

THE FISCAL BURDEN OF ILLEGAL IMMIGRATION ON
Texans

A REPORT BY JACK MARTIN,
DIRECTOR OF SPECIAL PROJECTS



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PERMANENT RES

With the Obama administration and special interest groups working to push legislation through Congress that would grant permanent legal status (i.e., an amnesty) to the illegal alien population, it is worth taking a fresh look at the current fiscal costs of illegal immigration to Texas taxpayers and the potential effects of enacting an amnesty.

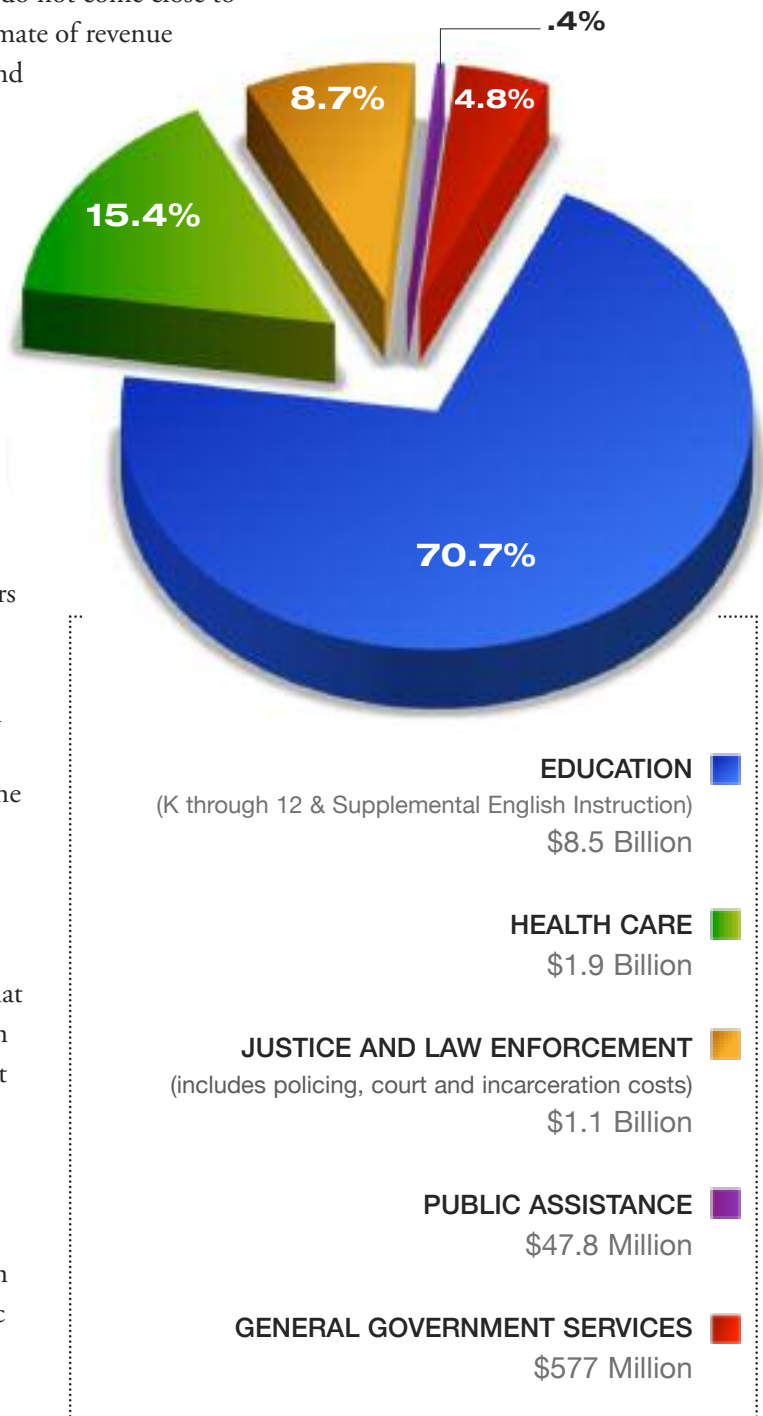
Executive Summary

After a brief hiatus that coincided with the worst of the economic recession, Texas’s illegal alien population is on the rise again. There are about 1,810,000 illegal aliens residing in Texas — 70,000 more than resided in the state in 2010 when we estimated the fiscal burden at nearly \$8.9 billion annually.¹

In 2013, illegal immigration cost Texas taxpayers about **\$12.1 billion annually**. That amounts to more than \$1,197 for every Texas household headed by a native-born or naturalized U.S. citizen. The taxes paid by illegal aliens — estimated at \$1.27 billion per year — do not come close to paying for those outlays, but we include an estimate of revenue from sales taxes, property taxes, alcohol taxes, and cigarette taxes.

Examining Texas’s fiscal outlays from the perspective of the current debate over adopting an amnesty for illegal aliens, we find that the fiscal burden to taxpayers would not be significantly lessened even if an amnesty like that proposed in the Senate’s S.744 were enacted. In fact, it becomes clear that the only way to significantly reduce the fiscal burden is to reduce the size of the population that illegally entered the country. State and local policymakers have options available to accomplish that objective. In Arizona, efforts to discourage the arrival of additional illegal residents and to hold employers accountable for knowingly hiring illegal workers have been effective in reducing the illegal alien population and, thereby, the fiscal costs associated with that population.

Aside from emotional arguments about compassion, proponents of an amnesty argue that granting legal status would allow the illegal alien population to seek higher paying jobs, move out of poverty, and contribute more taxes. Opponents of the amnesty proposal argue that besides undermining respect for the law the measure would encourage future illegal immigration and put the illegal alien population on the path to collecting the full range of public benefits that currently are not legally available.

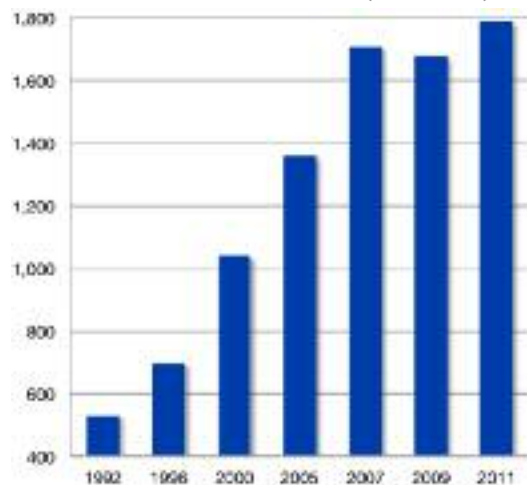


Background

Like at the national level, Texas's illegal alien population is estimated to have ebbed during the recession as unemployment soared. As the national estimate of the illegal alien population has resumed its growth, so too has the estimated illegal alien population in Texas.

The Department of Homeland Security's estimate of the illegal alien population in the state dropped from 1.71 million in 2007 to 1.68 million in 2008, but it reached a new peak estimate of 1.79 million in 2011.² That current estimate is 6.5 percent higher than the 2009 estimate. This belies the Obama administration's claim of a secure border.

FIGURE 1
ILLEGAL ALIEN POPULATION (THOUSANDS)



FAIR's estimate of the illegal alien population in Texas is similar but slightly higher than the DHS estimate. We estimated the population of illegal aliens in the state at 1.74 million in 2007, and our latest estimate is 4 percent higher, i.e., 1.81 million. Our estimate is intended to include recently arrived illegal aliens as well as illegal aliens who have been granted Temporary Protected Status and who remain deportable if that temporary status lapses.³

FAIR has issued two prior illegal immigration cost estimates for Texas. The first, in 2005, was based on an estimate of 1.5 million illegal aliens plus an additional 315,000 minor U.S.-born children of illegal aliens. Our 2010 study used the illegal alien population estimate from 2007 and an estimated 455,000 minor children of illegal aliens. That study included additional areas of cost outlay and also included an estimate of tax revenue from the illegal alien population.

Our 2005 fiscal cost study apparently prompted a similar study by the Texas Comptroller in 2006 which contrasted its findings with those in our study. That study was based on an estimate of 1.5 million illegal alien residents in the state and it stated that it, "...recognizes that there are costs associated with the legally resident children of undocumented immigrants... [but] has chosen not to estimate these costs..."⁴ The number of those U.S.-born children outnumber the children who are themselves illegally in the country, and the educational and medical expenses associated with those children represent a major fiscal expenditure. The state study also looked only at fiscal costs to the state budget and ignored the local costs. That was a significant omission because public education costs — which constitute the largest burden — are mostly funded locally. The comptroller's study, therefore, arrived at a much smaller estimate of the impact of illegal immigration on the state than did our study.

We chose to include the expenditures on the U.S.-born children of illegal aliens because those costs would not have been incurred if the illegal aliens had been deterred from settling in Texas and/or deported or encouraged to return to their home countries. We assume that if the parents left they would take their children with them. That assumption is less valid when the children reach an age when they are able to take a job. We, therefore, do not include the considerable taxpayer outlays supporting post-secondary education for those U.S.-born youth — both the in-state tuition subsidy as well as financial aid — nor do we include offsets from any taxes

they may pay. We do, however, include an estimate of the fiscal costs of post-secondary schooling of those youth who are illegally in the country. Also new in this study is an estimate of the financial aid provided to those same students. In this current update, we also include estimates of some additional sources of tax revenue collected indirectly from the illegal alien population, i.e., “sin” taxes.

Educational Expenditures

As previously noted, FAIR’s current estimate of the state’s illegal alien population is 1,810,000 persons. Using the Pew Hispanic Center’s national demographic analysis, we estimated the share of children of illegal aliens — both U.S.-born and those who are illegal residents.⁵ This serves as the basis for our estimate of the costs of education for these children and for the additional expenditures for supplemental english instruction.

TABLE 1

CHILDREN OF ILLEGAL ALIENS

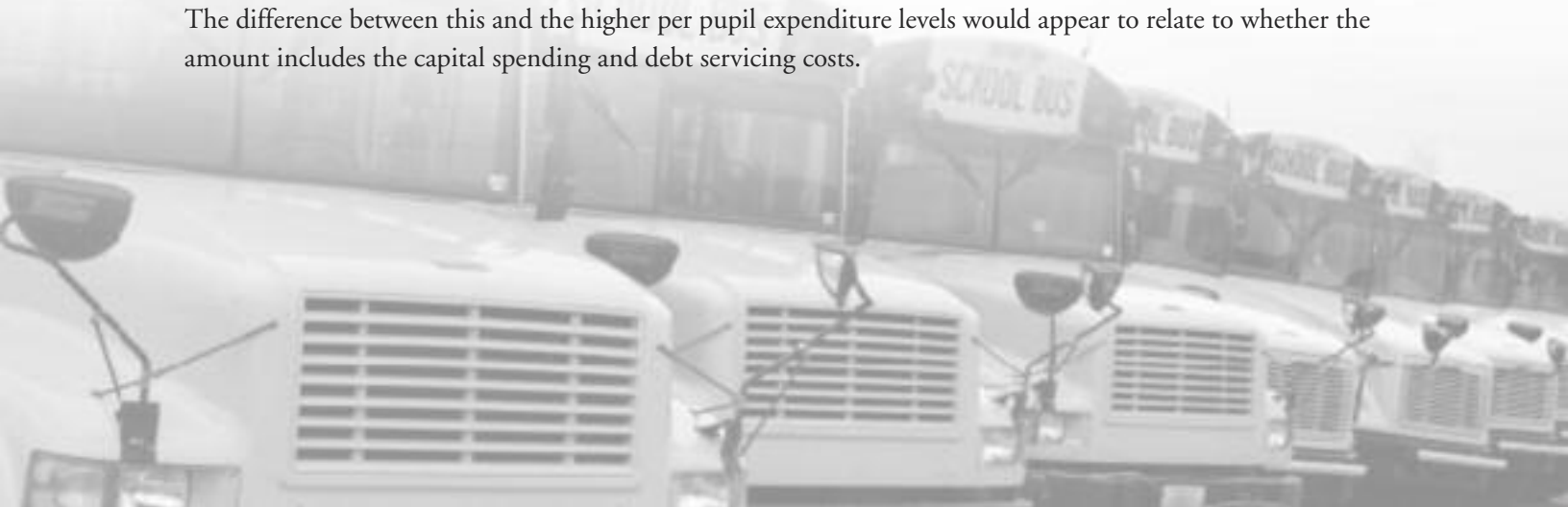
Children	Pre-School	School-Age	Total
Illegal Aliens	40,000	195,000	235,000
U.S.-Born	148,000	481,000	629,000
Total	188,000	676,000	864,000

The Pew Hispanic Center notes that, based on the number of students who did not supply a Social Security Number when they registered, illegal alien students represent 8 percent of the student population in Texas public schools.⁶ Our estimate of 195,000 is about half that amount — about 4.2 percent of overall enrollment.

K–12 EDUCATION

The greatest fiscal burden on Texas taxpayers comes from the K-12 public school education for the children of illegal aliens. According to the National Education Association, Texas now spends an average of \$8,400 per K-12 student.⁷ This is an 11 percent drop from the previous year, and reportedly the lowest level of funding in the country except for two states. The NEA data do not include capital expenditures or debt service costs. According to the Texas Education Association, the funding support for the state’s public schools comes primarily from local taxes (51.6%), state revenue (41.1%), federal funds (2.2%) and the remainder from other sources. An analysis of state public school funding by PolitiFact Texas described the TEA educational funding data as showing that, “...folding in capital outlays, other education expenditures and interest on debt, total estimated spending in Texas of nearly \$11,090 per pupil.”⁸ That level of per student funding would appear compatible with data reported on the Texas Comptroller’s Financial Allocation Study for Texas website that cited data for the 2008-2009 school year identifying total per student expenditures as \$11,567. That funding included 7.8 percent federal funds (including APRA), so the total state and local expenditures per student would have been \$10,667.

Analysis by the Center for Public Policy Priorities found the average per student funding in 2013 was \$9,449.⁹ The difference between this and the higher per pupil expenditure levels would appear to relate to whether the amount includes the capital spending and debt servicing costs.



Assuming that all of TEA's identified current federal funding share of 2.2 percent applies only to instructional costs, we reduce the \$11,090 per student expenditure to eliminate that category of expenditure. The resulting

TABLE 2

PER STUDENT COSTS TO TAXPAYERS

Students	Number	Per Student	Total (\$M)
Illegal Aliens	195,000	\$10,900	\$2,125.5
U.S.-Born	481,000	\$10,900	\$5,242.9
Total	676,000		\$7,368.4

total per student expense to the Texas taxpayer would then be about \$10,900 per student.

The estimated fiscal costs of educating the children of illegal aliens in Texas's public school system amounts to about \$7.4 billion per year to the state's taxpayers.

A thought to keep in mind is that a share of this funding is based on revenue derived from taxing oil and natural gas production. As petroleum and natural gas are non-renewable resources, how will the state replace that source of revenue as the wells increasingly run dry?

Amnesty Implication—Supporters of amnesty for illegal aliens argue that it would have economic and fiscal benefits to the state. That would only be realized — in terms of the major fiscal expenditure for the education of the children of the current illegal alien population — if the size of that population were reduced. As may be seen from the fact that the cost is the same for a U.S.-born child of an illegal alien as for one who is brought into the country illegally, simply changing the status of a student from illegal to legal would have no impact on the fiscal cost outlay.

Given the fact that the U.S. Supreme Court ruled in 1982 (*Plyler v. Doe*) that Texas could not deny publicly funded K-12 education to illegal aliens, the only potential reduction in fiscal outlays for K-12 education would have to come if the illegal aliens returned to their home countries.

There would likely be little support for an effort targeted on deporting illegal alien public school students. However, public opinion polls indicate that an effort to effectively deny job opportunities to illegal aliens — as is intended by current law and would result in illegal aliens returning to their home countries — would have majority support.¹⁰ It is reasonable to assume that the departing illegal aliens would take their minor children — including those U.S.-born — with them when they departed.

This is the thrust of the effort in Arizona to deny jobs to illegal aliens that was sustained by the U.S. Supreme Court in 2011.¹¹ As we noted in an analysis of the effects of that effort in Arizona, there was a rapid drop in the estimated illegal alien population — more than anywhere else in the country — and a 24 percent drop in public school students in supplemental English instruction.¹² The latter effect was presumably accompanied by an overall reduction in enrollment by the children of illegal aliens.

Illegal aliens rationally seek greater economic opportunity for themselves and their family members in the United States, and the removal of that magnet would both deter new illegal immigration and encourage the eventual departure of those already here. On the other hand, policies that encourage the settlement of illegal aliens will send a welcome signal that attracts more illegal newcomers. In that regard, the prohibition on Houston police officers from inquiring into a person's citizenship status and injunction against arresting or detaining a person who is in the country illegally serves as an invitation to further settlement of illegal aliens in the city. The Austin municipal government similarly sends a welcoming message to illegal aliens by its code

that stipulates, “Services funded by funds appropriated by the council shall be provided without regard to a recipient’s immigration status.”¹³

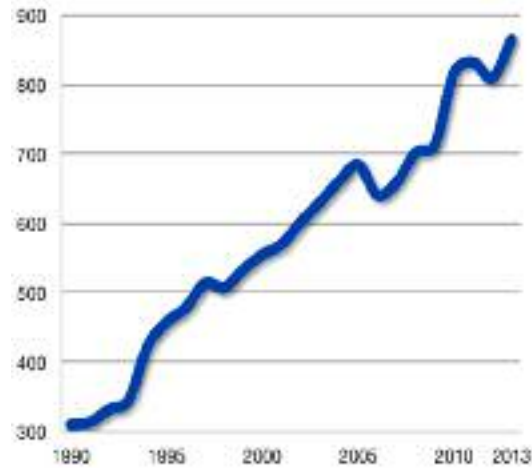
SUPPLEMENTAL ENGLISH INSTRUCTION

Supplemental instruction is required by law for limited English proficient students. That instruction involves the hiring of additional teaching staff including English as a Second Language instructors. There are different programs offered by the public school systems depending on the needs of the students.

The number of students enrolled in supplemental English programs has soared in recent years. In 1990, enrollment in LEP instruction numbered slightly more than 310,000 students. The chart shows the steep rise in LEP enrollment as tracked by the National Clearinghouse for English Language Acquisition and since 2010 by the Texas Education Agency. The more recent numbers are identified as including “bilingual” instruction as well as ESL enrollment. The data from the two sources appear to be compatible.

FIGURE 2

LEP ENROLLMENT (THOUSANDS)



In the 2012-2013 school year, there were 864,769 K-12 students enrolled in supplemental English instruction according to the National Center for Educational Statistics. That number is much higher than the 487,500 children of illegal aliens who we estimate are enrolled in K-12 education. Some of the additional students may be Mexicans crossing the border to study in U.S. schools (although the greatest concentration — more than 26 percent — of English learners is in the Houston area). Other sources of these English learners may include native Americans, refugees (although there were only slightly more than 54,000 refugees arriving in Texas over the past 10 years), or other legal immigrants.

Another explanation could be that our estimate of the number of children of illegal aliens (and the illegal aliens themselves) is too low. However, if that is not the case, the large number of children enrolled in supplemental English classes whose parents are not illegal aliens implies that the traditional process of assimilation of immigrants is faltering and increasingly not resulting in succeeding generations learning English at home as their primary language.

The funding of supplemental English instruction from the state education budget is fixed at 10 percent of the state’s adjusted allotment for each student. This is a lower level than elsewhere in the country. That does not include local funding.

The Texas Education Agency provides data on actual expenditures. The funding of the “Bilingual Program” has averaged \$1,802 per student.¹⁴

The calculation of the fiscal costs of this program is based on the assumption that a small share of the illegal alien students will have acquired sufficient English language competency to ‘graduate from’ LEP or bilingual classes and that the same will be true for a larger share of U.S.-born children of illegal aliens.

The estimated support by Texas taxpayers for supplemental English instruction for the children of illegal aliens is nearly \$1.1 billion annually. As

noted, this amount does not include federal support to this supplemental education for which Texas taxpayers will also pay a share. The estimated fiscal

cost is slightly understated because it does not include some additional students who are likely to be children of illegal aliens and their enrollment is tracked separately as part of the Migrant Education Program.

TABLE 3
LEP ENROLLMENT

Students	Enrollment	Per Student	Total (\$M)
Illegal Aliens	185,250	\$1,802	\$333.8
U.S.-Born	408,850	\$1,802	\$736.7
Total	594,100		\$1,071.6

Amnesty Implication — As with the regular public educational costs, this level of burden on the Texas taxpayer would in no way be lessened by adoption of the U.S. Senate’s immigration reform legislation. Again, the only possibility for lessening this outlay would be to lessen the size of the illegal alien population. And, similarly, if an amnesty for illegal aliens were adopted, the experience with the amnesty in 1986 suggests that the effect would be to increase the attraction for additional illegal aliens to arrive. That would result in an increased number of students requiring supplemental English instruction and the fiscal burden on Texas taxpayers would likewise increase.

POST-SECONDARY EDUCATION OF ILLEGAL ALIEN STUDENTS

Texas made the political decision in 2001 to admit illegal alien students into the post-secondary state school system at in-state tuition rates under certain circumstances. Meanwhile, U.S. legal residents from other states or foreign students arriving on a student visa are required to pay out-of-state tuition rates. This provision flouts federal legislation enacted in 1996 that required states to offer in-state tuition rates to residents of other states if they offer those rates to illegal Texas residents. Because treating illegal alien residents as if they were legal residents was a political decision, unlike the legal requirement to provide K-12 instruction, it could be reversed.

An estimate of the number of illegal alien students taking advantage of the in-state tuition benefit is based on the number of students who have signed an affidavit that they intend to pursue U.S. citizenship as soon as they are able to do so. That was one of the conditions stipulated in the 2001 law. As of 2010, there were about 16,500 students who had signed those affidavits.¹⁵

Many of those students will be pursuing studies in two-year community and technical schools where tuition is lower than in the university system. However, it is a typical progression for some students who have completed a degree from a community college to enroll in a four-year baccalaureate degree program.

Our estimate assumes that of a possible 15,000 illegal aliens graduating each year with a secondary school degree, about 6,500 continue their studies — 5,000 in two-year schools and 1,500 in four-year schools. Of the 5,000 who enter two-year schools, 4,000 obtain a two-year degree and 2,000 of them continue their education in four-year degree schools. Eventually, of the up to 15,000 high school illegal alien K-12 graduates, about one-in-eight continues to complete a four year degree. This assumption places about 9,000 illegal alien students in two-year schools each year and 8,000 students in four-year schools.

The taxpayer support of in-state tuition subsidies for illegal aliens varies considerably both between four and two-year institutions and within those categories. For example the difference in tuition between residents and

nonresidents at Austin Community College is \$3,690, while the difference at El Paso Community College is \$975, both based on a full-time load of 15 credit hours. At the four-year level, the difference between out-of-state and in-state tuition rates at Texas A&M-College Station is \$16,620 and at University of Texas-El Paso is \$10,621.

A website that provides tuition rates for all of the state public universities lists the average tuition difference at \$10,673.¹⁶ The tuition data on two-year schools available at the same website suggest that if illegal aliens had

TABLE 4

IN-STATE TUITION

Students	Number	Per Student	Total (\$M)
Two-year	9,000	\$1,300	\$11.7
Four-year	8,000	\$10,620	\$85.0
Total	17,000		\$96.7

to pay non-resident tuition, they would probably on average pay about \$1,300 more per year — the difference at Houston Community College — for a 15 credit load. We use those averages below.

The estimated fiscal cost of providing in-state tuition to illegal alien students — not including a larger number of U.S.-born children of illegal aliens, therefore, is nearly \$100 million per year.

The reason for not including the related fiscal burden of educating the U.S.-born children of illegal aliens is that they will have reached the age at which they could stay on in the United States to seek work even if the illegal alien parent(s) left to return to their home country. Assuming that they will remain permanently in the United States despite their dual citizenship, it is logical to see the investment in their continuing education as related to the chance that they will become well-earning taxpayers.

FINANCIAL ASSISTANCE TO ILLEGAL ALIEN STUDENTS

Not only does the state require Texas taxpayers to subsidize the post-secondary education of illegal aliens, it also provides tuition assistance to facilitate their entry into the continuing education. According to the Texas Higher Education Coordinating Board, 2,156 grants were awarded to illegal alien students in 2010 for a total amount of \$7.8 million. That is an average grant of about \$3,620 per student and is lower than the average grant for all students of over \$4,000. The lower average amount for illegal alien student applicants suggests that a larger share of the illegal alien students are applying for assistance grants to attend two-year schools than is the case for other applicants for the financial assistance.

Amnesty Implication—Adoption of an amnesty provision as part of immigration reform legislation, such as that in S.744, would encourage more of the currently illegal alien youth to pursue post-secondary education at increased cost to the Texas taxpayer for the tuition subsidy and financial assistance. The disincentive to doing so at present is that by law the illegal alien may not be legally hired to work in the United States. Pursuing a university degree is seen, therefore, as a waste of time and money. Obtaining legal status would eliminate that disincentive.

The Obama administration's offer of Deferred Action for Childhood Arrivals already partially overcomes the disincentive, but only for a period of two years with no assurance that it will be renewed.

This view of that providing taxpayer support for illegal aliens to pursue post-secondary education is a waste of money did not deter the state legislature from deciding to make the subsidy and the financial assistance available to those students. The legislative provision encourages the illegal alien students to embark on that path.

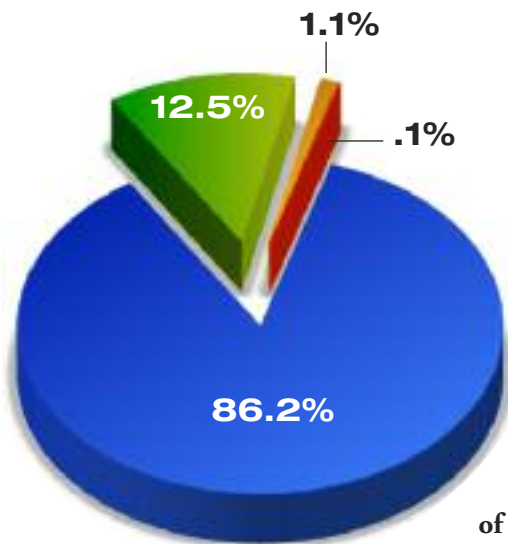


TABLE 5

TOTAL EDUCATIONAL EXPENDITURES

	Illegal	U.S.-Born	Total (\$M)
K-12	\$2,125.5	\$5,242.9	\$7,368.4
LEP	\$333.8	\$736.7	\$1,070.5
In-state Tuition	\$96.7		\$96.7
Financial Assistance	\$8.0		\$8.0
Total	\$2,564.0	\$5,979.6	\$8,543.6

The total Texas taxpayer support of education for the children of illegal aliens is about \$8.5 billion per year. About 30 percent of that total is spent on children who are illegal aliens themselves, with the remainder expended on the U.S.-born children of illegal

aliens. About 86 percent of that amount is associated with the regular K-12

educational expenditures, and an additional 12.5 percent relates to the remedial English expenses for the same students.

As noted, the total expenditures would be higher if the university tuition assistance and financial aid used by the U.S.-born children of illegal aliens were also included in the calculation.

Health Care Expenditures

The illegal alien population generally does not have health insurance and generally has income levels that result in the use of free clinics and emergency rooms when medical services are required.¹⁷ This leads to medical expenditures at public expense in several categories:

- Medicaid funded births to illegal aliens,
- Medicaid services to the U.S.-born children,
- Publicly-funded medical insurance for those same children,
- Emergency medical attention to uninsured illegal aliens.

BIRTHS AND OTHER MEDICAID FOR ILLEGAL ALIENS

According to the Texas state government, about 63,000 babies born in Texas in 2009 had at least one parent who was an illegal immigrant.¹⁸ Our own estimate is that, of a total of 385,200 births in the state in 2012, about 127,365 were to foreign-born mothers, and slightly more than two-fifths of those births, i.e., about 55,000, will have been to illegal alien mothers.¹⁹

Our estimate of the number of births to illegal aliens may be lower than the state estimate because the latter may include births to Mexican non-resident mothers who enter the state to give birth and then return to Mexico to raise the child. We do not include the cost of those births as they are not part of the resident illegal alien population. Those additional births paid for under Medicaid do, however, represent a cost to Texans and raise a separate issue for policymakers.

According to the Texas Health and Human Services Commission, more than 55 percent of all births in the state in 2011 were paid for under Medicaid. The average cost of those births was \$11,600.²⁰ Texas is responsible for about two-fifths of the expense, i.e. about \$4,640 per birth. According to the Centers for Medicare and Medicaid, the current income threshold for eligibility for “pregnant women Medicaid” is \$38,664.²¹

Pew Hispanic Center research as of 2008 found that 59 percent of all illegal aliens nationwide were medically uninsured and the share for illegal alien children was 45 percent.²² The lower share of uninsured children implies a larger share of uninsured adults. Applying the relative size of the illegal alien child population to the adult illegal alien population suggests that the share of uninsured adult illegal alien is about 61.2 percent. That share of births to illegal alien mothers suggests that about 33,660 of those births in Texas are paid for by Medicaid.²³

TABLE 6
MEDICAID BIRTHS

Number	Expense	Total (\$M)
33,600	\$4,640	\$155.9

Other Medicaid services used by illegal aliens include additional in-patient care, hospital outpatient care, as well as professional and pharmaceutical expenditures. According to a report to the state legislature on “Benefits Provided to Undocumented Immigrants” in 2010 by the state’s Health and Human Services (HHS) Commission, the total of regular Medicaid services for illegal aliens paid for by the state amounted to \$309.2 million at that time.²⁴ **Adjusting for inflation and the increased illegal alien population, the state funded Medicaid costs currently amount to about \$345 million.**

MEDICAID COVERAGE FOR U.S.-BORN CHILDREN OF ILLEGAL ALIENS

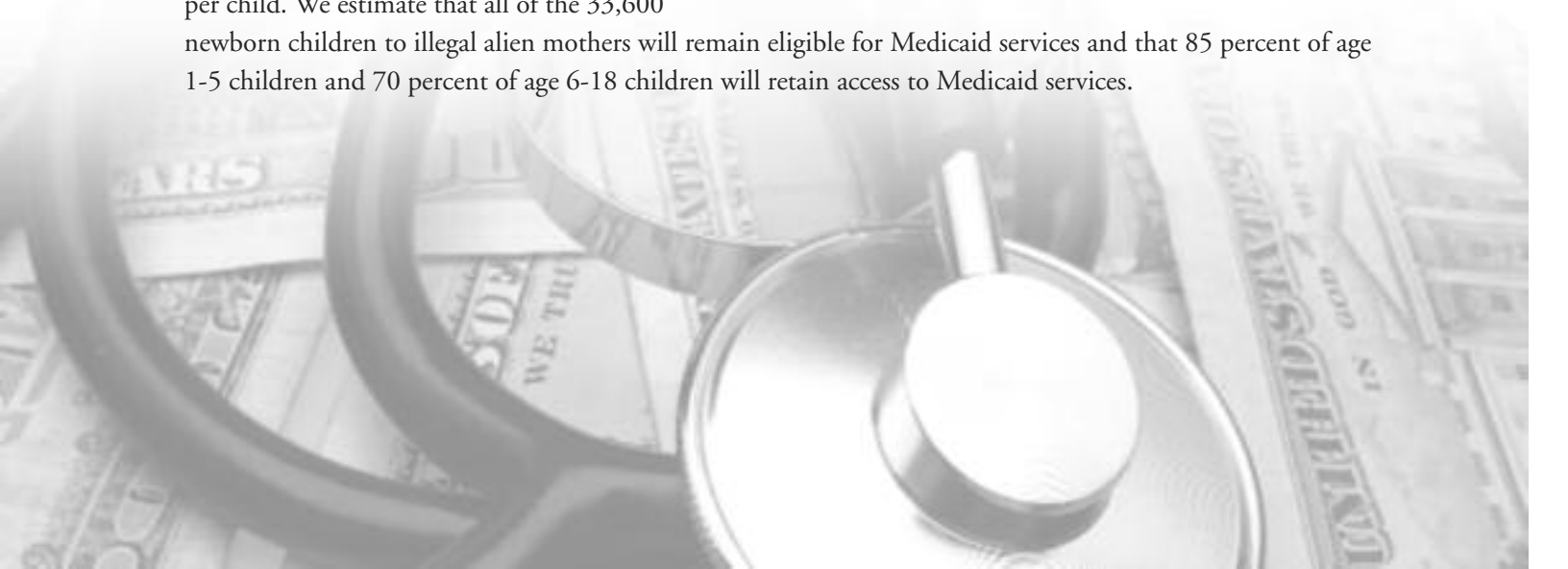
Following the birth to an illegal alien mother, the child continues to be eligible for medical coverage under Medicaid if the family is under the income threshold. Medicaid eligibility is 150 percent of the federal poverty level, i.e., \$35,325 for four family members and \$41,355 for five members. For the child’s first year, qualifying family income remains unchanged. For children aged 1 to 5 years, the income ceiling drops to \$28,128. For ages 6 to 18 the income eligibility ceiling falls to \$25,980.

In 2006, average Medicaid expenditures were about \$3,100 per child.²⁵ That average expense updated to 2013 is about \$3,600. The two-fifths that Texas taxpayers fund is about \$1,440 per child. We estimate that all of the 33,600

newborn children to illegal alien mothers will remain eligible for Medicaid services and that 85 percent of age 1-5 children and 70 percent of age 6-18 children will retain access to Medicaid services.

TABLE 7
MEDICAID FOR CHILDREN

	Number	Cost Per Child	Total (\$M)
Age 0-1	33,600	\$1,440	\$48.4
Age 1-5	114,240	\$1,440	\$164.5
Age 6-18	282,240	\$1,440	\$406.4
Total	456,960		\$619.3



Even with the reduced number of U.S-born children of illegal aliens qualifying for Medicaid services on the basis of family income, the total expenditures amount to nearly \$620 million per year. Those children remaining eligible for Medicaid services represent about two-thirds of the U.S.-born children of illegal aliens.

CHILDREN’S HEALTH INSURANCE PROGRAM (CHIP)

CHIP is a medical insurance program for low income children who live in families where income is above the qualifying level for Medicaid access but below 200 percent of the federal poverty level. According to the 2010 state HHS report, the state pays about 28 percent of the program’s benefits, and that was estimated at about \$33 million per year. **That amount would be about \$35 million today.**

CHILDREN WITH SPECIAL HEALTH CARE NEEDS (CSHCN)

Texas also operates a related program that provides rehabilitative and corrective medical services for seriously ill and disabled children. According to the Texas Comptroller of Public Accounts, CSHCN was merged into CHIP in 2001 except for about 2,800 cases that were not eligible for CHIP — presumably because they were not legal residents. A 2006 study reported that there were 1,452 non-U.S.-citizen children receiving services in the program at an outlay of \$29.9 million per year.²⁶ More recent funding data for the program were not found, but **we assume that the 2006 level of outlay has continued with an upward adjustment for inflation to \$34.6 million.**

UNCOMPENSATED EMERGENCY MEDICAL SERVICES

Under the federal Emergency Medical Treatment and Labor Act (EMTALA), public hospitals must provide emergency medical treatment to any patient regardless of immigration status or ability to pay until the patient’s medical condition is stabilized. Illegal aliens without medical insurance benefit from this provision. The above noted HHS study of estimated costs in Texas ascribed annual outlays of \$717 million to this program in 2008. Those expenditures will have increased for both the increased size of the illegal alien population (6.5% using DHS estimates) and as a result of inflation (8.75%). We estimate those continuing expenditures at about \$830 million per year.

TABLE 8
TOTAL MEDICAL EXPENDITURES

	(\$Millions)
Medicaid for Illegal Aliens	\$345.0
Medicaid for U.S.-Born children of illegal aliens	\$619.3
CHIP for U.S.-born children of illegal aliens	\$35.0
CSHCN	\$34.6
EMTALA care for illegal aliens	\$830.0
Total	\$1,863.9

Amnesty Implications—The provisions passed in the Senate (S.744) are a phased in amnesty with temporary legal status for several years leading to ‘green card’ status. During the provisional status, the legislation excludes the legalized aliens from participating in the Affordable Care Act (“Obamacare”). Thus, the Medicaid-covered expenditures to the illegal alien population will not

change in the near term with the state taxpayers continuing to cover the state’s share of about 40 percent of those costs.²⁷

In the longer term, if the current illegal alien population were granted legal permanent residence (“green cards”), they would become eligible for government-provided medical care if they were not covered by medical insurance. It is early to speculate on what the ACA will achieve in substituting subsidized medical insurance

coverage for the current Medicaid system. Nevertheless, it seems clear that there will continue to be an expense for medical care for low wage families that will be shared between the federal government and the states and that by extending this coverage to those currently uncovered illegal aliens, there will be an additional cost to the taxpayer.

Whether S.744 would reduce illegal immigration through tighter border and worksite controls is debatable. The Congressional Budget Office's analysis of S.744 found that in the best case scenario it would only reduce illegal immigration by 50 percent.²⁸ Our view is that the Senate approach is much like the 1986 Immigration Reform and Control Act approach, in which nearly three million illegal aliens received 'green cards' in exchange for proposed reforms to deter illegal immigration. Those reforms proved to be toothless and resulted in the illegal alien population soaring to its current level. If that historical experience were repeated, it is clear that Texans would face a continuing stream of illegal aliens and increasing costs associated with providing medical care for both today's illegal alien population and the new illegal aliens.

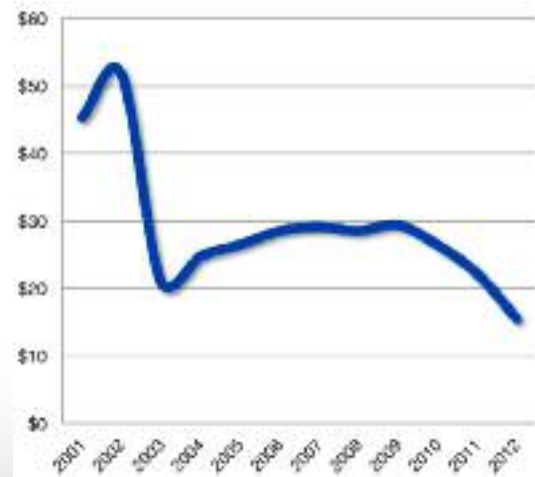
Justice and Law Enforcement Expenditures

Administration of justice expenditures fall into three categories: policing, adjudication and punishment. In all three of these areas, the presence of the estimated 1.81 million illegal aliens residing in the state represents an unnecessary cost to the Texas taxpayer.

Two federal government resources are available for evaluating the magnitude of those costs to the Texas taxpayer. The first is a study by The Justice Department's Bureau of Justice Statistics that ascribed annual state and local costs in 2006 of \$10.9 billion per year in Texas. Of that, 43.1 percent was for policing, 39.5 percent for incarceration and 17.4 percent for the judicial system.²⁹ We reduce those costs to apply to just the illegal alien population. We assume that the cost estimates from 2006 would be higher today for no other reason than general inflation, which according to the U.S. Bureau of Labor Statistics has pushed costs up by 16.1% over the past seven years.

The other federal information source is the State Criminal Alien Assistance Program (SCAAP). The program collects data from state and local incarceration facilities on foreign-born convicts and provides a limited amount of compensation for those costs. The amount of reimbursement to the states in that program underwent a major reduction in 2003 and has further retracted since 2009. This reduction has meant that the state and local jurisdictions that hold illegal aliens have received a dwindling share of reimbursement of those costs.

FIGURE 3
SCAAP REIMBURSEMENT (MILLIONS)

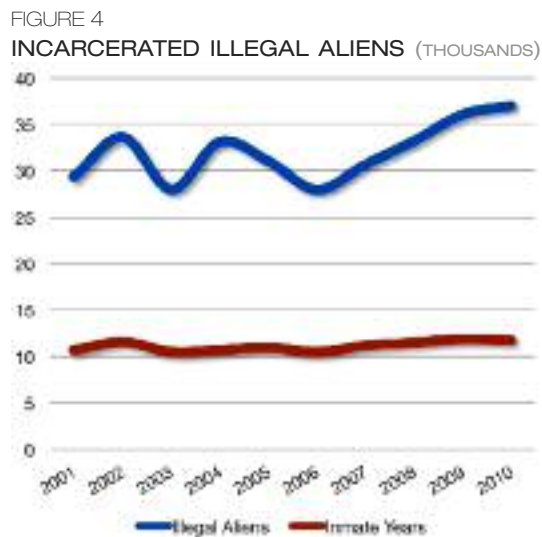


The SCAAP data up until 2010 allowed a glimpse of the number of illegal and deportable aliens in state and local prisons and jails. However, there is no requirement for participation in the program, and the fact that the federal level of compensation has declined to a fraction of total expenditures has apparently led some local jurisdictions to ignore the program. For example, in the 2011 SCAAP reimbursements to Texas of \$115.4 million, only 113 of Texas's 255 counties participated, and in both 2011 and 2012, Harris County did not participate.

The 2010 SCAAP report — which is the last publicly available that provides the data submitted by the state and local governments — documented 11,758 alien prisoner years out of a total of about 143,760 prisoner years, i.e. nearly 8.2 percent. This share is a larger share than the estimated share of the overall population comprised of illegal aliens, i.e. 6.9 percent.³⁰ We use the larger share in estimating the administration of justice costs.

POLICING

The BJS estimate for state and local policing annual costs in Texas in 2006 was \$4.696 billion. On the basis of inflation and a share of policing costs proportionate to the estimated illegal alien population, we estimate that expenses currently to be about \$445 million.



JUDICIAL

The BJS estimate for judicial costs in Texas in 2006 was \$1.919 billion. Operations of the judiciary involving illegal aliens are more costly than for Texans in general because of the requirement for translation and interpreter services. It also is likely to disproportionately involve the services of public defenders. We estimate the 2006 BJS estimate for illegal aliens updated for 2013 would be about \$180 million.

INCARCERATION

The reported costs of incarceration in the state vary considerably.³¹ A per prisoner year expense of \$21,390 was reported by the VERA Center on Sentencing and Corrections.³² The Center's report found that 76 percent off that amount was the amount reported in the Texas Department of Corrections budget and the additional amount was "other state costs." Those other state costs included, "fringe benefits, underfunded contributions for corrections employees' pension and retiree health care plans, inmate health care, capital projects, legal costs, and inmate education and training."

The findings of the VERA study appear to be well researched and documented, and we use that estimate for Texas per prisoner costs. That result is an annual fiscal cost from state and local incarceration of illegal aliens of about \$445 million. That is partially offset by the SCAAP reimbursement.

According to a recent news report, Lt. Gov. David Dewhurst demanded the federal government more fully reimburse the 245 county jails for the detention of more than 130,000 illegal immigrants at a cost of about

\$157 million over the past two years. Harris County alone had costs of more than \$49 million.³³

The overall net fiscal burden on Texas taxpayers from the state and local law enforcement operations related to illegal aliens therefore amounts to more than \$1 billion per year.

Amnesty Implication—The amnesty provisions in S.744 would not in general spare illegal alien convicts from deportation upon their release. However, the legislation contains serious loopholes that, among other provisions, would allow the Secretary of Homeland Security to waive convictions for:

- Gang-related crimes and gang membership;
- Three or more drunk driving offenses;
- Domestic violence, stalking, child abuse, and violation of protective orders;
- Committing crimes of moral turpitude;
- Violating federal or state drug laws.

These waiver provisions would allow the possibility for some current convicts to be admitted as amnesty beneficiaries and released back into the community rather than being deported. On the other hand, if more effective border enforcement were to result as part of new immigration legislation, it could decrease the number of illegal aliens entering the state and engaging in criminal activities. In balance, the impact on administration of justice operations in the state would depend on the commitment of the administration to effectively deter and suppress illegal alien criminal activity in the state.

Public Assistance Costs

As a general rule, illegal aliens are not eligible for welfare programs. Nevertheless, they benefit from public assistance in two ways; some programs provide services to target populations without regard to legal status, while others provide benefits to mixed-status families ostensibly for the U.S. citizen members of the family. The latter indirectly provide benefit to the illegal alien members of the family.

Examples of the former include the National School Lunch Program (NSLP), public health services such as immunizations, public health clinics, or the Texas Family Violence Program (FVP). The latter type of program includes the Temporary Assistance to Needy Families (TANF) and the Child Care and Development Fund (CCDF).

NATIONAL SCHOOL LUNCH PROGRAM

The program of free and reduced price breakfast, lunch and snack meals program is primarily a federal program. However, when it was created, it was established as a federal-state joint funding program with a state matching funding requirement. That matching requirement was frozen at the 1980 level and the share has therefore diminished as federal funding has increased. As of 2012, according to the state Department of Agriculture, the state matching amount was \$14, 446,168, (0.8%).³⁴

TABLE 9
TOTAL JUSTICE EXPENDITURES

	(\$Millions)
Policing	\$445
Judicial	\$180
Incarceration	\$445
SCAAP Reimbursement	-\$15
Total	\$1,055

In 2012, 3,135,092 Texas students received free or reduced price lunches in the NSLP. That was 63.5 percent of total public school enrollment. We assume that all of the 676,000 children of illegal aliens are participating in that program. They represent 12.4 percent of the student population, and **that share of the state matching funding is \$1.8 million.**

FAMILY VIOLENCE PROGRAM

The state budget includes about \$24 million funding for the FVP. The adult illegal alien population is estimated at 8.6 percent of the state's overall adult population. Applying that share, **an estimated \$2 million of FVP funds are likely spent on illegal alien domestic violence cases.**

CHILD CARE AND DEVELOPMENT PROGRAM

About 61,900 children in Texas from birth to age three are currently served by the Child Care and Development block grant. A proposed expansion would include an estimated state match of \$30.8 million and would serve about 37,644 additional children from low- and moderate-income families.³⁵

The Texas Workforce Commission website provides the approved Child Care and Development Fund Plan for 2014. It identifies state maintenance of effort and matching funding at \$73.3 million. The U.S.-born children of illegal aliens represent about 5.7 percent of the state's under age-five population. Those children are more likely to be in low-income families and, therefore, a larger share is likely to be enrolled in the CCDF. Without regard to the proposed expansion of the program, **we estimate that about \$7.3 million of current state funding of CCDF support the U.S.-born children of illegal aliens.**

TEMPORARY ASSISTANCE TO NEEDY FAMILIES

Temporary cash assistance is designed to assist low income families achieve self-sufficiently. Illegal immigrant parents are not eligible for TANF, but they may apply for assistance for their U.S.-born children. These cases are identified as "child-only" cases, and, because children are not subject to the TANF requirement for job hunting, these cases are much less temporary than for qualified low-income legal residents. There are other family situations that may lead to the child-only designation.

Almost half of Temporary Assistance for Needy Families cases are "child-only cases." Those cases may result from children residing in immigrant homes where the parents are ineligible because they are illegal aliens.³⁶ According to the federal government, the total number of TANF cases in Texas in 2012 was 117,777.³⁷ Half of the Texas TANF cases were "child-only."³⁸ Assuming about 60,000 child-only cases, that clearly does not cover most of the estimated 629,000 U.S.-born children of illegal aliens. We estimate there are likely to be about 10,000 children of illegal aliens receiving TANF in families with two U.S. citizen children and 20,000 in illegal alien families with one U.S.-born child. Current payments in the program are \$1,068 per year for one-child cases and \$1,536 for two-child cases.

Federal TANF funding for Texas in 2013 is \$483.3 million.³⁹ **The state pays about 30 percent of the program costs, which would amount to about \$145 million. The share attributable to the children of illegal aliens is \$36.7 million.**

TABLE 10
TANF COSTS

	Cases	Payment	Total (\$M)
1 child	20,000	\$1,068	\$21.4
2 children	10,000	\$1,536	\$15.4
Total	30,000		\$36.7

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

SNAP is the current version of the Food Stamp program. It is funded by the federal government with only an administrative expense by the state government that is partially compensated by the federal government. Therefore, any additional costs to Texas taxpayers are minimal except as they pay for the program through their federal tax payments.

Welfare benefits are mostly unavailable to illegal aliens, but a total of about \$48 million in benefits per year are funded by the state’s taxpayers — largely for the U.S.-born children of illegal aliens.

Amnesty Implications—The legalization of current

illegal aliens would put them on track for qualifying for the same welfare benefits as legal residents. That would not result in a lessened tax burden on Texas taxpayers, however, because those welfare benefits are generally paid by the federal government – unlike shared medical benefits. An amnesty would, therefore, result in increased federal welfare outlays — because of the income profile of the illegal alien population — to which Texas taxpayers would contribute through their federal taxes.

In other states, one of the main state level welfare programs is the state earned income tax credit which mirrors the federal EITC. As Texas does not have a state income tax, adoption of an amnesty would not trigger that kind of an additional fiscal burden in Texas.

TABLE 11

TOTAL PUBLIC ASSISTANCE EXPENDITURES

	(\$Millions)
NSLP	\$1.8
FVP	\$2.0
CCDF	\$7.3
TANF	\$36.7
Total	\$47.8

General Government Services

Illegal aliens benefit from general government functions the same as legal residents and a share of the cost of that activity is attributable to their presence in the state’s population. The general government function includes activities at the state and local levels of government. The law making function is part of those costs, whether in the state legislature or county or municipal council. Auditing budget expenditures is another general expense.

There are also services that are for the common use of the public, such as parks and recreation areas, libraries, or street and road maintenance. Municipal health clinics offer another example of a service that is open to all and used by the illegal alien population as much or more than the general public.

The general government expenditures are generally related to the size of the population being governed, as is readily apparent in the difference between the size of the state budget and the budget of a metropolitan area. As the illegal alien population constitutes a share of that population size, so too does it account for a share of those expenditures.

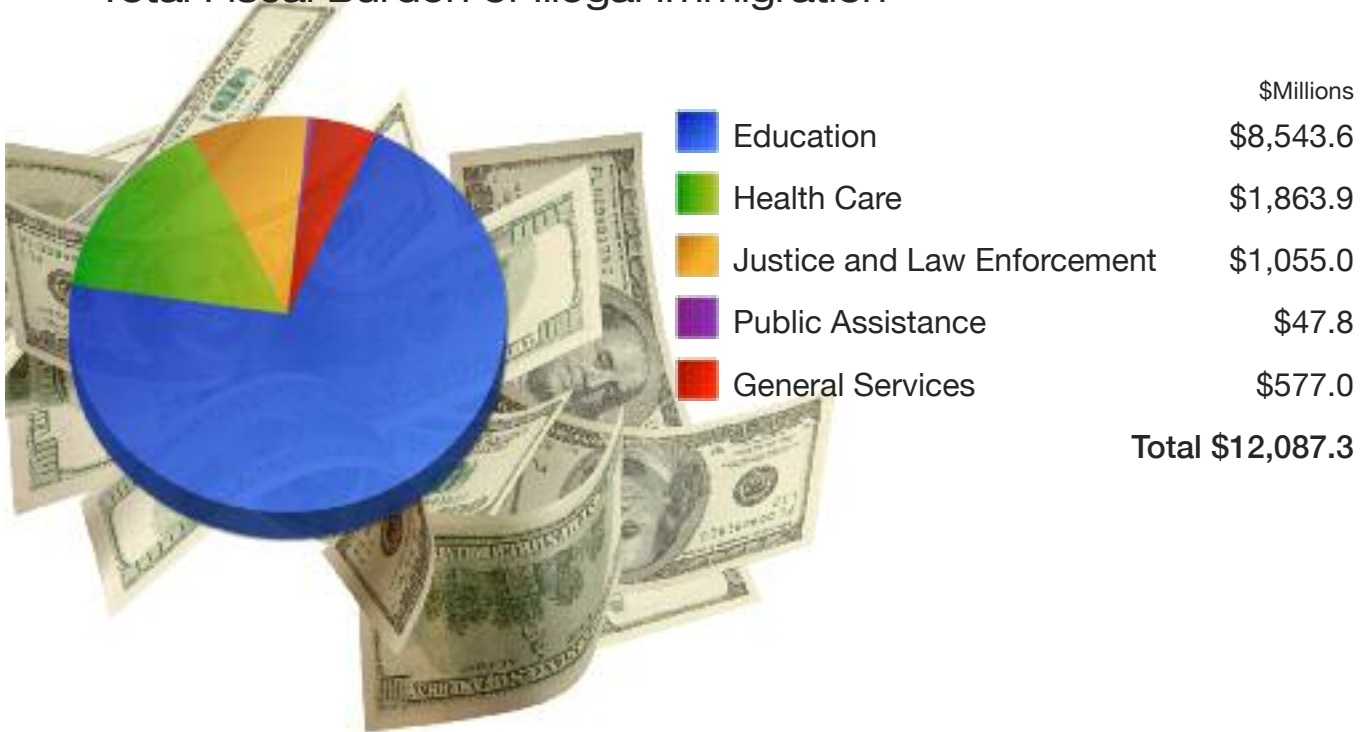
In estimating the cost of general government associated with the illegal alien population, we apply the share of the population comprised of illegal aliens and their minor U.S.-born children (9.35%). According to the State comptroller’s website, in the state’s 2012-2013 biennium budget, the “General Government” category

accounts for 2.3 percent of the \$132.6 billion budgeted for general program areas, i.e., about \$3.08 billion.⁴⁰ That percentage results in an estimated expenditure of \$288.5 million associated with the illegal alien population. We assume a comparable level of budget expenditure at the county, municipal, and special taxing district level of government.

The estimated general government expenses resulting from the illegal alien population at the state and local level amounts to at least \$577 million.

TABLE 12

Total Fiscal Burden of Illegal Immigration



Tax Collection

Advocates of amnesty for illegal aliens routinely suggest that the illegal resident population has earned legal permanent residence because they have paid taxes. That argument is illogical because even tourists or foreign students pay some taxes, but no one would suggest that fact should entitle them to ‘green cards.’

The taxes paid by illegal aliens include sales tax, property tax as a share of rental payment, gasoline and alcohol tax. This report on the fiscal impact of illegal immigration on Texans does not include an estimate of the impact at the federal level. Therefore, the same is true of the estimate of tax collection from the illegal alien population. That precludes an estimate of Social Security or income tax withholdings from wages of those using false documents to work as if they were legal workers. However, we do include unemployment and payroll withholdings by the state for those same workers.

To assess the amount of state and local revenue collected from illegal aliens it is necessary to develop an earnings and spending profile. Because illegal aliens generally are working in low-earning jobs they will have lower levels of spending on rents and consumables subject to taxation. That means their tax contributions differ significantly from average tax contributions from other residents, even from those with similar earnings.

According to the Pew Hispanic Center, “In 2007, the median annual household income of unauthorized immigrants was \$36,000, compared with \$50,000 for people born in the United States.”⁴¹ Census data for 2010 indicated household income for the native-born was \$50,541 while it was \$38,077 for non-U.S. citizen foreign-born residents. For Texas, the 2010 Census data revealed higher median household income for the native-born (\$51,237) but lower median household earnings for non-U.S. citizen foreign-born residents (\$32,224). The larger share of illegal aliens residing in Texas is a likely source of the lower median wages for that population.

Median household earnings for illegal aliens would be lower than the level for the non-U.S. citizen foreign-born residents because that population will include some legal foreign-born residents with higher wages. Using the Pew data and adjusting it to 2010, median illegal alien household annual earnings in Texas are about \$30,800.

The average family size in Texas in the 2010 Census data for non-U.S. citizen foreign-born families was 4.27. The federal poverty level for a four person family is \$23,550 and for a family of five is \$27,570. Medicaid CHIP income eligibility in Texas is set at 185 percent of the federal poverty level, i.e. \$43,568 for a family of four or \$51,000 for a family of five.

In addition to the average income level of illegal aliens being low, there are a number of other factors that influence their economic profile.

- Illegal alien workers are more likely to be involved in seasonal, casual, or part-time work than legal workers. In Texas, median earnings for full time workers in 2010 were \$44,802 (males) or \$35,453 (females) and \$28,691 for less than full time workers.
- An estimated half of all illegal alien workers are in the underground economy for cash wages. This means that an employer is able to ignore the state’s \$7.25 per hour minimum wage law.
- In addition to the low level of earnings, illegal aliens often send money out of the country in remittances to support family members in the home country and, perhaps, to create a nest egg for an eventual return to that home. That means that they have less disposable income than a legal worker with the same income. A state tax collection study by the Institute on Taxation and Economic Policy (ITEP) discounted the taxable spending of illegal aliens by 10 percent to compensate for remittances sent abroad.⁴²
- Illegal aliens are more likely to be mobile than Americans and are, consequently more likely to be temporarily sharing housing accommodations with other illegal aliens or legal resident relatives. This means that the share of expenditures on housing is likely to be significantly less than for legal residents. It also means that property tax collection from illegal aliens is less than from settled residents. For Texas, 2010 Census Bureau data recorded that 20.7 percent of possible illegal aliens lived in crowded housing compared to 2.9 percent for native-born residents.⁴³
- Where illegal aliens are concentrated, there are also likely to be informal services, such as unlicensed food vendors, who do not collect or pay taxes and help illegal aliens cut costs while also depriving legal, tax-paying commercial enterprises of revenue.
- Because illegal aliens can’t obtain a driver’s licenses in Texas, they are less likely to own cars and more likely to use public transportation or car pool. They thereby are less likely to pay a vehicle purchase tax or the gasoline tax. For the same reason, they are more likely to use public transportation, which is subsidized by the government and represents an additional fiscal outlay.

There is also an indirect fiscal effect associated with illegal alien workers. By being prepared to work for low wages, their exploitation causes wages for unskilled workers to stagnate and leads to discriminatory hiring of illegal workers to keep payrolls low. This has meant lower wages for legal workers, less tax collection from those workers as well as the inability to find jobs by some legal workers. Social assistance programs are, therefore, relied on more by unemployed and underpaid legal residents, and that indirect cost is passed on to the taxpayer.

Texas does not have a state income tax, so the state's primary revenue source from individuals is the sales tax. The rate is set at 6.25 percent and local jurisdictions may add up to 2.0 percent. Exempt from the tax are medicine and "food for human consumption."

PROPERTY TAX

Most illegal aliens will contribute some share of property taxes as part of their rent payments. There is no state property tax, it is set and collected locally. According to Moody's Investment Services, average property taxes in Texas are 2.57 percent of assessed value.⁴⁴

We assume that all of the property tax on apartments or homes are borne by the renter or owner. This is much more conservative than some estimates that only half of property taxes are passed on to renters. We further assume that a bit more than a third of the illegal alien adult population are single and living on average three persons to a one or two bedroom apartment with average taxes of \$200 for a single or \$300 for a double. They account for tax payments of about \$54 million. The remaining illegal alien adults in a family relationship are assumed to occupy two bedroom apartments or homes. One-third are assumed to be in double family occupancy and the other two-thirds in single family occupancy. They generate property taxes of about \$232 million. **In total the illegal alien population accounts for annual property tax revenue of about \$285 million.**

SALES TAX

The collection of the state sales tax of 6.25 percent the local sales tax that may add another 2.0 percent depends on the disposable income of the illegal alien earners. To calculate the disposable income we subtract average rent, utilities, food, and transportation expenses in addition to the reduction for average remittances. We estimate an annual disposable income of about \$615 for single illegal aliens and about \$1,040 for double income families. **Applying the full 8.25 percent sales tax rate** — even though many jurisdictions add less than the full 2.0 percent local tax — **results in an estimated possible annual tax receipt of \$855 million.**

SIN TAXES

We estimate adult consumption of cigarettes and beer at the rate of a pack a day on average and two six-packs a week. The \$1.41 tax on a pack of cigarettes generates an estimated tax revenue to the state of \$115.5 million. About \$18 million in taxes are generated by alcohol sales, for an **annual total of \$133.5 million.**

TABLE 13
STATE/LOCAL TAX RECEIPTS

	(\$Millions)
Sales Tax	\$855.0
Property Tax	\$285.0
Sin Taxes	\$133.5
Total	\$1,273.5

Despite the low average earnings of illegal aliens, they still generate sales and property tax revenue and sin taxes. A share of those tax revenues could be ascribed to the 629,000 U.S.-born children of illegal aliens, e.g.

shares of property taxes and discretionary spending on their needs that generated the sales tax revenue. Nevertheless, we treat the above calculation as if it were tax revenue generated by illegal aliens. **In total those tax revenues are estimated to amount to about \$1.27 billion annually.**

Amnesty Implication—If amnesty legislation were adopted, and it led to the current illegal alien population to realize higher earnings, disposable income would also rise and generate greater tax revenue. However, the study that tracked the earnings of the 1986 amnesty applicants five years after receiving amnesty found that for the most part the only income advance they had realized was an overall increase for all wage earners in which the amnestied aliens shared.⁴⁵ In large measure, that advantage likely was related to a federal minimum wage increase over the intervening years.

This suggests that hoped for wage advances from an amnesty and increased tax revenue from illegal alien workers is illusory. However, as previously noted, an amnesty for illegal aliens could well lead to further illegal aliens entering to reside in the state. Those new illegal aliens would generate some additional tax revenue, but they would also represent a fiscal cost that far exceeded any tax revenue collected. The net result would be a further burden on the state's taxpayers.

Net Fiscal Costs

The net fiscal cost of about \$10.8 billion per year amounts to about \$5,975 per illegal alien. It is also a burden of \$1,197 per household headed by a native-born or naturalized U.S. citizen.

TABLE 14
NET FISCAL COSTS OF ILLEGAL IMMIGRATION
(\$Millions)

Outlays	\$12,087.3
Tax Revenue	-\$1,273.5
Net Total	\$10,813.8

Final Thoughts on Amnesty

The proponents of amnesty, or “earned legalization,” as they term it, generally ignore the fiscal effects of illegal immigration other than to note that “unauthorized immigrants” pay taxes. If amnesty were enacted, most of the illegal aliens would become legal immigrants, and, according to the amnesty advocates, the fiscal impact issue would become moot. But, as noted above, the fiscal costs from having absorbed the population of aliens who either entered the country illegally or overstayed visas would not appreciably change.

The amnesty advocates already try to disguise this fiscal burden by shifting the discussion to the economic effects of immigration in which they lump illegal workers with legal immigrant workers. This blurring of the difference between legal and illegal immigration tends to disguise the very real differences of the two categories.

The only way to lessen the fiscal burden from illegal aliens is not by making them legal but, rather, by reducing the size of this uninvited foreign population. Amnesty legislation would assure that the population would become permanent and invite others to follow in the footsteps of those who gained U.S. residence through illegal immigration. Conversely, a refusal to enact amnesty legislation coupled with measures to deny

benefits to the illegal alien population — with denial of job opportunities at the top of the list — would work over time to not only deter new illegal immigration, but also to encourage those already residing here illegally to return to their home countries.

This objective ideally should be pursued at the national level to deny illegal aliens the ability to move from one jurisdiction to another to avoid restrictive measures. However, in the absence of federal immigration reform legislation, such as the proposed expansion of the E-verify system to make employers accountable if they knowingly hire illegal workers, state and local policymakers have numerous measures available to them to advance the interests of the taxpayers in lessening the fiscal impact of illegal immigration.

Measures such as mandating the use of E-Verify, as Arizona and several other states have done, is attacked by amnesty proponents as anti-immigrant and anti-Hispanic. These contrived attacks are misleading by obscuring the difference between legal and illegal immigration, and they ignore the fact that illegal immigration negatively impacts other foreign-born residents more than any other sector. In Texas, more than 70 percent of that foreign-born population is Hispanic.

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