

The Costs of Illegal Immigration to Californians

*A Report by the Federation
for American Immigration Reform*

Unfortunately, the Federal government has consistently failed to respond to the needs of state and local communities struggling to stay afloat on account of the growing costs of illegal immigration. And all too frequently, local communities are forced to shoulder this burden alone.

—Senator Dianne Feinstein on the Local Emergency Health Services Reimbursement Act of 2003
March 4, 2003

Executive Summary | Analysis of the latest Census data indicates that California’s illegal immigrant population is costing the state’s taxpayers more than \$10.5 billion per year for education, medical care and incarceration. Even if the estimated tax contributions of illegal immigrant workers are subtracted, net outlays still amount to nearly \$9 billion per year. The annual fiscal burden from those three areas of state expenditures amounts to about \$1,183 per household headed by a native-born resident.

This analysis looks specifically at the costs to the state for education, health care and incarceration resulting from illegal immigration. These three are the largest cost areas, and they are the same

ILLEGAL IMMIGRANTS 2004 OUTLAYS AND RECEIPTS (in billions)

Category	Outlays	Receipts	Net Cost
Education			
Illegal Aliens	\$3.2		\$3.2
Children of Illegal Aliens	4.5		4.5
Uncompensated Medical Care			
	1.4		1.4
Incarceration			
	1.4		1.4
Tax Payments			
		1.7	-1.7
Total	\$10.5 Billion	\$1.7 Billion	\$8.8 Billion

three areas analyzed in a 1994 study conducted by the Urban Institute, which provides a useful baseline for comparison ten years later. Other studies have been conducted in the interim, showing trends that support the conclusions of this report.

As this report will note, other significant costs associated with illegal immigration exist and should be taken into account by federal and state officials. But, even without accounting for all of the numerous areas in which costs associated with illegal immigration are being incurred by California taxpayers, the programs analyzed in this study indicate that the burden is substantial and that the costs are rapidly increasing.

The more than \$10.1 billion in costs incurred by California taxpayers is composed of outlays in the following areas:

- **Education.** Based on estimates of the illegal immigrant population in California and documented costs of K-12 schooling, Californians spend approximately \$7.7 billion annually on education for illegal immigrant children and for their U.S.-born siblings. Nearly 15 percent of the K-12 public school students in California are children of illegal aliens.
- **Health care.** Uncompensated medical outlays for health care provided to the state's illegal alien population amount to about \$1.4 billion a year.
- **Incarceration.** The cost of incarcerating illegal aliens in California's prisons and jails amounts to about \$1.4 billion a year (not including related law enforcement and judicial expenditures or the monetary costs of the crimes that led to their incarceration).

State and local taxes paid by the unauthorized immigrant population go toward offsetting these costs, but they do not come near to matching the expenses. The total of such payments can generously be estimated at about \$1.6 billion per year.

The fiscal costs of illegal immigration do not end with these three major cost areas. The total costs of illegal immigration to the state's taxpayers would be considerably higher if other cost areas such as special English instruction, school feeding programs, or welfare benefits for American workers displaced by illegal alien workers were added into the equation.

While the primary responsibility for combating illegal immigration rests with the federal government, there are many measures that state and local governments can take to combat the problem. Californians should not be expected to assume this already large and growing burden from illegal immigration simply because businesses or other special interests benefit from being able to employ lower cost workers. The state must adopt measures to systematically collect information on illegal alien use of taxpayer-funded services and on where they are employed. Policies could then be pursued to hold employers financially accountable.

The state could also enter into a cooperative agreement with the federal government for training local law enforcement personnel in immigration law so that illegal immigrants apprehended for criminal activities may be turned over to immigration authorities for removal from the country. Similarly, local officials who have adopted "sanctuary" measures that shield illegal aliens from being reported to the immigration authorities should be urged to repeal them.

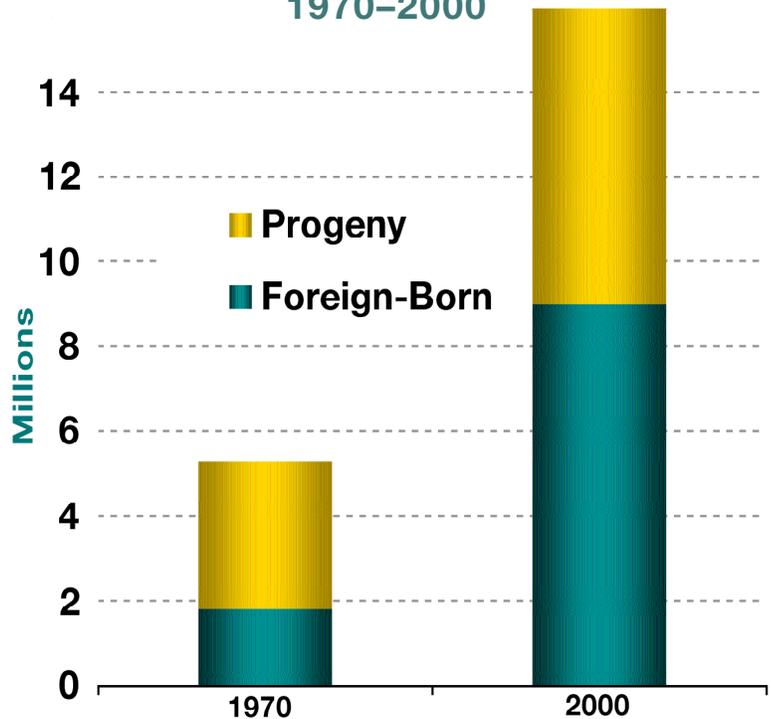
Background Information

California had the highest proportion in the country of illegal immigrants in its population in 2000. The estimate by the Immigration and Naturalization Service was that there were 2,209,000 aliens residing illegally in the state, which was 31.6 percent of the estimated national total. That represented more than 6.5 percent of the state's population.¹ As recently as 1992, the INS estimated that the resident illegal alien population in the state was 1,441,000 persons — so the estimated population increased by more than 53 percent in just eight years. These estimates do not include more than 1.6 million persons (956,172 long-term illegal residents and 667,898 illegal agricultural workers) who were also part of California's illegal alien population until they were given legal residence as a result of the 1986 amnesty.²

Not only has California's illegal alien population grown rapidly, the overall foreign-born population has shot up since the 1965 change in U.S. immigration law. Similarly, the size of the immigrant stock (which includes the progeny of immigrants as well as the foreign-born immigrants themselves) has surged (see chart). The progeny of immigrants — both legally and illegally in the country — has more than doubled (117%) over the three decades while the foreign-born population has more than quintupled (404%). California's foreign stock population alone is larger than the total population of every other state in the country with the exception of Florida, New York and Texas. The state's foreign-born population alone is larger than the total population of all but seven states.

This study looks at the fiscal costs and tax payments associated with illegal immigration. It does not look at the goods and services produced by illegal alien workers, i.e., their economic contribu-

California Foreign Stock
1970–2000



tion, as it may be assumed that if the work is essential and illegal immigrants were unavailable the work would be done by legal workers. Similarly, this study does not include the displacement costs incurred by legal workers who are laid off or fail to get a job as a result of being undercut by illegal workers willing to work for lower wages. Those costs, which would include unemployment compensation, welfare outlays, lost taxes, etc., are real, but difficult to quantify.

Studies of the cost of illegal immigration to Californians have been done previously. A 1993 study by the California Senate Office of Research found costs associated with Governor Pete Wilson's 1993-94 budget from illegal immigration amounted to more than \$1 billion.³

Another study of the costs of immigration in California in 1993 by Rice University economist

Donald Huddle estimated the net costs from illegal immigration to the state at about \$5 billion. The costs associated only with education, medical care and incarceration amounted to \$2.6 billion. The difference between the total and the estimated costs from those three program areas, i.e., \$2.4 billion, demonstrates that other costs besides the three major areas analyzed in this study could double the costs. The additional cost areas included \$1.4 billion associated with benefits paid to natives displaced by illegal alien workers as well as county services, parole, ESL and bilingual education, housing assistance, food stamps, WIC, AFDC, higher education expenses, school and elderly nutrition programs. The Huddle study estimated tax payments by illegal immigrants at slightly over \$1 billion.⁴

The 1994 Urban Institute study of the costs of illegal immigration — which included California — will be described in detail in the following section. It was funded by the U.S. Department of Justice in order to allow the federal government to respond to the lawsuits against it by California and other states seeking redress for their increasing burden.

A study by a research firm, MGT of America, was done for the United States-Mexico Border

Counties Coalition in 2002.⁵ The General Accounting Office released two studies in 2004, one on the process of estimating the uncompensated medical expenditures resulting from illegal immigration,⁶ and one on estimating the costs of illegal immigrants in public schools.⁷ All of these studies have been taken into consideration in the process of preparing this estimate of the current costs of illegal immigration to Californians.

National recognition of the fact that illegal immigration represents a fiscal burden, especially on the states that border Mexico, may be seen in the fact that the Congress has authorized and appropriated funds in the past to assist California for uncompensated medical expenses and for the incarceration of illegal immigrants. Federal recognition of the fiscal costs to state governments from illegal immigrants also may be seen in the State Legalization Impact Assistance Grants (SLIAG) program, which provided \$3.5 billion to states in the aftermath of the 1986 amnesty for illegal aliens to ease the burden of the additional expenses that the states were required to assume. Those grants phased out in 1994, and the states since then have been bearing an unreimbursed burden associated with this amnestied illegal immigrant population.⁸

What Are the Costs of Illegal Immigration?

The costs of illegal immigration are both quantifiable and non-quantifiable. Because data on illegal immigration generally are not collected, even quantifiable costs must be educated estimates.

The absence of recorded data on illegal alien enrollment in school, use of taxpayer-supported medical care, and other public services is not accidental. It is due to the efforts of civil libertarians, business interests and immigrant support groups that have thwarted data collection efforts in order to keep these costs hidden from the taxpayers

who are expected to pay for them. The most recent example of these efforts to obscure the costs of services to illegal aliens may be seen in the campaign against a requirement that emergency health care providers collect information on illegal alien patients in order to receive compensation from a federal appropriation. The health care providers, civil libertarians and illegal immigrant advocacy groups vociferously opposed the data collection requirement, and HHS dropped the requirement.⁹

Some of the quantifiable costs are:

- Law enforcement costs that result from investigating property loss due to theft and damage caused by illegal border crossers.
- Medical costs that are incurred when an alien's health is affected while illegally entering the country or from accidents while trying to get to interior locations or when aliens illegally residing in the country turn to emergency medical facilities for their treatment.
- Medi-Cal well-baby maternity care, delivery expenses, and long-term care that are incurred for children born to illegal immigrants. In 1994, California paid for 74,987 deliveries to illegal alien mothers, at a total cost of \$215.2 million (an average of \$2,842 per delivery). Illegal alien mothers accounted for 36 percent of all Medi-Cal funded births in California that year.¹⁰
- Educational outlays made by public schools for enrolled illegal alien children are the most expensive cost area. The bulk of those expenditures are from state and local budgets.
- Other outlays that accrue from Limited English Proficiency (LEP) programs, e.g., staff salaries and foreign language teaching materials.
- Further expenses that result from educating the U.S.-born children of illegal aliens.
- School-based nutrition programs, i.e., the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) that include poor illegal alien students.¹¹
- Illegal immigrants generally have low earnings that would qualify them for state welfare assistance. A study of welfare payments to illegal immigrants nationwide by the Center for Immigration Studies concluded that average non-medical welfare outlays to illegal-immigrant headed households averaged \$151 per year.¹²
- Subsidized housing.¹³
- Another major cost borne by California taxpayers results from incarcerated illegal aliens. These aliens may have been apprehended entering the country after prior deportation or may have committed serious crimes while residing in California. If they are tried on state charges, the state pays for the investigation, prosecution, translation and interpreter services, judicial management, incarceration and possible parole costs. The federal government provides partial compensation of those costs only if it accepts responsibility for removing the aliens from the country upon release.
- American workers who are displaced by illegal foreign workers willing to accept lower wages may qualify for a number of programs paid for by the taxpayer. In California, those indirect costs from illegal immigration were estimated to be about \$175 million per year in 1992 and would be significantly higher today.¹⁴
- Lost tax revenues and economic opportunity for U.S. or legal residents. (If employers had been required to hire legal workers instead of illegal workers, wages would likely have risen as a result of a tighter labor market, resulting in decreased welfare outlays and increased tax revenues collected by the state.)¹⁵

Some of the non-quantifiable costs include:

- Law enforcement costs in addition to incarceration that are incurred in prevention and

enforcement and in the judicial process for crimes committed by illegal aliens. In some California cities youth gangs that include many illegal aliens are a growing problem.

- The growing burden of providing illegal immigrants an array of services such as foreign language interpretation and translation, especially in the health care, law enforcement and judicial systems.
- Parental liaison, translation at PTA meetings and other school meetings, and newsletters prepared in foreign languages for the school-age children of illegal aliens.
- Subsidized tuition in the state's higher education institutions borne by the taxpayer under a policy that allows illegal aliens to enroll as state residents.
- Increased insurance rates that are associated with crimes perpetrated by illegal immigrants, especially property loss and auto theft.
- Remittances that are sent abroad do not remain in the state and contribute to the local economy. If U.S. citizens or legal residents earned the wages now earned by illegal immi-

grants, the money would usually be spent locally with beneficial multiplier effects.¹⁶

- Congestion and property value loss that occur in areas where illegal aliens seek day jobs.

In addition there are non-economic costs, such as a degraded learning environment that may result from students being unable to keep up with the class because of language difficulty. The Los Angeles Unified School District, for example, estimates that about half of the student body is Limited English Proficient. Other examples include inconvenience resulting from waiting to receive medical attention when there is congestion in the emergency admissions offices of public hospitals, and the closure of emergency rooms due to the overwhelming costs. There is also the unquantifiable cost of erosion of respect for the law when an increasing share of the population lives illegally in the country, when law enforcement officers are required to ignore this law breaking, and when employers illegally hire unauthorized workers. Social cohesion may be strained by having to cope with increasingly pervasive language barriers, and rising income inequality associated with immigration may lead to societal tension and conflict.

Updating the Urban Institute Cost Estimates

The California state government joined other states in filing a lawsuit against the federal government on May 2, 1994.¹⁷ In that legal initiative and another one filed separately, California sought \$370 million for emergency medical services provided to 309,000 illegal immigrants, and \$2 billion for incarceration of illegal aliens.¹⁸ The lawsuits ultimately were dismissed as a political matter for which redress should be sought in Congress, not the courts.

However, in preparation for arguing the case in court, the Department of Justice contracted with the Urban Institute to study the claimed expenditures and provide estimates of the burden borne by the states. The Urban Institute released its report, *Fiscal Impacts of Undocumented Aliens: Selected Estimates for Seven States*, in September 1994. The study's methodology compared tax payments of all kinds within the state with expenditures on only three programs, albeit the major

cost areas of education, health care, and incarceration. The study estimated the amount of state and local taxes paid by the illegal immigrants and used that amount to offset part of the estimated costs and arrive at a net uncompensated fiscal cost of \$1.04 to \$1.09 billion annually.

1994 URBAN INSTITUTE STUDY

(millions)

Category	Outlays	Receipts	Net Cost
Education	\$1,289		\$1,289
Uncompensated Medical Care	113 – 166.5		113 – 166.5
Incarceration	367.7		367.7
Tax Payments		732	-732
Total	\$1,769 – \$1,823.2	\$732	\$1,037.7 – \$1,091.2

Size of the Illegal Immigrant Population

The Urban Institute based its cost calculation on an estimate of 1,504,000 illegal immigrant residents in California in 1993, while the state at that time estimated the illegal immigrant population at 2,083,000 persons. The most recent estimate of the resident illegal immigrant population in California by the Immigration and Naturalization Service (INS) — before it merged into the Department of Homeland Security (DHS) — was 2,209,000 persons, reflecting the findings of the 2000 Census. This estimate, however, excludes certain categories of illegal immigrants such as those who have been in the country for less than one year and those granted Temporary Protected Status. The Migration Policy Institute released an estimate in May 2002 that California's illegal alien population in 2000 was 2.3 million.

The immigration authorities,¹⁹ who once estimated that half of all illegal aliens in the United States resided in California, revised that estimated share downward after the 2000 Census to 31 percent.

They currently estimate that nationally the illegal alien population is increasing by about half a million persons per year. The Urban Institute estimated that the illegal alien population nationwide in 2002 was 9.3 million persons and that 2.4 million, i.e., 26 percent of the national total, lived in California.

Based on our estimate that in 2004 the illegal alien population in the country is between 10 and 12 million persons, we estimate that the illegal alien population in California in 2004 is between 2.8 and 3 million persons — 23-30 percent of the national total and 83-96 percent larger than the population used in calculations by the Urban Institute ten years ago. That would put the illegal alien share of the state's population at about 7.8 to 8.3 percent, which is higher than the 6.5 percent share in 2000 derived from official estimates of the illegal immigrant population.

Size of the Illegal Alien K-12 Student Population

The U.S. General Accounting Office (GAO) recently released a report on difficulties in estimating state costs of illegal alien schoolchildren. It noted that data are not collected by most school systems, and that means that providing a precise estimate of the illegal alien population in public schools is currently not possible.²⁰ The study's conclusion did not mean that ballpark estimates of the costs were inappropriate or invalid. But it should be kept in mind that the cost estimates in this study are not precise and are simply ballpark estimates done for the purpose of increasing awareness of the general magnitude of the burden borne by California's taxpayers.

The Urban Institute's 1994 study estimated K-12 illegal alien enrollment in California's public schools ten years ago at 307,000 students, 22 percent lower than the state's estimate of 392,000.

FAIR, in its August 2003 research report "Breaking the Piggy Bank: How Illegal Immigration Is Sending Schools Into the Red"²¹ used an Urban Institute estimate of the student share of the resident illegal population and calculated that a proportionate share in California in 2000 would be about 347,000 students. In 2004, the estimated total illegal immigrant public school population is 445,900 to 545,700 students. However, as noted in the GAO report, not all of the school age illegal immigrant children may be in school, and some may be attending other than public schools. However, because school attendance is mandatory, and the low incomes of most illegal alien families would limit private schooling options, the share of these students in public education is likely at least three-fourths or four-fifths of school-age illegal immigrant youth. This implies a range of 345,000 to 435,000 illegal immigrant students in the state's public schools.

As California is likely to have a larger than proportionate share of illegal immigrants compared to other states given its proximity to the border and already sizable legal and illegal immigrant population, an estimate for 2004 of the illegal immigrant public school population in California of 425,000 is reasonable. That suggests that the public school-age illegal immigrant population has increased by about 38 percent since 1994 when the Urban Institute did its calculation.²² It is based on there being one school-aged illegal alien for about every six non-school-aged illegal aliens. This is a conservative estimate, and it is less than eight percent higher than the state's estimate of its illegal alien student population in public schools ten years ago.

The estimate above of the illegal immigrant student population does not include those students who are the children of illegal immigrants but were born in this country. They too, however, would not be in the California public school system if it were not for the illegal immigration of their parents, and the cost of educating them is an additional fiscal burden of illegal immigration.²³

The Urban Institute's Jeffery Passel, one of the researchers who participated in the 1994 and subsequent studies of the school-age population, recently estimated that there are nearly twice as many children born here to illegal immigrant parents as children illegally in the United States (3 million compared to 1.6 million).²⁴ As many as three-quarters of them may be receiving educational benefits from pre-school through secondary school. Moreover, most of the children of illegal aliens who are not currently in the school system are below school age and will enter the system within a few years.

Applying the same proportion to the U.S.-born children of illegal aliens yields an estimated additional 597,000 children of illegal immigrants in California's schools whose educational costs

will also be included in this study.²⁵ The combined 1,022,000 children of illegal aliens represent more than 15.5 percent of the state's total K-12 public school enrollments.²⁶

Cost of Educating the Illegal Immigrant K-12 Population

The Urban Institute's 1994 calculation of the cost of K-12 education in California was based on a per student cost of about \$5,000. This was lower than the comparable cost estimate of the State of about \$5,485 per pupil per year. If costs remained constant, the Urban Institute's estimate of outlays on the education of the 2004 population of illegal alien students would have risen from about \$1.3 billion to a present cost of about \$2.2 billion and the costs of educating the children of illegal aliens born in the United States would be about \$4.9 billion. However, educational outlays have not remained constant.

A survey of illegal immigrants in Fresno and Los Angeles found that in 1997 about half the respondents had children in the public schools. The study did not indicate how many children in a family were in the public schools.²⁷

The FAIR research report on educational outlays for illegal immigrant education used the \$6,314 average per pupil cost in California furnished by the National Center for Education Statistics (NCES) for the 1999-2000 school year and calculated the cost of educating illegal immigrant students in California in 2000 was about \$2.2 billion.²⁸

Public educational expenses since 2000 have continued to rise. NCES data indicate that between the 1999-2000 school year and the 2001-2002 school year the expenses in California rose by

about 12.2 percent. Extending this trend through the 2003-2004 school year would make public education outlays at least 20 percent higher than they were in 2000. Thus, outlays in 2004 would be about \$7,577 per pupil.

Using an average cost factor probably underestimates the costs associated with the illegal resident population. As the authors of the 1994 Urban Institute study explained, "We believe that undocumented aliens are more likely than other students to live in urban areas where per student expenses are relatively high."²⁹

Using the updated estimate of the illegal K-12 immigrant population and the estimated per pupil expenditure results in a current cost to California's taxpayers of at least \$3.22 billion per year.

Using the same per pupil cost estimate for the U.S.-born children of illegal aliens indicates that the additional expense of educating these children through the 12th grade is at least an additional \$4.52 billion per year — or a total annual public educational cost from illegal immigration of at least \$7.7 billion per year.

As previously noted, the state's admission of illegal aliens into the state's public universities and community colleges is an additional taxpayer expense, but it is not quantified in this study.

Emergency Medical Outlays Updated Estimate

Estimates of the costs of uncompensated medical outlays are necessarily imprecise. As the U.S. General Accounting Office noted in a May 2004 report, “Hospitals generally do not collect information on their patients’ immigration status, and as a result, an accurate assessment of undocumented aliens’ impact on hospitals’ uncompensated care costs — those not paid by patients or by insurance — remains elusive.”³⁰

However, there is no doubt that illegal immigrant usage of emergency medical care is a burden on local taxpayers, and this was recognized by the U.S. Congress in the Balanced Budget Act (BBA) of 1997, which provided an annual \$25 million through 2001 in compensation to heavily impacted states. Congress renewed and upped the level of assistance tenfold to these states in 2003 with an appropriation of \$1 billion to be apportioned among all states over the 2005-08 fiscal years, i.e., \$250 million each year.

Along with that proposed financial support, the Department of Health and Human Services proposed that as a condition for receiving the money, the hospitals would have to collect information on to whom the services were provided. Under a deluge of protests from health care providers, illegal immigrant advocacy groups and others, HHS dropped the requirement.

The Urban Institute’s 1994 calculation of the unreimbursed expense to the state for emergency medical services was a range of \$113-166.5 million. That range was about half the state’s estimate of \$350.2 million for emergency medical services. A similar calculation today yields a much higher estimate.

The Urban Institute based its estimate of uncom-

pensated medical outlays by California taxpayers on data collected by the federal government in the State Legalization Impact Assistance Grants (SLIAG) program. That program, authorized and funded by Congress, helped states cope with the additional services they were required to provide as a result of the 1986 Immigration Reform and Control Act amnesty for nearly 3 million illegal alien residents. The Urban Institute researchers thought that the SLIAG model might overstate the use of uncompensated medical outlays for the non-legalized population because the aliens might be reluctant to seek publicly funded emergency medical care. Nevertheless, their calculation of the cost was based on their estimate of the size of the illegal immigrant population and the cost of emergency medical services at that time.

As we showed above, the estimated illegal alien population in 2004 in California is 83 to 96 percent larger today than it was ten years ago in the Urban Institute estimate. This implies, conservatively, that the Urban Institute’s estimated emergency medical outlays would be between \$210-\$331 million today if costs were constant, which, of course, they are not. If those medical expenses were adjusted for inflation, they would be about \$260-\$410 million today.

Other Studies

A study of the use of health care services by illegal immigrants and family members in the 1994-96 period found 27.2 percent visiting a physician in Los Angeles and 49.9 percent in Fresno; 6.8 percent hospitalized in Los Angeles and 12 percent in Fresno; 3.5 percent incidence of childbirth in Los Angeles and 3.3 percent all other medical services, compared to 3.4 percent childbirth in Fresno and 9.2 percent all other service usage.³¹ This same

study found that in Fresno one-quarter of illegal immigrants reported using Medicaid, and in Los Angeles the share was about 10 percent.

The GAO's May 2004 report, which noted the absence of reliable data indicated that the best proxy in hospital records for assessing the costs of this treatment was the lack of a Social Security number. This criterion was used by MGT of America in its study of the uncompensated medical costs in the U.S. border counties on the Mexican border in 2000.³² It found that, "State and local governments and local healthcare providers absorb a large portion of the costs of providing uncompensated emergency medical care to undocumented immigrants. These costs impose a significant financial burden on southwest border hospitals and emergency medical services providers, and account for an estimated 25 percent of hospitals' uncompensated costs."

The MGT study estimated the uncompensated medical outlays in San Diego and Imperial Counties to be more than \$295 million, and that more than \$79 million of that was due to costs resulting from care provided to illegal aliens. These two counties accounted for 7.4 percent of California's population in 2000 and 8.7 percent of the state's foreign-born population, which includes illegal alien residents. If the pattern of illegal immigrant usage in the rest of the state were proportionate to the size of the foreign-born, the magnitude of uncompensated care to illegal aliens in 2000 would be more than \$908 million. However, because these border counties are likely to be more heavily impacted with medical outlays for illegal aliens than elsewhere in the state, due to of their proximity to the border, this estimate would likely be somewhat high.

Both the rise in the illegal alien population since 2000 and the rising costs of medical treatment will have further increased those costs. Our estimate of California's illegal alien population would put

it about 36 percent larger than the MGT estimate four years ago, and a corresponding increase in use of emergency medical care would push the outlays for this population size to \$1.235 billion if the cost of medical care had not increased. Adjusting medical care costs for inflation suggests that the comparable costs in 2004 would be about \$1.32 billion. This calculation does not take into account the expenditures on the children of illegal aliens who were born in this country, but their medical costs would probably be compensated under Medical.

The GAO report noted that partial compensation for outlays for illegal aliens was paid to seven states pursuant to the BBA during the fiscal years 1998-2001. It also noted that in FY'01 the BBA allotment to California (\$11.3 million) was less than two percent of the emergency Medicaid expenditures for illegal immigrants in the state according to state hospital association officials. That estimate would imply that the statewide total outlay would be in a range of \$570-750 million. Adjusting that estimate for the rise in the illegal alien population and higher medical care costs indicates a range in 2004 of \$830-1,090 million.

In 2003, the Los Angeles County Board of Supervisors estimated the cost of treating illegal aliens in public hospitals and clinics was \$340 million a year. Los Angeles County in the 2000 Census accounted for 38.9 percent of the state's total foreign-born population. If that share of the foreign-born population were used as a surrogate for the share of the illegal alien population, it would suggest medical outlays for illegal aliens of about \$874 million statewide.

Senator Diane Feinstein said in 2003 that California spent an estimated \$980 million on emergency services for undocumented immigrants.³³

These sources of estimated annual uncompensated medical outlays for illegal aliens indicate a range of from \$378 million (the average of estimates derived from the Urban Institute study) to \$1.48 billion (derived from the MGT study). Because the Urban Institute study methodology did not look at information supplied by hospitals and other health care providers, as did the more recent MGT and GAO studies, the latter higher estimates appear to offer a more reliable ballpark calculation.

It appears likely that the out-of-pocket expenditures for medical care for illegal immigrants in California in 2004 amount to nearly \$1.5 billion. Compensation of about \$65 million could be received by the state under the 2003 legislation. This fraction of the outlay would still leave the amount of the uncompensated outlays picked up by the state's taxpayers well over \$1.4 billion.

Size of the Illegal Alien Prisoner Population

In 1994, the Urban Institute estimated the illegal alien prisoner population to be 15,109 persons — about ten percent fewer than the state's calculation of 16,791 incarcerated illegal aliens. The Urban Institute probably undercounted the illegal alien population in California significantly because it excluded all inmates that the INS was unable to identify in its records.

In fiscal year 1999, the state documented 30,785 illegal alien detention years, i.e., the number of days that illegal aliens were held in state and local

jails and prisons divided by 365. By fiscal year 2002, the state documented 40,225 illegal alien inmate-years.

Assuming that the number of illegal alien inmates in California has continued its upward climb at the same rate of increase, it is reasonable to estimate a population of 48,000 illegal alien inmate-years in 2004. That is more than three times the size of the illegal alien prisoner population used in the 1994 Urban Institute study.

Uncompensated Law Enforcement Cost Updated Estimate

The Urban Institute calculated in 1994 that the annual cost of incarcerating an illegal alien was about \$24,335. This was higher than the state's cost estimate of \$20,749 per prisoner year. Since the time of that study, the state's illegal alien prisoner population has been steadily increasing, as noted above.

Under the federal State Criminal Alien Assistance Program (SCAAP), California has received partial compensation for the incarceration costs since 1995. For 1999, the state received about \$238 mil-

lion in compensation, which was 38.6 percent of the expenditures. This meant that more than \$378 million in expenses were absorbed by California's taxpayers. The average per prisoner cost was calculated by the state at about \$20,031. That was less than in the 1994 study. Congress has cut the amount of funds available for SCAAP reimbursement in recent years resulting in the share of federal reimbursement being similarly decreased. In fiscal year 2001, California received SCAAP compensation of only 19.3 percent of the itemized illegal alien expenditures. California received a

SCAAP award of \$95.3 million in 2003 and \$111.9 million in 2004. The estimated cost per prisoner year is \$30,929 in the state's current budget.³⁴

Assuming that the illegal alien inmate population in California has risen to 48,000 prisoner

years, the incarceration cost will be about \$1.5 billion per year. Offsetting reimbursements under SCAAP reduce that to a net amount of out-of-pocket expenditures of about \$1.4 billion.

Offsetting Taxes Paid By Illegal Immigrants

The Urban Institute study provided only the researchers' (but not the state's) estimate of state and local income tax payments plus sales and property taxes paid by illegal immigrants. These amounted to a total of \$732 million. Included in that total were state income tax collections (38% of the total), state sales taxes (34.9%) and state and local property taxes (27.1%). Sales taxes and property taxes will have risen with inflation, and the size of the illegal immigrant population also has risen since the 1994 study.

Estimates of tax contributions are inherently difficult because many illegal workers are working in the underground economy, e.g., as day laborers or in sweatshops, and pay no income tax.³⁵ In addition, some taxes are being collected from illegal workers even if they work in the "informal sector," because they pay sales taxes and they indirectly pay property taxes even if they only contribute to the rent on an apartment.

If the Urban Institute's estimate of state and local tax collections rose in proportion to the rise in the illegal immigrant population, it would have reached about \$1.46 billion in 2004. Sales tax and property tax payments have probably kept up with inflation, although income tax payments may not have kept up with inflation because there has been no increase in the minimum wage since 1997 and the generally low wages earned by illegal alien workers have tended to lose value.

Updating for both the increased illegal immigrant population and for inflation suggests that current annual tax payments would be about \$590-630 million in sales taxes, \$460-485 million in property taxes, and \$520-550 million in income taxes – for a total of about \$1.6-1.7 billion. That represents a 124 percent increase from the amount estimated by the Urban Institute ten years ago.

Balancing the Outlays for and Receipts from Illegal Immigrants

The analysis of fiscal outlays and receipts associated with illegal immigration suggests a total net cost to California taxpayers of more than \$8.8 billion per year. As also indicated, this includes outlays for only education, medical care and incarceration of illegal immigrants. It does not

include numerous other expenses borne by the California taxpayer as a result of the extremely large presence of illegal immigrants in the state. **If other expenditures, such as school meal programs and special language instruction, were included in the estimate, it is clear that the costs**

ILLEGAL IMMIGRANTS 2004 OUTLAYS AND RECEIPTS

(in billions)

Category	Outlays	Receipts	Net Cost
Education			
Illegal Aliens	\$3.2		\$3.2
Children of Illegal Aliens	4.5		4.5
Uncompensated Medical Care	1.4		1.4
Incarceration	1.4		1.4
Tax Payments		1.7	-1.7
Total	\$10.5 Billion	\$1.7 Billion	\$8.8 Billion

\$1,183 for each of the 8,876,000 households headed by a native-born citizen. This cost does not include their share of the costs that are paid at the federal level that result from this same population of illegal aliens.

The 1997 estimate by a panel of experts in a National Academies of Science (NAS) study was that the cost from immigration per household headed by a native-born citizen in California was \$1,178 per year.³⁸ This NAS calculation included both legal and illegal immigrants, and it included a full range of both national and local expenditures. Economist James P. Smith, principal author of the NAS report, cautioned that, "The undocumented tend to be less skilled, less educated. The two (groups) are very distinct."³⁹

Recommendations

The significant fiscal costs to Californians associated with illegal immigration are not inevitable. While the federal government has the primary responsibility for enforcing immigration laws, state and local governments have a role to play that can either discourage or encourage illegal immigrants settling in their state. State and local policies can either facilitate or hinder federal immigration law enforcement efforts.

While the border states should not be expected to bear an unfair burden that flows from the federal government's failure to exclude unauthorized entries and overstays by aliens, it would be similarly unfair that those states have their expenses underwritten by taxpayers across the country if

they have adopted laws or policies that encourage the settlement of illegal immigrants in their state.

Examples of state and local policies that undermine federal immigration law enforcement efforts and encourage illegal immigrant settlement include the following:

- Issuing state driver's licenses and voter registration cards to illegal aliens;
- Extending public assistance program eligibility to illegal aliens;
- Offering in-state tuition to illegal alien students;

to California taxpayers of illegal immigration would be even higher.

About 28 percent of California's 11.5 million households (in 2000) were estimated to be headed by immigrants in 2002.³⁶ In 2003, the estimated share was 30.3 percent.³⁷ Assuming that share has increased slightly in 2004 to 30.5 percent, the cost of illegal immigration each year is in the neighborhood of

- Adopting sanctuary or don't-ask-don't tell policies that shield illegal aliens from immigration authorities;
- Providing governmental support for or tolerance of formal or informal hiring centers where illegal aliens seek day-labor jobs;
- Accepting foreign government-issued identity cards as establishing residence.

In California, Gov. Gray Davis signed a law in 2003 to confer driver's licenses on illegal immigrants. The law was overturned by the state legislature shortly after Davis was recalled. Renewed legislative efforts have continued to push for adoption of a modified version of the law, but Gov. Arnold Schwarzenegger vetoed such a measure in September 2004.

California provides access for illegal aliens to Medi-Cal benefits, and it allows illegal immigrants to enroll in state universities as if they were legal residents. Numerous county and municipal governments in the state support day laborer hiring centers that facilitate the employment of illegal immigrants and recognize the Mexican matricula consular ID cards. These measures all accommodated illegal immigration, and, thereby, encourage it.

Examples of state and local government practices that would discourage illegal alien settlement and facilitate federal enforcement of the immigration law include the following:

- Establishing systematic data collection for illegal alien use of public services and adopting methods to identify employers of the illegal aliens in order to put an end to their ability to exploit low cost illegal alien labor by passing costs to the public.
- Require the collection and verification of

Social Security numbers for the issuance of unrestricted driver's licenses and identity cards;

- Issue restricted driver's licenses to aliens legally present in the state so that the license expires when the authorized stay in the United States expires;
- Refuse to accept the validity of driver's licenses from states that allow illegal aliens to obtain licenses.
- Enter a cooperative agreement with federal immigration authorities for training local law enforcement personnel in immigration law enforcement so that law breakers who are identified as illegal immigrants can be turned over to the immigration authorities for removal from the country rather than being released back into society;
- Require government contractors to participate in the Basic Pilot document verification system for all of their new employees working on government contracts.

Of these policies, at present California only implements the driver's license procedures designed to avoid putting this vital identity document in the hands of illegal aliens.

Californians have a right to expect their national and local elected representatives to work to alleviate the burden of illegal immigration. To simply convert illegal alien students or workers from illegal alien status to legal worker or resident status with an amnesty is not a valid way to deal with the problem. Rather, experience with the 1986 amnesty for illegal aliens indicates that rewarding today's illegal aliens only encourages others to come tomorrow. A policy that conveys the message that the state will tolerate and reward foreigners who ignore the immigration law invites

the world to see illegal immigration as an accepted route to seeking a better life in our country and perpetuates the problem.

California's elected representatives should be held accountable for taking actions to demon-

strate their commitment to upholding respect for the rule of law, and for adopting policies that deter illegal alien settlement by showing the government's resolve to no longer accommodate those who disrespect the country's immigration law.

Endnotes

1. 2002 Yearbook of Immigration Statistics, DHS Office of Immigration Statistics, Oct. 2003.
2. "Immigration Reform and Control Act: Report on the Legalized Alien Population," Immigration and Naturalization Service, M-375, March 1992.
3. LaVally, Rebecca, "Californians Together: Defining the State's Role in Immigration," California Office of Research, July 1993. The identified costs were \$565 million for Medi-Cal health services for amnestied and undocumented immigrants and their children, \$209 million for AFDC outlays for children of undocumented immigrants, and \$250 million for the cost of undocumented state prisoners.
4. Huddle, Donald, "The Net Costs of Immigration to California," Carrying Capacity Network, Washington, DC, November 1993.
5. "Medical Emergency: Cost of Uncompensated Care in Southwest Border Counties." MGT of America. Prepared for The United States/Mexican Border Counties Coalition. (The Coalition, Washington, DC), September 2002.
6. "Undocumented Aliens: Questions Persist about Their Impact on Hospitals' Uncompensated Care Costs," General Accounting Office, GAO-04-472, May 2004.
7. "Illegal Alien Schoolchildren: Issues in Estimating State-by-State Costs," U.S. General Accounting Office, GAO-04-733, June 2004.
8. David Simcox, "Measuring the Fallout: The Cost of the IRCA Amnesty After 10 Years," Center for Immigration Studies, May 1997.
9. Department of Health & Human Services letter of October 1, 2004 from Dr. Mark B. McClellan, Administrator to National Alliance for Hispanic Health stating, "Our intention is to accept the public comments that suggested the use of indirect, non-burdensome eligibility methods to target the funds using methods that do not require providers to obtain direct evidence of a patient's immigration status."
10. Californians for Population Stabilization, <http://www.capsweb.org/facts/immigration.html>.
11. Berk, Marc L., et al. "Health Care Use Among Undocumented Latino Immigrants," Health Affairs, July/August 2000. The researchers found that in 1996-97 nearly half (49.5%) of the undocumented in Los Angeles had family members in public schools and that the same share used free or reduced price lunches. In Fresno the share with family in the public schools was 50.1 percent and nearly all (92%) used the subsidized lunch program.
12. Camarota, Steven, "Back Where We Started: An Examination of Trends in Immigrant Welfare Use Since Welfare Reform," Center for Immigration Studies, March 2003.
13. Berk, Marc L. *op. cit.*, The researchers found the rate of use of subsidized housing in Fresno by undocumented immigrants to be 3.5 percent, and in Los Angeles, the rate was 1.6 percent.
14. Huddle, *op. cit.*, The study calculated probable costs based on one American out of work for every four illegal residents. Factoring in unemployment compensation, uncompensated medical outlays, food stamps, and other assistance, Huddle calculated that the costs would be about \$2,500 per year per displaced worker.
15. "Undermining American workers: Record Numbers of Illegal Immigrants Are Pulling Wages Down for the Poor and Pushing Taxes Higher," *Los Angeles Times*, July 20, 2003. "John Chiang of Los Angeles, one of five members of the state Board of Equalization, California's tax oversight agency, says off-the-books businesses can have a "profoundly dislocating effect" on the economy. It pushes some businesses to compete by also cutting legal corners, and discourages other businesses
16. The amount of remittances currently being sent abroad may be estimated to be about \$200 per month per illegal resident. That would suggest that the amount of remittances sent abroad by California's adult illegal alien population would be in the neighborhood of about \$5.6-6.2 billion per year. Mexico claims that it is receiving about \$12 billion annually in remittances. The source of these remittances is largely from an illegal resident population of roughly 5 million Mexicans in the United States.
17. "Texas Sues US Over Illegal Immigrant Costs," Reuters, August 3, 1994. "Texas is Latest to Sue US for Cost of Illegals," *San Francisco Chronicle*, August 6, 1994.
18. Press Release of Governor Pete Wilson, May 31, 1994. "Wilson Suing US for Second Time," *San Diego Union-Tribune*, June 1, 1994.

19. Robert Warren, INS Statistical Yearbooks, Immigration and Naturalization Service (now in the Department of Homeland Security).
20. GAO-04-733, June 2004 *op. cit.*
21. The report is available in its entirety at www.fairus.org.
22. The proportionately smaller increase in illegal alien enrollment compared to the increase in the overall illegal alien population — when compared to the Urban Institute estimates — results because the Urban Institute estimated that there was one illegal alien student for every 1.7 non-student-aged illegal aliens.
23. FAIR believes that children born to illegal aliens should not be considered U.S. citizens. We believe that the prevailing interpretation of the U.S. Constitution's 14th Amendment that confers this citizenship is incorrect because it ignores the "subject to the jurisdiction thereof" clause of the Amendment.
24. "By including children, proposal may increase strain on schools, health care," Jerry Kammer, Copley News Service, *San Diego Union Tribune*, February 9, 2004.
25. A survey of the illegal immigrant population legalized in the 1986 IRCA amnesty found that 74 percent of males and 72 percent of females were between the ages of 20-39. Report on the Legalized Alien Population, Immigration and Naturalization Service, March 1992.
26. National Center for Education Statistics, Table 37. "Enrollment in public elementary and secondary schools, by level and state." The estimated enrollment for 2001 is 6,247,889, and the rate of increase suggests a 2004 enrollment of about 6,562,000 students.
27. Berk, Marc L., *op cit.*
28. "Breaking the Piggy Bank: How Illegal Immigration Is Sending Schools into the Red," Federation for American Immigration Reform, August, 2003 (available at www.fairus.org).
29. "Fiscal Impacts of Undocumented Aliens: Selected Estimates for Seven States," The Urban Institute, September 1994.
30. GAO-04-472, May 2004, *op. cit.*
31. Berk, Marc L. *op cit.*
32. Medical Emergency: Cost of Uncompensated Care in Southwest Border Counties. MGT of America. Prepared for The United States/Mexican Border Counties Coalition. (The Coalition, Washington, DC), September 2002.
33. Feinstein statement on the Local Emergency Health Services Reimbursement Act of 2003 - March 4, 2003. (<http://feinstein.senate.gov/03Releases/r-scaapll.htm>).
34. California Department of Corrections, 2nd Quarter 2004, (<http://www.corr.ca.gov/>)
35. According to the Center for Immigration Studies ("The High Cost of Cheap Labor," August 2004), "...we estimate that more than half of illegals work 'on the books'."
36. The number of households is from the 2000 Census (DP-4: Profile of Selected Housing Characteristics: 2000). The estimated share headed by immigrants is from Brady, Henry E. et al., CPRC Brief "Households and Public Assistance Participation in the 1990's," California Policy Research Center, Vol. 14, No. 2, January 2002.
37. Conversation with Dr. Steven Camarota, Research Director, Center for Immigration Studies June 29, 2004. This immigrant household share was derived from 2003 Current Population Survey data.
38. This estimated cost of both legal and illegal immigration to native-born California households implies a total net cost of about \$9.8 billion per annum. "The New Americans: Economic, Demographic, and Fiscal Effects of Immigration," National Academies of Science, May 1997, Washington, DC.
39. "Economic impact hotly debated", *The Arizona Republic*, Aug. 26, 2001.

This report was prepared by Jack Martin and Ira Mehlman.

FAIRTM November 2004

FEDERATION FOR AMERICAN IMMIGRATION REFORM

1666 Connecticut Avenue, NW | Suite 400 | Washington, DC 20009

202-328-7004 | 202-387-3447 (fax) | fair@fairus.org | www.fairus.org