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Analysis

Despite Rhetoric, Illegal Immigration Provides Benefits to States

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FOXBusiness

Arizona's recently-passed immigration law has drawn heated debate on both sides of the immigration issue, but there has been little focus on what [economic](#) impact illegal immigration has on border states – a phenomenon that's likely larger than many people realize.

Putting the law and morality of illegal entry aside, several studies have shown the illegal immigrant population is more of an economic contributor to state and local economies than politicians like to tell an angry electorate. The numbers can be broken down into the fiscal cost (or gain) of illegal immigrants to states, along with the economic contribution of the population.

The most thorough study on the fiscal and economic impact of immigration was done by the non-partisan Texas Comptrollers' Office in 2006, which showed Texas earned more in taxes and economic output from illegal immigrants than governments spent to provide services.

According to the Comptrollers' office, state and local governments spent \$1.16 billion to provide services like education, health care and safety, but raised an estimated \$1.58 billion in tax revenues. Based on the data, the Texas taxpayer made a \$424.7 million profit on its illegal immigrant population in 2006.

Fiscally, illegal immigrants contribute mostly to state and local coffers primarily through sales and [property taxes](#), which are mostly unavoidable. A majority of illegal immigrants pay federal, state and local income tax as well - 50% to 75%, according to the Congressional Budget office.

Figures found in studies such as Texas' 2006 study, or another 2007 study by the CBO, which did a survey of all data for the past 30 years and concluded that fiscal impact of services provided to illegal immigrants "is mostly modest," stands in contrast to political rhetoric that fueled the passage of Arizona SB1070.

"The additional economic activity and tax revenue that undocumented workers provide to state and local governments simply overwhelms the fiscal cost to provide services," said Dan Griswald, an immigration policy expert with the libertarian think tank CATO Institute.

Arizona and Texas' economies and tax policies are similar enough that conclusions can be drawn that Arizona may also receive net economic and fiscal benefits from illegal immigrants. Both states rely on sales taxes and fees on cigarettes and alcohol for large portions of tax revenue generation, according to the Tax Foundation. One difference is Arizona assesses both a personal and corporate income tax, which Texas does not.

If there is a fiscal burden that illegal immigrants impose on taxpayers, it's at the local level in education and health care services, Griswald and other studies said. Because an estimated 60% of illegal immigrants are uninsured and have to rely on emergency-room services, local hospitals have to absorb the cost of illegal immigrants' emergency care costs.

There is also the economic output of illegal immigrants, which Texas estimated at \$17.7 billion in additional gross state product in 2005 alone. Experts estimate Arizona benefits from similar revenue and economic gains from its illegal immigrant population because of similar tax structures and proportionate illegal immigrant populations based on state populations.

While not admitting to hiring illegal immigrants, business owners say it remains difficult to hire locally-based labor for certain tasks even with the recession, giving ample reasons for illegal immigrants to continue to seek work north of the border.

Arizona lettuce farmers, who produce the bulk of the nation's domestic lettuce between November and February each year, will need 40,000 laborers to hand-pick greens. Most of that lettuce is grown in Yuma County, located near the Colorado River and the U.S.-Mexico border, where a local labor pool is simply unavailable to pick lettuce. Chili growers on the east part of the state need a similar labor force.

"In the industries that are based on production – especially perishable products – I've simply got to have workers," said Jim Klinger, executive secretary for the Arizona [Farm Bureau](#).

Klinger said the Bureau did not take an official public position on SB1070, but said the law does little to address the issue of an unsecure border and business needs for labor. To end their ongoing labor issues, some farmers are moving operations to Mexico.

"Do we really want to export our food production to other nations when we have the resources and infrastructure here at home," Klinger said.

The construction industry reflected similar views, with officials saying it can be difficult to find the labor necessary. The Department of Homeland Security said in a 2009 report that because of the steep recession, the illegal immigrant population decreased from 11.6 million in 2008 to 10.8 million in 2009 as immigrants returned to their home countries in search of work. Meanwhile, the Arizona construction industry, which employs large numbers of immigrant workers, saw jobs fall by more than half since the start of the recession.

"The market is the best thermometer of what labor we need in our industry," said Jenna Hamilton, with the National Association of Home Builders. "We need the labor and immigrants didn't see any other choices to get here legally."

NAHB is an industry group also in favor of temporary worker permits.

There have already been some negative economic impacts to Arizona regarding the passage of SB1070. The City of Phoenix estimates that the bill will cost the city's economy \$90 million in revenues because of the boycott. Los Angeles' City Council voted Wednesday to cut all business ties to Phoenix as well.

Calls for closing the border and deporting all illegal immigrants – which some extreme anti-immigrant groups have called for in Arizona – would have dramatic negative impacts to state economies. Using the Texas Comptrollers' report again, a removal of 1.4 million illegal immigrants from Texas would cost the state \$18.5 billion in personal incomes and \$66.5 billion in exports, among other major economic impacts.

"The Texas economy cannot adjust completely to the loss of this labor [through the removal of illegal immigrants] and retain its competitiveness," the Comptrollers' office said in its report.

Arizona faces a similar problem.

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