic, estimates for the amount of illegals in the country come from the Department of Homeland Security (DHS). The DHS concludes that there are approximately 11.5 Million unlawful immigrants residing in the United States as of 2010.³ Although the study is dated January 2011, it is important to remember that the data set was gathered in 2010 from the American Community Survey and therefore the data represents the year 2010.

One of the first studies for the legalization of unlawful immigrants using the DHS estimates was by Dr. Raúl Hinojosa-Ojeda of the Center for American Progress, in

² Smith (1997). "The New Americans: Economic, Demographic, and Fiscal Effects of Immigration". National Academy of Science; **NA, hereafter**.

³ Hoeffler et al (2011). Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2011. Department of Homeland Security. January 2011; DHS hereafter. direct link: https://www.dhs.gov/xlibrary/assets/statistics/publications/ois_ill_pe_2011.pdf

cooperation with Immigration Policy Center in Washington DC. Dr. Hinojosa-Ojeda finds that granting amnesty to all illegal immigrants in the US would increase GDP by 1.5 trillion in addition to increasing wages for all workers.⁴ Unfortunately this study's scope is not such that we can necessarily say that these two changes will lead to the progression of the American economy.

For one, an increase in GDP is not necessarily a plus. If immigrant households, on average, drain low-income social programs and do not contribute much to taxes, then they are a burden on the state and federal fiscal budgets. Either the government must take tax revenue from somewhere else to account for this household deficit, or it must issue bonds in which case the increase in GDP is a leveraged increase --- which may or may not be a bad thing, however the Center for American Progress study does not mention this critical issue. Another problematic oversight with this paper is that an increase in wages is treated as necessarily a noble cause to pursue. However a bit of economic intuition will help us realize that an increase in wages may lead to an increase in prices for industries with large immigrant populations --- and thus may possibly *decrease* purchasing power of native residents. This will happen if the employer cannot justify bearing the burden of the increase in labor price; that is, if the productivity of unlawful immigrant workers is not greater than the alternative. And furthermore, a study by Harvard University professor George Borjas has suggested the exact opposite while looking at a larger, and more robust data set (1,141,609 observations; in comparison, the DHS study uses 144,948⁵).

⁴ Hinojosa-Ojeda (2010). "Raising the Floor for American Workers: The Economic Benefits of Comprehensive Immigration Reform". Center For American Progress.

⁵ ACS sample size data can be found at:
http://www.census.gov/acs/www/methodology/sample_size_data/index.php

Borjas estimated that the very large influx of immigrant workers between 1980 and 2000 lowered the wages of the average non-immigrant worker by 3.2 percent. In particular, the disproportionate influx of low-skill immigrants was estimated to reduce the wages of low-skill native workers by 8.9 percent (Borjas 2003)⁶. For a reflection on the fiscal costs immigration places on an economy we must turn to the afore mentioned *New Americans* study.

In 1996, Congress commissioned the National Research Council (NRC) of the National Academy of Science to conduct a survey of the impact immigration has on the US economy. This impactful study was the most in depth ever conducted, and has since not had a rival as far as thoroughness of topics concerning immigration. Thankfully, it covers both issues raised with the Center for American Progress above: the effects that a change in wage due to immigration will have on the larger economy, and the cost each immigrant household has on the state and federal fiscal budget versus the taxes received. The study finds that an increase in low-skilled workers tends to put a fiscal burden on the US due to the fact that low-skilled workers tend to also be low-income, and thus qualify for low-income social programs (Smith, 1997, p. 8). The burden is not borne equally however, states with high low-skilled workers --- New Jersey and California in particular --- are hit the hardest both fiscally and through their labor markets (Smith, 1997, pg. 277).

Many of the methods used in the *New Americans* cost-benefit analysis --- such as the characterization of pure public goods (military expenditures, etc.) as unaffected by immigration and ignoring the costs of interest on the debt and similar financial

⁶ Borjas (2003). "The Labor Demand Curve Is Downward Sloping: Reexamining The Impact of Immigration on the Labor Market". National Bureau of Economic Research; direct link: <http://www.nber.org/papers/w9755.pdf>

obligations when calculating the net tax burden imposed by immigrant households --- were replicated and updated with 2010 data in a Heritage Foundation study titled “The Fiscal Cost of Unlawful Immigrants and Amnesty to the U.S. Taxpayer”(Rector and Richwine 2013)⁷. Additionally, this study employs a procedure used by the Pew Hispanic Center, the Center for Immigration Studies, and Migration Policy Institute to identify households in the CPS that have a high probability of being unlawful immigrants⁸.

On the one hand, this kind of probability model does not make a perfect foundation for research as the data gathered only has a “high probability” of coming from unlawful immigrations and therefore the conclusions aren’t guaranteed. Granting that direct data from unlawful immigrants is unavailable, this type of model is the only way available if we are to quantify the size of the economic transfers the government makes to this social group. In the current paper, this researcher grants the Heritage Foundation their model and accepts their methods as a “necessary evil” for further exploration into this topic.

In their study, Rector and Richwine (2013) conclude that the United States’ current immigration policy and social welfare programs encourage immigration by a disproportionate number of poor and uneducated immigrants that place a fiscal burden on both State and Federal Fiscal budgets. In addition, unlawful immigrant households create an average of \$14,387 deficit per year in benefits minus taxes paid (Rector and Richwine, 2013).

⁷ Rector, Robert and Jason Richwine. Heritage Foundation. “The Fiscal Cost of Unlawful Immigrants and Amnesty to the U.S. Taxpayer”.
direct link: <http://www.heritage.org/research/reports/2013/05/the-fiscal-cost-of-unlawful-immigrants-and-amnesty-to-the-us-taxpayer>

⁸ For a further discussion of the methods employed, see “The Household” section of the current paper.

3. Methodology

The methodology of this paper is as follows: first, a profile for the average unlawful immigrant household is developed; second, means-tested expenditures per household are assigned using Rector and Richwine (2013) estimates; next, public good expenditures is gathered and assigned to each household on a percentage of population basis; then, education expenditures are assigned to each household based on government data on per-pupil costs; finally, tax contributions are assigned to each household based on the number of average working residents using data gathered from the CEX (Consumer Expenditures Survey).

3.1 The Household

This research borrows from the Rector and Richwine's (2013) study "The Fiscal Cost of Unlawful Immigrants and Amnesty to the U.S. Taxpayer". In developing their algorithm for segregating the 2010 CPS data into lawful and unlawful immigrants, they use the DHS (Department of Homeland Security) profile of unlawful immigrants in the US. This profile was established by the DHS using a residual method. That is, some 31.95 million foreign-born persons appeared in the 2010 CPS but the number of lawful foreign-born residents was only 21.6 million. Thus, immigration records are used to determine the age, country of origin, gender, and time of entry of all lawful immigrants. Immigrants fitting these characteristics are then subtracted from the profile of the total foreign-born population found in the CPS leaving the residual, which is approximated to be unlawful foreign born persons (Hoeffler et al, 2011, p. 1-2).

Rector and Richwine (2013) use the 2010 CPS along with the DHS profile to segregate persons who have a high probability of being unlawful immigrants. Their methodology is as follows (Rector and Richewine, 2013):

1. The segregated population in the CPS matched the characteristics of the unlawful immigrant population identified by the DHS.
2. Many foreign-born persons were immediately removed from the segregated population as per some unique characteristics (current or former members of the armed forces of the U.S. or current employees of federal, state, and local governments as well as those receiving government benefits unavailable to unlawful immigrants⁹).
3. Assumptions regarding the consistency of families; for example, children of lawful residents were assumed to be lawful.

In applying this national, unlawful immigrant household profile to our analysis of unlawful immigrants within California, this paper assumes that these households are uniform throughout the country and national characteristics can be used at a state level. With one fourth of the unlawful immigrant population residing in California alone and the remainder falling among eleven other states (Hoeffler et al, 2011, p. 5), the Rector and Richwine profile is biased toward California as it is. Table 1 summarizes the findings.

Table 1: Unlawful Immigrant Household Profile in California

Characteristics	Estimates	
Total Unlawful Population	2,830,000	<i>Source:</i> Rector and Richwine calculations based on March 2011 CPS, and DHS estimates of unlawful immigrant population. Number of Households calculated by Total Unlawful Immigrants in California divided by Number of Persons per household.
Persons Per Household	3.7	
Households	764,865	
Children Per Household	2.1	
Earners Per Household	1.6	

⁹ Specifically Social Security, Medicare, Medicaid, and public housing.

Since the household is the primary unit through which public services are consumed and taxes paid, it is the most appropriate unit as a general rule and is recommended for static analysis (Smith, 1997, p. 255-256). With this household profile, we can begin making estimates of benefits used and taxes contributed.

3.2 Government Expenditures on Unlawful Immigrants

In this paper, government expenditures are calculated in a number of different ways. To increase transparency, it is important to discuss what will be estimated and how.

3.2.1 Direct Benefits

Direct Benefits are benefits received by individuals who meet certain health, age or employment requirements (excluding which side of the poverty line they fall on). Direct Benefits are received in cash payments or the purchase of specific services for an individual by the government. The most common types of direct benefits are Social Security, Medicare, and Unemployment compensation.

The Internal Revenue Service (IRS) has known for some time that illegal immigrants are receiving and using Tax Identification Numbers (TIN) to receive direct benefits in the form of Earned Income Tax Credit (receiving more on your tax return than was taken by the government) and Child Tax Credit (receiving more on your tax return per each dependent child claimed) (IRS, 2009, p.26)¹⁰. In tax year 2007 alone,

¹⁰ IRS (2009). "Actions Are Needed to Ensure Proper Use of Individual Taxpayer Identification Numbers and to Verify or Limit Refundable Credit Claims"; direct link: <http://www.treasury.gov/tigta/auditreports/2009reports/200940057fr.pdf>

some \$2.4 billion in total was refunded back to individuals both lawful and unlawful with TINs (IRS, 2007, p.14). Because of the illegality of such cases and the difficulty involved in determining which receivers were unlawful immigrants, the current analysis will not involve them in our cost-benefit model. Further, unlawful immigrants are not eligible for direct benefits unless illegal means are employed. Therefore, direct benefits received will be \$0 per household for our current model which will, admittedly, tend to underestimate the total burden of unlawful immigrants in the state of California.

3.2.2 Means-Tested Benefits

To receive means-tested, or “welfare” benefits, recipients must fall below a certain income threshold to qualify. The federal government manages over 80 means-tested benefits, however for our current analysis we will only be accounting for these high expense programs: school lunch, food stamps, State Children's Health Insurance Program; Women, Infants and Children; Community Health Centers; Medi-Cal; and Medicaid for Lawful Children of Unlawful Adults as well as Medicaid for emergency services. Unless otherwise stated, household expenditures for each program are taken from Rector and Richwine's (2013) estimates which are in turn taken from the CPS. Expenditures for these programs are self-reported in the CPS, therefore they are susceptible to a miss-reporting. This paper uses these numbers as-is (without an over or under-reporting correction) because welfare programs in the CPS are found to have a significant underreport in usage and enrollment and therefore these numbers are

exceedingly conservative¹¹. Again, this submission will tend to underestimate the total burden on the state of California by Unlawful Immigrants.

3.2.3 Education Benefits

The federal and state government provide heavily subsidized --- or in most cases free --- primary and secondary education to individuals (Kindergarten through 12th grade). The government also makes grants available for higher education which in effect provides money to an eligible individual who then spends it on educational services.

Education is the single largest component of state and local government spending, absorbing roughly a third of all state and local expenditures (Rector and Richwine, 2013). In our analysis we use census data to find the education cost per pupil as a function of average daily attendance, and multiply that times the number of children per household (on average) to find the average cost of education (K-12) for each household.

3.2.4 Population-Based Services

Population-Based services are those that see an increase in usage with a growing population. Those that will be analyzed in this section will be roads and highways, fire department, sewerage and solid waste management, as well as parks and recreation. All this data is readily available on the California state website. The per household expenditure will be calculated as follows: Per capita expenditures as

¹¹ Klerman, Jacob; Jeanne Ringel, and Beth Roth. "Under-Reporting of Medicaid and Welfare in the Current Population Survey". page 67;direct link:
http://www.acf.hhs.gov/sites/default/files/opre/under_reporting.pdf

reported by the state times the number of individuals in each household. A similar method is used in the Rector and Richwine (2013) paper, however our own proportions will be used --- instead of directly citing Rector and Richwine (2013) estimates --- because California has a relatively large unlawful immigrant population proportion and thus we expect California estimates to be greater than those found in nation-wide estimates of the Rector and Richwine (2013) paper.

3.3 Tax Revenue Received from Unlawful Immigrants

With \$210 billion in total tax revenue, California is the largest government revenue contributor in the nation; for perspective, the next closest state is New York with a \$150 billion in total direct revenue¹² (CPS, 2011). Distributing the correct portion of taxes to individual unlawful immigrant households is an arduous and tedious process and therefore many of the numbers present are *rough* estimates unless otherwise stated. An attempt has been made to use extremely conservative numbers and therefore, unless otherwise stated, taxes paid by unlawful immigrants are assumed to be over-estimates. This paper researches state specific taxes such as income tax, payroll taxes, property tax and taxes from consumption. Going beyond conventional taxes, we turn to Rector and Richwine (2013) for per household estimates.

3.3.1 Income Tax and Payroll Taxes

¹² CPS (2011). State and Local Government Finances; direct link: <http://www.census.gov/govs/local/>; keep in mind the CPS data is taken from the previous year so a report released in 2011 represents the year 2010.

Income taxes paid are based on education level of foreign born, noncitizen immigrants. The education levels used are “Less than high school graduate”, “High school graduate”, “some college”, and “bachelor’s degree or more”. Each education level will be assigned an average income based on CPS data and from that the income and payroll tax will be calculated using the California and Federal tax rates. It also should be noted that many illegal immigrants work off the books. In line with current research, this paper estimates they typically work 55% on the books 45% off the books, which will lead us to conclude they are paying less in taxes per household than they would be if they were legally in the country¹³.

3.3.2 Common Taxes from Consumption

Analysis of consumption tax estimates are based on the average expenditures found in the CEX (Consumer Expenditures Survey). For instance, average dollar amount on gas spent for a California resident will be used to find gas taxes paid to the state and federal government.

3.3.3. Disposable Income

Finally, the income after the income tax, payroll tax, property tax, and common consumption expenditures --- often called the disposable income or income after taxes and compulsory payments¹⁴ --- will be applied to the California sales tax rate to gain an estimate on sales taxes paid by each household.

4. Empirical Analysis

¹³ Steven A. Camarota, The High Cost of Cheap Labor: Illegal Immigration and the Federal Budget, Center for Immigration Studies, August 2004, p. 17

¹⁴ For a complete definition see: <http://www.britannica.com/EBchecked/topic/165882/disposable-income>

4.1 Means-Tested Benefits Received

In table 2, we find the means-tested benefits received by unlawful immigrants in California. What may be initially shocking is the large sum Medicaid pays to treat unlawful immigrants. However, we must take into account that contained within this sum is both emergency medical care used by unlawfully (where the largest cost is child births) as well as full Medicaid benefits received by children on unlawful immigrants who were born in the U.S. and thus legal citizens. This cost must be included in our analysis of unlawful immigrants because these children would not reside in the U.S. if their parents had not chosen to enter in the nation unlawfully.

Table 2: Means-Tested Benefits Received by Unlawful Immigrants in 2010

Data Source	Benefit	Calculations used	Aggregate Expenditures	Per Household Expenditures
Martin and Ruark (2010) ¹⁵	Medi-Cal	Total Expenditures on Unlawful Immigrants divided by number of households.	\$434,400,000	\$568
""	Medicaid	Total Expenditures on Unlawful Immigrants divided by number of households.	\$2,486,800,000	\$3,251
Rector and Richwine (2013)	Food Stamps	Total Spending times unlawful immigrant household share of program in CPS.	NA	\$941
""	School Lunch	""	NA	\$399

¹⁵ Martin and Ruark (2010), "The Fiscal Burden of Illegal Immigrants on United States Tax Payers"; direct link: http://www.fairus.org/site/DocServer/USCostStudy_2010.pdf?docID=4921

Rector and Richwine(2013) with data from Kaiser Family Foundation ¹⁶	State Children's Health Insurance Program	Total state spending times unlawful immigrant share of program expenditures in the CPS.	\$1,767,390,20	\$261
""	Women, Infants and Children Program	""	NA	\$247
""	Community Health Centers	Total Spending times unlawful immigrant group share of overall means-tested welfare spending in the CPS.	NA	\$156
Total Household Means-Tested Benefits				\$5,823

4.2 Education Benefits Received

Table 3: Education Benefits Received by Unlawful Immigrants in 2010

Data Source	Benefit	Aggregate Expenditures	Per Pupil Cost	Per Household Expenditures
U.S. Census Bureau ¹⁷	Elementary and Secondary School	\$68,149,357,000	\$9,375	\$19,688

Note: Per household expenditures is calculated as per pupil cost times average number of children per household from Table 1.

This paper's education estimation will be an overestimate due to the high dropout rate of immigrants in the California education system. Based on data from the Census Bureau, the Center for Immigration Studies found that 43% of immigrants in the

¹⁶ State Health Facts: Total CHIP Expenditures gathered from Kaiser Family Foundation; direct link: <http://kff.org/other/state-indicator/total-chip-spending/>

¹⁷ Dixon (2012), "Public Education Finances: 2010". Government Division Reports by U.S. Department of Commerce; direct link: <http://www2.census.gov/govs/school/10f33pub.pdf>

California labor force are high school drop outs¹⁸. Overall, Rector and Richwine (2013) found that only 10% of unlawful immigrants have a college degree with just over 75% having *only* a high school diploma.

Many proponents of unlawful immigration justify the largely subsidized education to unlawfully as acceptable because the educated children are likely to earn more than their parents and become tax contributors. However a study by the National Center for Educational Statistics (NCES) would suggest differently¹⁹. For children with parents who did not attend college, 87% were likely to enter the workforce without any college education. In the case of the elementary and secondary school education, it is important to remember that is just that: the lowest form of education offered in the U.S. In the same NCES study, 94% of the children who grew up with no college education would be in the lowest socioeconomic quartile by the age of 25 (Jeffery et al, 2002, p.43).

4.3 Population-Based Benefits Received

To complete our survey of the fiscal cost unlawful immigrants impose on the state of California we turn to table 4 for the population-based expenditures born on the state.

¹⁸ Camarota and Zeigler (2010), "A State Transformed: Immigration and the New California". Center for Immigration Studies; direct link: <https://cis.org/california-education>

¹⁹ Jeffery Owings et al (2002), "Coming of Age in the 1990's: The Eighth-Grade Class of 1982 12 Years Later". National Center for Education Statistics; direct link: <http://nces.ed.gov/pubs2002/2002321.pdf>

Table 4: Population-Based Services Received by Unlawful Immigrants in 2010

Source	Program	Calculations used	Aggregate Expenditures	Per Household Expenditures
CPS (2011)	Highways, Roads, Inland Ports	Per Capita Expenditures times number of adults in Unlawful household	\$17,887,400,000	\$768
""	Transit Utilities	""	\$9,634,300,000	\$413
""	Parking Facilities	""	\$302,400,000	\$13
""	Police	Per Capita Expenditures times number of persons in Unlawful Immigrant Household	\$14,846,200,000	\$1,474
""	Fire Projection	""	\$6,776,500,000	\$673
""	Courts and Justice	""	\$8,965,600,000	\$890
""	Waste and Waste Water Management	""	\$9,893,500,000	\$983
""	Parks and Recreation	""	\$5,951,400,000	\$591
CPS (2011), Rector and Richwine (2013)	Gas, Water and Electric Utilities	Aggregate expenditures times group share of utility consumption in the CEX (calculated to be 2%) divided by number of households.	\$14,045,500,000	\$276
			Total Household Population-Based Benefits	\$6,081

Notes: (1) Inland Ports are included in our analysis because we assume that a rising population increases the net imports and possible net exports via ocean ports due to an increase in production and consumption. (2) Only adults are assumed to cause wear and tear on Highways and Roads and use public transit systems which will cause a slight underestimate of the true cost as some children of unlawfully use public school buses. (3) Gas, Water and Electric Utilities differ in calculations used because Unlawful Immigrants use is significantly different from the rest of the population: See Rector and Richwine (2013) Appendix Table A-8.

Using research methods similar to Rector and Richwine (2013), this paper finds the total population-based services received by an individual unlawful household to be \$6,081 per year. When their methods weren't transparent, a conservative effort has been made when calculating cost per household --- in the case of whether or not to attribute the cost of highways and roads to the children of the household.

Our independent research has estimated total state and federal benefits received by an unlawful immigrant household in California to be \$31,592 per year (including means-tested, educational, and population-based benefits). In contrast Rector and Richwine (2013) had estimated \$24,721²⁰. Discrepancies can be explained by high costs of living and providing services in California as well as the presence of programs that are friendly to unlawful immigrants in the state such as Cal-Works and Medi-Cal. In order to complete the picture of the fiscal deficit required to support unlawful immigrants in California, we turn to taxes paid by these immigrants.

4.3 Taxes Paid

To calculate taxes paid we begin with Rector and Richwine (2013) education profile for unlawful immigrants. They find that 50.7% of the group population have less than high school graduate, 26.6% have a high school graduate, 12.8% have some college and 9.9% have a bachelor's degree or more²¹. Applying these proportions to our

²⁰ Refer to Rector and Richwine (2013) Appendix Table A-8.

²¹ Please note this profile is very similar to what the census bureau found a decade prior in their report "Profile of the Foreign-Born Population in the United States: 2000". In their report analyzing non-citizens, a similar socioeconomic group to unlawful immigrants, they found the proportions to be 40.2%, 23.9%, 13.9%, and 22.0% for "less than high school graduate", "high school graduate", "some college", "bachelor's degree or more" respectively. Accounting for the large influx of uneducated Mexican immigrants over the course of the last decade into California, Arizona and Texas would lead to the decrease in the number of college graduates and increase the number of those without a high school education that we are observing.

earner population in California, 1,223,784 (number of earners per household times number of households), in Table 1 gives us a starting population to calculate taxes paid.

Table 5: Taxes Paid by Unlawful Immigrants in 2010

	Less than high school graduate	High school graduate	Some college	Bachelor's degree or more
Population Size:	620,458	325,527	156,644	121,154
Average Yearly Earnings ²²	\$23,088	\$32,552	\$38,168	\$59,488
California Income Tax ²³ :	\$572.21	\$1,092.33	\$1,466.59	\$3,390.87
Federal Income Tax:	\$3,044.45	\$4,464.05	\$5,723.25	\$11,053.25
Payroll Tax ²⁴ :	\$1,431.47	\$2,018.22	\$2,366.42	\$3,688.26
Disposable Income:	\$18,039.93	\$24,977.40	\$28,611.74	\$41,355.62
Housing Expenses: (30% of disposable income used) ²⁵	-\$5,411.98	-\$7,493.22	-\$8,583.52	-\$12,406.69
Property Tax as a proportion of rent (1.6%) ²⁶	\$86.59	\$119.89	\$137.34	\$198.51
Gasoline Expenditures (4.4% of disposable income) ²⁷	\$793.76	\$1,099.01	\$1,258.92	\$1,819.65

²² Bureau of Labor Statistics. "Usual Weekly Earnings of Wage and Salary Workers Fourth Quarter 2010". page 13; Median quartile used; direct link:

http://www.bls.gov/news.release/archives/wkyeng_01202011.pdf

²³ 2010 California Tax Rates and Exemptions. *ftb.ca.gov*. Retrieved March 14, 2014; direct link:

https://www.ftb.ca.gov/forms/2010_California_Tax_Rates_and_Exemptions.shtml

²⁴ Payroll tax covers social security, unemployment and disability insurance. The rate applied here is .062 of gross income.

²⁵ Schwartz and Wilson (2006). "Who Can Afford To Live in a Home?: A look at data from the 2006 American Community Survey". page 1; direct link: <http://www.census.gov/hhes/www/housing/special-topics/files/who-can-afford.pdf>

²⁶ Gallagher, Mary. "The Average Property Tax Rates in California". *homeguides.sfgate.com*. Retrieved March 14, 2014; direct link: <http://homeguides.sfgate.com/average-property-tax-rates-california-51758.html>

²⁷ CEX (2012) "Consumer Expenditure Survey 2010". Page 3; direct link: <http://www.bls.gov/cex/csxann10.pdf>

Average Gas Tax: (Gasoline Expenditures divided by average per gallon price [2010] times California gas tax per gallon [\$.401]) ²⁸	\$96.84	\$134.07	\$153.58	\$221.99
Remaining Income:	\$11,834.19	\$16,385.17	\$18,769.30	\$27,129.28
Less food purchased for home preparation (CEX, 2012)	-\$3,624	-\$3,624	-\$3,624	-\$3,624
Sales Tax estimate on remaining income (8.25% rated) ²⁹	\$677.34	\$1052.80	\$1,249.49	\$1,939.19
Total Taxes Paid	\$5,908.90	\$8,881.36	\$11,096.67	\$20,492.07

Source: Tax numbers in red. Separate filings for earners are used for both Federal and California income tax to preserve conservative numbers on taxes paid. Food purchased for home preparation is purchased from a farmers market or grocery store and is not taxed in California, thus we remove this cost to finalize the income used to estimate sales tax.

We now have tax contributions per contributor based on education level. It is important to notice that only when we start moving toward the more educated individuals does a household start to become a net tax contributor. As noted previously, immigrants tend to work off the books around 45% of the time and therefore don't pay income or payroll tax. Should they be legalized, we would see an increase their tax contributions by \$2,271.66 – \$8,159.57 depending on education level.

To finish the fiscal distribution analysis it is necessary to find average contributions net average benefits received. For this reason, we take a weighted average using Rector and Richwine (2013) proportions of the total taxes paid above and

²⁸ The California Energy Commission. "California Average Weekly Retail Gasoline Prices". Retrieved March 14, 2014; direct link: http://energyalmanac.ca.gov/gasoline/retail_gasoline_prices.html#2010

²⁹ California State Board of Equalization. "History of Statewide Sales and Use Tax Rates". *boe.ca.gov*. Retrieved March 13, 2014; direct link: <https://www.boe.ca.gov/sutax/taxrateshist.htm>

multiply it by 1.6 average earners per household to get an average household tax contribution of \$14,091.75.

Thus our average immigrant household with 2.1 children and 1.6 earners receiving \$31,592 in benefits and paying \$14,091.75 in taxes places a \$17,500.25 tax burden on the state (please note Rector and Richwine find this number to be \$14,387). As a closing note, the on-the-books/off-the-books distinctions would not change the fact that a deficit is required to support immigration of the unlawful workers in our profile.

5. Conclusion and Closing Comments

Proponents of unlawful immigrants residing in the United States cite an increase in GDP due to the increase in production they provide. This study has shown that this increase in GDP is *leveraged* production. The state of California is increasing its GDP by running a net fiscal deficit for this socioeconomic group. In order to continue its support, funds must be taken from programs that benefit lawful citizens and/or the state must increase the tax burden on its constituents.

The United States is the Shangri-La for immigrants all over the world. For this reason it is very selective in whom it allows to immigrate into the country. Allowing large numbers of fiscally dependent, unlawful individuals to enter and reside in the country undermines the selectivity used to allow legal immigration. The California tax payer is already overburdened --- with California approaching the most expensive state in the nation in terms of taxation. This study allows the California voter to focus on political candidates that present the reality of the fiscal burden unlawful immigrants imposes on its citizens.

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