



FEDERATION FOR AMERICAN IMMIGRATION REFORM

THE FISCAL BURDEN OF ILLEGAL IMMIGRATION ON  
*United States Taxpayers*

BY JACK MARTIN, DIRECTOR OF SPECIAL PROJECTS AND  
ERIC A. RUARK, DIRECTOR OF RESEARCH







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## Executive Summary

This report estimates the annual costs of illegal immigration at the federal, state and local level to be about \$113 billion; nearly \$29 billion at the federal level and \$84.2 billion at the state and local level. The study also estimates tax collections from illegal alien workers, both those in the above-ground economy and those in the underground economy. Those receipts do not come close to the level of expenditures and, in any case, are misleading as an offset because over time unemployed and underemployed U.S. workers would replace illegal alien workers.

## KEY FINDINGS

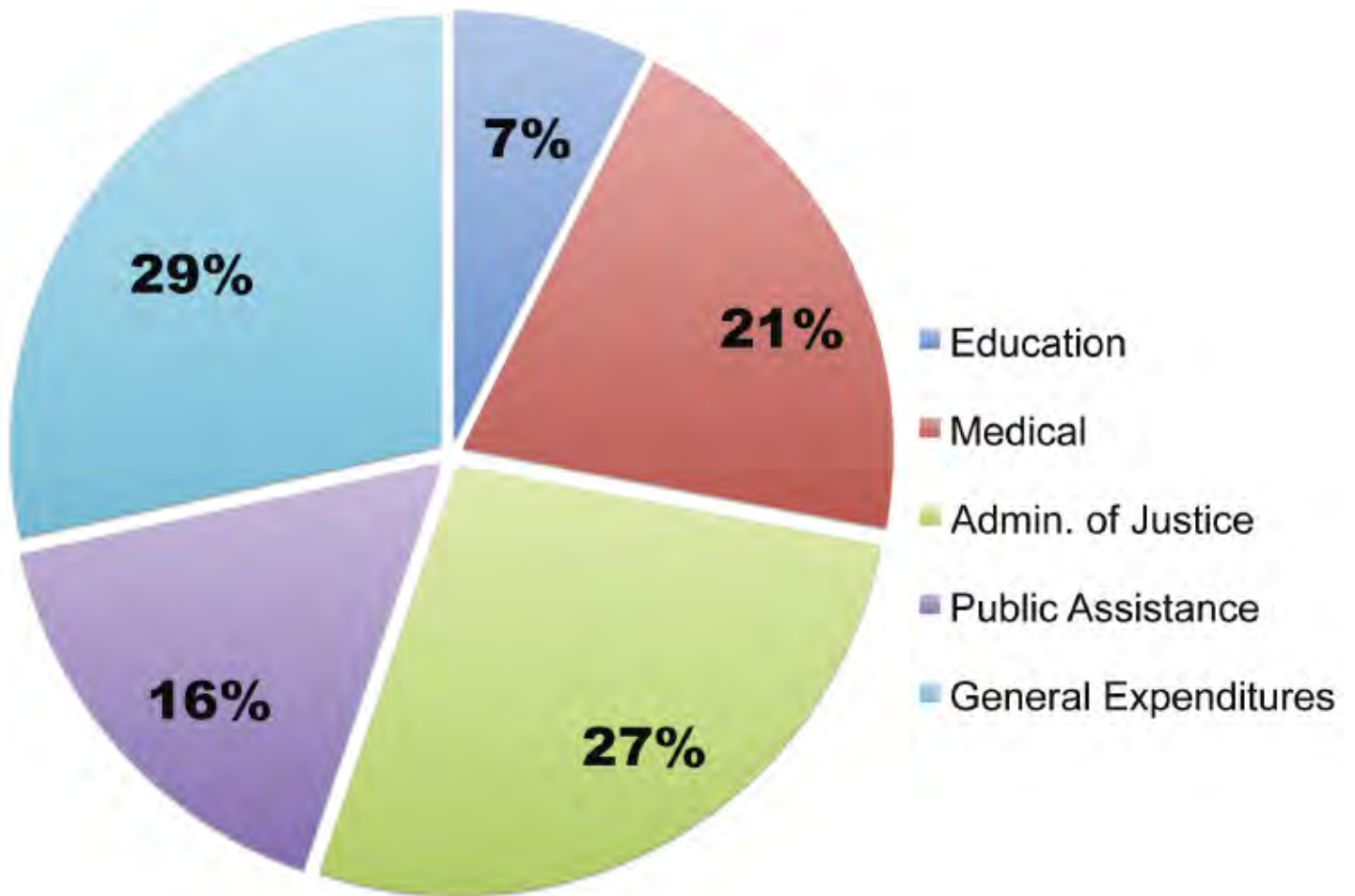
- Illegal immigration costs U.S. taxpayers about \$113 billion a year at the federal, state and local level. The bulk of the costs — some \$84.2 billion — are absorbed by state and local governments.
- The annual outlay that illegal aliens cost U.S. taxpayers is an average amount per native-headed household of \$1,117. The fiscal impact per household varies considerably because the greatest share of the burden falls on state and local taxpayers whose burden depends on the size of the illegal alien population in that locality
- Education for the children of illegal aliens constitutes the single largest cost to taxpayers, at an annual price tag of nearly \$52 billion. Nearly all of those costs are absorbed by state and local governments.
- At the federal level, about one-third of outlays are matched by tax collections from illegal aliens. At the state and local level, an average of less than 5 percent of the public costs associated with illegal immigration is recouped through taxes collected from illegal aliens.
- Most illegal aliens do not pay income taxes. Among those who do, much of the revenues collected are refunded to the illegal aliens when they file tax returns. Many are also claiming tax credits resulting in payments from the U.S. Treasury.

With many state budgets in deficit, policymakers have an obligation to look for ways to reduce the fiscal burden of illegal migration. California, facing a budget deficit of \$14.4 billion in 2010-2011, is hit with an estimated \$21.8 billion in annual expenditures on illegal aliens. New York's \$6.8 billion deficit is smaller than its \$9.5 billion in yearly illegal alien costs.

The report examines the likely consequences if an amnesty for the illegal alien population were adopted similar to the one adopted in 1986. The report notes that while tax collections from the illegal alien population would

likely increase only marginally, the new legal status would make them eligible for receiving Social Security retirement benefits that would further jeopardize the future of the already shaky system. An amnesty would also result in this large population of illegal aliens becoming eligible for numerous social assistance programs available for low-income populations for which they are not now eligible. The overall result would, therefore, be an accentuation of the already enormous fiscal burden.

**Federal Outlays for Illegal Aliens**





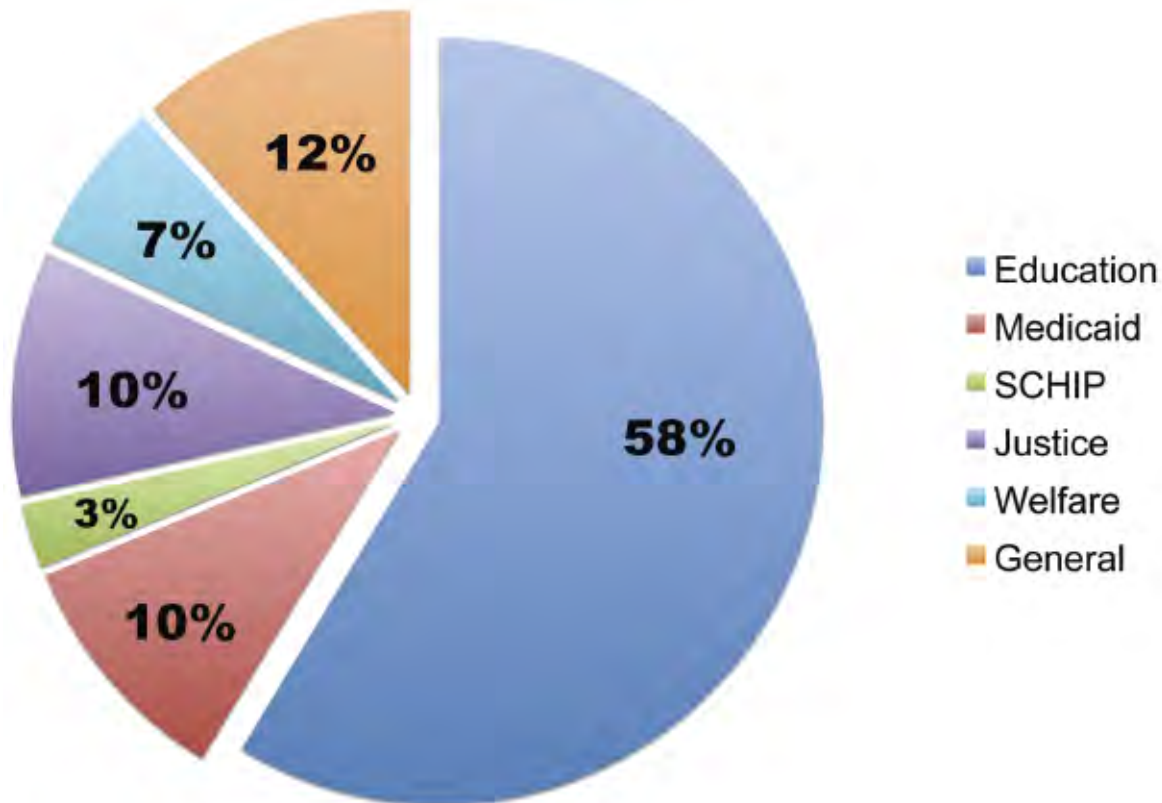
## Federal Expenditures on Illegal Aliens

EDUCATION	Title I Program	\$1,332,900,000
	Migrant Education Program	\$236,900,000
	Title III Program	\$538,000,000
	<b>Education Subtotal</b>	<b>\$2,107,800,000</b>
MEDICAL	Emergency Medical Care	\$250,000,000
	Fraudulent Use of Medicaid	\$1,235,000,000
	Medicaid Cost of Childbirth	\$1,238,100,000
	Medicaid for Children	\$1,626,800,000
	Other Medical Outlays	\$1,600,000,000
<b>Medical Subtotal</b>	<b>\$5,949,900,000</b>	
LAW ENFORCEMENT	SCAAP Compensation	\$330,000,000
	Federal Incarceration	\$678,400,000
	Byrne Grants	\$24,300,000
	Detention and Removal	\$2,545,000,000
	Project Safe Neighborhoods	\$39,500,000
	Residual ICE Functions	\$2,824,000,000
	Exec. Office of Immigration Review	\$222,500,000
	Southwest Border Prosecution	\$33,000,000
	National Guard	\$642,000,000
	Coast Guard	\$500,000,000
<b>Law Enforcement Subtotal</b>	<b>\$7,838,700,000</b>	
PUBLIC ASSISTANCE	Free and Reduced Meal Program	\$2,264,600,000
	Temporary Assist. Needy Families	\$1,030,000,000
	Housing Assistance Programs	\$637,000,000
	Child Care & Development Fund	\$633,000,000
<b>Public Assistance Subtotal</b>	<b>\$4,564,600,000</b>	
GENERAL EXPENDITURES		\$8,184,400,000
<b>TOTAL</b>		<b>\$28,645,400,000</b>

### State/Local Expenditures on Illegal Aliens (\$M)

STATE	COST	STATE	COST	STATE	COST	STATE	COST
Alabama	\$298	Illinois	\$4,592	Montana	\$32	Rhode Island	\$278
Alaska	\$139	Indiana	\$608	Nebraska	\$262	S. Carolina	\$391
Arizona	\$2,569	Iowa	\$350	Nevada	\$1,191	S. Dakota	\$39
Arkansas	\$244	Kansas	\$442	N.H.	\$129	Tennessee	\$547
California	\$21,756	Kentucky	\$326	New Jersey	\$3,478	Texas	\$8,878
Colorado	\$1,451	Louisiana	\$224	New Mexico	\$608	Utah	\$453
Connecticut	\$957	Maine	\$66	New York	\$9,479	Vermont	\$63
D.C.	\$312	Maryland	\$1,724	N. Carolina	\$2,063	Virginia	\$1,905
Delaware	\$305	Mass.	\$1,862	N. Dakota	\$33	Washington	\$1,510
Florida	\$5,463	Michigan	\$929	Ohio	\$765	W. Va.	\$71
Georgia	\$2,399	Minn.	\$744	Oklahoma	\$465	Wisconsin	\$883
Hawaii	\$155	Miss.	\$106	Oregon	\$705	Wyoming	\$59
Idaho	\$188	Missouri	\$338	Penn.	\$1,378	<b>TOTAL</b>	<b>\$84,211</b>

### State/Local Fiscal Outlays for Illegal Aliens





## Receipts from Illegal Aliens

TAX CATEGORY	FEDERAL	STATE/LOCAL
Income	-\$2,302,800,000	\$244,200,000
Social Security	\$7,000,000,000	
Medicare Tax	\$1,637,100,000	
Excise and Miscellaneous	\$2,489,700,000	
Employer (FUTA & Income)	\$632,600,000	
Property tax		\$1,378,000,000
Sales Tax		\$2,333,000,000
<b>TOTAL</b>	<b>\$9,456,600,000</b>	<b>\$3,955,200,000</b>

## Methodology

All studies assessing the impact of illegal aliens begin with estimates of the size of that population. We use a population of 13 million broken down by state.

In our cost estimates we also include the minor children of illegal aliens born in the United States. That adds another 3.4 million children to the 1.3 million children who are illegal aliens themselves. We include these U.S. citizen children of illegal aliens because the fiscal outlays for them are a direct result of the illegal migration that led to their U.S. birth. We do so as well in the assumption that if the parents leave voluntarily or involuntarily they will take these children with them. The birth of these children and their subsequent medical care represent a large share of the estimated Medicaid and Child Health Insurance Program expenditures associated with illegal aliens.

We use data collected by the federal and state governments on school expenses, Limited English Proficiency enrollment, school meal programs, university enrollment, and other public assistance programs administered at the federal and state level. Estimates of incarceration expenses are based on data collected in the State Criminal Alien Assistance Program in which state and local detention facilities seek federal compensation for the cost of detention of criminal and deportable aliens. Estimates for other administration of justice expenditures are based on data collected from the states by the U.S. Department of Justice. General government expenditures are estimated for other non-enumerated functions of government at both the federal and local level. An example would be the cost of fire departments or the cost of the legislature.

Medical costs that amount to 10 percent of overall state and local outlays on illegal aliens derive from our estimate of the childbirths to illegal alien mothers covered by Medicaid, the subsequent medical insurance and treat-

ment of those children and an estimate of uncompensated cost of emergency medical treatment received by illegal aliens. The latter expenditure estimate is based on state and local government studies of uncompensated medical care.

The tax collections from illegal aliens assume eight million illegal alien workers, one-half of whom are in the underground economy. Those in the above-ground economy are assumed to have an average family income of \$31,200 (60 hr. workweek @ \$10/hr.) with two children.

## **Conclusion**

The report notes that today's debate over what to do about illegal aliens places the country at a crossroads. One choice is pursuing a strategy that discourages future illegal migration and increasingly diminishes the current illegal alien population through denial of job opportunities and deportations. The other choice would repeat the unfortunate decision made in 1986 to adopt an amnesty that invited continued illegal migration.



## Introduction

Apologists for illegal aliens are trying to convince policymakers that it would be better to give those residing here illegally permanent access to U.S. jobs rather than working to remove them from the country and free up those jobs for unemployed U.S. citizens and legal foreign workers. They argue that adoption of an amnesty would be a plus for the U.S. economy.<sup>1</sup>

The argument is that an amnesty would help illegal aliens compete for better jobs, thereby raising the income and the taxes they pay. That argument would appear to make sense until it is understood in terms of against whom they would compete for those better jobs, i.e., U.S. citizens and legal residents. While that competition might benefit employers, it would harm job seekers.

The claimed benefits of an amnesty for the illegal alien workers are misleading. Wages for immigrants did rise after the 1986 amnesty. But so did wages in general. It was an inflationary period.<sup>2</sup> According to the Department of Labor's Bureau of Labor Statistics (BLS), beneficiaries of the Immigration Reform and Control Act (IRCA) amnesty saw inflation adjusted wages rise by a meager 15 percent between 1986 and 1991. Relative to the wage gains of other workers, the legalized workers did not make any gains.<sup>3</sup> Most of the workers — more than three-fifths — remained in the same work that they had before the amnesty.<sup>4</sup> Those who illegally entered the country — rather than being visa overstayers — were least likely to show any employment gain from the amnesty.<sup>5</sup> Even if the economy today were not in recession, the deficit in education, skills, and English capability among illegal alien workers dampens the prospect of their upward job mobility regardless of their legal status.

Estimates of the fiscal costs of illegal migration vary. Dr. Donald Huddle, a Rice University economics professor, published a detailed study in 1995.<sup>6</sup> At that time, the illegal alien population was estimated to be about five million persons. His estimate of the annual fiscal cost of those illegal aliens to the federal, state and local governments was about \$33 billion. This impact was partially offset by an estimated \$12.6 billion in taxes collected from the illegal aliens by the federal, state and local governments, resulting in a net cost to the American taxpayer of about \$20 billion every year. This estimate did not include indirect costs that result from unemployment payments to Americans who lost their jobs to illegal aliens willing to work for lower wages. Nor did it include lost tax collections from those American workers who became unemployed. Separately the study estimated those additional indirect costs from illegal migration at \$4.3 billion annually. The Huddle study triggered a flurry of responses that in particular challenged the estimated cost of displaced US workers.

In response to this debate, and at the request of the U.S. Commission on Immigration Reform (the Jordan Commission), a panel of economists and demographers was convened by the National Academy of Sciences to provide an estimate of the "Economic, Demographic, and Fiscal Effects of Immigration." The resulting "The New Americans" study, issued in 1997, unfortunately did not distinguish between legal and illegal immigrants. It did find, however, that, "Wages of native-born Americans with less than a high school education who compete with immigrants may have fallen by some 5 percent over the past 15 years because of this competition."<sup>7</sup> The panel found a marginal fiscal advantage to the federal government from immigrant workers and a larger fiscal



cost at the state and local level. Implicit in this finding, because of the disparate fiscal effects of high-wage and low-wage workers, was the fact that illegal migration is a net fiscal burden.

A study published by the Center for Immigration Studies (CIS) in 2004 found, “Households headed by illegal aliens imposed more than \$26.3 billion in costs on the federal government in 2002 and paid only \$16 billion in taxes, creating an annual net fiscal deficit of almost \$10.4 billion, or \$2,700 per household.”<sup>8</sup>

The Heritage Foundation published a fiscal cost study in 2007 that found, “On average, low-skill immigrant households [used as a surrogate for illegal immigrant households] received \$30,160 per household in immediate government benefits and services in FY 2004, including direct benefits, means-tested benefits, education, and population-based services. By contrast, low-skill immigrant households paid only \$10,573 in taxes. Thus, low-skill immigrant households received nearly three dollars in benefits and services for each dollar in taxes paid.”<sup>9</sup>

There were also several state fiscal cost studies that date back to the early 1990s, notably one providing fiscal cost estimates for seven states done by the Urban Institute.<sup>10</sup> The latter study, commissioned by the federal government, was a response to the fact that the illegal immigrant population was by then estimated to have surpassed the size of the population legalized by the 1986 IRCA amnesty, and several of the heavily impacted states had sued the federal government for compensation for the unfair burden they were bearing. All of these studies found a net fiscal burden on the states studied.

FAIR began its own state fiscal cost studies in 2004. To date 17 have been published covering 16 states.<sup>11</sup> They, too, have all documented substantial fiscal burdens in each state based only on the estimated costs of education, medical services, and incarceration after accounting for tax collections from the illegal alien population.

More recently, studies by state authorities and by apologists for the illegal aliens have appeared. Some mix together legal and illegal immigrants, as in the “New Americans” study, thereby obscuring the negative impact of illegal aliens. Others limit the scope of the fiscal costs to only illegal aliens themselves and ignore the government benefits received by illegal aliens on behalf of their U.S.-born children. Some studies assume that illegal aliens are permanent residents, and project future earnings and tax payments on generous assumptions about the aliens’ and their offspring’s future earnings and tax compliance while ignoring the cost of government services they consume.

The following analysis of the fiscal effects of illegal migration at the national and local level is intended to provide updated estimates and to show that the proposal to adopt an amnesty for the current illegal alien population is not only ill-conceived policy, it is also fiscally irresponsible. A corollary conclusion is that government at all levels — federal, state, and local — should be working cooperatively to benefit the U.S. taxpayer and the U.S. worker by eliminating the jobs magnet that attracts illegal immigrants while also encouraging those already here to return to their homelands.

“SEVERAL NATIONAL STUDIES HAVE ESTIMATED THAT IMMIGRATION, GIVEN ITS COMPOSITION IN RECENT DECADES, HAS HURT—ALBEIT TO DIFFERING DEGREES—THE LABOR MARKET OPPORTUNITIES OF THE LEAST SKILLED AND EXPERIENCED U.S. WORKERS. IF A POLICY GOAL IS TO IMPROVE THE PROSPECTS OF U.S. WORKERS WHO HAVE NOT GRADUATED FROM HIGH SCHOOL, THIS RESEARCH SUGGESTS THAT CHANGING THE SKILL COMPOSITION OF LEGAL IMMIGRANTS AND REDUCING THE FLOW OF UNAUTHORIZED ALIENS MIGHT BE FRUITFUL COURSES OF ACTION.”<sup>12</sup>

—CONGRESSIONAL RESEARCH SERVICE, JANUARY 29, 2009

First, the fiscal costs of illegal migration at the federal level will be examined. That will be followed by a focus on the fiscal costs at the state and local level. In both analyses, an estimate is provided of taxes collected from the illegal alien population that may be seen as a counterbalance to the fiscal costs. The discussion of tax collections from illegal aliens should be understood, however, as not a true offset to the fiscal cost. The reason it is not a true offset is because the tax collection would still exist, and arguably be even greater, if the jobs occupied by the illegal workers were instead filled by legal workers, and some fiscal outlays would decrease.

We have not tried to estimate the fiscal gain that would accrue if unemployed or underemployed American and legal resident workers were employed in the jobs now occupied by illegal alien workers. Nevertheless, it is clear that there is a negative impact on wages and work opportunities for American workers caused by illegal aliens in the workforce.

Our estimate of about 13 million illegal aliens has not changed since 2007 although there certainly has been some flux since that time both upwards and downwards. In 2007, the Department of Homeland Security (DHS) estimated the illegal alien population at 11.78 million. That estimate did not include some categories of aliens we consider to be part of the illegal alien population such as those in the country for less than one year, aliens illegally in the country when they received Temporary Protected Status, and others paroled into the country or fighting removal.

When considering the fiscal impact of illegal migration it should be kept in mind that, in addition to the estimated current illegal alien population, there are additional millions of residents living in the country who were illegal aliens until they benefited from some legalization provision such as the 1986 IRCA amnesty or smaller amnesties for Central Americans or as a result of the Cuban Adjustment Act, or through adjustment of status or some other defense against deportation. For example, there were about 2.8 million beneficiaries of the IRCA amnesty — nearly nine-tenths of whom were from Mexico or Central America, and nearly 87 percent of whom had at most a high school-level education.<sup>13</sup> To the extent that these earlier illegal alien residents have

“CECILIA CONRAD, VICE PRESIDENT FOR ACADEMIC AFFAIRS AND DEAN OF THE COLLEGE AT POMONA COLLEGE IN CLAREMONT, SAID THERE IS PERSUASIVE EVIDENCE THAT IMMIGRANTS DISPLACE NATIVE-BORN WORKERS IN LOW-SKILL AND ENTRY-LEVEL JOBS. ‘THIS RESULTS FROM A COMBINATION OF FACTORS: EMPLOYER PREFERENCES AND RELIANCE ON INFORMAL RECRUITMENT NETWORKS SUCH AS ASKING CURRENT WORKERS TO REFER FRIENDS AND FAMILY,’ CONRAD SAID. IN ADDITION, ONCE A WORKPLACE IS DOMINATED BY IMMIGRANTS, LANGUAGE BECOMES A BARRIER FOR BLACK WORKERS WHO ARE NOT BILINGUAL.”

—SAN BERNADINO SUN, APRIL 24, 2010<sup>14</sup>

similar fiscal characteristics to today’s illegal aliens, e.g., low-wage earnings because of low-educational achievement, it is also likely that they are a continuing drain on the national and state budgets. However, their presence and their fiscal impact may be considered water over the dam. While policymakers debate what measures to take with regard to the current illegal alien population, they do not have the option of deciding what to do about the earlier amnestied illegal aliens. For that reason, we have not included that population in our assessment of the fiscal costs of illegal migration. However, the ongoing fiscal impact is neither negligible nor a lesson that should be ignored as a guide to current immigration policy making.

The size of the illegal alien population we use in estimating the fiscal impact includes 3.9 million U.S.-born children of illegal aliens. We recognize that these U.S.-citizen children qualify for a broad range of social assistance programs. But we also judge that responsible parents would take these dual-nationality children with them when they return voluntarily or involuntarily to their homeland. Based on research of the Urban Institute, we use an assumption of about 8.4 million workers in the workforce, of whom about half are in the underground economy, i.e. day laborers, independent contractors, domestics, pieceworkers, etc., and the other half are in the formal economy using fake or stolen identities.<sup>15</sup>

# I. Federal Outlays

Advocates for illegal aliens argue that this population is not eligible for federal benefits and, therefore, are not a burden on the taxpayers. This argument ignores the fact that the federal government, recognizing the fiscal burden on state budgets from illegal migration, provides compensation to state and local governments for the major expenses they incur. These programs provide funding for:

- special education programs that are used by most children of illegal aliens,
- compensation for medical outlays on behalf of illegal aliens, and
- compensation for the incarceration of illegal aliens.



## A. EDUCATING THE CHILDREN OF ILLEGAL ALIENS

Public schooling for the children of illegal aliens is the largest burden on the taxpayer at the state and local level because that traditionally has been a local governmental expense. Increasingly in recent years, however, the federal government has inserted itself into educational policy through targeted funding programs.

### **A1. Children of Illegal Aliens in Public School: Title I Program** . . . . . \$1,332,900,000

The Elementary and Secondary Education Act of 1965, Title I is aimed at providing supplemental funding to increase educational opportunities and improve academic performance of children from poor families. In 2010, an estimated \$13.8 billion was budgeted for this program (after subtracting funding for Puerto Rico and U.S. associated and dependent territories, and for Native Americans). With the vast majority of the children of illegal aliens falling within the economic criteria of this program, and these children constituting approximately 9.7 percent of K-12 enrollment nationally, we estimate that about \$1.33 billion of this funding is spent on children of illegal aliens.

### **A2. Children of Illegal Aliens in Public School: Title III Program** . . . . . \$538,000,000

Part A of Title III, the English Language Acquisition, Language Enhancement, and Academic Achievement Act, provides funding for programs to provide supplemental education to Limited English Proficient (LEP) students in public or charter schools. These students are usually the children of immigrants, although a small share of the students are Native Americans usually on reservations. Most of the children who participate in this program are likely to be the children of illegal aliens rather than the children of natives or legal immigrants. This is because legal immigrants have often studied in the United States or otherwise learned English before immigrating and raise their children to speak English. In addition, the children of illegal aliens are more likely to have their children enrolled in public schools rather than private schools which do not receive funding under the Title III program.

Current federal funding in support of LEP instruction in 2009 was \$730 million. Native American enrollment in this program is about 1.2 percent of total enrollment. A conservative estimate of enrollment in LEP classes nationwide by the children of illegal aliens is nearly three-fourths (73.7%). The amount of Title III funding that goes to educating these children is, therefore, estimated to be about \$538 million.

### **A3. Migrant Education Program (Title I, Part C)** . . . . . \$236,900,000

The Migrant Education Program (MEP) was established in 1966 in the Elementary and Secondary Education Act to provide grants to states for education programs for migrant students. The stated purpose of MEP grants to the states is to supplement — not supplant — existing education programs for migrant students. The migrant children receiving targeted educational assistance may be from age 3 (pre-school) to 22 (post-secondary).

A 2006 report by the Congressional Research Service, found that, “...most (89%) of students currently served [by the MEP] are Hispanic and increasingly foreign-born” and that the share of Limited English Proficiency

(LEP) students was growing (to 31% of all MEP enrollees in 2000-2001).<sup>16</sup> The same report found that 92 percent of the students participating in MEP programs were in Pre-K-12 classes. The federal appropriation to fund this program has also been growing. In fiscal year 2006, \$387 million was appropriated, and that rose to \$394.8 million for fiscal year 2009.

Not all students benefitting from the MEP funding will be illegal aliens or the children of illegal aliens, but it is reasonable to expect that most of them will be. Philip Martin, an agricultural economist, estimated in 2002 that about 1.2 million crop workers were illegal aliens representing 58 percent of all U.S. crop workers.<sup>17</sup> We ascribe about three-fifths of the MEP expenditures to illegal aliens and the children of illegal aliens.

#### **A4. Children of Illegal Aliens in Post-Secondary Education**

The federal government provides financial assistance in Pell Grants for the post-secondary education of poor children. This program is not available to illegal alien students. However, children born to illegal aliens in the United States are eligible, and, because of their parents' status and likely low income, are likely to qualify for these grants. These are not loans that must be repaid, but rather outright grants that in 2009 amounted to \$19.4 billion.

The children of illegal aliens benefitting from this program would be unlikely to leave the United States even if their parents voluntarily or involuntarily return to their homeland — unlike younger children. For that reason, it is unlikely that this outlay would be significantly reduced if enforcement against illegal migration were more effective. We do not, therefore, add an estimate of these federal grants to the costs of illegal migration. Nor do we attempt to calculate an offsetting fiscal benefit from U.S.-born children of illegal aliens who have entered the workforce and are paying taxes.

At the same time, it should be noted that if the influx of new illegal aliens were reduced, it would have the effect over time of assuring that a rising share of the Pell grants would become available for the children of US citizens and of legal permanent residents. Further, if the U.S. citizenship law were changed by Congress and upheld by the Supreme Court to exclude automatic citizenship for children of persons not legally present in the United States, that also would have the effect of freeing up more of these scholarships for the children of U.S. citizens and legal residents.

**TABLE 1**  
**Educating the Children of Illegal Aliens**

Title I Program	\$1,332,900,000
Migrant Education Program	\$236,900,000
Title III Program	\$538,000,000
<b>Total</b>	<b>\$2,107,800,000</b>

## B. MEDICAL EXPENSES FOR ILLEGAL ALIENS AND THEIR CHILDREN

The provision of medical care for illegal aliens is mandated by federal law — the Emergency Medical Treatment and Active Labor Act (EMTALA) enacted in 1986 — for all persons having emergency medical conditions until the patient’s condition is stabilized. This provision of law is often relied on by illegal aliens who do not have medical insurance for medical treatment. Medical facilities that provide emergency medical care and receive federal funds are required to apply this open admission standard without regard to legal status or ability to pay for the medical attention.

“A 2006 RAND STUDY ESTIMATED ABOUT \$1.1 BILLION IN FEDERAL, STATE AND LOCAL GOVERNMENT FUNDS ARE SPENT YEARLY ON HEALTH SERVICES FOR UNDOCUMENTED ADULT IMMIGRANTS UNDER AGE 65. THAT IS COMPARED WITH \$88 BILLION IN GOVERNMENT SPENDING ON HEALTH CARE FOR ALL NONELDERLY ADULTS. THE CENTER FOR IMMIGRATION STUDIES ESTIMATES THE COST OF TREATING UNINSURED ILLEGAL IMMIGRANTS TO BE \$4.3 BILLION A YEAR, PRIMARILY AT EMERGENCY ROOMS AND FREE CLINICS.”

—BUCKS COUNTY COURIER TIMES, 2009<sup>18</sup>

### **B1. Emergency Medical Care Compensation for Treatment of Illegal Aliens . . . . \$250,000,000**

Recognizing that the EMTALA admission requirement constituted a major funding obligation on local medical facilities, and in light of the fact that many medical facilities had begun to close their emergency rooms because of the burden of uncompensated costs, Congress, in 2003, enacted Section 1011 in the Medicare Modernization Act (PL 108-173). That legislation provided for federal reimbursement of emergency medical care extended to illegal aliens. It authorized a \$1 billion program — \$250 million each year for 2005 through 2008 — to be distributed on the basis of the federal government’s estimate of the size of the illegal alien population in 2000 with an additional emphasis on facilities in states on the border with Mexico.

Although that compensation ostensibly ended in 2008, funding was available and disbursed in 2009. The recently adopted America's Affordable Health Care Act of 2009 did not provide for participation by illegal aliens. Therefore, having once begun a compensation program to defray unreimbursed medical costs for illegal aliens, we assume that it is likely that it will be continued more or less at the same level, if not increased.

### **B2. Fraudulent Use of Medicaid by Illegal Aliens . . . . . \$2,470,000,000**

Although illegal aliens are precluded from Medicaid coverage, some fraudulently access this program. Only anecdotal information is available about the amount of Medicaid usage by illegal aliens who use stolen identities of U.S. citizens or qualified “green card holders.”

*“I didn't think to do harm to anyone; I only wanted the pain to end,” murmured Mariana de la Torre, 28, nearly two years after her cervical cancer pushed her, an illegal Mexican immigrant, into secretly using another woman’s name and Social Security number for Medicaid benefits and other aid. . . . Trinity [hospital] has*

*absorbed roughly \$317,000 in treatment costs for de la Torre, with Medicaid picking up an additional \$106,000, the hospital said.”*

—*Chicago Tribune, 2009*<sup>19</sup>

The above case documented medical costs of more than a half million dollars for treatment provided to the illegal alien. Commenting to the Chicago Tribune about this case, an organizer for the League of United Latin American Citizens (LULAC) in Chicago who works with low-income immigrants seeking medical assistance said that “undocumented immigrants” are using stolen IDs more frequently than officials suspect. “It’s absolutely common.”<sup>20</sup>

Medicaid generally covers about half the cost of medical treatment to low income families without health insurance. The rate varies slightly by state, and the federal share has been temporarily increased as part of the Obama Administration’s assistance to the states during the economic recession. The calculations below, nevertheless, use the long-term share of half of Medicaid outlays paid out of federal tax receipts. There are no reliable data on Medicaid fraud because there is no requirement that medical facilities providing Medicaid-compensated medical treatment verify the identity of patients. It is, therefore, necessary to make an assumption about illegal use of false identities to access Medicare treatment. Our assumption is that it may be roughly equal to the number of illegal aliens who are obtaining emergency medical treatment under EMTALA without falsely claiming Medicaid eligibility.

In three recent state fiscal cost studies, we found estimates of uncompensated medical care for illegal aliens that appear to provide a median level of such outlays, i.e., \$184 per year per illegal alien in Colorado, \$192 per illegal alien in Florida, and \$185 per illegal alien in Nevada. Most illegal aliens will be healthy and have no use of emergency medical services, some will have employer-provided medical insurance, and some, like Mariana de la Torre, above, will have enormous costs. We assume that an average cost of about \$190 per illegal alien per year would apply to the half of the illegal alien population — not including U.S.-born children of illegal aliens — that may be fraudulently using Medicaid.

**B3. Medicaid Coverage of Births to Illegal Alien . . . . . \$1,238,100,000**

Illegal aliens have access to Medicaid coverage for childbirth under the concept that the service is provided to the child who will be born a U.S. citizen. As noted above, the federal taxpayer assumes at least half of the cost of this expense. The share varies by state with the federal government picking up as much as three-fourths of the cost (in Mississippi). There are nine states in which the federal share exceeds 70 percent and an additional 18 states where the federal share is more than 60 percent in 2009 according to Kaiser State Health Facts.<sup>21</sup>

Data collected by the U.S. Census Bureau document that between 2000 and 2008 the average annual number of births in the United States was slightly more than 4.1 million. About one-fourth of those births were to the foreign-born. Our estimate is that among those births to the foreign-born population about 361,000 — slightly less than 35 percent — were to the illegal alien population. Not all of those births will have been Medicaid births



because a share of the illegal alien population is working illegally with false documents in jobs that provide medical insurance which presumably will have been paid for the births. A survey conducted in Los Angeles County a decade ago found that among the “undocumented” only 22 percent said that they had medical insurance provided by an employer and another 2 percent said that they paid for their own medical care.<sup>22</sup> A more recent estimate of access to medical insurance by illegal aliens by the CIS put the share of that population with coverage from their employer or by a spouse’s employer at 38 percent.<sup>23</sup> The CIS study put the number of illegal aliens without access to medical insurance at 6.6 million individuals.

The costs of delivery of a child depend in particular on whether the delivery is simple (vaginal) or complicated (i.e., C-section). For the former, average costs may range from less than \$10,000 and, for the latter, as high as double for the cost of a simple delivery.<sup>24</sup> For the purpose of this study, we assume that most births to illegal aliens are uncomplicated and average \$10,000. The total Medicaid costs of those births to illegal aliens is about \$2.24 billion, and the federal share of that amount is 55.2 percent.

**B4. Medicaid Outlays for Children of Illegal Aliens . . . . . \$2,382,800,000**

After the birth to illegal aliens at taxpayer expense, the children are eligible for Medicaid coverage if the household meets the income requirements. The size of that population of U.S.-born children of illegal aliens is about 3.4 million. We estimate that about two-thirds of the U.S.-born children of illegal aliens — about 2.3 million — have no health insurance. About one-third of them, i.e., 770,000, will meet the income eligibility criteria for enrollment in Medicaid. That number constitutes about 2.6 percent of all children enrolled in Medicaid according to data compiled in the Kaiser State Health Facts website for 2007. That website also compiles the amount of federal expenditures on Medicaid for children in 2007 as \$90.3 billion. Applying the share of that used by the children of illegal aliens indicates that the amount of those outlays was nearly \$2.4 billion.

**B5. State Children’s Health Insurance Program / Other Medicaid Outlays . . . . . \$1,600,000,000**

The SCHIP program was designed to cover uninsured children in low-income families, but with incomes too high to qualify for Medicaid. Data compiled by the Kaiser Family Foundation put the amount of federal outlays for SCHIP in 2007 at \$6.94 billion. We estimate that there may be as many as 1.6 million U.S.-born children of illegal aliens participating in the SCHIP program. That would be about 16 percent of the enrolled children. That percentage is much higher than their share in their age cohort of about 4.1 percent, and is attributable to the much higher incidence of being medically uninsured and the low income status of this population.

The above calculations of medical outlays at the federal level for illegal aliens and their U.S.-born children are not exhaustive. For example, expenditures by the U.S. Public Health Service and other medical related expenses of the Department of Health and Human Services have not been separately calculated.

Research by the Kaiser Family Foundation allows a calculation of residual medical expenditures that are not included in the above categories. Kaiser researchers estimated that the total amount of medical expenditures on

an estimated 45.7 million uninsured persons by all levels of government in 2008 was \$42.9 billion. We estimate that about two-thirds of illegal aliens and their U.S.-born children are uninsured, i.e., about one-fourth of the total uninsured. That implies an outlay of \$10.46 billion at all levels of government on the illegal alien population. As detailed in the section below on state and local fiscal costs of illegal migration, \$4.54 billion is expended at that level of government. Above we detail medical expenditures that amount to about \$4.35 billion. The remaining medical outlays thus amount to about \$1.6 billion.

**TABLE 2**  
**Medical Expenses**

Emergency Medical Care	\$250,000,000
Fraudulent Use of Medicaid	\$1,235,000,000
Medicaid Cost of Childbirth	\$1,238,100,000
Medicaid for Children	\$1,626,800,000
Other Medicaid Outlays	\$1,600,000,000
<b>Total</b>	<b>\$5,949,900,000</b>

The earlier cited 1996 fiscal cost study by Donald Huddle estimated the annual national costs of Medicaid for illegal aliens at \$3.12 billion.<sup>25</sup> As a reference point, that expenditure today would be about \$4.22 billion when adjusted for inflation and still much higher when adjusted for the increased size of the illegal alien population.

Finally, it should be noted, as we called to the attention of Congress during debate on the recently passed health care legislation, there is no mechanism prescribed in the law to screen out illegal aliens from enrolling in the new coverage by using the same fake identity documents that they are using with their employers. At this point it is impossible to estimate the magnitude of the fraud that may occur.

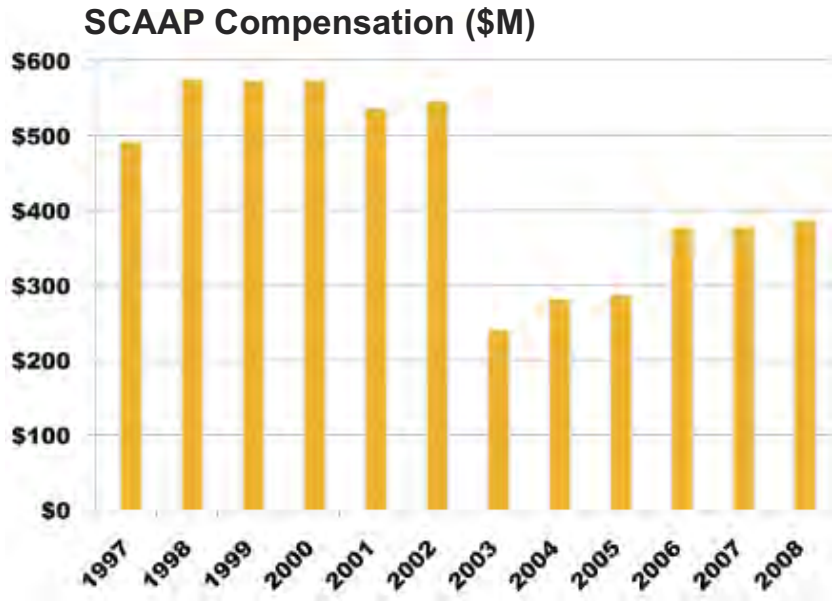
### C. CRIMINAL AND DEPORTABLE ALIEN PRISONERS

Because the primary responsibility for enforcement against illegal migration rests with the federal government, Congress has appropriated funds to compensate the states for the costs they incur for the incarceration of convicted aliens. In addition, the federal government takes responsibility for those aliens upon their release from state or local detention for deporting them. Other criminal aliens are in federal prison facilities for federal crimes. According to the Office of Management and Budget's analysis of the fiscal year 2007 budget request by the Department of Justice, the largest increases in the criminal detainee population have occurred along the U.S. Southwest border because of increased Department of Homeland Security immigration enforcement.<sup>26</sup>

**C1. State Criminal Alien Assistance Program (SCAAP) . . . . . \$330,000,000**

The SCAAP compensation program was established in 1986 following a series of lawsuits by the states against the federal government claiming the federal government should bear the cost of incarceration of deportable aliens in state and local prisons. The first appropriation was not made until 1994 when \$1.8 billion was authorized to compensate the states over a six-year period.

States and local jurisdictions identify the prisoners who they know or believe to be aliens and the personnel costs of the prison. The federal government then reimburses those jurisdictions pro rata based on the expenditures for those prisoners. Excluded from the reimbursement program are naturalized U.S. citizens who are not deportable. Our calculation treats the suspected illegal aliens the same as those positively identified as deportable. We base that on the assumption that the federal government is able to identify those foreign-born individuals who are not deportable by virtue of having become naturalized U.S. citizens.



According to the Bureau of Justice Statistics (BJS), at midyear 2005, state and federal correctional authorities held 91,117 non-U.S. citizens (6.7% of all prisoners).<sup>27</sup> That number increased to 96,703 in 2007.<sup>28</sup> More recently, based on detention facilities that reported data, non-U.S. citizens made up 9.0 percent of their total local jail population in 2008.<sup>29</sup>

The SCAAP data report prisoner days of incarceration, which for our calculations we convert to prisoner years. For 2006, SCAAP data indicated about 81,600 deportable alien years. That compares closely with the BJS data because the SCAAP data do not include federal prisoners, and not all state and local jurisdictions holding deportable aliens participate in the SCAAP compensation.

As may be seen in the chart, the amount of compensation fell off sharply after fiscal year 2002 and has been fairly stable since fiscal year 2006. In 2005, SCAAP awards represented 33 percent of eligible requests according to a Congressional Budget Office report.<sup>30</sup> The SCAAP compensation paid to the states continued despite efforts during President Bush’s second term to eliminate appropriations for the program. Despite the program being zeroed-out in the President’s budget for 2009, Congress approved an appropriation of \$410 million of which \$393.3 million was distributed. The appropriation for fiscal year 2010 was \$330 million. This compares with an estimate by the Government Accountability Office (GAO) that the states spend about \$1.7 billion to incarcerate criminal aliens.

**C2. Byrne Grants** ..... \$24,300,000

The Department of Justice's Bureau of Justice Assistance (BJA) administers the Byrne discretionary grant awards to state and local jurisdictions. In fiscal year 2007 those grants amounted to \$137.3 million. The amount of the grants has been rising. In fiscal year 2000 the amount of grants was \$69 million. The Bush Administration targeted the Byrne grants for elimination in the fiscal year 2007 budget. Nevertheless, Congress has continued to fund the grants. In fiscal year 2009, BJA allocated about \$318 million at the state level and \$165 million at the local level.<sup>31</sup> An additional amount of economic stimulus funding was also appropriated, although we consider that to be a non-recurring expenditure and ignore it.

These grants are not tied to dealing specifically with illegal aliens, although it is reasonable to expect that a share proportional to the illegal alien share in the population is expended for that purpose. For example, a grant for a program to deter drunk driving will target drunk driving by illegal aliens as well as others.

**C3. Criminal Aliens in Federal Prisons** ..... \$678,400,000

According to the Government Accountability Office (GAO), at the federal level, the number of incarcerated criminal aliens was about 49,000 at the end of calendar year 2004. The report stated that the percentage of all federal prisoners who are criminal aliens had remained the same over the previous three years—about 27 percent. The majority of criminal aliens incarcerated at the end of calendar year 2004 were identified as Mexicans. The study estimated the federal Bureau of Prisons (BOP) spent about \$1.2 billion in 2004 on incarceration of deportable aliens.<sup>32</sup> In 2010 the BOP population was 208,438.<sup>33</sup> If the same share of the federal prison population in 2004 still applies, this implies a deportable illegal alien population of about 56,280 inmates. The annual expenditure per prisoner in 2004 was about \$24,500. The effect of inflation is likely to have increased that annual level of expenditure today to at least \$27,700 per prisoner.

**C4. Detention and Removal** ..... \$2,545,000,000

The Detention and Removal Office (DRO) of DHS has the responsibility for removing deportable aliens from the country. To accomplish this they place detainers on alien prisoners in state and local prisons as well as the federal Bureau of Prisons. When these prisoners have served their sentences, they and other illegal aliens detained by Immigration and Customs Enforcement (ICE) are held by DHS until they can be removed by DRO. This implies the expense of holding these aliens in DHS's own detention facilities or leased facilities.

ICE detained prior to removal a record total of 378,582 aliens during FY2008. During that year, the average daily detention population was 31,771. More than 62 percent of all detainees were from Mexico and accounted for 32 percent of detention bed days, i.e. serving shorter than average periods in prison. The other leading countries for the percentage of detention bed days were El Salvador (11%); Honduras (10%); Guatemala (10%); Dominican Republic (3%); and Brazil, China, Haiti, and Jamaica (each with 2%).<sup>34</sup>

Criminal and deportable aliens in the hands of the DRO authorities are either transported to the border — if Mexican — or flown to their homeland. Some Mexicans also are flown to the interior of their country rather than being put across the border where many would be likely to attempt to reenter the United States illegally.



The DRO operates an airline known as ICE Air that works with the Justice Department's flights (termed "Conair") in transporting prisoners within the United States. But ICE Air also transports its prisoners one-way back to their homelands.

ICE Air flies six days a week and removed 209,000 aliens in 2008 at a cost per passenger of \$680, or a total cost of \$142,120,000. Sometimes deported illegal aliens alternatively are put on commercial flights.<sup>35</sup>

All of the expenses of DRO may be considered federal costs of illegal migration. The funding for DRO in the Department of Homeland Security Appropriations Act, FY2010 (P.L. 111-83) was \$2.545 billion.

## **C5. Other Enforcement Operations**

There are many other law enforcement programs that relate to illegal aliens either specifically or indirectly. Because the latter involve combating immigration lawbreaking among their operations, a share of those indirect operations is logically ascribed to the fiscal effects of illegal migration.

### **C5.a Immigration Litigation**

Illegal alien expenses arise from the operation of the Justice Department's Civil Division's Office of Immigration Litigation (OIL). That office defends challenges to the Government's immigration laws and enforcement actions in the nation's courts. OIL immigration attorneys defend the Government's efforts to detain and remove illegal aliens, many of whom are criminals or suspected terrorists. We did not find data that quantified the level of expenditures on OIL or that would allow delineating the share of those expenditures that may be attributable to illegal migration.

### **C5.b Project Safe Neighborhoods (PSN) and Operation Community Shield (OCS) . . . . . \$39,500,000**

The PSN initiative, announced by the President and the Attorney General in 2001, targets both illegal gun crime and violent gangs that often have illegal aliens in their membership. From 2001 to 2007, the Bush Administration spent over \$1.5 billion in the PSN program.<sup>36</sup> For 2007, the Budget requested \$395 million for PSN.

The OCS program by ICE also targets violent gangs that often have illegal alien members. A 2008 report on the OCS program found that, since 2005, ICE had arrested more than 8,000 deportable alien members of more than 700 different gangs.<sup>37</sup> One of those gangs was the 18th Street gang formed in Los Angeles. It was estimated that 80 percent of the gang's California members were illegal aliens from Mexico and Central America.<sup>38</sup>

These operations targeted at violent gang activities do not respond exclusively to illegal alien gang members, but they do in part have that objective. The portion of the DOJ's PSN program that results from illegal alien gang participation may be assumed to represent at least one-tenth of the nearly \$400 million expenditure.

**C5.c Residual ICE Functions** ..... \$2,824,000,000

Besides the operations of DRO, other activities of ICE that involve enforcement actions against illegal aliens include legal proceedings, investigations, intelligence operations, construction of detention facilities, medical and support facilities, and headquarters expenses. These activities amount to \$2.875 billion out of an appropriation of \$3.19 billion. We reduce that amount by \$51 million, because about 10 percent of ICE headquarters costs of \$512.3 million are not directly related to illegal migration, i.e., administering the Student and Exchange Visitor Program.

**C6. Executive Office of Immigration Review** ..... \$222,500,000

The immigration court system of the Executive Office of Immigration Review (EOIR) in the U.S. Department of Justice has a heavy caseload based on the provisions of law that allow aliens present in the United States to seek to stay permanently. Some of those efforts are found to be meritorious, but many more are found groundless. Those latter cases may be considered a cost of illegal migration.

**C6.a Asylum**

Both illegal aliens and those in the country on a temporary visa may apply for asylum seeking to stay in the United States by trying to convince the government they fear persecution if they return to their homeland. If they are legally here as nonimmigrants the asylum claim is referred to as an affirmative claim. If they are illegally here, the claim is referred to as a defensive claim because it generally is launched when the alien is already in deportation proceedings. If an affirmative asylum claimant is denied, and the individual does not leave the country, that individual becomes an illegal alien.

Asylum adjudication is a multi-tiered process that provides immigration lawyers a virtually never-ending legal process to forestall deportation and extend a client's stay in the United States. The lowest rung of the asylum process is review by an asylum officer working in the Citizenship and Immigration Services division of DHS. The operation of USCIS is almost entirely funded by user fees so that it is not supposed to be a burden on the U.S. taxpayer.<sup>39</sup> The asylum officer may find that an applicant has a valid asylum claim. If not, the standard procedure is to refer the case to the Executive Office of Immigration Review (EOIR) in the U.S. Department of Justice where a hearing and decision will be made. EOIR has a budget of \$298.9 million in 2010. If an asylum application is denied — as most are — the decision may be appealed to the Board of Immigration Appeals, a separate unit in EOIR. If an appeal for asylum is denied by an EOIR adjudicator an appeal may be made to a federal court judge.

The favorable decision rate for asylum applications was 47 percent in FY 2009. The grant rate was 55 percent for affirmative applications and 36 percent for defensive applications.

In FY 2009, the percentage of cases in which either asylum or withholding of removal was granted was 56 percent.<sup>40</sup> The other side of the coin is that 44 percent of affirmative asylum applications that were not granted were considered to be unfounded, and in the absence of any data to the contrary, and on the basis

of experience, it is reasonable to expect that the unsuccessful asylum applicants likely became illegal immigrants. The 64 percent of defensive asylum applications that were denied implies that in addition to breaking our immigration law to enter or stay illegally in the United States, the alien was also attempting to abuse our due process and compassion in an effort to game the system and gain legal residence.

The defensive asylum cases will outweigh the affirmative cases, so on average at least three-fifths of the EOIR asylum caseload may be assumed to be generated by illegal aliens attempting to prolong their stay in the United States.

#### C6.b Hardship Defense against Removal

In addition to asylum cases, illegal aliens may choose to fight their deportation on the basis of hardship. To do so they must establish more than 10 years presence in the United States, good moral character, and that exceptional and extremely unusual hardship would occur to an immediate family member who is a U.S. citizen or legal resident.<sup>41</sup> Only a small percentage of these are granted, and it may be assumed that all of the expenses of the unsuccessful cases relate to illegal aliens attempting to prolong their illegal stay in the United States. These cases are heard by immigration judges in EOIR.

#### C6.c Convention against Torture

A further avenue for an illegal alien to attempt to avoid deportation is to apply for relief from deportation under the Convention against Torture (CAT) provisions. The most recent data available indicate that most of these cases are not judged meritorious. In 2007, for example, immigration courts considered 28,130 claims for CAT-based relief, and granted such relief in 541 cases (1.9%) About four percent of CAT cases were granted in 2008.<sup>42</sup> These cases also are heard by immigration judges in EOIR.

Roughly, no more than a quarter of all the cases decided in the immigration court system are meritorious, and an estimated three-fourths of the EOIR expenditures may be considered federal outlays on illegal aliens. The fiscal year 2011 appropriation for EOIR was favorably reported by the House (report 111-149) at \$296,685,000.

#### C7. Southwest Border Prosecution ..... \$33,000,000

As a disincentive to repeated attempts by illegal aliens to sneak into the country, a trial program was established to prosecute repeat violators as felons rather than simply putting those who were Mexican back across the border. In fiscal year 2010, \$33,000,000 was appropriated for this effort. For fiscal year 2011, the administration has requested an additional \$10 million for investigative and prosecutorial activities in the Southwest.

#### C8. Cubans

A related issue, but one that does not result in a cost estimate in this report, deals with the illegal entry of Cubans. Despite the finding by asylum screeners that most of the Cubans attempting to enter the United States illegally have not suffered persecution in Cuba and do not have a credible fear of persecution if they are sent

back to Cuba — and, therefore, do not qualify for asylum protection in the United States — under both policy and law those Cubans who reach the U.S. are treated as if they had applied for asylum and it was granted to them. This results in them being put in the same category as refugees and makes them eligible for an array of federal programs that are available to refugees to assist them in adjusting to the U.S. society. Some of those programs include learning English, finding a job, and providing financial assistance. Because these Cubans are treated as if they were refugees, despite their illegal entry, we do not include an estimate of federal outlays on them in this report — just as we do not include the costs of the refugee admission program. Nevertheless, if the Executive Branch ended the “wet-foot-dry-foot” policy and required illegally arriving Cubans to apply for asylum and deported those found ineligible for asylum protection, and if Congress repealed the Cuban Adjustment Act, considerable federal outlays would be saved.

**C9. Coast Guard Operations** . . . . . \$500,000,000

One of the Coast Guard’s three statutory missions related to DHS operations is “Deploying cutters and aircraft to reduce the flow of undocumented migrants entering the United States via maritime routes.” The Coast Guard annual budget is about \$10 billion. Analysis of the Coast Guard 2010 budget request by the Government Accountability Office (GAO) ascribed about \$500 million to the migrant interdiction activity.<sup>43</sup>

**C10. National Guard Operations** . . . . . \$642,000,000

Southwest border state governors have repeatedly pled for National Guard deployment to the border as was done by the Bush Administration in 2006 and 2007. In support of that “Operation Jumpstart,” the Bush administration requested an emergency appropriation of \$756 million according to a White House press release of May 14, 2006.

In 2009, the Obama Administration considered reauthorizing National Guard deployment to the border and estimated the cost as \$250 million.<sup>44</sup> When President Obama announced in May 2010 his intention of ordering a deployment of 1,200 National Guard to the border, he put a price tag of \$500 million that he would seek from Congress for that action.<sup>45</sup>

That deployment is in addition to an already existing deployment of 340 Guard members serving in backup rolls in support of the Border Patrol. If those already existing Guard forces cost the taxpayer an amount proportional to the announced new deployment, that would represent about \$142 million. Adding the new deployment would increase the funding to \$642 million to combat illegal migration, alien smuggling operations, and increase national security. If the 6,000 Guard troops that were deployed to the border with Mexico by the Bush Administration had been reauthorized by President Obama, the cost presumably would be five times greater.

**C11. Other Federal Outlays for Illegal Aliens**

The above enumeration of federal outlays for illegal aliens includes only the major and most easily quantifiable costs. An example of other types of costs to the taxpayer is expenditures on criminal gang activities. Along with



ICE, the FBI is active in working cooperatively with local police jurisdictions in anti-gang investigations and operations. A significant share of several of the largest and most violent gangs operating in the United States include illegal alien members.

Another example is fraudulent use of economic stimulus programs that are off-limits to illegal aliens. In the cash credit program for first-time homebuyers, there is currently underway an investigation of credits claimed by persons using an Individual Taxpayer Identification Number (ITIN). The fact that the claimant does not have an SSN identifies the person as an alien who is not legally entitled to work in the United States. A recent news report identified that nearly 1,000 credits were claimed in a Texas border county.

“ILLEGAL IMMIGRANTS ARE BILKING TAXPAYER DOLLARS THROUGH THE FIRST-TIME HOMEBUYER TAX CREDIT. THAT’S JUST WRONG! I AM FULLY COMMITTED TO DOING ALL I CAN TO PREVENT ILLEGAL IMMIGRANTS FROM GETTING A BIG, FAT CHECK FROM UNCLE SAM.”

—REP. SAM JOHNSON (R-TEX.), 2010<sup>46</sup>

On August 11, 2000, President Clinton issued Executive Order 13166, “Improving Access to Services for Persons with Limited English Proficiency.” E.O. 13166 requires each federal agency to implement a system by

**TABLE 3**  
**Administration of Justice Outlays**

SCAAP Compensation	\$330,000,000
Federal Incarceration	\$678,400,000
Byrne Grants	\$24,300,000
Detention and Removal	\$2,545,000,000
Project Safe Neighborhoods	\$39,500,000
Residual ICE Functions	\$2,824,000,000
Executive Office of Immigration Review	\$222,500,000
Southwest Border Prosecution	\$33,000,000
Coast Guard	\$500,000,000
National Guard	\$642,000,000
<b>Total</b>	<b>\$7,838,700,000</b>

which LEP persons can access its services. In complying with the order, the Department of Transportation not only developed a plan for its services in other languages, it also required all its funding recipients to ensure meaningful access by LEP persons. Special services include translated brochures and signs; multilingual telephone lines; bilingual drivers; and interpreters at public meetings. According to an April 2010 report by the Government Accountability Office, the Internal Revenue Service is fully in compliance with this LEP assistance mandate, and FEMA (the emergency management agency) and the Small Business Administration have developed plans and taken partial steps towards compliance. The only indication in the report of the cost of this accommodation for non-English speaker is the statement that, “To ensure that the agency [FEMA] has the capacity to handle different levels of disasters, an official stated that FEMA is awarding a 4-year contract of up to \$9.9 million, to support language access and related activities.”<sup>47</sup>

The above categories of federal law enforcement operations attributable to the enormous presence of illegal aliens account for outlays of about \$7.8 billion dollars annually.

## D. WELFARE USED BY ILLEGAL ALIEN FAMILIES

“EVEN AFTER WELFARE REFORM . . . 25 PERCENT [OF HOUSEHOLDS] HEADED BY ILLEGAL MEXICAN IMMIGRANTS USED AT LEAST ONE MAJOR WELFARE PROGRAM.”

—STEVEN CAMAROTA, CENTER FOR IMMIGRATION STUDIES<sup>48</sup>

**D1. Free and Reduced Meal Program** . . . . . \$2,264,600,000  
 School children from families with incomes at or below 130 percent of the poverty level are eligible for free meals. Those with incomes between 130 percent and 185 percent of the poverty level are eligible for reduced-price meals. (For the period July 1, 2009, through June 30, 2010, 130 percent of the poverty level was \$28,665 for a family of four; 185 percent was \$40,793.)<sup>49, 50</sup>

The meal program consists of free and reduced price breakfasts, lunches and snacks. The free and reduced price breakfast program served 10.6 million students and cost \$2.4 billion in 2008. The free and reduced price lunch program served 30.5 million students and cost \$9.3 billion in FY 2008.

We assume that virtually all of the K-12 student children of illegal aliens will be eligible for either the free or reduced price meals. Because the number of students in the breakfast program is considerably smaller than the student participation in the lunch program, we have estimated that only half of the children of illegal aliens are participating in the breakfast program. That means that about 25.5 percent of the students in the breakfast

program are children of illegal aliens and about 18 percent of the students in the lunch program are similarly the children of illegal aliens.

Free and Reduced Breakfast	\$612,000,000
Free and Reduced Lunch	<u>\$1,652,600,000</u>
Total	\$2,264,600,000

**D2. Cash Assistance — Temporary Assistance of Needy Families (TANF) . . . . \$1,030,000,000**

The TANF welfare program replaced the Aid to Families with Dependent Children (AFDC) program in 1997. A GAO report in 1997 estimated that in fiscal year 1995 155,000 illegal alien-headed families received AFDC payments of \$700 million. In addition 224,000 illegal alien-headed families received Food Stamps at a value of \$430 million per year.<sup>51</sup>

“. . . CERTAIN PARENTS OF CHILDREN BORN IN THE U.S., INCLUDING BOTH LEGAL IMMIGRANTS WHO HAVE NOT SATISFIED THEIR FIVE-YEAR WAITING PERIOD AND UNDOCUMENTED ALIENS, CAN AND DO APPLY FOR TANF ASSISTANCE ON BEHALF OF THEIR U.S. CITIZEN CHILDREN. BECAUSE THE CHILD IS A U.S. CITIZEN, THE CHILD MAY RECEIVE FEDERAL TANF BENEFITS TO THE SAME EXTENT AS ANY OTHER U.S. CITIZEN. IN FISCAL YEAR 2004, A NATIONAL TOTAL OF 426,098 FAMILIES WERE CLASSIFIED AS CHILD-ONLY ASSISTANCE CASES WITH A PARENT HOUSEHOLD MEANING THAT ONLY THE NEEDY CHILD, AND NOT THE PARENT, RECEIVED ASSISTANCE.”

—WADE F. HORN, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, JULY 2006<sup>52</sup>

From 1990 to 2000, child-only cases increased as a share of all TANF cases rose from 11.6 percent to 34.5 percent. The number of child-only cases over that decade grew by more than 70 percent.<sup>53</sup> Child-only TANF cases are not exclusively children of illegal aliens as these cases also arise, as noted above, when legal alien parents are barred from eligibility for their first five years as immigrants and when a parent has placed a child in the care of a grandparent or other relative who is not eligible in his or her own right for benefits.

However, the Child Welfare League of America comments, “In fact, most of the child-only caseload includes a parent. Parents may be ineligible for TANF because of their legal alien status, because of their disability status under TANF, or because they receive Supplemental Security Income.”<sup>54</sup>

A 2004 CIS study of the federal fiscal costs of illegal migration estimated the annual costs of TANF and related income support programs received by illegal alien families at more than \$689 million.<sup>55</sup> That estimate was derived from data collected in the Census Bureau’s Current Population Survey (CPS) that was presumed at that time to include data on 8.7 million illegal aliens. The TANF block grant has provided states with \$16.6 billion annually since 1996.<sup>56</sup> That suggests that TANF funding collected on behalf of children of illegal aliens

amounted to slightly more than 4.1 percent of total outlays in that program. However, we assume that those outlays are currently higher because the illegal alien population has grown since 2004 and because the CPS data under-represents the illegal alien population. Our estimate is that TANF child-only federal funding to the states for the children of illegal aliens has increased to more than \$1 billion. That represents about six percent of total TANF disbursements.

That level of expenditure among the estimated 4.53 million U.S.-born children of illegal aliens amounts to an annual per child outlay of about \$227. The TANF federal funding program requires that the states must maintain 75 or 80 percent of their pre-welfare reform spending levels of Aid to Families with Dependent Children (AFDC) and related programs which were replaced by TANF.

TANF - \$1,030,000,000

Section 2101 of the American Recovery and Reinvestment Act of 2009 (the Recovery Act) created a new \$5 billion TANF Emergency Contingency Fund. We do not allocate a similar share of that funding to the child-only beneficiary children of illegal aliens on the assumption that it is not a recurring expenditure.

**D3. Child Care and Development Fund (CCDF) . . . . . \$633,000,000**

The Child Care and Development Block Grants is a joint federal-state program of assistance for low-income children. The appropriation for 2010 was about \$4.9 billion. The children of illegal aliens represent about 6.5 percent of the U.S. child population. However, the children of illegal aliens are much more likely to be living in poverty than other children. According to an estimate by the Pew Hispanic Center researchers, “A third of the children of unauthorized immigrants and a fifth of adult unauthorized immigrants lives in poverty. This is nearly double the poverty rate for children of U.S.-born parents.”<sup>57</sup> Accordingly, we double the share of the CCDF funding for those children, i.e. \$633 million.

**D4. Public Housing . . . . . \$787,000,000**

In theory, public housing is unavailable to illegal aliens, but in practice that is not the case. That fact was highlighted when it was revealed that President Obama’s Kenyan aunt, who has stayed illegally in the United States after being ordered deported in 2004, lives in public housing in Boston.

“UNTOLD THOUSANDS OF ILLEGAL IMMIGRANTS LIVE IN PUBLIC HOUSING AT A TIME WHEN HUNDREDS OF THOUSANDS OF CITIZENS AND LEGAL RESIDENTS ARE STUCK WAITING YEARS FOR A SPOT.”<sup>58</sup>

The Associated Press news account quoted above explains that the federal government only requires that public housing be occupied by at least one family member who is in the country legally and that any other family members in the housing pay their share of the rent.

During the Clinton Administration, then Housing and Urban Development (HUD) Secretary Cisneros stated that his agency did not recognize any requirement that it screen out illegal aliens from federal public housing. That changed when Congress called Cisneros on the carpet to inform him that HUD was violating the law.<sup>59</sup>

Apart from simple failure to screen out illegal aliens, as appears to have been the case with Obama's aunt, and the provision that allows illegal aliens to occupy public housing if there is a qualified U.S. citizen or legal resident in the housing, illegal aliens may also benefit from federally subsidized housing through federal mortgage subsidies for developers of low-cost housing. The ban on occupancy by illegal aliens of federal public housing does not apply if admission to the subsidized housing is not administered by the Housing Administration. A further means by which illegal aliens may occupy federally-funded housing is with stolen identification that circumvents the Systematic Automated Verification for Entitlements (SAVE) system operated by DHS.

HUD's 2010 budget for housing assistance was \$4.044 billion in the Public Housing Capital Fund, \$17.739 billion in Tenant-Based Rental Assistance, and \$4.449 billion in the Public Housing Operating Fund.

We have found no studies that document the occupancy of public housing by illegal aliens and their U.S. citizen family members. We estimate that there will be as many as 3 million low-income families with one or more illegal alien parent and U.S.-born children — with the latter making the family eligible for public housing. That would amount to roughly three percent of all families in public housing. While illegal alien families are much more likely to have a low-income within the range eligible for housing assistance, they are also less likely to be prepared to deal with government agencies to access that assistance. On balance, we allocate 3 percent of the federal funding on subsidized housing as representative of the magnitude of possible use by illegal aliens and their U.S.-born children.

There are other minor areas of federal expenditure on programs that benefit illegal aliens, principally those who have U.S.-born children, e.g. energy assistance or child care subsidies. These other areas represent fairly small expenditure areas and are not detailed in this study.

**TABLE 4**

**Public Assistance Benefits**

Free and Reduced Meal Program	\$2,264,600,000
Temporary Assistance of Needy Families	\$1,030,000,000
Child Care and Development Fund	\$633,000,000
Housing Assistance Programs	\$787,000,000
<b>Total</b>	<b>\$4,714,600,000</b>



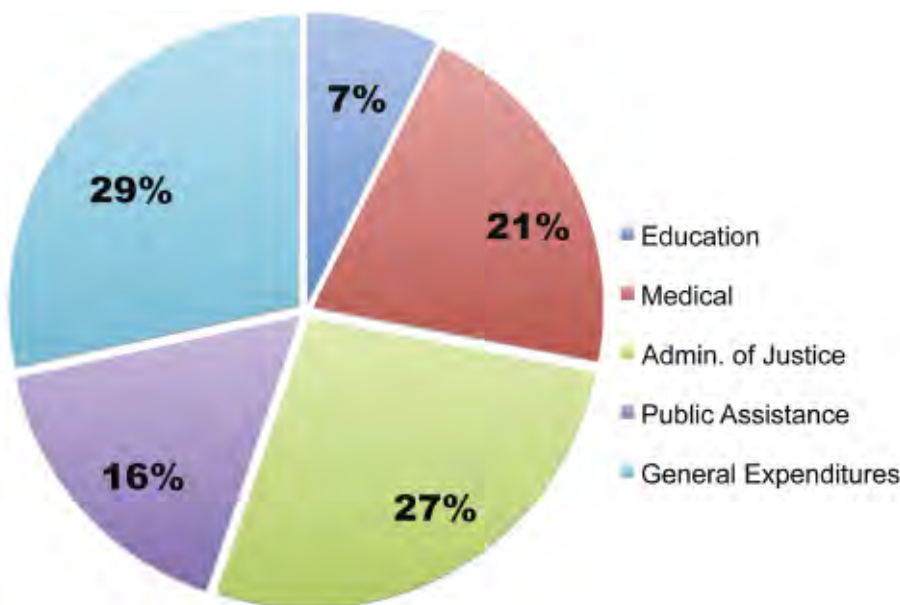
The program areas detailed above in which illegal alien families receive federal welfare benefits total nearly \$4.6 billion annually.

## E. GENERAL FEDERAL EXPENDITURES

**E. General Federal Expenditures** ..... \$8,184,400,000

Besides the specific federal governmental programs that may be ascribed to usage by the illegal alien population, there are other federal government services that are provided for the public in general and are also used by illegal aliens. For example, in the fiscal cost study cited earlier, Heritage Foundation researcher Robert Rector ascribes costs of \$809 per illegal alien family for transportation services, \$1,195 for administrative support services and \$1,529 for miscellaneous population-based services.<sup>60</sup> Similarly, in the fiscal cost calculations by CIS researcher Steven Camarota, a calculation is included for expenditures on highway and infrastructure maintenance, subsidies to business, and other federal services.<sup>61</sup> In neither of these studies was federal expenditure on defense and veterans’ benefits or payments on the national debt ascribed to the illegal alien population. A case might be made, however, that a share of the national debt is attributable to federal government services and law enforcement operations resulting from the presence of the illegal alien population past and present.

In the Heritage study, which used low-income immigrant households as surrogates for illegal alien households, the share of federal expenditures on general public goods amounted to 38 percent of total federal expenditures on illegal aliens. In the CIS study general expenditures were estimated to be 44.8 percent of overall federal government expenditures. Although these two estimates are not directly comparable, both point to the existence of a sizable share of general federal government expenditures that is not captured by the specific outlays that are detailed above.



Both of those studies based their calculations of the fiscal costs of illegal migration on a smaller number of illegal aliens than the estimate in this study. The use of a percentage of overall costs avoids the need for adjusting for budget size. We estimate that, compared to the separately calculated federal expenditures enumerated above, the general expenditures represent an additional outlay equivalent to 40 percent of that amount.

## F. TOTAL FEDERAL FISCAL COSTS

F. Total Federal Fiscal Costs ..... \$28,795,400,000

**TABLE 5**

**Federal Fiscal Costs**

Education	\$2,107,800,000
Medical	\$5,949,900,000
Administration of Justice	\$7,838,700,000
Welfare Benefits	\$4,714,600,000
General Expenditures	\$8,184,400,000
<b>Total</b>	<b>\$28,795,400,000</b>

The above detailed calculations of the annual costs for educational, medical, administration of justice, and social welfare outlays total about \$20.6 billion. Adding in general government expenditures increases that amount by nearly an additional \$8.2 billion.

The total federal fiscal expenditures on illegal aliens, therefore, amount to nearly \$29 billion annually.



## II. Federal Taxes Collected from Illegal Aliens

Part of the fiscal focus on the costs of illegal aliens to the U.S. taxpayer is on the extent to which the taxes collected from the illegal alien population offset the outlays for programs they use. An argument by the apologists for illegal aliens asserts that tax collections from illegal aliens equal or exceed federally provided services to illegal aliens, and, therefore, they are not be a burden on the U.S. taxpayer. The National Council of La Raza asserts, “The majority of undocumented immigrants pay income taxes using Individual Taxpayer Identification Numbers (ITINs) or false Social Security numbers.”<sup>62</sup>

A focus only on tax collections is misleading because it ignores the side effects of the presence of the illegal alien workers on the earnings and tax collections from U.S. workers. The seminal study on the impact of immigrant workers (not just illegal immigrant workers) on U.S. workers by a panel of experts assembled by the National Academy of Sciences in the mid-1990s found that low-wage foreign workers tended to drive down wages and job opportunities for similarly educated U.S. workers. It found that immigration had been responsible for 40 to 50 percent of the wage depression for workers without a high school degree in recent decades.<sup>63</sup> When U.S. workers are unemployed, underemployed, or have depressed earnings because of the presence of illegal alien workers, there is a greater burden placed on the federal taxpayer because of the welfare and related assistance programs provided to those who have lost jobs or wages to illegal aliens, e.g. unemployment insurance, food stamps, etc. At the same time, displaced workers are not likely to be paying taxes and may be drawing credits from the U.S. Treasury. Any estimate of federal tax collections from illegal aliens must, therefore, also account for the revenues lost because other workers are unemployed or become eligible for means-tested benefits.

The federal taxes collected from illegal aliens include the income tax, Social Security tax, Medicare tax, unemployment tax and excise and miscellaneous taxes.

“THERE’S NO CREDIBLE STUDY [ON TAXES PAID BY ILLEGAL ALIENS] THAT I’M AWARE OF. THE BOTTOM LINE ISSUE IS LACK OF DATA.”

—MAGNUS LOFSTROM, PUBLIC POLICY INSTITUTE OF CALIFORNIA, 2009<sup>64</sup>

## A. INCOME TAX

**A. Income Tax** ..... \$1,635,000,000

Information on the federal income taxes paid by illegal aliens depends not only on assumptions about how many of them are working in the above-ground legal workforce using false identity documents but also on assumptions about their wages and tax liability.

A 2004 study by the CIS put the estimated tax payments collected by the federal government from illegal aliens at about \$15.9 billion in 2002.<sup>65</sup> The IRS estimated in 2006 that between 1996 and 2003 illegal aliens paid almost \$50 billion in taxes.<sup>66</sup> That suggests an annual average of around \$6.25 billion per year. Our analysis suggests that both the CIS estimate and the IRS estimate significantly overstate tax collections from illegal alien workers.

The analysis in this study is based on a widely accepted assumption that about half of illegal alien workers are in the above ground economy and, therefore, subject to tax withholding. Even those who are in the above-ground economy probably have little federal tax withheld. For example, a two-income family with both making \$10 per hour and working a combined 60 hours per week would earn \$31,200 for the year. Using the Withholding Calculator of the U.S. Office of Personnel Management for the married head of household category with two additional dependents, the withheld tax would amount to \$284.76. Using the same assumptions and the 2009 Form 1040 and Tax Table, the tax liability is \$523. If the individual filed a tax return he/she would owe an additional \$238.46.

Is this family size a reasonable assumption? Historical data indicate it is. Average household family size was 3.5 persons, i.e. between one and two children per family among those illegal aliens who received amnesty as a result of the 1986 Immigration Reform and Control Act.<sup>67</sup> About half of the adult illegal aliens were single. Therefore, those married or living with a partner had more than 1.5 additional family members.

For the same family of four but with income of \$40,000, the tax liability from the tax table would be \$1,209, and if the earnings were \$50,000, the tax liability would be \$2,769. For single illegal alien workers, the tax withholding and liability would be greater. It is our assumption, however, that the vast majority of single illegal alien workers are likely to be in the half of the illegal alien population working in the informal economy without

income tax withholding and not filing income tax returns. Therefore, our tax collection analysis focuses on the illegal alien worker in the formal economy working with false or stolen identity documents.

It should be noted that for income tax purposes an illegal alien worker may claim dependents living abroad, and they are not required to be identified by Social Security numbers, unlike children born or legally residing in the United States. Those claimed dependents are virtually unverifiable and invite fraud.

“ABOUT 45 PERCENT OF HOUSEHOLDS WILL OWE NO FEDERAL INCOME TAX IN 2010, ACCORDING TO OUR ESTIMATES. HALF OF THEM EARN TOO LITTLE, WHILE THE OTHER HALF — MOSTLY MIDDLE- AND LOWER-INCOME HOUSEHOLDS — WILL TAKE ADVANTAGE OF TAX CREDITS SUCH AS THE EARNED INCOME CREDIT, THE CHILD AND CHILD CARE CREDITS, THE AMERICAN OPPORTUNITY AND LIFETIME LEARNING CREDITS, WHICH HELP PAY FOR COLLEGE, AND THE SAVER’S CREDIT, WHICH SUBSIDIZES RETIREMENT SAVING.”

—ROBERTON WILLIAMS AND ROSANNE ALTSHULER, “5 MYTHS ABOUT YOUR TAXES”<sup>68</sup>

The tax filer in any of the above income categories of \$31,200 to \$50,000 and a tax liability of \$523 to \$2,769 is entitled to claim the Earned Income Tax Credit (EITC) — if they have a Social Security Number — and Additional Child Tax Credits (ACTC). These credits not only erase the tax liability, they result in a net payment to the tax return filer, as discussed below. The family of four reporting earnings of \$31,200 and using an SSN is able to obtain a Treasury payment of \$4,400 as a result of claiming those tax credits.

It is doubtful that there is any significant amount of federal income tax collection from illegal alien workers other than a possible few outliers — who may be well qualified and working as well-paid professionals — and from those who had tax withholding but for whatever reason did not file income tax returns to obtain a refund.<sup>69</sup> However, even an illegal alien earning \$90,000 a year with three dependents has a tax liability of only \$3,566 and may claim tax credits to offset that liability.

We assume that as many as three-fourths of illegal aliens in the formal economy may not file income tax returns because of their illegal alien status and reluctance to use fake Social Security numbers to obtain refunds of the tax withholding. That means that the tax withholding stays with the Treasury and that any additional taxes owed are not collected. That is a very conservative assumption in light of claims by illegal alien support groups that

“THE BOTTOM 40 PERCENT, ON AVERAGE, MAKE A PROFIT FROM THE FEDERAL INCOME TAX, MEANING THEY GET MORE MONEY IN TAX CREDITS THAN THEY WOULD OTHERWISE OWE IN TAXES. FOR THOSE PEOPLE, THE GOVERNMENT SENDS THEM A PAYMENT.”

—ASSOCIATED PRESS, APRIL 7, 2010<sup>70</sup>



a much larger share of illegal workers are filing tax returns. We apply that same assumption with regard to the outlier high earners even though some of them also may be in the underground economy and they are more likely to be self-employed and not subject to income tax withholding. Our calculation indicates that the U.S. Treasury gains about \$1.6 billion from the tax withholding from these majority low-wage workers and a much smaller number of higher-level earners in the above-ground economy.

## B. EARNED INCOME TAX CREDITS (EITC) FOR ILLEGAL ALIENS

### B. Earned Income Tax Credits (EITC) for Illegal Aliens . . . . . (\$1,777,800,000)

Low-wage illegal alien workers subject to income tax withholding, i.e., those working with fake or stolen identities or who have SSNs from a time before they lapsed into illegal alien status may file an income tax return to obtain refunds of any taxes withheld in excess of what they owe. This is true even if no taxes were withheld. The EITC for a family with two dependent children earning \$31,200 is \$2,963. The Treasury payment for the family with one child would be \$1,476. In each of these cases the illegal alien family is not paying federal income taxes and, instead, if they file a tax return as required by law, they are able to receive the EITC and that represents a net drain on federal tax revenues.

The number of illegal alien workers filing tax returns to receive the EITC subsidy can only be estimated. We assume that the half of the illegal alien workers who are in the underground economy are not claiming the EITC. Of the roughly 2.7 million households represented by illegal workers in the above-ground economy, there is likely to be reluctance to file for the EITC if the Social Security Number (SSN) they are using is fictitious or stolen. The most likely case in which an illegal alien worker in the above-ground economy will claim the EITC is when the SSN is real rather than fabricated and belongs to a child in that family. Immigrant assistance agencies that assist in tax filings may encourage EITC claims with or without knowing that the claimant is an illegal alien.

According to a study of the tax credits, “Immigrants accounted for about 13 percent of the U.S. population in 2008 but received an estimated 26 percent of EITC benefits—about \$12 billion.”<sup>71</sup> That estimate is for immigrants rather than just for illegal aliens. An estimated 45 percent of about 8.2 million non-citizen immigrant households in 2007 were headed by illegal aliens according to a Pew Hispanic Center report.<sup>72</sup>

“THERE MUST BE 70-80% OF THE UNDOCUMENTED COMMUNITY THAT STILL LACKS CONFIDENCE TO FILE INCOME TAX RETURNS AND FOR THAT REASON HAS NOT OBTAINED THE ITIN [INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER],” SAID [JOSÉ LUIS] FLORES, WHO LAST YEAR AIDED IMMIGRANTS TO FILE INCOME TAX FORMS IN THE LOBBY OF AN ARLINGTON SUPERMARKET...THE ITIN WAS NOT CREATED FOR UNDOCUMENTED PERSONS, BUT IS AUTHORIZED FOR THEM BECAUSE THE U.S. LAWS REQUIRE THAT ALL PERSONS WHO WORK — WITH OR WITHOUT AUTHORIZATION — MUST PAY TAXES, ACCORDING TO THE IRS.

—AL DIA, JANUARY 22, 2010<sup>73</sup>

Based on the estimate that 25 percent of illegal alien households in the above ground economy are filing income tax returns (to obtain a refund of any taxes that have been withheld and to take advantage of the EITC payment), that represents about 600,000 tax returns, i.e., about 2.8 percent of the EITC claims filed in 2008. That number of tax returns applying for an EITC of \$2,963 would be a drain on the U.S. Treasury of about \$1.78 billion.

### C. ADDITIONAL CHILD TAX CREDIT (ACTC)

**C. Additional Child Tax Credit (ACTC) . . . . . (\$2,160,000,000)**

Another credit that offsets tax liability and results in a payment to the claimant is the ACTC. An illegal alien may claim the ACTC of \$1,000 per child when filing a tax return if family income is less than \$110,000. There is a requirement that the child must have resided at least half the year in the United States. If the claimed credit exceeds the family's tax liability, like with the EITC, the claimant may receive a payment.

In addition to illegal alien workers working with fake or stolen identification in the formal economy, the ACTC may be claimed by illegal alien workers in the underground economy using an ITIN to file a tax return. An assessment by the Treasury Department's Inspector General indicated the payment of nearly \$7 billion in such payments from 2004 to 2007.

“ACTC OR CTC IS STILL PAID ITIN HOLDERS. THEY, LIKE THE EITC WHICH WAS CHANGED BY PRWORA IN 1996 TO ELIMINATE ITIN ELIGIBILITY, SHOULD BE PROHIBITED TO ITIN HOLDERS.”

—2009 STATEMENT OF U.S. TREASURY INSPECTOR GENERAL<sup>74</sup>

The increasing trend of non-profit advocacy groups assisting illegal aliens in filing tax returns to claim refunds and credits likely has increased this drain on the U.S. Treasury.

On January 25, 2010, Rep. Sam Johnson (R-Tex.) announced his introduction of legislation (H.R.4528) to change the law for the Child Tax Credit program to eliminate the possibility for illegal aliens to apply for the credit using ITINs.

“THE IRS ALLOWED THE TAX CREDITS ALTHOUGH THE WORKERS DID NOT PROVIDE SOCIAL SECURITY NUMBERS ON THEIR TAX RETURNS, THE REPORT SAID. INSTEAD, THE WORKERS USED GOVERNMENT-ISSUED TAX IDENTIFICATION NUMBERS. THE ID NUMBERS ARE AVAILABLE TO IMMIGRANTS FOR CERTAIN TAX-FILING PURPOSES, REGARDLESS OF THEIR LEGAL STATUS, BUT ARE NOT VALID FOR EMPLOYMENT IN THE UNITED STATES.”

—ASSOCIATED PRESS, MARCH 16, 2009<sup>75</sup>

*“...I am introducing the Refundable Child Tax Credit Eligibility Verification Reform Act, a simple, commonsense bill to require tax filers to provide their Social Security numbers in order to claim the credit. This simple change can go a long way toward protecting taxpayers by helping to ensure that the refundable child tax credit is going to those who are here legally.”<sup>76</sup>*

But unless and until that legislation is enacted, illegal aliens filing tax returns will continue to be able to take advantage of that credit over and above any amount received in EITC payments.

We estimate there are about 5.4 million children of illegal aliens, about 73 percent of whom are U.S.-born. Virtually all of them, with the exception of those in the small number of outlier high income families, are potential ACTC deductions. In addition, there may be additional dependent children claimed who are not U.S. residents. Of the annual average pay out of \$1.75 billion indicated in the Inspector General’s report, we estimate that more than three-fourths (77%) of that amount was claimed by illegal aliens. In addition, we assume that an additional 810,000 U.S.-born children of illegal aliens, who have Social Security numbers, were also claimed for the ACTC. Together, these ACTC claims represent about two-fifths of illegal alien children.

### ► **Amnesty Implications**

The proponents of an amnesty for illegal aliens argue that giving legal status to illegal aliens would ‘bring them out of the shadows’ and into the legal workforce where they would pay taxes. If that were to happen, the half of illegal aliens currently in the underground economy as well as the three-fourths of those in the formal economy who now “lack the confidence to file a tax return” would be more likely to file a tax return and claim the EITC and the child tax credits. That would potentially represent an additional 4.7 million EITC claimants. Using the same income and family size assumptions as above, that would represent an additional drain on the Treasury of more than \$20.2 billion annually for the EITC and an additional \$2.6 billion in child credits.

The proponents of amnesty assert that the newly legalized alien workers would increase their earnings, which, if true, could reduce this drain on the Treasury. But, studies of the 1986 legalized population found five years after legalization that, although wages had risen, the gap between median earnings for the legalized workers and U.S. workers had not changed.<sup>77</sup> Furthermore, as noted above, even if typical earnings increased by 50 percent or more, the EITC could still be claimed, although for a lesser amount.

Our assessment is supported by recent research. Public Policy Institute of California researchers reported that experience with earlier amnestied illegal aliens indicates there would be no significant change in earnings — and, therefore, tax receipts — even if today’s illegal aliens were given legal status in an amnesty.

“THIS REPORT FINDS THAT LEGALIZING MOST CURRENTLY UNAUTHORIZED IMMIGRANTS WOULD NOT LEAD TO DRAMATIC CHANGES IN THE LABOR MARKET, EITHER FOR UNAUTHORIZED IMMIGRANTS OR FOR NATIVE WORKERS. WE ALSO FIND LITTLE EVIDENCE TO SUPPORT THE VIEW THAT SUCH A STEP WOULD HAVE SIGNIFICANT EFFECTS ON THE BROADER ECONOMY, PARTICULARLY ON TAX REVENUES OR PUBLIC ASSISTANCE PROGRAMS.”

—LAURA HILL, PUBLIC POLICY INSTITUTE OF CALIFORNIA<sup>78</sup>

## D. NET INCOME TAX RECEIPTS FROM ILLEGAL ALIENS

The estimated tax credit claims noted above, and the assumptions about the likelihood that few illegal alien workers will have earnings sufficiently large enough to result in tax withholding, suggest that rather than being net tax contributors, newly legalized aliens would represent a net drain on the Treasury because of the claimed tax credits. Rather than focus on the fact that there is probably a small (\$1.6 billion) amount of income tax receipts collected from illegal alien workers, a more realistic gauge is on the net flow into and out of the U.S. Treasury. As shown below, that is a net drain on tax resources of more than \$2.3 billion.

### Net Income Taxes Collected from Illegal Aliens

Income Tax	\$1,635,000,000
EITC	-\$1,777,800,000
Child Tax Credit	<u>-\$2,160,000,000</u>
Subtotal	-\$2,302,800,000

## E. SOCIAL SECURITY TAX

**E. Social Security Tax** . . . . . (\$7,000,000,000)

Enablers of illegal aliens often cite the fact that workers in the above-ground economy have Social Security taxes withheld from their wages and that this is a net fiscal benefit at the federal level because these workers are not eligible to receive Social Security retirement benefits. This argument, although facially correct, is disingenuous. Those same individuals and organizations advocate adoption of an amnesty for the illegal aliens, which would enable those legalized workers to qualify for retirement benefits. If that were to happen, these workers would represent a very significant additional liability for the Social Security Trust Fund and further hasten the insolvency of the system.

Illegal alien workers in the formal economy are having Social Security tax withheld even if they are not having income tax withheld. The withholding rate is 6.2 percent of earnings. That implies that the illegal alien or aliens (if two wage earners) earning \$31,200 would have withholding of \$1,934. Based on an estimate that illegal aliens

pay in about \$7 billion per year into the Social Security Trust Fund, that suggests that payments are now being collected from about 3.6 million illegal alien workers.<sup>79</sup> The Social Security Administration estimated that in 2007 there were about 5.6 million illegal aliens from whom Social Security taxes were collected. That estimate is higher but roughly in accord with the estimated half of illegal alien workers in the above-ground economy.

Illegal aliens are not eligible for Social Security payments except in special circumstances, such as the existence of a bilateral tax treaty. That could happen if the totalization agreement with Mexico were ratified.

“THE SOCIAL SECURITY ACT... PROHIBITS THE PAYMENT OF BENEFITS TO ALIENS IN THE UNITED STATES WHO ARE NOT “LAWFULLY PRESENT”; HOWEVER, UNDER CERTAIN CIRCUMSTANCES, ALIEN WORKERS AS WELL AS THEIR DEPENDENTS AND SURVIVORS MAY RECEIVE BENEFITS WHILE RESIDING OUTSIDE THE UNITED STATES (INCLUDING BENEFITS BASED ON UNAUTHORIZED WORK).”

—DAWN NUSCHLER AND ALISON SISKIN, CONGRESSIONAL RESEARCH SERVICE, 2010<sup>80</sup>

Therefore, at the present time the Social Security tax withholdings benefit the operations of the fund. The funds paid into the Social Security Trust Fund are matched by payments from the employer. For that reason, we double the estimated payments into the Trust Fund by and on behalf of the illegal alien worker.

### ► **Amnesty Implications**

The proponents of an amnesty for illegal aliens cite the contributions of illegal alien workers to the Social Security Trust Fund without their receiving a commensurate benefit as a justification for adoption of an amnesty. They also suggest that a benefit would accrue from an amnesty by moving illegal alien workers into the above-ground economy where they would then be paying Social Security taxes. Nevertheless, they fail to note that if an amnesty were adopted, the benefit from unclaimed payments would cease because from then on the taxes paid by those workers would be credited towards their receiving retirement benefits. They also fail to note that the same workers would be able to claim pre-amnesty payments into the Trust Fund as counting towards the 40 quarters necessary to qualify for retirement benefits, thereby erasing the earlier benefit to the system. Finally, they also neglect to mention that the Social Security system is a redistributive tax system, meaning that low wage earners receive more in benefits compared to contributions than is the case for high wage earners. Low-wage earners are likely to receive much more in benefits than they contribute in payments. That implies that the adoption of an amnesty will contribute to the speed of the approaching insolvency of the Social Security Trust Fund.



“BASED ON IRS’ OWN ANALYSIS, ABOUT 75 PERCENT OF ALL MISMATCHED W-2S REPORT WAGES OF LESS THAN \$10,000. IF WE FOCUS ONLY ON THOSE MISMATCHED W-2S WITH NO WITHHOLDING, THE PERCENTAGE INCREASES TO 90 PERCENT. ONLY ABOUT 2 PERCENT OF ALL W-2S WITH INVALID SSNS REPORT WAGES GREATER THAN \$30,000.”

—IRS COMMISSIONER MARK EVERSON, JULY 2006<sup>81</sup>

“WHAT WOULD BE THE FISCAL IMPACT ON THE TRUST FUND OF THE LEGALIZATION OF 5 MILLION ILLEGAL IMMIGRANT COUPLES WHO BOTH WORK FOR VERY LOW WAGES? A STAGGERING \$500 BILLION! THAT WOULD JEOPARDIZE THE SOLVENCY OF SOCIAL SECURITY AND THREATEN EVERYONE’S RETIREMENT.”

—REP. LAMAR SMITH (R-TEX.), MAY 2010<sup>82</sup>

## F. MEDICARE TAX

F. Medicare Tax ..... (\$1,637,100,000)

The Medicare tax withholding is 1.45 percent of earnings. Using the same assumptions of workers in the above-ground economy and average wages used for Social Security tax withholdings, the approximate amount withheld would be about \$1.64 billion. Because illegal aliens are not eligible for Medicare coverage, they do not receive the benefit of this withholding.

### ►Amnesty Implications

While the amnesty advocates are quick to point to the tax contributions of illegal aliens in the above-ground workforce as a fiscal benefit, they fail to alert policymakers to the fact that the benefit would disappear if an amnesty were adopted. This would happen because the newly legalized population would become eligible to draw against the Medicare system. While it is generally accepted that the illegal alien population resorts to taxpayer supported medical care less often than the general population, largely because of a younger average age and greater reluctance to access government benefits because of their illegal status, the latter factor would change following an amnesty. The presumed results of an amnesty would be an increase in workers in the above-ground economy — and, therefore, payments in Medicare taxes — offset by increased demands on Medicare services by this newly eligible and generally low-wage earning population.

## G. EXCISE AND MISCELLANEOUS TAXES

### G. Excise and Miscellaneous Taxes . . . . . (\$2,489,700,000)

This study does not include corporate tax payment but an estimate is included for excise and miscellaneous taxes such as on gasoline, tobacco, and alcohol. These taxes cannot be avoided by working in the underground economy.

The previously cited CIS study estimated these tax collections to be about \$2.05 billion in 2002.<sup>83</sup> The size of the illegal alien population will have increased since then but the same excise taxes apply. Using our larger estimate of the illegal alien population, federal excise tax collections will now be nearly \$2.5 billion annually. However, this estimate may be overly generous because illegal aliens voluntarily reduce their spendable income by sending remittances to family members in their homeland. As a result they are more inclined than the general public to avoid expenditures that result in excise tax collection. For example, rather than driving to a job, they are more likely to take a municipal bus that operates with a significant subsidy paid by the taxpayer. The illegal alien thereby avoids some or all of the gasoline tax and is likely adding to the fiscal deficit at the local level.

## H. OTHER TAXES AND CREDITS

While the above calculations of taxes collected from illegal aliens at the federal level are intended to be comprehensive, there are likely some fiscal transactions that are not included. One example is the current provision of credits for first-time homebuyers. An investigation in Texas — ongoing as this report was published — focused on credits claimed by tax return filers using ITINs — an indication that the filer is not a U.S. citizen and is not legally entitled to work in the United States, and most likely is an illegal alien. Nearly 1,000 such returns were identified amounting to \$20.8 million in credits claimed in just one county. This rash of tax credit claims by ITIN filers represents nearly a third of all such claims nationwide and suggests the possibility that a tax preparation agency is assisting tax filers in fraudulent claims to the credits.<sup>84</sup>

In addition there are other current economic stimulus programs that are accessible by illegal aliens because of the absence of any eligibility verification provision in the laws that have established the programs. Because those are intended to be temporary programs, an estimate of their fiscal impact is not included in this study.

**TABLE 6**

### Federal Taxes Collected from Illegal Aliens

Net Income Taxes	-\$2,302,800,000
Social Security Tax	\$7,000,000,000
Medicare Tax	\$1,637,100,000
Excise and Miscellaneous Taxes	\$2,489,700,000
Employer Taxes (FUTA & Income)	\$632,600,000
<b>Subtotal</b>	<b>\$9,456,600,000</b>

# III.

## Net Federal Fiscal Costs of Illegal Aliens

Although credits available to tax return filers offset income taxes received from illegal alien workers, other withholdings from illegal alien workers are not similarly offset, and the result is a net fiscal contribution of about \$9.5 billion per year.

The federal outlays attributable to illegal aliens, however, more than offset those net tax collections from the illegal alien population. As shown below, the net fiscal cost to the U.S. taxpayer is about \$19.2 billion annually.

TABLE 7  
Net Federal Fiscal Costs of Illegal Aliens

Total Federal Outlays	\$28,795,400,000
Net Tax Collections	-\$9,456,600,000
<b>Total</b>	<b>\$19,338,800,000</b>

# IV.

## Unquantified Federal Fiscal Impacts

Not included in the above calculation are the additional fiscal losses that result from the competition for jobs between illegal aliens and legal U.S. workers and the remittances sent abroad by the illegal alien workers.

The addition of about 8.4 million illegal aliens in the workforce — mostly low-education, low-skill workers — depresses wages and working conditions for U.S. workers and legal immigrant workers who compete for jobs not requiring greater education or skills. In addition to depressing wages, the abundance of unskilled workers caused by illegal migration allows employers to hire illegal aliens who are more easily exploitable than American workers and, therefore, results in some legal workers being unable to find jobs and others losing jobs. The fiscal result is a reduction in tax receipts, higher outlays of unemployment benefits, and increased expenditures on welfare benefits.

Remittances sent out of the United States by illegal alien workers suppress tax collections that would have occurred if the money was spent in the United States. It is also a drain on production of goods and services and the jobs associated with that production that would have resulted if the money had been spent on consumption of goods and services where earned. According to the Inter-American Development Bank, remittances from the United States to just Latin America and the Caribbean in 2009 amounted to \$57.7 billion. Remittances also add to the U.S. balance of payments deficit with foreign countries. The flow of remittances has a greater economic impact than the amount involved. The gain or loss is increased by what is termed the “multiplier effect.” One calculation is that the economic effect is 1.7 times the amount of the remittance flow.<sup>87</sup> Thus the negative annual economic impact from the flow of remittances from the United States to just Latin America and the Caribbean is close to \$100 billion.

While this study has not attempted to quantify the fiscal impact of either the effects of remittances or the job competition with American workers, policy makers should have those negative effects of illegal migration in mind when considering any policy reform.

“HARVARD PROFESSOR GEORGE BORJAS HAS 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.”

—QUARTERLY JOURNAL OF ECONOMICS, NOVEMBER 2003<sup>85</sup>

# V.

## State and Local Outlays

Numerous studies of the fiscal effects of illegal migration have concluded that the fiscal burden of illegal migration is felt more heavily at the state and local level than the federal level. That was among the findings of the “New Americans” report of the National Academy of Sciences panel in the mid-1990s.

*“In the short term, today’s immigrants impose costs on some state and local governments by using more in government services than they pay in taxes, according to estimates developed by the panel. ...In some states, this burden can be substantial: In California, for example, the panel calculates an additional annual tax burden of \$1,178 per household headed by a U.S. native.”*

—National Academy of Sciences, May 1977 <sup>88</sup>

There are significant differences among the states in terms of the fiscal burden from illegal aliens, largely due to the relative size of that population. Although illegal migration was as recently as two decades ago a problem primarily in a handful of gateway states, it has increasingly become a problem to a varying extent in virtually every state.<sup>89</sup> But, the impact is still not spread evenly. Below we focus on the areas of fiscal outlay that are common to all states and the District of Columbia and estimate the magnitude of that impact. We also make a similar estimate of taxes collected from illegal aliens at the state and local level — which is complicated by the vast variety in tax collection strategies of different local jurisdictions.

The result is an estimate for each state of the approximate magnitude of fiscal outlays borne by their taxpayers because of the presence of illegal aliens and an estimate of tax collections from the illegal alien population. These estimates should be recognized as ballpark figures rather than an exhaustive balance sheet. They are intended to inform policymakers and the public of the nature of the impact of illegal migration and to correct some of the conjecture by the apologists for illegal aliens that they represent a benefit to their locality.



## A. EDUCATING THE CHILDREN OF ILLEGAL ALIENS

In the 16 state fiscal cost studies that have been done by FAIR since 2004, the largest cost category has been the public school education of the children of illegal aliens. Those educational outlays have averaged slightly more than four-fifths of the combined costs of education, medical care and incarceration of criminal aliens.

Those educational costs result from educating both children of illegal aliens who are illegally in the country themselves and those who were born in this country and acquire dual citizenship in the United States and their parent's homeland. Slightly more than three-fifths of the outlays resulted from the education of U.S.-born children of illegal aliens and the other two-fifths were from the education of children who were illegal aliens themselves. Only in our more recent studies, beginning in 2008, have we separately estimated the additional fiscal outlays of providing special classes for English Language Learners (ELL), sometimes identified as Limited English Proficient (LEP) students.

Our state fiscal cost studies have estimated the size of the public school population of children of illegal aliens based on our estimate of the size of the illegal alien population in each state — totaling about 13 million — and using an estimate by the Pew Hispanic Center researchers that there are now nearly three times as many children born here to illegal alien parents as children who are illegally here themselves.<sup>90</sup> Based on our current estimate of the illegal alien population being about 13 million persons, the number of illegal alien children is about 1.3 million. Three-fourths of those children, about 950 thousand students, are likely to be in school. Using the Pew ratio of illegal alien children to U.S.-born children of illegal aliens, we estimate the latter to be about 2.55 million school-aged children.

It is clear that the U.S.-born children of illegal aliens would not be in the country were it not for the illegal entry or visa overstay of the parents. For that reason, it is appropriate to consider the costs of educating these children as a cost of illegal migration. Their education cannot be withheld since they are recognized as U.S. citizens as a result of their birth in this country. Similarly, the primary and secondary school costs of the illegal alien students cannot be denied under a ruling of the U.S. Supreme Court.<sup>91</sup> Nevertheless, we assume that if the parents voluntarily or involuntarily return to their homeland, they will take with them their school-age U.S.-born children who generally also have the nationality of the parents.

The purpose of this analysis is not to suggest that the fiscal costs of illegal migration for the states could be reduced overnight. Rather, it is to suggest the magnitude of the potential fiscal savings to the nation's taxpayers at the state level if greater enforcement of our immigration law significantly reduced the influx of illegal aliens and the existing illegal alien population was reduced through attrition.

**A1. K-12 Educational Expenditures** . . . . . \$40,883,000,000

Average educational expenditures vary by state as well as by county or city. In the calculations below we have used average per pupil educational expenditures for each state collected and reported by the U.S. Department

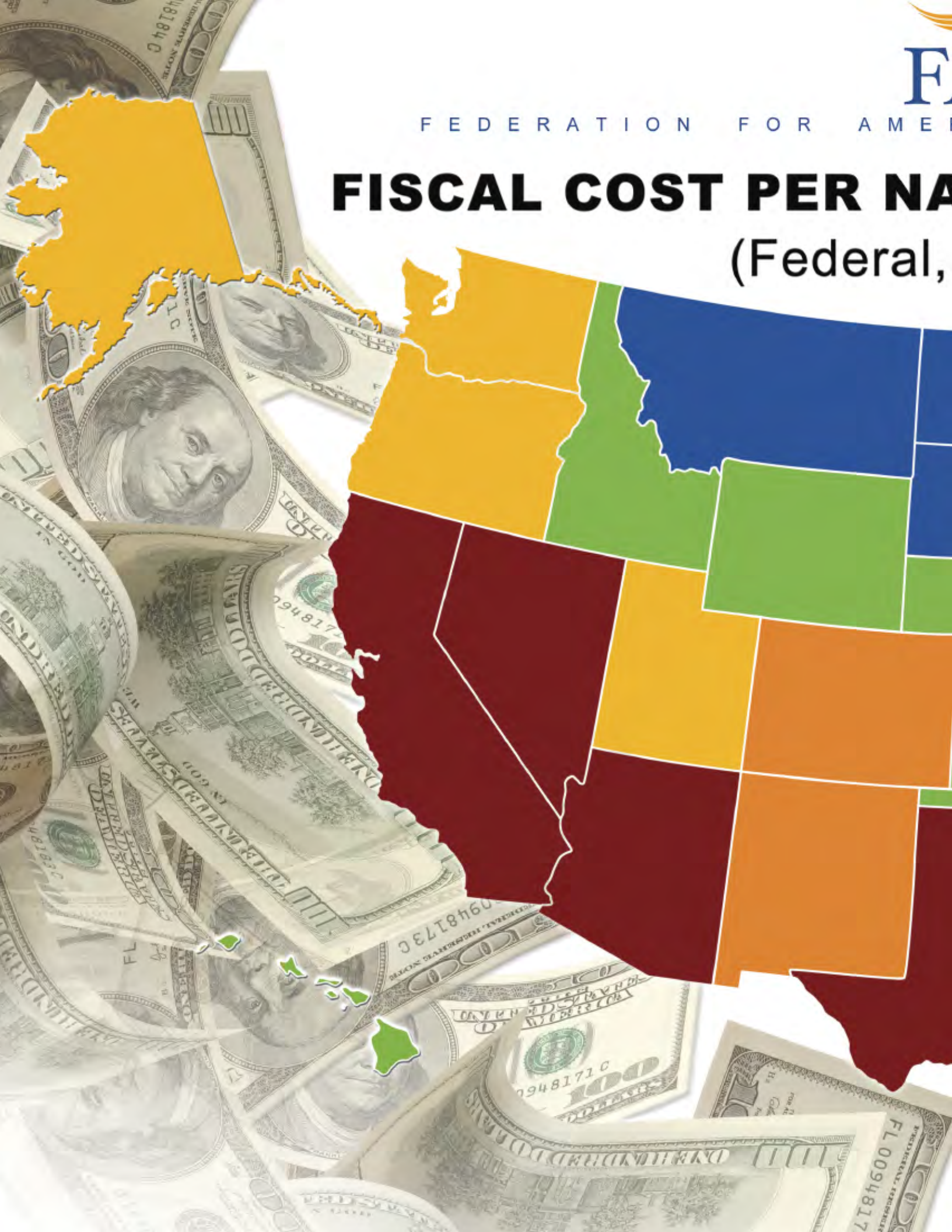


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# FISCAL COST PER NA

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of Education.<sup>92</sup> These per pupil costs are for 2007 and, despite the current economic recession, are likely to have increased since that time. Between 2005-06 school year and the 2006-07 school year, the national average increase in expenditure per pupil was 5.8 percent. Under current deficit-fighting budgets in most states and local school districts, we estimate that similarly large increases are not likely to have occurred. We conservatively estimate that average per pupil expenditures in the 2009-10 school year are likely at least 8 percent greater than three years earlier.

Based on an estimate of slightly more than 3.5 million children of illegal aliens in public schools, the total cost of K-12 education to state and local governments is about \$40.9 billion annually. Our estimate is conservative also because our state studies have identified the fact that average educational expenditures tend to be higher in metropolitan areas, which are more heavily impacted by illegal migration.

**A2. English as a Second Language Instruction (ESL) . . . . . \$8,270,000,000**

Adding to the state and local educational outlays for the children of illegal aliens are the supplemental programs to teach LEP/ELL students. These students are most often, although not exclusively, the children of illegal aliens. A very small share of these students is Native American, usually living on reservations, or the children of legal immigrants.

*“The federal government also provides grants specifically intended to subsidize the cost of educating immigrant schoolchildren. The English Language Acquisition program is the primary support program provided under No Child Left Behind. Through that program, schools receive funds for teaching English to children with limited language proficiency. . . . Although those grant programs offset some of the costs that unauthorized immigrants impose on state and local governments, the available funding is targeted only to language education and does not cover costs for general education.”<sup>93</sup>*

While some funding for these programs comes from the federal Title III program, as noted above, most of the funding comes from state and/or local budgets. Reported expenditures on these programs vary widely, apparently because there is no common system for reporting and collecting these data. Funding from state budgets vary not only in amounts but also in the formulas used to match local funding, with a few states making no allocation for these programs in their state budgets. Maryland and Virginia data document expenditures in excess of \$7,000 and \$6,000 per student respectively while reported expenditures per pupil are less than \$1,000 in locations such as Nevada and Colorado.

A 2004 report by the GAO estimated that the cost associated with English language instruction for limited English speakers adds significantly to the cost of normal instruction. The GAO noted:

*“Bringing ELL-enrolled children up to the grade level of same age non-ELL-enrolled children has been estimated to potentially increase costs by an additional 10 to 100 percent over usual per pupil costs; for students living in poverty (independent of ELL programs), the corresponding range of estimates is 20 to 100 percent. Bringing students characterized by both poverty and limited English proficiency up to average levels*

*of achievement could potentially increase average costs by a larger amount—perhaps 30 to 200 percent over average per pupil costs.”<sup>94</sup>*

That GAO study applies a very broad range to the cost of English instruction. Average estimated current per pupil expenditures for K-12 public school education are about \$12,000, while the median expenditure is about \$11,100. The level of outlay on regular instruction, therefore, would range from \$1,200 to \$12,000 or more. A more recent report by the Congressional Budget Office narrowed the estimated range of expenditure on supplemental education for LEP students.

*“Analyses from several states indicate that the costs of educating students who did not speak English fluently were 20 percent to 40 percent higher than the costs incurred for native-born students.”<sup>95</sup>*

In this study we have used a conservative estimate of outlays for LEP instruction at one-fourth of the average educational per pupil expenditure except for a few instances where higher per pupil state expenditures were documented. This assumption produces an estimate of state and local expenditures on English supplemental instruction of nearly \$8.3 billion annually. It should be noted, however, as with the costs of general education, the cost of English instruction tends to be higher in metropolitan areas that have large numbers of illegal aliens.

Table 8 displays the outlays for each state based on the estimated K-12 enrollment of children of illegal aliens and the estimated number of those students receiving supplemental ESL instruction and the estimated outlay on that instruction.

As may be seen in the table, total educational outlays at the state and local level for educating the children of illegal aliens are about \$49.2 billion annually. The ESL cost of nearly \$8.3 billion represents about 15.9 percent of the overall cost nationally.

### **A3. Post-Secondary Tuition Subsidy . . . . . \$244,100,000**

Some children of illegal aliens continue their education at the post-secondary level. If they are illegally in the country they are supposed to be precluded from receiving a taxpayer-subsidized education by a provision in the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. That provision, however, has been circumvented in several states by the enactment of “don’t ask-don’t tell” policies. In addition, illegal alien advocacy organizations that have lobbied for in-state tuition breaks for illegal alien students have also lobbied for the repeal of the 1996 law and for the adoption of the DREAM Act in its place. One of the objectives of that legislative proposal is to remove any barriers to spending tax revenues in support of post-secondary studies by illegal aliens as well as removing any barriers to providing scholarship support to those same students.

In 1996, the Migration Policy Institute (MPI) estimated enrollment of illegal alien students in post-secondary education at about 50,000 with a large majority enrolled in community colleges.<sup>96</sup> As the illegal alien population has increased since 1996, the enrollment of illegal aliens is also likely to have increased. We estimate there are

TABLE 8

## State Outlays for K-12 Public Schooling Children of Illegal Aliens

	K-12 STUDENTS	\$ @	\$ (M)	LEP STUDENTS	\$ @	\$ (M)	TOTAL \$ (M)
Alabama	16,153	\$9,854	\$159.2	11,229	\$2,463	\$27.7	\$186.8
Alaska	2,692	\$23,185	\$62.4	2,166	\$5,796	\$12.6	\$75.0
Arizona	134,608	\$10,330	\$1,390.5	108,277	\$2,583	\$279.6	\$1,670.2
Arkansas	13,461	\$9,647	\$129.9	10,828	\$2,412	\$26.1	\$156.0
California	861,491	\$10,710	\$9,226.9	692,975	\$2,678	\$1,855.5	\$11,082.4
Colorado	72,688	\$11,079	\$805.3	58,470	\$2,770	\$161.9	\$967.2
Connecticut	30,960	\$14,732	\$456.1	24,904	\$3,683	\$91.7	\$547.8
D.C.	8,076	\$18,968	\$153.2	6,931	\$4,742	\$32.9	\$186.1
Delaware	9,423	\$14,913	\$140.5	5,165	\$3,728	\$19.3	\$159.8
Florida	255,755	\$10,870	\$2,780.1	205,727	\$2,718	\$559.1	\$3,339.2
Georgia	133,262	\$10,907	\$1,453.5	79,894	\$2,727	\$217.8	\$1,671.3
Hawaii	5,384	\$13,145	\$70.8	4,331	\$3,286	\$14.2	\$85.0
Idaho	10,769	\$8,689	\$93.6	8,662	\$2,172	\$18.8	\$112.4
Illinois	208,642	\$9,810	\$2,046.7	175,454	\$2,452	\$430.3	\$2,477.0
Indiana	29,614	\$10,484	\$310.5	23,821	\$2,621	\$62.4	\$372.9
Iowa	14,807	\$9,968	\$147.6	11,911	\$2,492	\$29.7	\$177.3
Kansas	18,845	\$11,451	\$215.8	15,159	\$2,863	\$43.4	\$259.2
Kentucky	12,115	\$10,262	\$124.3	9,745	\$2,566	\$25.0	\$149.3
Louisiana	10,769	\$10,171	\$109.5	8,662	\$2,543	\$22.0	\$131.6
Maine	1,346	\$13,874	\$18.7	1,083	\$3,468	\$3.8	\$22.4
Maryland	67,304	\$13,690	\$921.4	41,593	\$7,110	\$295.7	\$1,217.1
Massachusetts	60,574	\$13,856	\$839.3	48,725	\$3,464	\$168.8	\$1,008.1
Michigan	30,960	\$10,147	\$314.1	24,904	\$2,537	\$63.2	\$377.3
Minnesota	26,922	\$11,340	\$305.3	21,655	\$2,835	\$61.4	\$366.7



Mississippi	6,730	\$8,900	\$59.9	4,664	\$2,225	\$10.4	\$70.3
Missouri	13,461	\$9,927	\$133.6	10,828	\$2,482	\$26.9	\$160.5
Montana	1,346	\$11,905	\$16.0	1,083	\$2,976	\$3.2	\$19.2
Nebraska	10,769	\$11,704	\$126.0	8,662	\$2,926	\$25.3	\$151.4
Nevada	56,535	\$12,223	\$691.1	45,476	\$3,056	\$139.0	\$830.0
New Hampshire	4,038	\$13,521	\$54.6	3,292	\$3,380	\$11.1	\$65.7
New Jersey	131,916	\$16,752	\$2,209.8	54,503	\$4,188	\$228.3	\$2,438.1
New Mexico	25,576	\$13,494	\$345.1	20,573	\$3,373	\$69.4	\$414.5
New York	269,216	\$18,125	\$4,879.4	208,848	\$4,531	\$946.3	\$5,825.7
North Carolina	103,648	\$9,961	\$1,032.4	83,374	\$2,490	\$207.6	\$1,240.0
North Dakota	1,346	\$11,458	\$15.4	1,083	\$2,864	\$3.1	\$18.5
Ohio	21,537	\$9,817	\$211.4	17,324	\$2,454	\$42.5	\$254.0
Oklahoma	22,883	\$8,921	\$204.1	18,407	\$2,230	\$41.1	\$245.2
Oregon	33,652	\$10,526	\$354.2	27,069	\$2,631	\$71.2	\$425.4
Pennsylvania	37,690	\$11,952	\$450.5	30,318	\$4,135	\$125.4	\$575.9
Rhode Island	10,769	\$14,738	\$158.7	7,427	\$3,684	\$27.4	\$186.1
South Carolina	20,191	\$10,975	\$221.6	16,242	\$2,744	\$44.6	\$266.2
South Dakota	1,346	\$10,061	\$13.5	1,083	\$2,515	\$2.7	\$16.3
Tennessee	29,614	\$7,828	\$231.8	25,449	\$1,957	\$49.8	\$281.6
Texas	468,436	\$10,864	\$5,089.0	376,805	\$2,716	\$1,023.4	\$6,112.3
Utah	26,922	\$8,885	\$239.2	21,655	\$2,221	\$48.1	\$287.3
Vermont	1,346	\$13,656	\$18.4	1,083	\$3,414	\$3.7	\$22.1
Virginia	79,419	\$11,114	\$882.7	63,884	\$6,288	\$401.7	\$1,284.3
Washington	60,574	\$10,554	\$639.3	48,725	\$2,638	\$128.6	\$767.8
West Virginia	1,346	\$10,940	\$14.7	1,083	\$2,735	\$3.0	\$17.7
Wisconsin	24,229	\$11,923	\$288.9	19,490	\$2,981	\$58.1	\$347.0
Wyoming	1,346	\$19,564	\$26.3	1,083	\$4,891	\$5.3	\$31.6
<b>TOTAL</b>	<b>3,502,500</b>		<b>\$40,883.0</b>	<b>2,721,780</b>		<b>\$8,270</b>	<b>\$49,152.8</b>

about 60,000 illegal alien students enrolled in just the universities and community colleges in the 11 states that allow their admission at in-state resident rates. Those states (California, Illinois, Kansas, Nebraska, New Mexico, New York, Oklahoma, Texas, Utah, Washington, and Wisconsin) account for more than half the estimated illegal alien population. In three of those states (New Mexico, Oklahoma, and Texas), illegal aliens are also eligible for state financial aid. It is reasonable that illegal alien students would be more likely to be enrolled in higher education in those states than in states that did not offer that taxpayer-funded benefit. Published information allows estimates of the costs passed on to the state taxpayers in those ten states.

### *California*

The California university system collects information on their admission of illegal aliens as in-state residents. A recent report identifies 1,600 illegal alien students in the University of California system and 15,000 in the community college system.<sup>97</sup> A comparable number is not available for the Cal State system of universities, although it would be reasonable to expect a larger number in the UC system because of its larger enrollment and more relaxed admission standards. If there are as many as 20,000 students receiving the in-state tuition benefit, that would amount to a taxpayer burden of \$87.9 million annually (\$12,895 per university student and \$1,560 per community college student).

### *Texas*

In Texas, in 2009, 12,138 students benefited from the state law granting in-state tuition to illegal aliens, according to the Texas Higher Education Coordinating Board.<sup>98</sup> A distribution similar to that in California between 4-year and 2-year schools would place about 10,000 in two-year schools and the remainder in 4-year schools. The difference in tuition for in-state and out-of-state students for the former is \$751 (for 12 credits) and it is \$8,600 for the latter. This implies an annual taxpayer subsidy of about \$25.9 million.

### *Illinois*

For Illinois, tuition varies by university and community college. Using the University of Illinois at Urbana and Illinois Valley Community College as examples, the subsidy paid by Illinois taxpayers for the illegal alien in-state tuition privilege amounts to \$15,756 for university and \$6,071 for the two-year school. When the provision allowing in-state tuition was enacted in Illinois in 2003, the Illinois State Board of Higher Education estimated that between 3,000 and 4,000 “undocumented” new high school graduates would qualify for in-state tuition under the new law.<sup>99</sup> That could mean cumulative enrollment now of three to four times that number of students. If California’s ratio between illegal aliens in four-year and two-year schools applies in Illinois, that estimate suggests an Illinois taxpayer subsidy of about \$31 million per year.

### *Other States*

For the other seven states offering in-state tuition to illegal alien students, we use an average factor of 1.7 percent of the estimated illegal alien student population and apportion that number between four-year and two-year schools.

TABLE 9

	ENROLLMENT		IN-STATE TUITION BENEFIT		TOTAL (\$M)
	4 YEAR	2 YEAR	4 YEAR	2 YEAR	
California	5,000	15,000	\$12,895	\$1,560	\$87.9
Illinois	2,100	9,900	\$15,756	\$6,071	\$93.2
Kansas	60	290	\$11,968	\$2,744	\$1.5
Nebraska	35	165	\$3,984	\$258	\$0.2
New Mexico	85	390	\$6,077	\$552	\$0.7
New York	875	4,105	\$7,900	\$3,720	\$22.2
Oklahoma	75	350	\$4,142	\$775	\$0.6
Texas	2,140	10,000	\$8,600	\$751	\$25.9
Utah	90	410	\$10,354	\$4,920	\$2.9
Washington	195	925	\$16,675	\$4,800	\$7.7
Wisconsin	80	370	\$9,730	\$1,285	\$1.3
	<b>10,735</b>	<b>41,905</b>			<b>\$244.1</b>

“A 2009 SURVEY FROM THE AMERICAN ASSOCIATION OF COLLEGIATE REGISTRARS AND ADMISSIONS OFFICERS FOUND THAT MORE THAN HALF OF COLLEGES KNOWINGLY ADMIT ILLEGAL IMMIGRANTS. THE SURVEY ALSO FOUND THAT ABOUT 20 PERCENT VERIFY THE IMMIGRATION STATUS OF APPLICANTS.”

—ATLANTA JOURNAL-CONSTITUTION, MAY 2010<sup>100</sup>

The 11 states in Table 9 are estimated to be furnishing higher education to about seven-eighths of the illegal alien students in post-secondary public schools. The taxpayer subsidy for these illegal aliens amounts to more than \$244 million annually.

As the above quote makes clear, there are likely to be fiscal outlays for the post-secondary education of illegal aliens in states other than the eleven identified above. However, as no records are available documenting that enrollment, it is not possible to estimate those fiscal costs.

In addition to the estimated 60,000 illegal alien students enrolled in higher education, there is no doubt that a much larger number of U.S.-born children of illegal aliens are also being subsidized with in-state tuition and financial aid. As noted above, however, because these students are unlikely to accompany their parents if the

parents return voluntarily or involuntarily to their home country, we treat this expenditure as something that could not be reversed as a result of improved immigration law enforcement. We, therefore, do not include an estimate of this cost. It is worth keeping in mind, however, that improved future immigration law enforcement would have the effect of reducing this impact on state university systems and on state taxpayers.

#### A4. Financial Aid for Post-Secondary Enrollment

As noted above, three of the ten states offering in-state tuition to illegal alien students also overtly offer financial aid to those students. As the family income of illegal alien families is generally very low, it is reasonable to expect that virtually all of the illegal alien students in higher education will have their tuition and fees heavily subsidized in those states.

For those three states (New Mexico, Oklahoma, and Texas), we have estimated that the enrolled students are likely to be benefitting from financial assistance of an average 75 percent of cost at the universities and 100 percent in the community colleges. For those three states the additional amount of educational burden on the state taxpayer for illegal alien students is estimated to amount to about \$18 million, as shown below.

TABLE 10

	ENROLLMENT		FINANCIAL AID BENEFIT		TOTAL (\$M)
	4 YEAR	2 YEAR	4 YEAR	2 YEAR	
New Mexico	85	390	\$1,913	\$675	\$0.4
Oklahoma	75	350	\$1,061	\$612	\$0.3
Texas	2,140	10,000	\$5,835	\$477	\$17.3
	<b>2,300</b>	<b>10,740</b>	<b>\$8,809</b>	<b>\$1,764</b>	<b>\$18.0</b>

Similar to the observation above regarding enrollment of illegal aliens, it is reasonable to assume that the estimated financial assistance outlays in the three states that openly offer such assistance is only the tip of the iceberg. Other higher educational establishments are likely to do so either unwittingly or as a result of deliberate “don’t ask-don’t tell” policies.

#### ► Amnesty Implications

It should be noted that if an amnesty for illegal aliens were adopted — whether the general amnesty as proposed by Rep. Gutierrez (H.R.4321), or the Schumer-Graham outline, or a more limited amnesty for students as proposed in the DREAM Act — the consequences would be either a larger fiscal burden on the states that are not enrolling illegal alien students at in-state rates or reduced access for U.S.-born students and children of legal immigrants — or a combination of both. That burden would be further increased by these same students competing for limited financial aid.

From the partial data available, it appears that most illegal aliens do not continue on to higher education and pay out-of-state tuition rates. However, if an amnesty were adopted, states could expect to see increased pressure from legalized aliens for admission as in-state students and for scholarship and other financial assistance.

#### **A5. Post-Secondary Education of U.S. Born Children of Illegal Aliens**

In addition to the taxpayer supported post-secondary education of illegal alien students, there is no doubt a much larger taxpayer expense resulting from the continuing education of the children of illegal aliens who were born here after their arrival. These U.S.-citizen students are admitted into taxpayer-funded schools and they not only qualify for tuition assistance from the schools if they are from poor families — which is as likely as for the illegal alien students — they also are eligible for federal Pell grants.

Their presence in the United States and the fiscal outlay for their continuing education is attributable to the illegal presence of their parents. Nevertheless, when they become young adults, the possibility of their being taken back to the homeland of their parents (where in most cases they will also have nationality) if the parents voluntarily or involuntarily leave the United States is much reduced. For that reason, no effort is made here to estimate the amount of state or local budgets spent on their continuing education. In effect, for the purposes of this report, these children of illegal immigrants are considered to be here permanently. Nevertheless, policymakers should recognize that fiscal savings are available in this cost area if the illegal alien population is diminished.

**TABLE 11**  
**Educational Expenditures**

K-12 Educational Expenditures	\$40,883,000,000
English as a Second Language (ESL)	\$8,270,000,000
Post-Secondary Expenditures	\$244,100,000
<b>Total</b>	<b>\$49,397,100,000</b>

Our analysis of the educational expenditures on the children of illegal aliens at the state and local level suggests that the total of these expenditures amounts to about \$49.4 billion per year.

## **B. MEDICAL CARE COSTS OF ILLEGAL ALIENS**

In 2004, we issued a report that surveyed available information on publicly-funded medical care provided to illegal immigrants nationwide. That report noted that accurate expenditure data was not systematically available but noted that, "...it is clear that those costs are more than one billion dollars."<sup>101</sup> Since that report was issued,

FAIR has completed 16 state fiscal cost studies that included an estimate of medical expenditures on illegal aliens. The outlays in those states total \$4.8 billion. The same 16 states account for 83 percent of the national total illegal alien population and presumably about the same share of medical outlays for that population.<sup>102</sup> If we extrapolate the results of our state fiscal cost studies to the remaining 34 states and the District of Columbia, this would suggest a total national outlay at the state level of nearly \$5.8 billion annually.

In our early state fiscal cost studies, we focused only on emergency medical treatment to illegal aliens. Our more recent studies have included an additional focus on medical coverage provided under Medicaid for childbirth to illegal aliens and for medical treatment for the U.S.-born children of illegal aliens. This study reanalyzes the estimates from earlier fiscal cost studies in accordance with our current estimate of the size of the illegal alien population and for current costs — both of which are likely to have increased.

“IT IS ESTIMATED THAT 44% OF LEGAL MEXICAN IMMIGRANTS AND 77% OF UNDOCUMENTED [MEXICAN] IMMIGRANTS LACK HEALTH INSURANCE.”

—DUBARD AND MESSING, JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION, MARCH 2007<sup>103</sup>

Opponents of enhanced immigration law enforcement argue that the medical expenses of illegal aliens should be ignored because immigrants use taxpayer-supported medical care less than the public in general. This argument is a form of bait-and-switch. Legal immigrants and illegal aliens have very different average incomes, with the latter more likely not to have health insurance.

Both the immigrant and illegal alien populations tend to be younger than the population generally and are less likely to require health care. Despite being younger, illegal aliens tend not to have employer-provided insurance or the ability to buy private insurance. They also tend to work in jobs that are not covered by workman's compensation and in jobs that have higher accident rates. Thus, when they do get sick or injured, they disproportionately rely on public health care. There is no reason to expect this to change under the recently enacted health care reform provisions.

For this study we apportion the U.S.-born children of illegal aliens without insurance among the states based on the estimated number such children in the state. We assume that one-third of those children are receiving Medicaid coverage on the basis of their poverty status and that most of the remainder are receiving SCHIP benefits — allowing for the outliers who are in families with incomes too high to qualify. In addition, we calculate the number of illegal alien adults also in poverty and without insurance using the Pew Hispanic Center estimate that one-fifth of that population is below the poverty level. This population is likely to be using Emergency Medicaid services.

Finally we use data on the amount of state outlays for Medicaid and for SCHIP in 2007 presented on the State Health Facts website to calculate the expenditure per state of the amount of those two program expenditures



attributable to the illegal alien population. As we believe the illegal alien population today is not significantly different from the population in 2007 because of recently declining illegal entry and a greater number of voluntary and involuntary departures, we have not adjusted the state Medicaid or SCHIP spending upwards.

The state-absorbed costs of medical expenditures associated with illegal migration fall into five categories: (1) Medicaid expenditures for childbirth to persons in poverty, (2) medical emergency care, (3) Medicaid coverage of the U.S.-born children of illegal aliens in poverty, (4) State Children’s Health Insurance Program (SCHIP) medical coverage for the children of illegal aliens who do not qualify for Medicaid coverage, and (5) other state-provided medical care.

**B1. Emergency Medicaid Births to Illegal Aliens . . . . . \$1,006,300,000**

A study of Emergency Medicaid in North Carolina illustrates that childbirth to illegal alien mothers is a major cost imposed by the Emergency Medical Treatment and Active Labor Act (EMTALA). North Carolina has seen a rapid increase in its illegal alien population in recent years. According to a study in the *Journal of the American Medical Association*, almost 82 percent of EMTALA spending in North Carolina in 2004 was for childbirth and pre- and post-natal care. Illegal aliens were almost wholly responsible for these costs. The authors of the JAMA article noted that, “A total of 48,391 individuals received services reimbursed under Emergency Medicaid during the 4-year period of this study. The patient population was 99% undocumented, 93% Hispanic, 95% female, and 89% in the 18- to 40-year age group.”

Since illegal aliens are prevented from accessing taxpayer funded healthcare programs, many tend to use emergency rooms as their primary healthcare provider, which is especially true for illegal alien mothers giving birth.<sup>104</sup> Our estimate of the births to illegal aliens is based on the number of births in each state in 2008, the estimated size of the illegal alien population in that state and the application of the rule of thumb at the national level that births to the illegal alien population are about double their share of the population. We then conservatively apply an estimated cost per delivery of \$10,000 — which is an average amount for an uncomplicated delivery, but which ignores that some of those births will undoubtedly be complex and more costly. Our calculations indicate a state-absorbed outlay of slightly more than \$1 billion per year.

**B2. Uncompensated Emergency Medical Care to Illegal Aliens . . . . . \$7,546,900,000**

Besides delivery costs, illegal aliens also access emergency medical care for injuries and illness when they do not have other medical resources available to them.

Citing a state legislative analysis, the *Los Angeles Times* reported in 2009 that \$775 million was spent just by the state’s Medi-Cal program on illegal aliens. Pre-natal care alone accounted for \$59 million of the spending, excluding \$108 million in childbirth costs for illegal alien mothers, since the child is a U.S. citizen.<sup>105</sup>

Emergency medical care is required by law regardless of ability to pay until the patient’s medical condition is stabilized. This provision of law is often relied on by illegal aliens who do not have medical insurance or the

means to pay for medical treatment. EMTALA, enacted in 1986, has provided a limited federal program of reimbursement to the states described above in the discussion of federal outlays for illegal aliens.

Three examples of the costs of providing emergency medical care are provided in the following report from Florida.

*“Last year, undocumented immigrants visited Jackson [Hospital] 77,415 times, costing the system \$38 million in unpaid care. So far this year, 54,858 visits have cost \$33 million. That is less than 10 percent of the \$500 million the system spends on charity care each year, but more than half of the \$56 million that Jackson expects to lose this fiscal year. ... To get some of that money, Jackson submitted 2,908 claims in 2008 for \$23.4 million. It was reimbursed \$543,621.31.” [N.B. That is a 2.3 percent rate of reimbursement.]*

*“Broward Health, the public system in North Broward, estimates it spent about \$16 million last year treating about 12,000 foreign patients who were probably undocumented. ... Last year, 13 percent of them were over 65. Since they do not qualify for Medicare, the hospital did not get reimbursed for \$4.6 million of their care cost.”*

*“On a quiet street in northwestern Miami, a Jackson nursing home serves 60 undocumented immigrants — some paralyzed, quite a few on ventilators — costing Miami-Dade taxpayers about \$318 a day per patient. “There’s no way to place them anywhere else,” says Armand Gonzalez, administrator of the Jackson Memorial Long-Term Care Center. The cost of their care is part of the reason why the county’s public hospital system is struggling with growing financial losses that border on the disastrous. Losses are expected to escalate to \$168 million next year because of South Florida’s unique problems — high numbers of uninsured and high healthcare costs that keep increasing the ranks of the uninsured.”*

—Miami Herald, August 2009<sup>106</sup>

Texas offers a case study of state emergency medical expenditures. The state legislature required the Texas Health and Human Services (HHS) Commission to issue a report on “Benefits Provided to Undocumented Immigrants.”<sup>107</sup> The report in 2008 covered expenditures in 2007. It covered state expenditures for medical services in two categories, i.e., services provided by the state’s HHS Commission (Emergency Medicaid and the Family Violence Program) and uncompensated services provided by public hospitals. The findings in the report were based on an estimated 1.64 million illegal aliens and the state’s share of Emergency Medicaid of 40 percent. It estimated the cost of Emergency Medicaid and Family Violence Program funding for illegal aliens in 2007 at \$81.2 million.

Besides the share of the cost of emergency medical treatment for illegal aliens paid by the state, the Texas HHS report estimated the additional costs absorbed at the local level by local hospitals and governments at \$596.8 million. Those costs are picked up either directly by the local taxpayer or indirectly through higher medical costs and higher medical insurance premiums. The total of these state and local costs for emergency medical care in

Texas amounted to \$678 million. Most of that expenditure (79.5%) was for Inpatient hospital expense. Other costs were for outpatient care (3.5%), professional and other services (16.9%) and a small amount for drugs.

In the case of Texas, the Emergency Medicaid benefits paid by the state for births to illegal aliens and related expenses was exceeded by the uncompensated (non-Medicaid) emergency treatment by a large margin (7.5 to 1).

A 2002 report on uncompensated care in Southwest border counties found that in the 24 U.S. counties abutting Mexico (in California, Arizona, New Mexico, and Texas) about 25 percent of uncompensated hospital costs, nearly \$190 million, were due to “undocumented immigrants,” i.e., nearly \$190 million.<sup>108</sup> In California over half of the illegal alien population has no insurance, with the Urban Institute finding that in Los Angeles County illegal alien adults were almost four times more likely than native-born adults to be uninsured.<sup>109</sup> Both of those studies suggested similar usage of uncompensated emergency Medicaid by illegal aliens — 25 percent for the border counties and 20 percent for Los Angeles.

Another situation is described in this report from Philadelphia. It refers to patient “dumping.”

*“Mrs. Kim is 4-foot-8, speaks no English, and has been in America, illegally, for a decade. She has arthritic knees and can no longer stand. She needs a nursing home. But none will take her. Because of her illegal status, she is ineligible for Medicaid, which pays the bill for two out of every three nursing-home residents. Without Medicaid, and with no means of her own, she became Abington’s [hospital] problem. . . . On March 12, after 80 days, the charges — the sticker price that few pay — were \$444,208.63. The true cost of her care, said Louis Incognito, Abington’s reimbursement director, was \$1,200 a day — \$96,000, and rising.”*  
—Philadelphia Inquirer, 2010<sup>110</sup>

A report on emergency medical services provided in Nevada provides another example.

*“...Six months after the Review-Journal revealed that 80 illegal immigrants with failing kidneys were running up about \$2 million a month in bills for dialysis and other medical treatment at the only publicly supported hospital in Las Vegas, the situation for both patients and taxpayers only continues to worsen. . . . With four new illegal immigrants now having their dialysis done at UMC’s emergency room — and monthly visits jumping from 216 in August to 243 currently — the billed charges for the 84 illegal immigrants are now at about \$2.4 million a month — or \$28 million a year.”*

—Las Vegas Review-Journal, 2010<sup>111</sup>

Both recourse to emergency medical attention and childbirths fall under the coverage of the EMTALA program. Before estimating the costs to the states of non-childbirth expenditures for emergency treatment, we will estimate the expenditures related to Emergency Medicaid births to illegal aliens.

With Texas the only state to provide a government-commissioned study of the breakdown between compensated and uncompensated emergency medical services provided to illegal aliens, we have used the 7.5:1 ratio of

uncompensated to compensated outlays to estimate the fiscal burden borne by the state and local governments for uncompensated care. It should be noted that some of this fiscal burden on the state and local taxpayer may be indirect as it impacts on the medical facilities and is likely to be passed on to other medical service consumers in higher service and insurance costs.

**B3. Medicaid Care for U.S.-Born Children of Illegal Aliens . . . . . \$1,813,700,000**

In 2006 the states spent \$90.3 billion on providing Medicaid care to about 29.2 million children. That averaged about \$3,100 per child, although the amounts varied from a high of \$5,951 in Washington D.C. to a low of \$1,705 in California. Based on our estimate of the number of U.S.-born children of illegal aliens and the estimate that one-third of these U.S.-born children of illegal aliens both have no medical insurance and are living in poverty, the cost of this Medicaid coverage is about \$1.8 billion per year.

**B4. State Children’s Health Insurance Programs (SCHIP) . . . . . \$456,600,000**

U.S.-born children of illegal aliens who are not eligible for Medicaid are most likely eligible for subsidized medical care under SCHIP, which is funded by both the federal government and the states. The income eligibility criteria may be 250 percent of the poverty level or higher. The SCHIP programs vary by state in terms of income eligibility and scope of coverage with a few states covering low-income adults without medical insurance as well as children.

For example, in addition to the emergency medical outlays in Texas, noted above, the state covers children in poor families earning up to \$36,620 in its Children’s Health Insurance Program in 2008.<sup>112</sup>

“To qualify for CHIP coverage, a child must be age 18 or younger, a U.S. citizen and Texas resident. Parents, stepparents, grandparents or legal guardians may apply for a child’s coverage. The yearly income guidelines are: family of two — \$29,140; family of three — \$36,620; family of four — \$44,100.”<sup>113</sup>

Congress rejected adoption of a proposed requirement in the expansion of the State Children’s Health Insurance Program (SCHIP) in 2009 that the care provider verify an applicant’s legal status similar to the requirement for other federal benefits using the Systematic Alien Verification for Entitlements (SAVE) system. As a result, services may be accessed using stolen or fraudulent Social Security numbers.

Using our estimate of about 13 million illegal aliens and an additional 3.9 million U.S.-born children of illegal aliens, and an estimate by the RAND Corp. and the Pew Hispanic Center that between 59 percent and 68 percent of illegal aliens have no health insurance, we conclude that there are about 10 million illegal aliens and their U.S.-born children without health insurance who are likely to rely on either Medicaid, SCHIP or uncompensated emergency room care.<sup>114</sup>

Children of illegal aliens whose family income exceeds the Medicaid cut-off eligibility level are eligible for the State Child Health Insurance Program (SCHIP). That program provides subsidized medical insurance. SCHIP outlays by the states in 2007 amounted to about \$3 billion. We have compared the number of children of

TABLE 12

## Medical Care for Illegal Aliens

(\$M)

	Emergency Medicaid		Medical Insurance		TOTAL
	BIRTHS	OTHER	U.S.-BORN	SCHIP	
Alabama	\$3.1	\$23.2	\$4.7	\$1.4	\$32.4
Alaska	\$0.9	\$6.9	\$1.9	\$0.4	\$10.2
Arizona	\$30.6	\$229.3	\$45.8	\$14.7	\$320.3
Arkansas	\$2.3	\$17.2	\$3.2	\$1.0	\$23.7
California	\$292.6	\$2,194.2	\$322.9	\$111.5	\$2,921.2
Colorado	\$23.4	\$175.3	\$42.5	\$10.4	\$251.6
Connecticut	\$8.6	\$64.2	\$28.2	\$2.6	\$103.6
D.C.	\$1.5	\$11.1	\$5.4	\$0.6	\$18.6
Delaware	\$2.8	\$21.3	\$4.7	\$1.7	\$30.5
Florida	\$62.4	\$468.2	\$103.8	\$25.3	\$659.8
Georgia	\$31.2	\$234.3	\$43.1	\$9.0	\$317.6
Hawaii	\$1.6	\$11.7	\$2.5	\$0.4	\$16.2
Idaho	\$2.2	\$16.5	\$3.5	\$0.7	\$23.0
Illinois	\$67.2	\$503.7	\$119.9	\$34.5	\$725.2
Indiana	\$6.6	\$49.8	\$12.3	\$2.9	\$71.6
Iowa	\$3.3	\$24.7	\$6.9	\$1.7	\$36.6
Kansas	\$4.9	\$36.9	\$9.8	\$1.8	\$53.5
Kentucky	\$2.2	\$16.3	\$4.4	\$1.1	\$24.0
Louisiana	\$2.1	\$15.4	\$3.5	\$0.6	\$21.7
Maine	\$0.2	\$1.7	\$0.7	\$0.2	\$2.9
Maryland	\$20.5	\$153.7	\$52.2	\$9.9	\$236.3
Mass.	\$16.9	\$127.1	\$56.0	\$15.1	\$215.1
Michigan	\$7.3	\$55.0	\$15.2	\$10.0	\$87.5
Minn.	\$8.3	\$62.4	\$23.7	\$5.0	\$99.4
Miss.	\$1.1	\$8.3	\$1.5	\$0.6	\$11.5
Missouri	\$3.0	\$22.6	\$7.0	\$1.3	\$33.8
Montana	\$0.2	\$1.8	\$0.6	\$0.1	\$2.7
Nebraska	\$2.9	\$21.8	\$6.3	\$1.2	\$32.3
Nevada	\$17.6	\$132.1	\$27.6	\$5.2	\$182.5
N.H.	\$1.0	\$7.8	\$3.7	\$0.2	\$12.7
N.J.	\$39.3	\$295.0	\$138.2	\$36.7	\$509.3
N.M.	\$4.9	\$36.8	\$8.1	\$14.4	\$64.2
N.Y.	\$79.4	\$595.8	\$256.4	\$25.2	\$956.9
N.C.	\$22.4	\$168.1	\$48.5	\$11.0	\$249.9
N.D.	\$0.3	\$2.2	\$0.7	\$0.2	\$3.4
Ohio	\$4.9	\$36.8	\$12.1	\$2.5	\$56.3
Oklahoma	\$5.1	\$38.3	\$7.7	\$2.1	\$53.2
Oregon	\$7.1	\$53.6	\$15.7	\$3.2	\$79.7
Penn.	\$9.2	\$68.9	\$28.9	\$4.1	\$111.1
R.I.	\$2.8	\$21.0	\$9.9	\$5.0	\$38.6
S.C.	\$3.5	\$26.6	\$5.9	\$1.3	\$37.4
S.D.	\$0.3	\$2.4	\$0.6	\$0.1	\$3.5
Tennessee	\$6.3	\$47.2	\$11.4	\$2.9	\$67.7
Texas	\$137.3	\$1,030.1	\$202.7	\$48.0	\$1,418.2
Utah	\$6.8	\$50.9	\$8.1	\$1.8	\$67.6
Vermont	\$0.3	\$2.0	\$0.7	\$0.1	\$3.0
Virginia	\$24.1	\$180.8	\$50.2	\$10.2	\$265.4
Wash.	\$17.2	\$129.0	\$32.2	\$13.9	\$192.2
W.V.	\$0.2	\$1.4	\$0.4	\$0.1	\$2.1
Wisconsin	\$5.7	\$42.5	\$11.3	\$2.1	\$61.6
Wyoming	\$0.4	\$3.0	\$0.7	\$0.2	\$4.4
<b>Total</b>	<b>\$1,006.3</b>	<b>\$7,546.9</b>	<b>\$1,813.7</b>	<b>\$456.6</b>	<b>\$10,823.5</b>



illegal aliens who likely fall within the income eligibility requirements to the state's reported spending on the program in 2007. In some states our estimate of eligible children of illegal aliens exceeds the number of participants in the state program. We, therefore limit the share we attribute to the children of illegal aliens to no more than one-third of the state's outlays on the program. The result is an additional \$840 million dollars in health-related expenditures.

To estimate state expenditures in this category of expense, we used data on state SCHIP expenditures in 2007 compiled by the State Health Facts organization and data on the enrollment in state CHIP in 2008 compiled on the Kaiser State Health Facts website.

With just over two-thirds of U.S.-born children of illegal aliens not covered by medical insurance plans of their parents, there are an estimated 2.67 million such children who depend on Medicaid or SCHIP coverage. Our estimate allocates one-third of those children to coverage under Medicaid because of their family's poverty, and most of the remaining two-thirds to eligibility for SCHIP coverage. The average 2007 outlay per enrollee in SCHIP was about \$620 per year.

We assume that not all of the eligible U.S.-born children of illegal aliens are enrolled in SCHIP coverage, however, because of the parents being unaware of the program or reluctant to apply because of their illegal residence. We conservatively assume that only half of the eligible children of illegal aliens are enrolled in this program with a total cost to the states of about \$457 million.

## **B5. Other Care for Illegal Aliens**

In addition to the state outlays for Emergency Medicaid and the care provided to low-income U.S. citizens, there are a number of other areas in which the state taxpayer is saddled with medical costs for illegal aliens.

Several states, including California, New York and Texas, provide pre-natal care to illegal aliens out of state funds. These expenses are not matched by federal Medicaid funding. Estimates of the cost range from \$850 to as high as \$1,200 for nine months of medical appointments, lab work and ultra-sound tests.

Another example of other costs involves interpretation services.

*"Hospitals and doctors, however, are wary of the cost of interpretation services, which can run up to \$190 an hour they say the government, not them, should pay these costs."*<sup>115</sup>

*"A 45-year-old federal civil rights law requires hospitals and doctors who accept federal funds to offer language services. Some federal funding for interpretation services is available through Medicaid and the Children's Health Insurance Program, state-run programs that serve the poor and children, respectively. But to obtain the money, states have to pitch in some of their own. The District and Virginia have done so; Maryland has not."*<sup>116</sup>

In addition there are transportation costs to and between medical facilities, the cost of emergency rescue squads



and fire departments that respond to accidents, and similar services. Other costs involve drugs provided to indigent patients and other outpatient and professional services.

We have not attempted to assign a cost to these services, but note should be taken that the enumerated costs above do not represent a full accounting for the overall medical expenditure burden on state and local jurisdictions.

Our calculations indicate state and locally borne costs of medical services provided to illegal aliens and their U.S.-born children annually amount to more than \$10 billion.

## C. ADMINISTRATION OF JUSTICE FISCAL COSTS

**C. Administration of Justice Fiscal Costs . . . . . \$8,687,200,000**

A number of studies assert that immigrants are less likely to commit crimes and be in prison than the general population. Data that support this finding ignore the fact that the share of aliens in federal prisons is much higher than the share of the foreign-born population of the country. Some studies also disguise the issue of the crime incidence of illegal aliens by lumping foreign-born individuals who are U.S. citizens and those who are legal permanent residents (LPRs) together with those who are illegal aliens. Because immigrants have been screened to prevent the entry of persons with criminal records, both when they apply for entry and when they apply for U.S. citizenship, they have an extremely low incidence of criminality. It is, therefore, unlikely that the population of either naturalized U.S. citizens or LPRs will contain many criminals, and those that are still present should be on the path to deportation. For that reason, grouping the legal immigrant population with the illegal alien population for comparison with the general population significantly misrepresents the crime incidence of the illegal alien population.

Data that identify only illegal and deportable illegal aliens is, however, available in annual reports for the State Criminal Alien Assistance Program (SCAAP). This program was established to compensate the states for costs of incarceration of deportable aliens. Unfortunately, not all jurisdictions that imprison deportable aliens are filing claims for this compensation — perhaps because the level of compensation represents only a small fraction of the expenditures. This fact means that the data on imprisoned deportable aliens is understated. Nevertheless, our study based on the SCAAP data found that as a percentage of the adult population criminal aliens were about 50 percent more likely to be incarcerated than U.S. citizens and legal residents.<sup>117</sup>

Direct costs associated with administration of justice (not including capital expenditures) are presented in three categories: policing, corrections and judicial. Data on state expenditures in those categories are compiled by the Justice Department's Bureau of Justice Statistics (BJS). Those data show expenditures on policing is the largest of these categories (46.1%) with corrections (32.1%) and judicial (21.9%). The large share of overall expenditures spent on policing causes the greatest burden to be incurred at the local level (50.9%), with states picking up 32.2 percent of the tab and the federal government covering 16.9 percent.

TABLE 13

Administration of  
Justice Outlays

	POLICE	JUDICIAL/LEGAL	CORRECTIONS	(SCAAP)	TOTAL (\$M)
Alabama	\$12.4	\$4.8	\$1.5	-\$0.1	\$19
Alaska	\$3.4	\$2.8	\$0.7	\$0.0	\$7
Arizona	\$135.0	\$67.2	\$154.8	-\$17.2	\$340
Arkansas	\$9.1	\$3.9	\$5.3	-\$0.3	\$18
California	\$1,197.0	\$721.6	\$1,394.4	-\$143.2	\$3,170
Colorado	\$68.8	\$27.0	\$58.2	-\$7.2	\$147
Connecticut	\$31.4	\$20.3	\$10.5	-\$1.2	\$61
D.C.	\$26.5	\$3.9	\$0.7	\$0.0	\$31
Delaware	\$12.0	\$6.2	\$2.3	-\$0.2	\$20
Florida	\$320.7	\$114.4	\$167.0	-\$23.3	\$579
Georgia	\$103.3	\$46.7	\$47.8	-\$3.1	\$195
Hawaii	\$4.5	\$4.0	\$3.0	-\$0.3	\$11
Idaho	\$7.7	\$4.1	\$12.3	-\$1.0	\$23
Illinois	\$239.1	\$76.4	\$75.6	-\$11.4	\$380
Indiana	\$18.6	\$7.6	\$12.2	-\$0.8	\$38
Iowa	\$10.9	\$5.5	\$7.5	-\$0.6	\$23
Kansas	\$16.8	\$7.7	\$7.9	-\$0.8	\$32
Kentucky	\$7.3	\$4.3	\$10.8	-\$0.2	\$22
Louisiana	\$10.9	\$4.8	\$3.6	-\$0.2	\$19
Maine	\$0.9	\$0.4	\$2.3	-\$0.1	\$3
Maryland	\$75.2	\$31.5	\$34.1	-\$3.0	\$138
Mass.	\$59.3	\$31.9	\$70.7	-\$9.9	\$152
Michigan	\$28.8	\$14.2	\$25.4	-\$2.4	\$66
Minnesota	\$25.7	\$12.1	\$26.8	-\$1.7	\$63
Mississippi	\$5.0	\$1.8	\$1.0	-\$0.1	\$8
Missouri	\$10.5	\$4.0	\$7.3	-\$0.5	\$21
Montana	\$1.0	\$0.7	\$0.9	\$0.0	\$3
Nebraska	\$7.9	\$3.4	\$16.4	-\$1.3	\$26
Nevada	\$74.4	\$36.9	\$47.4	-\$6.7	\$152
N.H.	\$3.3	\$1.4	\$3.4	-\$0.2	\$8
N.J.	\$180.8	\$82.8	\$73.9	-\$1.9	\$336
N.M.	\$25.8	\$12.7	\$31.2	-\$1.9	\$68
N.Y.	\$403.2	\$174.4	\$349.2	-\$61.4	\$865
N.C.	\$81.0	\$23.2	\$58.3	-\$7.1	\$155
N.D.	\$0.9	\$0.5	\$0.6	\$0.0	\$2
Ohio	\$19.8	\$12.0	\$21.4	-\$1.3	\$52
Oklahoma	\$16.4	\$6.9	\$14.8	-\$0.9	\$37
Oregon	\$31.7	\$12.5	\$73.4	-\$6.7	\$111
Pennsylvania	\$29.8	\$17.3	\$29.3	-\$2.1	\$74
R.I.	\$10.7	\$5.7	\$6.6	-\$1.0	\$22
S.C.	\$14.9	\$4.2	\$9.7	-\$0.7	\$28
S.D.	\$0.9	\$0.4	\$2.8	-\$0.2	\$4
Tennessee	\$22.4	\$9.7	\$10.0	-\$0.7	\$41
Texas	\$366.1	\$149.6	\$240.6	-\$28.5	\$728
Utah	\$20.8	\$11.2	\$23.7	-\$1.9	\$54
Vermont	\$1.2	\$0.5	\$0.3	\$0.0	\$2
Virginia	\$67.5	\$28.2	\$41.6	-\$4.7	\$133
Washington	\$46.6	\$23.5	\$61.6	-\$4.6	\$127
W.V.	\$0.7	\$0.6	\$0.0	\$0.0	\$1
Wisconsin	\$24.2	\$9.3	\$37.7	-\$3.2	\$68
Wyoming	\$1.5	\$0.8	\$3.3	-\$0.1	\$5
	<b>\$3,894.1</b>	<b>\$1,857.4</b>	<b>\$3,301.9</b>	<b>-\$366.1</b>	<b>\$8,687.2</b>

The most recent BJS data available are for 2006. The total of state and local outlays on the three functions that year was \$178.2 billion. Increasing costs suggest that state and local expenditures are likely to have grown to about \$194.2 billion (about 9 percent higher). The Census Bureau provides a state breakdown of the shares of the 2006 expenditures among the three categories (policing, judicial/legal, and corrections). That allows a calculation of the amount spent in each of those areas for each state. We then allocate a share of the policing and judicial/legal costs for each state proportionate to the share of the estimated illegal alien population in the state. For the corrections share we make a proportional allocation based on the share of the prisoner population as available in the SCAAP data, also for 2006.<sup>118</sup> Finally, we subtract the amount of SCAAP compensation received by the state.

The resulting amount of administration of justice costs to the states as a result of the illegal alien population is about \$8.7 billion

Nationwide, the SCAAP data put the illegal and deportable alien prisoner share at 4.6 percent of the overall prison population. That is a larger share than the illegal alien population's share of the overall population using our estimate of 4.3 percent. If the federal government's estimate of the illegal alien population were used, the gap between the deportable alien share of prisoners and the illegal alien share of the overall population would be greater.

Apart from the above accounting of law enforcement fiscal costs is any discussion of the costs of the crimes committed by illegal aliens. Whether crimes are violent or property crimes, there are monetary costs.

## D. CHILD CARE

**D. Child Care** ..... \$2,097,400,000

The federal budget outlay of about \$4.9 billion on child care programs (CCDF) in 2010 is matched by state funding of roughly an equal amount. Combined federal and state funding for 2005 reported by the National Center for Children in Poverty was \$9.4 billion and served 1.7 million children.<sup>119</sup> Children living in poverty less than age 13 are served by the CCDF-funded programs. Eligibility for participation in these programs excludes illegal aliens except in the Head Start program.<sup>120</sup> State level outlays per child ranged widely in the 2005 data from lower than \$2,000 per year in 13 states to more than \$3,000 per year in 17 states. Because of the lack of a verification requirement for legal residence, we assume that some illegal alien children as well as the U.S.-born children of illegal aliens are participating in this state-funded benefit.

Our conclusion is that more than \$2 billion is spent annually by the states on child care programs accessed by children of illegal aliens in low-income families.

**TABLE 14**  
**Child Care Outlays**  
**CCDF and TANF**

	\$ @ CHILD	# CHILDREN	CCDF (\$M)	#TANF*	TANF (\$M)	TOTAL (\$M)
Alabama	\$1,963	9,560	\$18.8	8,493	\$2.6	\$21.4
Alaska	\$4,064	1,595	\$6.5	1,005	\$10.2	\$16.7
Arizona	\$2,113	15,450	\$32.7	18,064	\$52.8	\$85.5
Arkansas	\$3,112	5,150	\$16.0	3,087	\$0.7	\$16.7
California	\$5,239	70,350	\$368.6	266,583	\$1,242.5	\$1,611.0
Colorado	\$2,662	9,550	\$25.4	4,414	\$5.0	\$30.4
Connecticut	\$6,922	4,800	\$33.2	7,433	\$54.4	\$87.6
D.C.	\$4,513	1,900	\$8.6	3,147	\$18.7	\$27.3
Delaware	\$4,239	3,450	\$14.6	2,464	\$19.3	\$33.9
Florida	\$2,020	58,150	\$117.5	37,970	\$199.6	\$317.1
Georgia	\$1,782	30,300	\$54.0	19,260	\$23.1	\$77.1
Hawaii	\$2,258	3,185	\$7.2	2,088	\$8.1	\$15.3
Idaho	\$1,875	5,000	\$9.4	1,371	\$1.1	\$10.5
Illinois	\$1,945	42,000	\$81.7	15,577	\$247.0	\$328.7
Indiana	\$2,320	16,100	\$37.4	15,169	\$7.9	\$45.3
Iowa	\$2,696	8,765	\$23.6	5,144	\$16.7	\$40.3
Kansas	\$2,247	9,400	\$21.1	3,796	\$13.3	\$34.4
Kentucky	\$1,669	7,170	\$12.0	17,537	\$34.9	\$46.9
Louisiana	\$1,478	6,375	\$9.4	7,759	\$9.0	\$18.4
Maine	\$3,085	800	\$2.5	2,842	\$10.7	\$13.2
Maryland	\$3,066	10,250	\$31.4	9,500	\$16.3	\$47.7
Massachusetts	\$3,638	17,450	\$63.5	18,859	\$111.1	\$174.5
Michigan	\$2,120	18,320	\$38.8	21,385	\$103.8	\$142.6
Minnesota	\$3,280	12,750	\$41.8	9,937	\$35.3	\$77.2
Mississippi	\$1,014	3,985	\$4.0	5,827	\$2.0	\$6.1
Missouri	\$2,183	7,965	\$17.4	9,866	\$26.6	\$44.0
Montana	\$2,404	800	\$1.9	1,271	\$0.7	\$2.6
Nebraska	\$2,291	3,675	\$8.4	3,357	\$10.0	\$18.4
Nevada	\$3,478	2,300	\$8.0	3,257	\$1.5	\$9.5
New Hampshire	\$2,042	3,550	\$7.3	2,144	\$8.2	\$15.5
New Jersey	\$2,469	18,700	\$46.2	10,349	\$23.5	\$69.7
New Mexico	\$1,762	11,550	\$20.4	3,982	\$1.5	\$21.8
New York	\$4,013	63,800	\$256.1	58,803	\$392.2	\$648.2
North Carolina	\$1,600	52,150	\$83.4	16,349	\$66.3	\$149.7
North Dakota	\$1,378	800	\$1.1	655	\$2.2	\$3.3
Ohio	\$3,119	12,745	\$39.8	43,386	\$104.8	\$144.5
Oklahoma	\$3,132	9,850	\$30.9	5,602	\$15.4	\$46.3
Oregon	\$2,073	10,650	\$22.1	7,768	\$9.8	\$31.9
Pennsylvania	\$2,970	22,305	\$66.3	23,454	\$154.8	\$221.0
Rhode Island	\$3,385	2,600	\$8.8	2,812	\$2.5	\$11.3
South Carolina	\$2,031	9,750	\$19.8	4,585	\$1.4	\$21.2
South Dakota	\$1,830	800	\$1.5	1,969	\$4.0	\$5.5
Tennessee	\$2,296	17,525	\$40.2	17,466	\$15.7	\$55.9
Texas	\$2,459	61,700	\$151.8	38,089	\$61.2	\$212.9
Utah	\$2,135	5,550	\$11.9	2,574	\$3.0	\$14.8
Vermont	\$2,270	800	\$1.8	1,227	\$11.0	\$12.9
Virginia	\$3,718	14,650	\$54.5	11,476	\$25.4	\$79.8
Washington	\$2,492	26,950	\$67.2	19,842	\$81.7	\$148.9
West Virginia	\$1,835	800	\$1.5	4,857	\$16.4	\$17.9
Wisconsin	\$3,383	14,340	\$48.5	11,819	\$96.6	\$145.1
Wyoming	\$1,772	800	\$1.4	195	\$4.9	\$6.4
		<b>748,910</b>	<b>\$2,097.4</b>	<b>815,865</b>	<b>\$3,284.3</b>	<b>\$5,381.7</b>

\*TANF data are for children in families without eligible parents.

## E. TEMPORARY ASSISTANCE TO NEEDY FAMILIES

In 2008 states spent roughly \$6.5 billion for child care and for basic assistance under the maintenance of effort (MOE) requirements of the TANF legislation.<sup>121</sup> A share of that funding was spent on children in families where the parents were not eligible for assistance — in most cases because the parents likely were illegal aliens.<sup>122</sup> We used that share and the amount of funding for each state to estimate the amount of TANF funding spent by each state on the children of illegal aliens.

The criteria for eligibility in the state-administered programs vary, and it is likely that some of the expenditures in these programs are also being received by illegal aliens as well as their U.S.-born children. This could occur either by don't ask-don't tell policies or through fraud.

Our conclusion is that more than \$2 billion is spent annually by the states on child care programs that benefit the children of illegal aliens in low-income families and nearly \$3.3 billion is spent on a similar population in the TANF program.

## F. SCHOOL MEAL PROGRAMS

**F. School Meal Programs** ..... \$151,400,000

The free and reduced price meal program for K-12 students described above as a federal program has a matching state expenditure component. At the state level, expenditures are much lower than at the federal level, but not negligible.

*“In order to receive federal funding for school lunch programs, states are required to contribute matching funds equal to 30 percent of the federal funds they received in 1980. Because the matching funds are frozen at 1980 levels, state required contributions are often very small relative to the federal reimbursement level.”<sup>123</sup>*

Federal funding on the breakfast and lunch programs was slightly less than \$5 billion in 1980. It has grown to nearly \$12 billion per year. The state level of matching funds is about \$1.45 billion. We assume the same mix of state funding between free and reduced price meals and breakfast and lunch allocation as at the federal level and the same shares of expenditure on the children of illegal aliens as in the federal calculation. The result is an estimated outlay of \$151.4 million. That amount of funding is allocated among the states on the basis of the estimated number of children of illegal aliens, both foreign-born and U.S. born.

## G. GENERAL EXPENDITURES

**G. General Expenditures** ..... \$9,598,600,000

In the estimate of federal outlays on illegal aliens we included a category of general expenditures that included governance and services not separately calculated. This did not include capital outlays, military expenditures, or debt service but did cover the costs of general government and services that are provided by government to

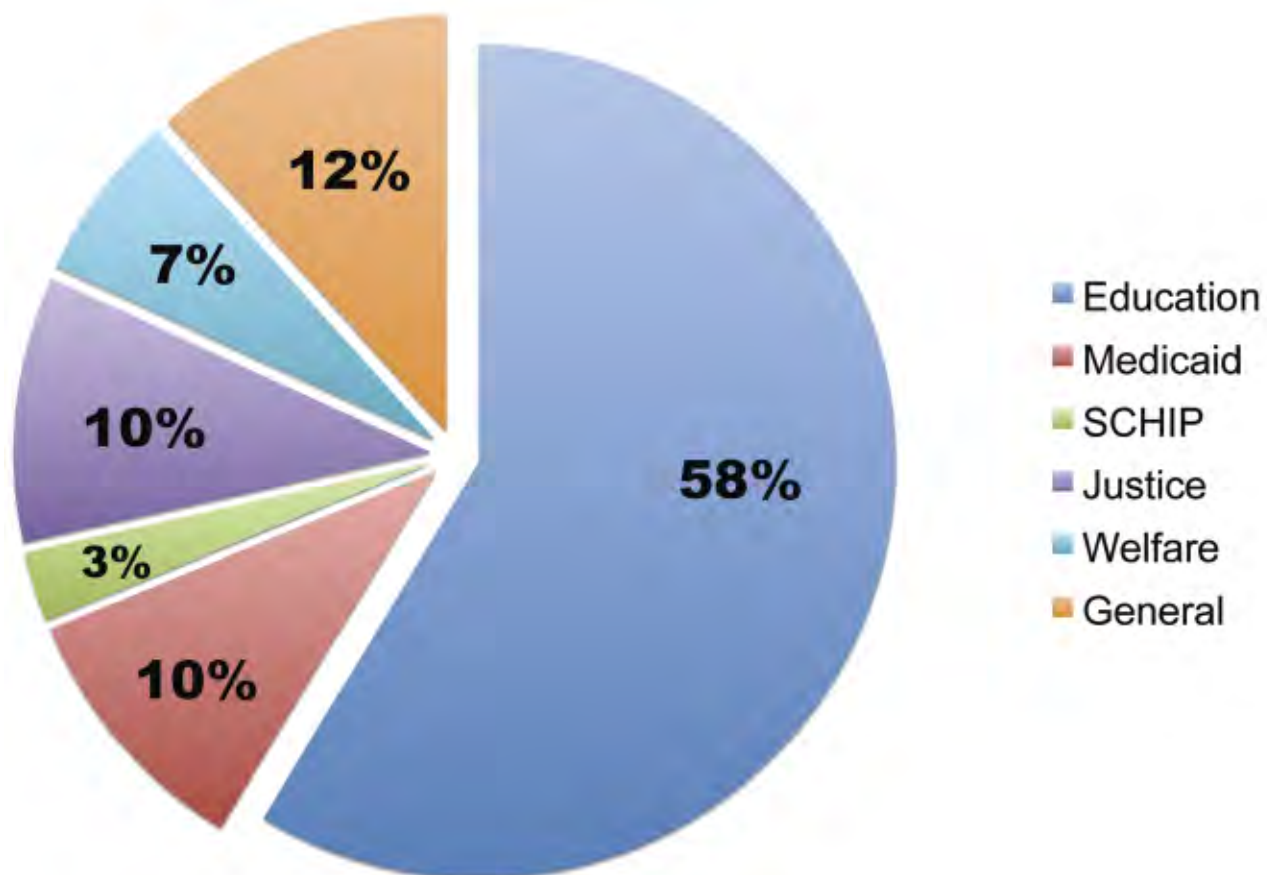


the public. At the state level, examples of these general expenditures would be the costs of fire departments, garbage collection, street cleaning and maintenance. These are services that people pay taxes to support, unlike user fees paid for utility services, so in a fiscal study that includes an estimate of taxes collected from the illegal alien population, it is appropriate to include an estimate of the costs of the services paid for by those taxes that they are using.

Some of these services, like parks and recreation facilities, may be provided by the state and/or the county and/or the municipality or even in some cases by a special taxing district. The cost of general governmental services attributable to the illegal alien population is less than their proportionate share of the budget total because costs for the major expense categories, i.e. education and medical care, have already been separately accounted for.

To estimate the magnitude of these general expenditures, we use a rule of thumb. At the federal level, general government outlays attributable to illegal aliens were about 79 percent greater than outlays for welfare expenses on illegal aliens and their U.S.-born children. We use that same share in estimating the amount of general government expenditures at the state and local level. This rule of thumb indicates a general government outlay at the state and local level attributable to the illegal alien population of about \$9.6 billion annually. We allocate

### State/Local Fiscal Outlays for Illegal Aliens





that amount among the states based on the size of their estimated illegal alien population including the U.S.-born children. This general government expenditure is much smaller as a share of overall outlays on illegal aliens at the state and local level than it is at the federal level.

As may be seen in the above table, the estimated state and local fiscal outlays attributable to the illegal alien population amount to more than \$84 billion annually. This fiscal impact represents a fiscal burden on each native-born household of about \$929. However, costs are not spread evenly across the country. California has the highest cost burden at about \$2,724 per native household. Another four states — Arizona, Nevada, New York, and Texas — have a household burden of more than \$1,500. Those five states and another six and the District of Columbia significantly raise the national average fiscal cost burden. Those six are Delaware, Florida, Illinois, Maryland, New Jersey, and New Mexico — each with an average household annual burden greater than \$1,000. Average annual fiscal costs per native household for the rest of the country are less than half that amount, or about \$443 per year.

## H. OTHER COSTS

The categories of expenditure above represent the most readily identifiable costs of illegal migration at the state and local level. But they should not be seen as an exhaustive listing of such costs. For example, we estimated a pro-rated share of administration of justice costs at the state and local government level, but that did not account for other outlays resulting from the fact that a large share of the illegal alien population is not fluent in English and the police, public defenders, courts and corrections operations have additional expenditures providing interpretation services for that population. The same is true for medical service outlays.

No estimate of illegal alien use of state or locally funded public housing is included because that will vary widely by state and local jurisdiction and there is no ready source of information on those practices. Nevertheless, the example of Boston providing public housing to President Obama's aunt despite her illegal alien status, suggests that there is undoubtedly an additional expenditure in some states and localities for this purpose.

Another example is the cost of deployment of state guard units to the border area in support of Border Patrol operations when public order is threatened as a result of criminal activity spilling over the border. Arizona Governor Brewer recently issued a plea to the Obama Administration to accept responsibility for authorizing National Guard deployment so that the federal government would pay for the costs. She noted that New Mexico currently is incurring those costs for border security in that state.

*“Brewer said Arizona cannot afford to send troops to the border, as New Mexico Gov. Bill Richardson recently did, without federal assistance because of its woeful fiscal state. A year-long deployment would cost the state \$28-30 million, Brewer said.”<sup>24</sup>*

We have not factored in those additional security costs because at this time they are not an on-going fiscal cost.

TABLE 15

## State and Local Government Outlays on Illegal Aliens

TOTAL  
(\$M)

	K-12	LEP	UNIV.	MEDICAID	SCHIP+	JUSTICE	WELFARE+	GENERAL*	TOTAL
Alabama	\$159.2	\$27.7		\$26.3	\$6.1	\$18.7	\$21.4	\$38.3	\$298
Alaska	\$62.4	\$12.6		\$7.8	\$2.4	\$6.8	\$16.7	\$29.9	\$139
Arizona	\$1,390.5	\$279.6		\$259.8	\$60.5	\$339.7	\$85.5	\$153.0	\$2,569
Arkansas	\$129.9	\$26.1		\$19.4	\$4.2	\$17.9	\$16.7	\$29.9	\$244
California	\$9,226.9	\$1,855.5	\$87.9	\$2,486.8	\$434.4	\$3,169.8	\$1,611.0	\$2,883.7	\$21,756
Colorado	\$805.3	\$161.9		\$198.6	\$53.0	\$146.9	\$30.4	\$54.4	\$1,451
Connecticut	\$456.1	\$91.7		\$72.8	\$30.8	\$61.0	\$87.6	\$156.8	\$957
D.C.	\$153.2	\$32.9		\$12.6	\$6.0	\$31.1	\$27.3	\$48.9	\$312
Delaware	\$140.5	\$19.3		\$24.1	\$6.4	\$20.3	\$33.9	\$60.8	\$305
Florida	\$2,780.1	\$559.1		\$530.6	\$129.2	\$578.9	\$317.1	\$567.6	\$5,463
Georgia	\$1,453.5	\$217.8		\$265.5	\$52.0	\$194.6	\$77.1	\$138.0	\$2,399
Hawaii	\$70.8	\$14.2		\$13.3	\$3.0	\$11.1	\$15.3	\$27.3	\$155
Idaho	\$93.6	\$18.8		\$18.7	\$4.3	\$23.1	\$10.5	\$18.7	\$188
Illinois	\$2,046.7	\$430.3	\$93.2	\$570.8	\$154.4	\$379.7	\$328.7	\$588.3	\$4,592
Indiana	\$310.5	\$62.4		\$56.4	\$15.2	\$37.6	\$45.3	\$81.1	\$608
Iowa	\$147.6	\$29.7		\$28.0	\$8.6	\$23.3	\$40.3	\$72.2	\$350
Kansas	\$215.8	\$43.4	\$1.5	\$41.9	\$11.6	\$31.6	\$34.4	\$61.6	\$442
Kentucky	\$124.3	\$25.0		\$18.5	\$5.5	\$22.1	\$46.9	\$83.9	\$326
Louisiana	\$109.5	\$22.0		\$17.5	\$4.2	\$19.2	\$18.4	\$32.9	\$224
Maine	\$18.7	\$3.8		\$2.0	\$0.9	\$3.5	\$13.2	\$23.7	\$66
Maryland	\$921.4	\$295.7		\$174.2	\$62.1	\$137.7	\$47.7	\$85.5	\$1,724
Massachusetts	\$839.3	\$168.8		\$144.0	\$71.1	\$152.1	\$174.5	\$312.4	\$1,862
Michigan	\$314.1	\$63.2		\$62.4	\$25.2	\$66.0	\$142.6	\$255.3	\$929
Minnesota	\$305.3	\$61.4		\$70.7	\$28.7	\$62.8	\$77.2	\$138.1	\$744
Mississippi	\$59.9	\$10.4		\$9.4	\$2.1	\$7.8	\$6.1	\$10.8	\$106

Missouri	\$133.6	\$26.9	\$25.6	\$8.3	\$21.2	\$44.0	\$78.8	\$338
Montana	\$16.0	\$3.2	\$2.0	\$0.7	\$2.6	\$2.6	\$4.7	\$32
Nebraska	\$126.0	\$25.3	\$24.8	\$7.6	\$26.4	\$18.4	\$33.0	\$262
Nevada	\$691.1	\$139.0	\$149.7	\$32.8	\$152.0	\$9.5	\$17.0	\$1,191
New Hampshire	\$54.6	\$11.1	\$8.8	\$3.9	\$7.8	\$15.5	\$27.7	\$129
New Jersey	\$2,209.8	\$228.3	\$334.4	\$174.9	\$335.7	\$69.7	\$124.8	\$3,478
New Mexico	\$345.1	\$69.4	\$41.7	\$22.5	\$67.8	\$21.8	\$39.0	\$608
New York	\$4,879.4	\$946.3	\$675.2	\$281.6	\$865.3	\$648.2	\$1,160.3	\$9,479
North Carolina	\$1,032.4	\$207.6	\$190.5	\$59.5	\$155.4	\$149.7	\$267.9	\$2,063
North Dakota	\$15.4	\$3.1	\$2.5	\$0.9	\$1.9	\$3.3	\$6.0	\$33
Ohio	\$211.4	\$42.5	\$41.7	\$14.6	\$51.8	\$144.5	\$258.7	\$765
Oklahoma	\$204.1	\$41.1	\$43.4	\$9.8	\$37.2	\$46.3	\$82.8	\$465
Oregon	\$354.2	\$71.2	\$60.7	\$19.0	\$110.8	\$31.9	\$57.1	\$705
Pennsylvania	\$450.5	\$125.4	\$78.1	\$33.0	\$74.3	\$221.0	\$395.6	\$1,378
Rhode Island	\$158.7	\$27.4	\$23.8	\$14.8	\$21.9	\$11.3	\$20.3	\$278
South Carolina	\$221.6	\$44.6	\$30.2	\$7.2	\$28.0	\$21.2	\$37.9	\$391
South Dakota	\$13.5	\$2.7	\$2.8	\$0.7	\$3.9	\$5.5	\$9.8	\$39
Tennessee	\$231.8	\$49.8	\$53.5	\$14.2	\$41.4	\$55.9	\$100.1	\$547
Texas	\$5,089.0	\$1,023.4	\$1,167.5	\$250.7	\$727.9	\$212.9	\$381.2	\$8,878
Utah	\$239.2	\$48.1	\$57.7	\$9.9	\$53.8	\$14.8	\$26.5	\$453
Vermont	\$18.4	\$3.7	\$2.2	\$0.7	\$2.0	\$12.9	\$23.0	\$63
Virginia	\$882.7	\$401.7	\$205.0	\$60.4	\$132.6	\$79.8	\$142.9	\$1,905
Washington	\$639.3	\$128.6	\$146.2	\$46.0	\$127.2	\$148.9	\$266.5	\$1,510
West Virginia	\$14.7	\$3.0	\$1.6	\$0.5	\$1.3	\$17.9	\$32.0	\$71
Wisconsin	\$288.9	\$58.1	\$48.2	\$13.5	\$68.1	\$145.1	\$259.7	\$883
Wyoming	\$26.3	\$5.3	\$3.4	\$0.9	\$5.5	\$6.4	\$11.4	\$59
<b>TOTAL</b>	<b>\$40,883.0</b>	<b>\$8,269.9</b>	<b>\$8,553.1</b>	<b>\$2,270.4</b>	<b>\$8,687.2</b>	<b>\$5,484.9</b>	<b>\$9,817.9</b>	<b>\$84,211</b>

\*Free and subsidized school meal costs are included with General outlays.

# VI.

## State and Local Taxes Collected

Next we look at the offsetting taxes collected at the state and local level from the illegal alien population. This is not a true one-to-one offset in the sense that there would not be a proportionate drop in tax collections if the illegal alien were not present. This is true because unemployed and underemployed American workers would fill many of the jobs made available by departing illegal alien workers and this would tend to reduce fiscal outlays for social welfare expenditures on the American workers and it would increase tax collections to have fewer workers paid in cash with no tax withholding. Further, the amount of locally earned money spent locally rather than sent out of the country in remittances would benefit local sales, tax collection, manufacturing and job growth.

Because this study looks at the fiscal effects of illegal migration, and tax collections are a fiscal effect, we include below an estimate of how much of the more than \$93 billion in annual outlays at the state and local level might be offset by tax collections from the illegal alien residents.

Illegal aliens are not typical taxpayers. First, the large proportion of illegal aliens that works in the underground economy avoids income tax withholding. Second, because illegal aliens are largely poorly educated and poorly skilled their earnings are on average significantly lower. The low earnings level is also likely to result in those illegal aliens employed in the above-ground economy being able to draw money from the state treasuries — rather than contributing taxes — where tax credit provisions exist.

Even when compared to American workers who have only — or less than — a high school education, illegal alien workers will differ in their tax payment profile. One reason for this is that they likely will have family members living abroad to whom they send money, i.e., remittances. That reduces their disposable income. Illegal aliens are also more likely to live in a multi-family dwelling arrangement which means that their share of property tax contributions is reduced. Similarly, illegal aliens are less likely to be able to obtain legal driver's licenses, afford a motor vehicle plus insurance and upkeep, and are therefore more likely to use public transport, which represents a cost to local government in the form of operating subsidies. Finally, in areas with many illegal aliens, there is likely to be a significant untaxed barter economy. All of these factors contribute to a lower level of tax contribution among the illegal alien population than among any segment of the legal resident population.

This study looks at the individual practices of states in terms of income taxes, offsetting credits to low-income residents, sales taxes and property taxes.

“THE TAX REVENUES THAT UNAUTHORIZED IMMIGRANTS GENERATE FOR STATE AND LOCAL GOVERNMENTS DO NOT OFFSET THE TOTAL COST OF SERVICES PROVIDED TO THOSE IMMIGRANTS.”

—CONGRESSIONAL BUDGET OFFICE REPORT, 2007<sup>125</sup>

## THE ILLEGAL ALIEN DISPOSABLE INCOME PROFILE

In the absence of specific data on the income and spending habits of the illegal alien population, we must make assumptions in order to be able to estimate tax collections. We assume there are about 8.4 million illegal aliens in the workforce split fairly evenly between those in the underground economy being paid in cash and those in formal economy jobs using fake Social Security and identity documents. We use the estimate that about one-fourth (2.1 million) of the illegal alien workers are single, and the rest are married or partnered. Our assumption is that most of the single illegal alien workers are in the underground economy. Our assumption is that the married or partnered illegal aliens in the formal economy have children. For calculating tax liability, our typical illegal alien family has two children and is earning \$31,200. That accounts for about 2.3 million illegal alien families or 9.3 million of our estimated 13 million illegal alien population.

The median family income for the illegal aliens amnestied by IRCA was \$15,364 (\$28,633 adjusted for inflation). The mean income was \$18,196 (\$33,991 adjusted for inflation).<sup>126</sup> As noted above in the discussion of federal tax collection, we allow for there being some 360,000 outliers earning wages higher than 400 percent of the poverty level.

The Institute for Taxation and Economic Policy (ITEP) developed a model for states attempting to estimate the tax collections from illegal aliens. That model ascribed 5.48 percent of average income to sales tax payments and 0.23 percent of average income for property taxes.<sup>127</sup> The suggested sales tax percentage makes little sense since even if all disposable income were spent on purchases subject to the sales tax — which ignores the fact that in most states food and pharmacy products are not taxed — nearly half the states either have no sales tax or have sales tax rates smaller than the ITEP percentage.

A study of remittances sent out of the United States, a large share of which we judge to be from illegal aliens — because they are more likely to have dependents abroad than are legal immigrants or U.S. citizens — estimated the average remittance rate at 10 percent of household income of migrants.<sup>128</sup> That average applied to our typical illegal alien family would suggest that spendable income, after remittances, would be about \$28,080. For some that amount may be increased by a check from the U.S. Treasury if they are filing tax returns and claiming tax credits.

Housing generally represents an expenditure of at least 30 percent of family income. That would amount to a housing payment of \$8,424 per year (\$702 per month). This could be lowered if an illegal alien family were receiving state or locally-provided housing assistance, or were sharing housing with other families. Yet, the share of income spent on housing is likely higher than average for those not benefitting from assistance or shared housing because inexpensive housing is a scarce commodity. In the most recent state fiscal cost studies we have done, we have estimated the annual property tax outlays per household at between \$300 in Virginia to \$475 in Pennsylvania. For this study we assume a combined property tax rate of 4 percent assessed property value or rental value, i.e., \$336 per housing unit with an average number of four illegal aliens (plus their U.S.-born children) per unit. In effect we are assigning four single illegal aliens per housing unit. This implies nearly 4 million housing units which we distribute among the states proportionately to the size of their estimated illegal alien population.

After housing, transportation is generally considered the second largest cost outlay. The Surface Transportation Policy Project estimated that in 2003 average family transportation costs amounted to \$7,633 or 19.3 percent of family expenditures.<sup>129</sup> That cost is reduced to about 60 percent of the national average for those using public transportation, i.e., to about \$4,562. If public transportation costs have kept up with inflation, that cost today would be about \$5,308 or about 19 percent of illegal alien family's spendable income.

Federal government survey data put average spending on food for households in the lowest population quintile at \$1,769 per person in 2003.<sup>130</sup> Adjusting the average expenditure for inflation, it would be now about \$2,058, and for a family of four would amount to \$8,232, amounting to about 29 percent of the illegal alien family disposable income, or about \$5.64 per person per day. However, the illegal alien is likely able to pare that expense with a diet emphasizing staples and, if the children are in school, they likely are eligible for free breakfasts and lunches. Furthermore, if the children are U.S. born, the family may be receiving food stamps.

Utility costs plus items such as insurance are likely to amount to 10 percent of income for most families, but probably amounts to less than that for illegal aliens sharing housing. Clothing generally would claim another 5 percent of family spendable income.

Providing for the basics and remitting money to family living outside the U.S., therefore, consume nearly all of the meager earnings of the typical illegal alien family. The economic realities of illegal aliens living in the United States minimize their contributions in the form of consumption or "sin" taxes.

If, as suggested above, more than 90 percent of disposable income will be on essentials, only about 10 percent of the \$28,080, i.e. \$2,808, would be available for expenditures on taxable purchases. In a state with a 5 percent sales tax, that would amount to about \$140 annually. We use that amount of \$2,808 spent on taxable items in our calculation of state and/or local sales tax receipts.

Our assumption is that most workers in the formal economy with false documents are filing income tax returns. This is because the low earnings mean that they have no tax liability and, if they have had any state income tax



withheld, they are able to receive a refund. In addition, because of their low earnings and children they are able to claim child credits if the state tax law includes that provision. Anecdotal evidence from persons who assist illegal aliens in filing tax returns suggests that there is also an increasing trend among illegal alien workers in the underground economy to also file income tax returns using an ITIN in place of their fake or stolen SSN. That, too, includes the possibility of applying for a tax credit payment. These assumptions lead to the conclusion that not only are the states unlikely collecting any significant amount of income tax payments from illegal aliens, but that in those states that have tax credits for the working poor there is likely to be a growing amount of tax revenue paid out to the illegal alien population.

In estimating the income tax receipts from illegal aliens we focus only on the population of workers in the above ground economy that may have had state taxes withheld. We use the \$31,200 income for family of four in estimating the tax burden, and we reduce that burden by the amount of the EITC where it is available to those using an SSN. The states that offer this credit are identified in the table below. Note that two of the states that offer an EITC have an income eligibility threshold lower than our income model, and there is, therefore, no tax reduction in those states.

There will be some indirect taxes like Washington D.C.'s plastic bag tax or Oklahoma's remittance tax that are not included in our computations, but the estimated sales, income and property tax receipts from illegal aliens identified below represent the bulk of state and local collections. The amount of those tax collections is estimated to be about \$4 billion per year.

**TABLE 16**  
**Earned Income Credits**

Alabama	\$31,200 too high for EITC
Delaware	20% of federal EITC
D.C.	40% of federal EITC
Illinois	5% of federal EITC
Indiana	9% of federal EITC
Iowa	7% of federal EITC
Kansas	17% of federal EITC
Louisiana	3.5% of federal EITC
Maine	4% of federal EITC
Maryland	50% of federal EITC
Massachusetts	15% of federal EITC
Michigan	20% of federal EITC
Minnesota	Working Family Credit \$522
Nebraska	10% of federal EITC
New York	30% of federal EITC
New Jersey	25% of federal EITC
North Carolina	5% of federal EITC
Oregon	6% of federal EITC
Rhode Island	32% of federal EITC
Vermont	32% of federal EITC
Virginia	\$31,200 too high for EITC
Wisconsin	14% of federal EITC

**TABLE 17**  
**Tax Receipts**

	PROPERTY TAX	SALES TAX	INCOME TAX	TOTAL (\$M)
Alabama	\$6.4	\$6.7	\$5.1	\$18.2
Alaska	\$1.1	\$0.0	\$0.0	\$1.1
Arizona	\$53.0	\$78.6	\$11.2	\$142.8
Arkansas	\$5.3	\$11.2	\$3.9	\$20.5
California	\$339.0	\$741.3	\$125.4	\$1,205.7
Colorado	\$28.6	\$22.0	\$0.0	\$50.6
Connecticut	\$12.2	\$19.4	\$0.8	\$32.3
D.C.	\$3.2	\$5.1	-\$0.4	\$7.9
Delaware	\$3.7	\$0.0	\$0.0	\$3.7
Florida	\$100.7	\$160.1	\$0.0	\$260.7
Georgia	\$52.4	\$55.6	\$34.4	\$142.4
Hawaii	\$2.1	\$2.2	\$1.6	\$5.9
Idaho	\$4.2	\$6.7	\$0.4	\$11.4
Illinois	\$82.1	\$157.8	\$33.5	\$273.4
Indiana	\$11.7	\$21.6	\$4.8	\$38.1
Iowa	\$5.8	\$9.3	\$2.8	\$17.9
Kansas	\$7.4	\$10.4	\$0.4	\$18.2
Kentucky	\$4.8	\$7.6	\$5.0	\$17.4
Louisiana	\$4.2	\$4.5	\$2.5	\$11.2
Maine	\$0.5	\$0.7	\$0.1	\$1.3
Maryland	\$26.5	\$42.1	\$0.0	\$68.6
Mass.	\$23.8	\$39.5	\$2.7	\$66.0
Michigan	\$12.2	\$19.4	\$0.7	\$32.3
Minn.	\$10.6	\$19.3	-\$2.4	\$27.5
Miss.	\$2.6	\$5.8	\$0.8	\$9.3
Missouri	\$5.3	\$5.9	\$1.7	\$12.9
Montana	\$0.5	\$0.0	\$0.4	\$0.9
Nebraska	\$4.2	\$6.2	-\$0.3	\$10.1
Nevada	\$22.2	\$40.4	\$0.0	\$62.6
N.H.	\$1.6	\$0.0	\$0.0	\$1.6
New Jersey	\$51.9	\$96.3	-\$12.9	\$135.3
New Mexico	\$10.1	\$13.3	\$0.7	\$24.1
New York	\$106.0	\$112.3	-\$26.4	\$191.9
N. Carolina	\$40.8	\$62.2	\$0.5	\$103.5
N. Dakota	\$0.5	\$0.7	\$0.0	\$1.3
Ohio	\$8.5	\$12.4	\$2.4	\$23.2
Oklahoma	\$9.0	\$10.7	\$2.8	\$22.6
Oregon	\$13.2	\$0.0	\$4.4	\$17.7
Pennsylvania	\$14.8	\$23.6	\$10.6	\$49.0
Rhode Island	\$4.2	\$7.9	-\$0.2	\$11.9
S. Carolina	\$7.9	\$12.6	\$0.6	\$21.2
S. Dakota	\$0.5	\$0.6	\$0.0	\$1.1
Tennessee	\$11.7	\$38.6	\$0.0	\$50.3
Texas	\$184.4	\$305.4	\$0.0	\$489.7
Utah	\$10.6	\$18.1	\$2.4	\$31.1
Vermont	\$0.5	\$0.8	-\$0.3	\$1.1
Virginia	\$31.3	\$62.1	\$22.7	\$116.1
Washington	\$23.8	\$41.1	\$0.0	\$64.9
W. Va.	\$0.5	\$1.3	\$0.3	\$2.1
Wisconsin	\$9.5	\$12.6	\$1.6	\$23.7
Wyoming	\$0.5	\$0.6	\$0.0	\$1.1
<b>TOTAL</b>	<b>\$1,378.4</b>	<b>\$2,332.6</b>	<b>\$244.2</b>	<b>\$3,955.2</b>

# VII.

## Net Fiscal Costs

When the estimated tax collections from illegal aliens in the state are subtracted from the estimated expenditures, the result is the net fiscal burden. Compared to the federal net fiscal burden of about \$19.4 billion, the collective net burden at the state and local level is about 4.5 times larger at about \$89.2 billion.

It bears repeating that the estimated tax collections from illegal alien workers would not disappear if the illegal alien population were to markedly decrease as a result of restriction on access to jobs and more effective interior enforcement. Experience with immigration enforcement at job sites with many illegal aliens on the payroll has shown that those employers do not go out of business; they find other workers. That means that the tax collections continue after the deportation of the illegal alien family. Experience also shows that when illegal workers are replaced with legal ones, wages, and consequently tax collections, tend to increase. Additionally, social assistance outlays presumably decrease as newly legally hired replacement workers become self-sufficient.

**TABLE 18**  
**Net Fiscal Costs**

	OUTLAYS	TAXES	NET COST (\$M)
Alabama	\$297.6	\$18.2	\$279.4
Alaska	\$138.5	\$1.1	\$137.4
Arizona	\$2,568.7	\$142.8	\$2,425.9
Arkansas	\$244.2	\$20.5	\$223.7
California	\$21,756.0	\$1,205.7	\$20,550.3
Colorado	\$1,450.5	\$50.6	\$1,399.9
Connecticut	\$956.9	\$32.3	\$924.6
D.C.	\$311.9	\$7.9	\$304.0
Delaware	\$305.3	\$3.7	\$301.6
Florida	\$5,462.6	\$260.7	\$5,201.9
Georgia	\$2,398.7	\$142.4	\$2,256.3
Hawaii	\$155.0	\$5.9	\$149.1
Idaho	\$187.6	\$11.4	\$176.2
Illinois	\$4,592.1	\$273.4	\$4,318.7
Indiana	\$608.5	\$38.1	\$570.4
Iowa	\$349.7	\$17.9	\$331.8
Kansas	\$441.9	\$18.2	\$423.7
Kentucky	\$326.2	\$17.4	\$308.8
Louisiana	\$223.8	\$11.2	\$212.6
Maine	\$65.7	\$1.3	\$64.4
Maryland	\$1,724.3	\$68.6	\$1,655.7
Mass.	\$1,862.2	\$66.0	\$1,796.2
Michigan	\$928.7	\$32.3	\$896.4
Minn.	\$744.2	\$27.5	\$716.7
Miss.	\$106.4	\$9.3	\$97.1
Missouri	\$338.3	\$12.9	\$325.4
Montana	\$31.9	\$0.9	\$31.0
Nebraska	\$261.7	\$10.1	\$251.6
Nevada	\$1,191.2	\$62.6	\$1,128.6
N.H.	\$129.5	\$1.6	\$127.9
New Jersey	\$3,477.5	\$135.3	\$3,342.2
New Mexico	\$608.0	\$24.1	\$583.9
New York	\$9,478.7	\$191.9	\$9,286.8
N. Carolina	\$2,063.1	\$103.5	\$1,959.6
N. Dakota	\$33.1	\$1.3	\$31.8
Ohio	\$765.3	\$23.2	\$742.1
Oklahoma	\$465.2	\$22.6	\$442.6
Oregon	\$704.9	\$17.7	\$687.2
Pennsylvania	\$1,377.9	\$49.0	\$1,328.9
Rhode Island	\$278.2	\$11.9	\$266.3
S. Carolina	\$390.6	\$21.2	\$369.4
S. Dakota	\$38.9	\$1.1	\$37.8
Tennessee	\$546.8	\$50.3	\$496.5
Texas	\$8,878.4	\$489.7	\$8,388.7
Utah	\$453.0	\$31.1	\$421.9
Vermont	\$62.9	\$1.1	\$61.8
Virginia	\$1,905.1	\$116.1	\$1,789.0
Washington	\$1,510.3	\$64.9	\$1,445.4
W. Va.	\$70.9	\$2.1	\$68.8
Wisconsin	\$882.8	\$23.7	\$859.1
Wyoming	\$59.2	\$1.1	\$58.1
	<b>\$84,210.5</b>	<b>\$3,955.2</b>	<b>\$80,255.3</b>

# VIII.

## The Bottom Line

As detailed above, federal outlays resulting from illegal migration amount to more than \$28 billion per year. Those costs are only partly offset by tax collections of about \$8.3 billion from that same population. At the state level, the outlays amount to more than \$93 billion annually and tax collection by state and local governments amount to about \$4 billion. Thus the combined federal/state net outlay for services and benefits provided to illegal aliens amounts to more than \$108 billion annually.

TABLE 19  
The Bottom Line (\$M)

	OUTLAYS	RECEIPTS	NET
Federal	\$28,795	\$9,457	\$19,339
State/Local	\$84,211	\$3,955	\$80,255
<b>Total</b>	<b>\$113,006</b>	<b>\$13,412</b>	<b>\$99,594</b>

To put these numbers into perspective, the net federal outlay for illegal aliens represents an annual expense of nearly \$285 (\$190 net) per household headed by a U.S. citizen. The average outlay at the state level for the same family is about \$925 (\$885 net), for a total of about \$1,205 (\$1,075 net). However, the costs at the state level vary widely and are significantly influenced by the illegal immigrant share of the state population. For that reason, taxpayers in states like California, Arizona, and Nevada bear the greatest burdens.

# IX.

## The Economic Benefit Argument

Apologists for illegal aliens argue that allowance should be made for the value of the goods and services they produce as an offset to their fiscal costs. This is an economic focus rather than a fiscal focus. Besides, this economic argument makes little sense because it assumes improbably that the jobs done by the illegal workers would disappear if they were unavailable. That might be true for sweatshop and other marginal labor but not for legitimate economic activity. Also, as the situation stands now, the company that is more threatened with being forced out of business is one that is scrupulous in hiring legal workers and having to compete with a company undercutting prices by hiring illegal workers.

In their effort to convince the public that illegal alien workers are an economic benefit, their advocates tend to ignore that many of those workers are being exploited. Neither indentured servitude nor sweat shops nor prostitution nor other types of unlawful labor should be rationalized economically. Policymakers should not tolerate unfair competition based on hiring illegal aliens. They have an obligation to uphold the law and, thereby, create a level playing field for all entrepreneurs.



# **X.**

## **Effects of Amnesty**

There are two perspectives from which adoption of a new amnesty program for the illegal alien population may be viewed in terms of how it would fiscally impact federal, state and local budgets and taxpayers. One of those perspectives is to look at the increased or lessened fiscal outlays and increased or lessened tax collections that might result. The other perspective is to consider the fiscal impact of reducing the illegal alien population through policies that discourage and remove illegal aliens.

## A. AMNESTY ADOPTION

If an amnesty similar to the 1986 Immigration Reform and Control Act (IRCA) amnesty were to be adopted, it would no doubt be fiscally costly. The most obvious acknowledgement of that fact is that when IRCA was enacted Congress adopted mitigating compensation for the states to ease the burden on them of services they would have to provide to the legalized population.

The State Legalization Impact Assistance Grants (SLIAG) adopted as part of IRCA were to “Reimburse states and localities for the costs of providing public assistance, public health, and education services to eligible legalized aliens (ELAs).”<sup>131</sup> The program was funded by Congress at \$4 billion. That amount of funding was not tied to any specific program outlays but rather was simply a lump amount to be distributed on the basis of the size of the illegal alien population that had applied for legalized status.

To have the same value today, the impact grants would have to be adjusted upward for inflation to about \$7.7 billion. Moreover, with an illegal alien population 4.5 times larger than in 1986, a comparable level of federal assistance would require today an expenditure of at least \$37 billion. SLIAG funding was paid out over a seven-year period. That is not to say that the additional costs to the state ceased at the end of the seven years, but rather that after the transition, the states were on their own to absorb the additional costs within their state budgets.

Specifically, the additional costs to the states would be in the form of public welfare programs that are now denied because illegal aliens are ineligible to participate and are screened out using the Systematic Alien Verification for Entitlements (SAVE) system. States are required to use that screening for programs when the federal government picks up a share of the cost. Most states use that same screening to deny state welfare benefits to illegal aliens. Over time, amnesty would result in a large population of new beneficiaries who would be able to claim public benefits that are available to low-wage workers.

We estimate that the U.S.-born children of illegal aliens are currently costing the states over \$11 billion annually in SCHIP benefits, and that the illegal alien children who are not currently eligible for that program represent an additional 1.27 million potential new beneficiaries at an additional cost of about \$4.2 billion per year.

Similarly, the legalization of college age illegal alien students, as proposed in the DREAM Act and other proposed legislation would expose the states to additional expenditures of further billions of dollars in educational subsidies and applications for financial assistance. Perversely, the states that have heeded the federal law enacted in 1996 to deny in-state tuition to illegal aliens could see their expenditures rise faster than the minority of states that have chosen to ignore the federal prohibition and are already placing that burden on their taxpayers.

Amnesty would also produce a profound effect on federal entitlement programs. The half of illegal aliens currently in the underground economy would become eligible for the EITC and the child tax credit. Among the

other half who are working in the formal economy, about three-fourths now “lack the confidence to file a tax return.” After amnesty, their reluctance to claim costly tax benefits would dissipate. Thus, amnesty would represent a potential addition of 4.7 million EITC claimants. Using the same income and family size assumptions as above, that would represent an additional drain on the Treasury of more than \$20.2 billion annually for the EITC and an additional \$2.6 billion in child credits.

For the 21 states and Washington D.C. that offer tax credits for low-wage workers, amnesty would certainly result in an increase in tax return filings. Seven of those states are already experiencing net tax outflows to their illegal alien tax filers. Those payments should be expected to increase as newly legalized workers began filing returns.

Finally, the most harmful effect of the adoption of a new amnesty would be the message it would send around the world. Amnesty would be seen as another indication that we are periodically prepared to forgive persons who violate our immigration laws by granting them entitlement to the jobs they came seeking.

As long as foreigners are encouraged by our actions to ignore our immigration laws, we will forever be hard pressed to defend our borders. And, not only will America’s most vulnerable workers suffer from unfair competition against illegal aliens for jobs, but that competition will become even harsher because of the newly legalized workers competing for jobs from employers who scrupulously hire only legal workers.

“IMMIGRATION REFORMS HAVE PROVEN TO BE A CASE OF GOOD INTENTIONS GONE AWRY IN U.S. AGRICULTURE. INSTEAD OF A LEGAL FARM WORK FORCE, A RISING SHARE — AT LEAST 30 TO 40 PERCENT — OF FARM WORKERS IN THE MID-1990S ARE UNAUTHORIZED. MOST FARM EMPLOYERS DID NOT MAKE ADJUSTMENTS TO RETAIN THE 1.1 MILLION “FARM WORKERS” LEGALIZED IN 1987-88. INSTEAD, MORE FARMERS TURNED TO FARM LABOR CONTRACTORS TO PROVIDE THEM WITH NEWLY-ARRIVED AND OFTEN UNAUTHORIZED IMMIGRANT WORKERS, AND THE TRANSFER OF RURAL POVERTY FROM MEXICO TO THE US ACCELERATED.”

—PHILIP MARTIN, ANNALS OF THE ACADEMY OF POLITICAL AND SOCIAL SCIENCE, 1994<sup>132</sup>

## B. ATTRITION THROUGH ENFORCEMENT

President George W. Bush when asked about dealing with the illegal alien population justified his support for amnesty by saying that the problem was too large to deal with through deportation. Senate President Harry Reid used the same justification when he wrote “...nobody who thinks seriously about this issue believes it is fiscally or physically possible to deport the estimated 12 million people in this country who are undocumented.”<sup>133</sup> That argument falls on its face when it is put in context. On one hand, there is no serious proposal to round

up and deport all of the current illegal alien population. On the other hand, there is a true alternative to amnesty for the illegal alien population.

The Bush and Reid arguments ignore the fact that the influx of illegal aliens can be stemmed by effectively denying job opportunities to those illegally seeking them. When that happens, the illegal alien population will steadily decline through attrition. This is because there is already a combined effort by federal and local law enforcement agencies to detain and deport illegal aliens, and that effort is complemented by illegal aliens who leave on their own because they have lost their jobs here. In fiscal year 2008, DHS reported the removal [deportation] of 358,886 aliens. The number of deportations has been increasing as the cooperative program with local law enforcement agencies, i.e., 287(g) programs, have spread across the country — especially to local areas most impacted by illegal aliens. Unfortunately, the Obama Administration has restricted the effectiveness of these cooperative programs under pressure from illegal alien advocacy groups.

Besides the 287(g) cooperative law enforcement programs, the spreading adoption of laws requiring employers to verify the validity of work-related identity documents is also impacting the ability of illegal aliens to find jobs and appears to be giving an impetus to their return migration to their homelands. A recent estimate by DHS of the size of the illegal alien population suggested that more illegal aliens were leaving voluntarily or involuntarily than were arriving and, therefore, the number of illegal aliens had dropped. Overall, DHS estimated a 7.3 percent drop. For Arizona, however, the estimated drop was about 18 percent. The significance of that much higher percentage drop for Arizona is that the state in 2007 was the first to require employers to use the federal E-Verify system for new hires. It also has many city and county law enforcement agencies that have entered the 287(g) cooperative immigration law-enforcement program.

Unfortunately, until the E-Verify system becomes a national requirement for employers, it will be possible for illegal aliens who cannot find jobs in Arizona or in one of the other jurisdictions that is using that system to move to another jurisdiction that does not have the work document verification requirement.

Nevertheless, the other side of the coin from the focus on the effects of adoption of an amnesty is a focus on the effects of increasing immigration law enforcement and not adopting an amnesty. Those effects would include improved job opportunities for unemployed and underemployed Americans — both native-born and immigrant workers. There is a major social benefit opportunity that would accrue from reducing unemployment among America's blue collar workers, especially disproportionately impacted minorities. The accompanying fiscal benefit would be reduced dependence on welfare assistance among the formerly unemployed and underemployed American workers, and by substituting American workers for illegal alien workers, the earnings of the workers would be less likely to be sent out of the country as remittances. Furthermore, the replacement American workers would be less likely to accept exploitive conditions that are accepted by illegal alien workers. That would mean fewer workers in the underground economy, more workers covered by Workman's Compensation, more workers paying into the Social Security system, etc.

As previously noted, there is evidence that American workers are hired when illegal alien workers are removed by immigration law enforcement. Unfortunately, worksite enforcement raids are too few and far between and becoming even more so under the current Administration. When all employers are required to verify work eligibility of new hires, they will become more exposed to the penalties in the law for hiring illegal alien workers. Their current defense that they did not know they gave jobs to illegal workers will be removed, and it will be possible to more easily prosecute those exploitive employers.

Reducing the illegal alien population through more effective immigration law enforcement will not remove that population overnight, nor should it. A gradual reduction will give more time for both the U.S. economy and the economies of the homelands of the returning illegal aliens to adapt to the change. Nevertheless, the fact that it will take a sustained effort over several years is no reason for not adopting the measures necessary to begin to accomplish that objective. Rather, it makes it more important that those steps not be further delayed.





# XI.

## Conclusion

Illegal migration is costly to the American taxpayer at both the federal and the local level. The combined federal and local burden from illegal migration borne by the taxpayer is nearly \$122 billion annually.

Moreover, the proposal to accommodate the estimated 13 million illegal aliens in the country with a “pathway to citizenship” would perpetuate that burden as well as stimulate increased interest in illegal migration to the United States. Support for that proposal is a dereliction of responsibility by policymakers to protect the interests of the American people.

Amnesty proponents have tried to paint a picture of an illegal alien population that is already voluntarily paying taxes, is otherwise law-abiding, and making a valuable economic contribution to the country. This is a complete distortion of reality. The tax collection from illegal alien workers is seldom voluntary, and we estimate that tax credit claims more than offset any income taxes collected from illegal aliens. Furthermore, the taxes collected from illegal aliens are vastly exceeded by the costs to the U.S. taxpayer of the services they are able to access.

The fiscal burden of illegal aliens borne by U.S. taxpayers is much greater at the state and local level. At the federal level, illegal aliens (and their U.S.-born children) cost U.S.-born taxpayers about \$285 per household per year. Of course, with about two-fifths of federal tax filers not having any tax liability and many of them drawing support checks from the U.S. Treasury, that burden does not fall equally on all taxpayers. At the state level, the average cost to the U.S. taxpayer household is about \$925 per year — again falling disproportionately on those earning more.

The nation is at a crossroads. One path leads to accommodation and perpetuation of the nation’s costly illegal alien problem. The other sends a clear signal that the policies of accommodation have been reversed and illegal migration will no longer be tolerated. By choosing the correct path and following it unswervingly, the nation will not only be able to reduce a major fiscal burden on the U.S. taxpayer and improve national security, it will also be able to make strides in providing greater opportunity to today’s unemployed and underemployed citizens and legal residents.

## Endnotes

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