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ABSTRACT

Recent debate about immigration policy has focused on whether or not immigrants' contributions to public revenues cover the costs of the public services they use, and if not, should the federal government reimburse state and local governments for those net costs. Findings of recent studies have varied widely, because of differences in data available, disagreements about the public services to be considered, and differing treatments of conceptual issues. Unless consensus is reached on a host of data, accounting, and conceptual issues, additional studies are not likely to provide definitive answers. To date, little has been established beyond the fact that most immigrants have low income, and that families with low income contribute less to public revenues. The suggestive finding is that illegal immigrants are net consumers of public services more because of low income than because of immigrant status. Recommendations are made for improved data collection and analysis. One figure and eight tables illustrate the discussion. Two appendixes list the studies reviewed and present four additional tables of summary results.
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*The Fiscal Costs of Immigration:
Analytical and Policy Issues*

Georges Vernez and Kevin McCarthy

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February 1995

Prepared for the Irvine Foundation

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PREFACE

This paper was prepared as background for a workshop on "The Public Costs of Immigration: Why Does it Matter?" to be held January 26, 1995, at RAND in Santa Monica, California. The workshop is one of several being organized as part of a comprehensive study of the "Effects of Large Scale Immigration on California."

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SUMMARY

The recent debate about immigration policy is focusing on the questions of whether immigrants' contributions to public revenues cover the cost of the public services they use and, if not, should the federal government reimburse state and local governments for those net costs. Although several recent studies have addressed these questions, their findings differ so widely that policymakers and the public are understandably confused as to what to believe.

This paper addresses several issues that are at the heart of this debate. First, it reviews the findings of the current studies. Second, it describes the difficulties inherent in addressing these questions and highlights the differences behind recent estimates. Third, it identifies the major conceptual issues that must be addressed before a definitive answer can be given to the policy questions. Finally, it offers recommendation for the future.

FINDINGS OF RECENT STUDIES

Although numerous studies have been made of the fiscal costs of immigration, a much smaller number attempt a comprehensive assessment that takes into consideration the substantial increase in immigration that occurred in the 1980s. Specifically, we identified and compare three national level and six state and local studies of the net fiscal costs of immigration. Nearly all of these studies build on the pioneering study prepared in 1992 for the Los Angeles County Board of Supervisor (see Figure 1, p.5.)

The studies tend to agree on only one thing: the relative contribution of different groups to public revenues. Specifically, there is general agreement that currently illegal immigrants contribute less than those who received amnesty, who, in turn, contribute less than legal immigrants, who contribute less than the native born. However, this finding merely reflects differences in the average incomes of these various groups rather than their immigration status per se.

Otherwise and in spite of their common heritage, the findings of these studies differ widely. For example, estimates of the per capita costs of providing federal, state, and local services to immigrants range from a low of \$2,638 to a high of \$4,476. Similarly, per capita revenue estimates vary from \$1,051 to \$3,644. Overall, the net cost estimates range from a "surplus" of \$1,400 per immigrant to a "deficit" of \$1,600.

There are three main reasons these findings differ so widely: (1) the data needed to make detailed cost/benefit calculations are unavailable. This forces each study to make assumptions about immigrants' service usage and revenue contributions--assumptions which are often mistaken; (2) there are disagreements on what public services and revenue sources should be included; and (3) a variety of conceptual issues are treated in very different ways.

DATA NEEDS

Accurate, reliable, and comparable estimates of the net fiscal costs of immigration require several different types of information:

- First, an accurate count of immigrants by their immigration status and other relevant socio-economic characteristics.
- Second, reliable information on immigrants' *actual* use of services and the *actual* public costs of providing those services to individual immigrants.
- Third, reliable information on which revenue sources immigrants *actually* contribute to and the *actual* amount of their contributions.

Such data do not currently exist. As a result, the studies reviewed have made various assumptions about the number of immigrants, their service usage, and their

contributions to public revenues. Inaccuracies in these assumptions can affect not only the magnitude of the estimates but also the direction of the net cost estimate.

Most studies, for example, assume that immigrants' use of services is proportional to their numbers, regardless of their socio-economic and immigration status. However, data we collected from a 1991 sample of Salvadoran and Filipino immigrants residing in Los Angeles challenge this proportionality assumption. We found that utilization of transfer payments, nutrition, and health services differed depending upon the income levels and number of children, particularly children under five, of the immigrants' households. In addition, immigrants' use of certain special services, e.g., libraries, public transit, parks and recreation, was affected by a range of factors-- income, number of children, and english proficiency--that conditioned the immigrants' need for the services (see Table 3.3, p. 30.).

Another common assumption made in these studies is that the incidence of tax payments and payroll deduction is uniformly high across income levels and immigration status. Our data suggest that, on the contrary, payroll deductions and federal tax filings vary significantly with immigration status (see Table 3.5, p. 33).

If federal and state governments are really serious about estimating the net fiscal costs of immigration, they will have to provide the resources needed to support the collection of reliable data on service usage and revenue contributions.

COMPLETENESS OF COST ACCOUNTING APPROACHES

A second major problem with the existing estimates is their failure to employ a common set of cost and revenue categories. None of the recent studies we reviewed, for example, includes the full range of public services that immigrants benefit from. Indeed, differences in which services are included accounts for the entire differential in per capita service cost estimates cited above. In the most inclusive study, approximately 80 percent

of all public expenditures are accounted for, in the other studies the total is between 40 and 55 percent. Among the cost items included in some studies but not in others are: social security payments, interest on the federal debt, expenditures for highways, and general city costs.

Similarly, there are major differences between studies in both the specific revenue sources that are included and in estimates of the average contributions by source. We estimate, for instance, that differences in which revenue sources are included accounts for approximately half of the difference among studies in average per capita revenues. Disputes exist, for example, in the treatment of payroll taxes, federal and state gasoline taxes, and unemployment insurance. The remaining half is due to differences in estimates of immigrants' incomes and the tax rates applied to those incomes. In none of the studies we examined do the revenue sources included sum to 100 percent of total government revenues. Instead, they range from 45 to approximately 75 percent.

CONCEPTUAL ISSUES

Finally, there is a broad range of conceptual issues on which agreement is needed if progress is to be made in estimating the net fiscal costs of immigration. How these issues are resolved will have a significant impact not only on the outcomes of future studies, but on their interpretation for policy.

Defining Who Is An "Immigrant"

All of the studies we reviewed agree that *foreign-born non-citizens* should be classified as immigrants. But there is considerable disagreement both about how to treat naturalized immigrants (those who have become citizens) and the native-born children of illegal and legal immigrants. The native-born children of immigrants are, by U.S. law, citizens and from a legal perspective should not be treated as immigrants. On the other hand, had they or their parents not immigrated they would not be in the country and, thus, from a pragmatic perspective all three of these groups could be classified as immigrants.

The Appropriate Accounting Unit

The studies reviewed allocate the costs of services to individual immigrants but measure revenue contributions on the basis of families, where the "immigration" status of the family is defined in terms of the status of the family head. This inconsistency in accounting units poses a problem for families containing a mixture of native and foreign-born members and members whose immigration statuses differ--a frequent occurrence.

Categorizing Immigrants

The categories used to group immigrants is important not only to the estimation procedures but also for the policy implications that can be drawn from these estimates. The studies reviewed have generally grouped immigrants into four categories: currently illegal, those who received amnesty, other immigrants, and all immigrants. Since most estimates rely on assumptions about average incomes and service usage within the groups of immigrants they identify, the results of these estimates directly depend upon which groupings are used. Just as importantly, the policy implications that are drawn from these estimates hinge on how immigrants are categorized. Typically, the implicit assumption built into these studies is that if a particular group produces a net public "deficit" then future immigration by that group either ought to be eliminated or reduced.

In fact, such broad groupings fail to capture either the diversity of immigrants or to provide an adequate basis for policy since they do not mirror the criteria used to admit legal immigrants. More appropriate categories would distinguish immigrants along the current dimensions used to admit permanent immigrants, e.g., refugee, family reunification, employment-related, or other more specific characteristics that would provide a better discriminator of whether immigrants are likely to be high or low consumers of public services, or revenue generators.

Allocating Service Costs

A starting premise of any fiscal cost accounting framework is that all public services should be included in the estimations or the justification for excluding a particular service ought to be stated. This is not, however, the common practice. Most studies agree that certain services provided directly to individuals, e.g. education and social services, should be counted. Many studies also attempt to include the costs of a wider range of state and local services, e.g., fire and police protection, parks and recreation. However, very few studies include what are such major categories of federal expenditures as national defense, support of research and development, general government and administrative expenditures, and interest on the national debt.

Such exclusion may be justified on one of two grounds--neither of which fully hold. Either immigrants do not derive any benefit from these services or the marginal costs of providing these services to immigrants is zero. The former assumption is questionable at best, and the latter assumption--even if closer to reality--implicitly assumes that native-born residents should subsidize the provision of these services to immigrants.

Social insurance expenditures present another set of difficulties. The implicit argument for their exclusion is that these programs are self-funded. But these programs often have a redistributive function that provides disproportionate benefits to low-income immigrants and the revenues from the special funds are often treated as substitutes for general revenues.

Even when the decision is made to include social insurance expenditures in the cost estimates, there is still a decision as to whether those costs should be allocated on an annual or a lifetime basis. Because most immigrants are young and thus will not be eligible to receive social insurance benefits for several years, which cost allocation approach is used can make up to a tenfold difference in the estimate of these costs.

Allocating Contributions to Revenues

Just as all services should be included on the cost side of the ledger, so should all revenues be included on the benefit side. This is not generally a problem with revenues collected from individuals, e.g., personal income and sales taxes. But, revenues from businesses, banks, and corporations have typically been excluded. Exclusion of corporate and commercial property taxes is especially problematic when the full costs of the local services provided to business are attributed to consumers, including immigrants, as is typically the case.

Lifetime vs. Annual Costs

All of the studies we have reviewed have focused on the net fiscal costs of immigration in a given year. This is an appropriate perspective if the concern is with balancing government budgets from one year to the next. However, immigrants' use of services and contributions to revenues are likely to vary over time as they become more familiar with U.S. society and labor markets. Indeed, the services provided to immigrants, especially education and health services, can appropriately be regarded as investments made today in expectation of a return to be received tomorrow. From this perspective, the appropriate question is not whether the "net costs" of providing services to immigrants yields a "surplus" or a "deficit" on an annual basis but whether, over the duration of the immigrant's residence in the United States, the nation reaps a net cost or benefit. None of the studies reviewed considered this issue.

RECASTING THE POLICY DEBATE

Despite their proliferation, recent studies on the net fiscal costs of immigration do not provide a reliable estimate of what those net costs are. Moreover, without reaching consensus on a host of data, accounting, and conceptual issues, we doubt that additional studies will provide a definitive answer to the policy questions raised about immigration.

However, despite their limitations, these studies have focused attention on a heretofore overlooked issue--should the public costs of immigration be considered in formulating the nation's immigration policies. To date such central immigration policy issues as how many and which immigrants to admit and what public services they should be offered have been formulated without a consideration of their fiscal implications. Instead, they have been determined by the long-term economic, humanitarian, and social considerations that generally drive U.S. immigration policy. Incorporating fiscal considerations in the public policy calculus would represent a real departure from past practice.

However, a full assessment of the fiscal implications of current immigration policy and the burdens it imposes on federal, state, and local governments, requires an assessment of what services immigrants use and what revenues they contribute to the public fisc, not just in any single year, but over the entire course of their residence in the United States. It also requires an identification of the factors that lead to high or low service usage and to the longer-term economic success of immigrants. Neither of these issues has received any attention in the studies that have been conducted to date.

I. INTRODUCTION

Two questions currently dominate the public debate on immigration:

- (1) Do immigrants' contributions to public revenues cover the costs of the public services they receive? and,
- (2) What is the net budgetary deficit (or surplus) to state and localities of providing services to immigrants, and illegal immigrants in particular?

Several recent studies have addressed these questions, but their findings differ so widely that policymakers and the general public are understandably confused as to what to believe. For example, the range of estimates of the effects of immigration on the public fisc reported in the media and circulating in policymaking circles differ by no less than \$52 billion dollars--from a \$12 billion annual surplus to a \$40 billion annual deficit.

This paper reviews these studies and identifies the reasons why they differ so widely. There are many reasons; but the main one is that the data necessary to make reliable measurements of budgetary costs and revenues are not currently available. Hence, the studies vary significantly in the services and revenues they include, and in the variables, behavioral assumptions, and methodologies they use in developing their estimates. They also differ in the policy or analytical questions that motivated them in the first place, and hence in how they identify categories of immigrants, how they treat the citizen children of immigrants, and in how they allocate costs and revenues to immigrants.

How the above issues are actually addressed can predetermine a study's outcome. But, as important as these analytical issues are, they are secondary to addressing the more basic question of why do such studies in the first place. Indeed, why should we expect immigrants as a whole, or any particular subgroup of immigrants, to "fully pay their way." We do not expect it for native-borns, or any subgroup of the native-born. Nor do we

expect this for the nation as a whole --as our continuing federal budget deficit bears witness.

Then why undertake such studies? Is it to help determine whether the nation ought to close the door or open it more widely to new immigrants? Is it to help determine how many immigrants the nation can afford to have at any one time? Is it to help determine which immigrants we want to let in and which we want to keep out? Or is it to determine whether state and local jurisdictions ought to be compensated for "excess" costs of providing services to illegal or other immigrants and by how much?

Which of these (or any other) policy questions motivate a study of the fiscal costs of immigration should shape its design and eventually its findings. Studies which nominally address the question of public costs and revenues, but which explicitly or implicitly address different questions will not be readily comparable.

The remainder of this paper is divided into three sections. The first reviews the findings of recent studies. The second discusses the key conceptual issues, behavioral assumptions, and costs allocation rules on which we need to reach consensus if we are to improve the reliability and comparability of studies of the public costs of immigration. The third outlines the range of policy questions which these studies, appropriately redesigned and supported by newly collected data, can help address. If, breaking with the past, the fiscal costs of immigration are to become an explicit consideration in formulating immigration policy in addition to the more traditional humanitarian, economic, and social considerations, more attention needs to be given to the long-term rather than the short-term balance of costs and benefits and on factors which lead to high or low use of public service and to immigrants' long-term economic success.

II. REVIEW OF RECENT STUDIES

The number of studies addressing the question of the public costs of immigration have increased in recent years. In this section, we summarize their findings and identify points of agreement and disagreement. In the latter case, we outline the main reasons why they differ.

SELECTION OF STUDIES

The studies included in this review were selected according to three criteria. First, only studies completed after 1990 were included. Prior studies were reviewed by Eric Rothman and Thomas Espenshade's "Fiscal Impacts of Immigration to the United States"¹. They found these studies inconclusive on the question of the net fiscal costs of immigration, but suggest that the fiscal burden of serving immigrants falls more heavily on state and localities than on the federal government (p. 412).

Second, we included only studies that sought to be comprehensive in their coverage of immigrants' services usage and public contributions. Thus, studies focusing on a single program, (e.g., AFDC), or a single country of origin, (e.g., Mexico), are excluded.

Finally, only the latest, and hence, the "best" estimates made by any one author or institution were reviewed. Over the years, several authors have made repeated estimates, with each subsequent estimate "improved" based on additional information or in response to criticisms levied by others. Including these earlier estimates in this review would not add to our understanding of the issues.

¹ Eric S. Rothman and Thomas J. Espenshade, "Fiscal Impacts of Immigration to the United States", *Population Index* 58, Number 3, Fall 1992, pp. 381-415.

RELATIONSHIP AMONG STUDIES

Nine studies met the criteria outlined above; they are listed in Figure 1.

A first observation is that six of these nine studies are not independent of one another. One or another aspect of their estimates rely on the "pioneering" study prepared in 1992 for the Los Angeles County of Supervisors (ISD, 1992). These studies either extrapolate the ISD study's estimates for Los Angeles to the nation (Huddle, 1993), or they endeavor to partially "improve" on the income assumptions, service costs coverage, or overall methodology it used (UI, I, II, and III, CAL, 1994; and CIS, 1994). Indeed, most of the debate on the fiscal costs of immigration over the past two years has focused on refinements and charges and countercharges about one or another aspect of this original study.

The other two independent studies make no less a contribution to this genre of studies, but, for whatever reasons, have generally been ignored by the media and analysts alike.

APPROACH TO COMPARISON OF FINDINGS

The studies reviewed differ in three significant ways: the level of jurisdiction on which they focus, their estimates of the number of illegal and other immigrants, and the assumptions they make regarding the displacement or multiplier effects immigrants have on job opportunities, earnings, and the economy as a whole. To "neutralize" the effects of these factors on the studies' findings, we made one organizational and two substantive decisions.

First, we compare estimates at the national level separately from those made at the state and local levels. Although many of the conceptual and methodological questions are similar for all studies, a number of issues raised at the national levels are not relevant at the lower levels of

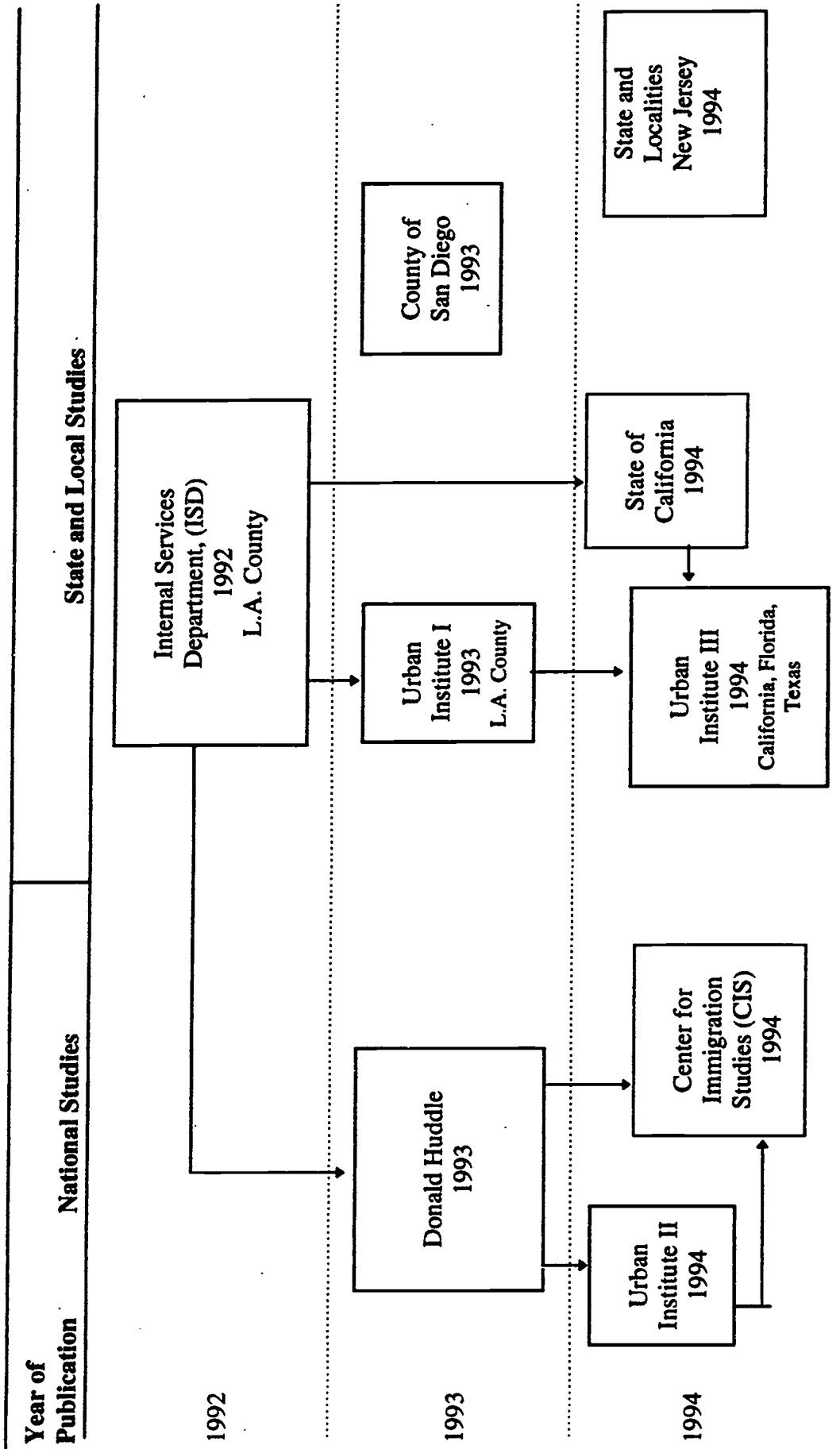


Figure 1: Studies Included in our Review and their Relationship

Note: The complete references to the studies included in this figure are contained in Appendix A.

government and vice and versa. Also, state and local government studies are more comprehensive in their coverage of public costs and revenues.

Second, the effects of differences in the estimated size of the immigrant population were removed from the results presented here: *estimates are expressed in costs or revenues per capita*. Disparities in estimates of total costs and revenues can otherwise be amplified by wide variations in immigrant population estimates. This is especially true of estimates of the size of the illegal population which differ by as much as 50 percent.

Third, our comparisons are limited to the **direct** fiscal costs of services used by immigrants and the public revenues raised from them. There is **disagreement** about whether the direct public costs and revenues generated by immigrants are alleviated or amplified by the dynamic effects immigrants may have on the economy and the job opportunities and earnings of native-borns. For example, two studies assert that immigrants displace native-born workers so that the costs of public assistance, unemployment compensation, and other support services to displaced natives should be added to the fiscal costs of immigration. Others either ignore this issue or argue that immigration has a positive multiplier effect on the economy and the incomes of native-borns and, thus, lower the fiscal cost of immigration by indirectly increasing public revenues raised from native-borns.

Finally, in explaining differences among competing estimates, we focus on reasons that account for the bulk of those differences. We do not discuss a number of minor issues that have a lesser effect on variations in estimates. For instance, there are variations among studies in the annual costs to educate an immigrant child or to incarcerate a convicted immigrant criminal. Such service costs variations are not reviewed systematically here.

COMPARISON OF NATIONAL STUDIES.

Three studies have estimated the net fiscal costs of providing public services to immigrants from a national perspective. In the absence of actual counts of immigrants by immigration status and of data on actual service use and revenue payments by individual immigrant and/or immigrant families, these studies use a variety of indirect measures and assumptions to estimate costs and revenues. To estimate gross costs, they first estimate the annual average cost of providing public assistance, education, and criminal justice services per recipient and then multiply this average by the number of immigrants estimated to receive the service. Actual counts of immigrants receiving a specific service are generally not available. On the revenue side, the studies generally estimate the distribution of immigrant households by income and age groupings and apply average per capita tax rates to each grouping after adjusting for the estimated incidence of tax filings and remittances sent out of the country.

Table 2.1 compares the per capita costs of providing federal, state, and local assistance services to immigrants and the federal, state, and local tax revenue per capita contributed by immigrants as estimated by Huddle (1993), the Urban Institute II (1994), and the Center for Immigration Studies (1994). All estimates shown are for 1992. The first two studies provide separate estimates for three groups of immigrants: illegals, amnestied, and permanent immigrants who entered the country after 1970. All three studies compute an average for the total of these three groups of immigrants and for native-borns. In these studies, immigrants who entered the country prior to 1970 are grouped with the native-born.

The studies differ significantly in their estimates for immigrants as a whole. On the costs side, the CIS estimates of costs per capita is nearly twice as large as Huddle's: \$4,476 vs. \$2,638 per immigrant. The Urban Institute does not make an independent estimate of costs, although it adjusts downward Huddle's estimated costs for some services --mainly education, county provided services, and public assistance.

Table 2.1

**Per Capita Costs of Public Services and Revenues
by Immigration Status at National Level: 1992**

Immigration Status	Studies								
	Huddle '93			Urban Institute II '94			Ctr for Immigration Studies '94		
	Costs	Revenues	Ratio ^a	Costs	Revenues	Ratio ^a	Costs	Revenues	Ratio ^a
Illegal	2,103	519	4.05	1,718 ^b	1,452	1.44			
Amnestied	2,185	816	2.67	1,785 ^b	2,401	.56			
Permanent 1970-1992	2,940	1,313	2.20	2,402 ^b	4,787	.50			
All above	2,638	1,051	2.60	2,156	3,644	.59	4,476	3,453	1.30
Native-born	2,552	2,730	.93		4,924				
Percent total service costs or revenues included ^c	40	45		55	75		80	75	

SOURCE: See Appendix A for full references to studies.

NOTE: Blanks mean not available or not applicable.

^aRatio of costs over revenues.

^bThe Urban Institute provides no independent estimates of these costs. To estimate these costs we multiplied Huddle's cost estimates for illegals, amnestied, and "permanent 1970-1992" by .82, the ratio of the Urban Institute estimate of costs for "all above" to Huddle's estimate of costs for "all above".

^cApproximate estimates by the authors because of difficulties to identify accurately the extent of coverage of each study.

On the revenue side, the studies differ by an order of one to three with Huddle being on the low end and the Urban Institute and CIS on the high end: \$1,051 vs. \$3,644 and \$3,453 per immigrant, respectively.

Comparing costs to tax contributions, two studies (Huddle and CIS) find that immigrants contribute less in taxes than they cost in services, with the first estimating a deficit about 50 percent higher than the second. And one study, the Urban Institute's, estimates that immigrants as a group contribute more in revenues than they consume in services.

What explains these differences? Primarily, the decision of which taxes are included on the revenue side and which public services on the costs side. On the cost side, the entire difference between Huddle, the Urban Institute, and CIS is due to the CIS including programs not included by Huddle: social security, supplemental Medicare, federal workers and veteran benefits, earned income tax credit, highway fund, corrections, interest costs on immigrant benefits, and net city costs (see Table 1 in Appendix B).¹

On the revenue side, Huddle's exclusion of FICA, unemployment insurance, federal and state taxes on gasoline, and state vehicle license fees account for 55 and 48 percent of the difference in his estimate of revenues relative to the other two studies, respectively. The balance is nearly fully accounted for by differences in estimates of revenues collected from income, sale, and property taxes due to differences in immigrant incomes estimated by the three studies (see Table 2 in Appendix B).

In brief, the difference in estimated net costs of immigration are primarily caused by (1) differences in "proxy" categories used to estimate the incomes of immigrants, by immigration status, and (2) conceptual disagreements on which services to include on the costs side and which revenues to include on the revenue side. Based on federal and state and local governments revenues and expenditures' national accounts, we estimate Huddle included approximately 40 percent of total public expenditures and 45 percent of all public revenues compared to 80 percent and 75 percent, respectively for CIS.²

Despite their differences, the studies reviewed agree on three points. First, native-borns (including immigrants who have entered the country prior to 1970) contribute more revenues per capita than post-1970 immigrants. This results from higher estimated

¹ There are also some differences among the studies in estimates of per service costs, but these variations are not large with one exception. CIS estimated a social security payment of \$704 per immigrant compared to \$66 estimated by the Urban Institute. This difference is due to a conceptual disagreement on how to account for social security payments: on an actual basis in the year of the study (UI) or on an "proportional" basis. We discuss this issue further in the next section.

² These are approximate estimates made by the authors.

incomes among the native-borns than among immigrants. Second, Huddle and the Urban Institute's studies agree that permanent immigrants contribute more in revenues than amnestied and illegal immigrants, again, principally because their estimated incomes are higher. Finally, they also agree that illegal immigrants cost more in services than they contribute in public revenues, although the respective estimated "deficit" differs significantly.

COMPARISON OF STATE AND LOCAL FINDINGS.

We reviewed two studies of the costs of immigration to states and four to counties or localities. In contrast to their counterparts at the national levels, these studies cover a more comprehensive list of the services including most, if not all, state and local costs of providing public services. Typically, they begin by identifying the total state or county outlays funded from general and special fund revenues, excluding federal transfers at the state level and federal and state transfers at the local levels. They then allocate a portion of those outlays to immigrants using varying estimating approaches.

On the revenue side, they, like the national level studies, do not include all general and special funds revenues. At the state level, the revenues include a maximum of 80 percent of total general and special fund revenues and typically omit taxes paid by corporations, railroads, public utilities, and insurance companies, as well as fees, licenses, tolls, and fines that may be levied by various state departments. At the local level, the revenues included represent as little as 30 percent of general revenues. Typically excluded are taxes from commercial property (about a third of total property taxes), special assessments (e.g., for fire protection or refuse collection), fees (e.g., for use of parks), fines (e.g., for parking or other violations), interest earnings, and sales of property. Implicitly, these studies assume that immigrants do not contribute to these public revenues.

Table 2.2 displays the per capita costs and revenue estimates of these various studies for immigrants as a whole and for subgroups of immigrants, including illegals. Precise comparison among these findings should be made carefully because they group immigrants in different ways and because they vary in the relative proportion of service costs and public revenues included. Where groupings of immigrants are similar, the estimates display large differences. Among illegal immigrants, ISD estimated per illegal immigrant cost to Los Angeles County of \$440 compared to \$1,254 in the San Diego County study. The latter study's inclusion of costs for some State provided services mainly explain this difference. Both studies estimate a fiscal "deficit" for illegal immigrants, but the estimated for L.A. County is 2.5 times greater.

Similarly, large differences are apparent on the revenue side. The Urban Institute, for example, estimates revenues per capita (\$123) that are twice as high as those made by ISD (\$60) --a difference that is attributable mainly to different estimates of immigrant incomes.

These large differences in estimated aggregate costs and revenues mask even greater disparities in estimates for individual service and revenue sources. For instance, the State of California (1994) estimated it spent \$224 per illegal immigrant for Medicaid emergency services compared with San Diego's estimate of \$84 (see Table 3 in Appendix B). On the revenue side, the San Diego study considers that property owners pay the entire property tax while immigrants pay none. Other studies make different assumptions (see Table 4 in Appendix B).

In spite of such differences, the state and local studies generally agree on two points. First, they estimate that neither native-borns, nor immigrants pay their way at the state and local levels. This is not surprising since those studies include a full list of outlays but only a partial list of revenues including transfer payments from higher levels of government. State and local governments have to balance their budgets on an annual basis

and generally do. Hence, finding a “deficit” for all residents of a jurisdiction is simply an “accounting” artifact.

Second, where estimates are made separately for immigrants and the native-born, the studies agree that the “deficit” for immigrants is larger than the “deficit” for native-borns. *This finding, however, merely reflect the higher average income, and hence revenues, estimated for native-borns.*

CONCLUSIONS

Few firm conclusions can be drawn from these studies for several reasons: they disagree about how to group immigrants (with the exception of illegals) and about how to attribute some service costs or revenues to immigrants. They include a different range of services and revenues and differ in the proxies and assumptions they make regarding immigrants’ incomes, use of services, and incidence of tax payments. In brief, these studies’ findings are neither comparable nor comprehensive and do not provide reliable estimates of net fiscal costs or benefits of immigration.

Lack of coverage and accounting consistency across studies are less likely to affect relative estimates of costs and revenues across subgroups of immigrants and the native-borns within a given study. In this regard, the studies are generally consistent in finding that illegals contribute less in revenues than amnestied, legals, and native-borns in that order. Because costs per capita are estimated to be nearly the same across these subgroups, this finding reflects differences in average income across those subgroups rather than immigration status.

Table 2.2
State and Local Studies of Costs of Immigration: Per Capita Public Costs and Revenues by Immigration Status

Immigration Status	Studies											
	LA County* ISD, 1992		LA County Urban Institute I, 1993		New Jersey Local, 1994		San Diego County, 1993		State of New Jersey, 1994		California CA State, 1994	
	Cost	Revenue	Ratio	Cost	Revenue	Ratio	Cost	Revenue	Ratio	Cost	Revenue	Ratio
Immigrants												
Illegal	440	38 ^b	11.6				1,254	271	4.6	1,990	429	4.6
Citizen children of illegals	366						127 ^c			521		
Amnesty	269	65	4.1									
Permanent												
1980-1992	344	88	3.9									
All above	353 ^d	60 ^e	5.8	353	123 ^f	2.9	602 ^g	408 ^h	1.5	633 ⁱ	329 ^j	1.9
Native-born	328	182	1.8	328	181	1.8	595	470	1.3	647	343	1.9
Percent of total service costs or revenues included in study ^k	100	30		100	30		100			100	<75	
											100	77

SOURCE: See Appendix A for full references to studies.

NOTE: Blanks mean not available or not applicable.

^aExcludes school expenditures because they are covered by a special district.

^bIncludes citizen children of illegals.

^cCost of AFDC to citizen children of illegal immigrants.

^dIncludes all who entered after 1980 including amnestied and undocumented.

^eIncludes all foreign-born aged 65 or less.

^fApproximate estimates by the authors.

III. THE NEED TO DEVELOP AN ANALYTICAL CONSENSUS.

An accurate accounting of the net public costs of immigrants requires reliable information on a large number of parameters:

A. An accurate count of the number of immigrants, their immigration status and appropriate socio-economic characteristics.

B. Reliable cost information on:

The actual use, for the period of time considered, of all relevant public services provided to immigrants for every family member by their immigration status.

The actual public costs of providing the relevant services including both operational and capital costs, and the costs of borrowing funds in cases of deficit financing.

C. Reliable revenue information on actual payroll deductions, income and sales tax payments, excise tax payments, fees and other form of revenues raised from each individual immigrant (or family of immigrants as appropriate) by immigration status for the period considered.

Such information is not currently available. Hence, the studies have used various accounting techniques, proxy variables, and assumptions to estimate service use, costs, and revenues.

We have already pointed out that accounting differences among studies have caused significant disparities in their results. Press and politicians' treatment of these studies as if they were fully comparable only adds to the confusion in the public mind of whom and what to believe. To alleviate this problem, we need to develop consensus on the appropriate approach to these issues. We also need to develop a consensus on a set of rules for uniformly treating key conceptual questions which plague the studies reviewed.

This section outlines the main issues that need to be addressed to develop such a consensus. Our discussion is organized into three categories:

- Conceptual and accounting issues
- Behavioral assumptions and data availability
- Cost allocation issues

To amplify these points we use examples from the studies reviewed.

CONCEPTUAL AND ACCOUNTING ISSUES

To develop a consistent “accounting framework” the following four questions must be addressed: (1) Who is an “immigrant” and how should they be categorized? (2) Which public services ought to be included? (3) Which public revenues ought to be included? and (4) What is the accounting time period?

Defining and Grouping Immigrants

How to define and categorize immigrants and native-borns are important policy as well as analytical decisions. How an “immigrant” is defined not only affects the count of immigrants but also which costs and revenues are attributed to immigrants, and hence the outcome of the study. Different definitions and categories also imply different policy concerns.

Defining “Immigrant”. There is general agreement that all foreign-born non-citizens should be defined as “immigrant”.¹ There is less agreement about how to treat the children of immigrants born in the United States and the foreign-born who are naturalized citizens.

¹ Even this cannot be taken for granted. All the studies reviewed arbitrarily excluded immigrants who had entered the country prior to 1970.

The studies reviewed have treated the costs of providing public services to the citizen children of immigrants uniformly; they have excluded them from the costs of servicing immigrants, with one significant exception: the citizen children of illegal immigrants --some studies have excluded them, while others have included them in the "costs of immigrants" column.

Although the choice between these two alternatives is not clear cut, it will affect costs significantly. One study estimated that attributing the costs of servicing citizen children to their illegal immigrant parents added in excess of 25 percent to the public service costs of illegal immigration (see Table 2.2).

The argument for exclusion of citizen children of immigrants is a legal/constitutional one: children born on U.S. soil are guaranteed citizenship by the U.S. constitution and are citizens by definition. They are entitled to the same services available to other citizens, and hence should be treated as "native-born". But, if this argument holds for citizen children, it should also hold for the foreign-born who become naturalized citizens. Consistency then would seem to require that the 30 percent or so immigrants who have become naturalized citizens should be excluded from the immigrant "cost" column.

The argument for inclusion of citizen children of immigrants as "immigrant" is a pragmatic one: if their parents had not immigrated, these citizen children would not have been born here and the public costs of providing them services would not have been incurred. Hence, their costs should be treated with those of their immigrant parents.

Whichever choice is made should be consistent. We see no rationale for including the costs of citizen children with those of their illegal parents, while excluding those costs for citizen children of other immigrants (or for naturalized citizens) as some studies have done. In future studies, the costs of citizen children should be treated uniformly for all immigrant groups. To accommodate both views, they could be displayed separately from

the costs of their immigrant parents; in any event, they should not be included in the costs attributed to all other native-borns.

Appropriate Unit of Analysis. The treatment of the citizen children of immigrants also has implications for the appropriate unit of analysis --an issue overlooked by all the studies reviewed. They allocate the costs to **individual** immigrants, but account for public revenues at the **family** level. An accounting inconsistency arises when the costs of servicing some members of the family are excluded in the "cost" column, but these same members are included in the "revenue" column. The result is an overestimate of the "tax revenues" collected to cover the estimated costs.

Another problem defining the appropriate "immigrant" family is how to treat mixed adult "immigrant" and "native-born" family units of which there are many. In the studies reviewed, if the family head is "foreign-born", the family is labeled "immigrant" and all revenues are accounted against the costs attributed to the immigrant head of family leading to an underestimate of net costs. Arguably, mixed families classified as "immigrant" might be canceled out by those classified as "native-borns" --but, that is an empirical question to which we do not yet know the answer.

Grouping Immigrants and Native-Borns. Most recent studies have singled out illegal immigrants as a separate group reflecting the current concern with illegal immigration. They differ, however, in how they have categorized other immigrants. Some group immigrants who are beneficiaries of a specific federal policy, i.e., immigrants amnestied under IRCA, or according to date of entry, i.e., immigrants who have entered since 1970 or 1980. Others simply group all immigrants together regardless of status and date of entry. Authors of these studies have agreed on only one thing: to group native-borns into one single category.

A priori, there is nothing compelling about these categories. Other categorizations may be just as compelling, such as:

- Current criteria for permanent entry: i.e., humanitarian, family reunification, or employment-related.
- Expected use of public services, i.e., high vs. low users of public services.
- Factors expected to affect life-time contributions to public revenues: e.g., skills and education levels, ability to speak English at entry.

Different categorizations imply different policy concerns. Distinctions based on legal status, date of entry, or eligibility for public services reflect the current policy focus on illegal immigration and attempts by state and local governments to obtain federal funding to compensate them for bearing what they believe is a disproportionate share of the costs of providing services to immigrants. But these are not the only issues that could be addressed. If, for example, one is interested in maximizing contributions to revenues then the focus should be on those characteristics which differentiate immigrants in terms of their income. Alternatively, if the purpose were to determine how well the current criteria used to determine eligibility for legal entry meet the objective of minimizing the net fiscal costs of immigration, then distinctions should be drawn among immigrants in terms of how they qualified for entry, e.g., refugees, family reunification, economic immigrant. Which distinctions are made among immigrants directly determines the conclusions that can be reached. We return to this issue in Section 4.

Services to be Included

Which services and which revenues to include are perhaps the most critical issues affecting their eventual findings. Different decisions made in this regard can signify the difference between showing a net surplus or a net cost for any subgroup of immigrants or native-borns as was shown in the previous section.

Studies of the *national* costs of providing services to immigrants have typically focused on services that are provided **directly** to individuals such as education and social services, and some county and local costs. Excluded are large federal budget items such as national defense, research and development, general governmental and administrative functions provided by legislative bodies and executive agencies (e.g., INS), and interest

paid on the national debt. The assistance programs included in the studies reviewed have typically focused on transfer payments --although there are disagreements on how to account for "social insurance programs"-- and grants-in-aid to state and local governments which constitute about half of federal expenditures (see Table 3.1).

Table 3.1

Federal Expenditures by Major Categories of Expenditures: 1992

Categories of Expenditures	Dollars (Billions)	Percent
Purchase	448.8	30.8
National defense	313.8	21.5
Non defense	135.0	9.2
Transfer payments (net)	624.5	42.8
To persons	608.2	41.7
Rest of world	16.3	1.1
Grant-in-aid to state & local government	171.4	11.7
Net interest	187.1	12.8
Interest paid	219.9	14.7
Less interest received	(-32.8)	(-2.2)
Subsidies less current	27.5	1.9
Surplus	31.7	2.2
Subsidies less govt. surplus	(-4.1)	(-.3)
Total	1,459.3	100.0

SOURCE: Survey of Current Business, June 1994, Vol. 74, number 6, Table 3.2.

In contrast to the national level studies, state and local studies have typically included all the costs accruing to that level of government including general governmental functions. This disparate treatment of general government functions across studies is inconsistent.²

² Clearly, this issue arises only when comparing across studies. It does not arise within the context of one study comparing relative costs and revenues among different population subgroups so long as the same services and revenues are included for each population subgroups. It may however affect the completeness of the study's findings.

Treatment of Indivisible Goods and General Governmental Functions.

Excluding large components of federal expenditures and general governmental functions significantly reduces the public costs attributed to immigrants and can be justified on only one of two grounds: (1) either immigrants are deemed not to receive any benefits from those services; or (2) these services would be provided in the same quantity and quality in the absence of any immigration. Stating the latter in another way, the marginal cost of providing these services to immigrants is deemed to be nil.

Both rationales for exclusion are questionable. There is no foundation to support the "no benefit" argument. Immigrants do benefit from a democratic form of governance and from the general infrastructure and other support services conducive to a stable political environment and to economic growth. Most, if not all, immigrants come here in the first place to benefit from a safer environment, job growth, and/or greater economic opportunities than in the country they have left.

The "no marginal cost" argument is more difficult to dismiss off-hand. Many of the outlays in question are public goods with large indivisibilities, e.g., national defense, or highway construction and maintenance. Hence, the marginal cost of providing these services to cover one or even several million more people may indeed be small.

From a purely economic accounting point of view, the above argument has merit. The difficulty, however, is where one draws the line. Arguably, the same argument could be applied across generations of the native-born not to mention the citizen children of immigrants (see earlier discussion). Yet as a nation, we have opted to make everyone pay (albeit according to a progressive tax schedule) for general governmental functions and for indivisible goods, both for equity reasons and, because everyone benefits to some extent from such services and goods. Excluding immigrants from "paying" for these services would be akin to arguing that native-borns, including low-income native-borns, should be "subsidizing" immigrants for such services.

If one accepts, as we do, that immigrants ought to pay for general government functions and public goods, which portion of the costs for such services should be deemed to immigrants? We come back to this question under "cost accounting rules".

Treatment of Social Insurance Programs. Another set of programs which present special conceptual difficulties are social insurance programs, e.g., social security, Medicare, unemployment insurance, and workmen's compensation. Experts disagree on how to treat them, and hence different studies have dealt with them in different ways. These programs raise three interrelated questions to which there is no uniquely "right" answer.

The first question is whether to include social insurance programs at all in computing public costs. Arguably, these programs provide pension, job insurance, or health insurance benefits which are primarily self-funded, even though revenues collected for some of these programs may be mixed with general funds revenue. To the extent that these programs are "truly" self-funded, this argument speaks for exclusion.³ In this case, payroll taxes (or other revenues) for such programs should also be excluded from the revenue side.

The argument for inclusion is that some of these programs also have a redistributive function, e.g., social security and unemployment compensation. Some groups of payers receive more in benefits than they have contributed, while other receive less than they have contributed.⁴ Moreover, the funds raised from payroll taxes for these programs are treated as general funds and drawn upon on an ongoing basis.

³ By "truly", we mean that no general funds are used to cover a "deficit" between revenues and expenditures in these programs.

⁴ The redistributive characteristics of social insurance programs is complex, particularly as pension programs are concerned, because they depend not only on lifetime income, but on longevity after retirement.

If one leans towards inclusion, the second question raised is how should these costs be assessed. One approach, used for social security (the largest of these programs) has been to attribute to immigrants the estimated value of payments actually made to the immigrants during the time period considered. Since most immigrants are not yet of retirement age, the benefits they receive are currently quite low. The rationale for this approach is that the children of immigrants will eventually pay for the retirement of their parents. Call it the "intergenerational" accounting approach.

Another approach has been to prorate, (i.e., distribute evenly), the total OASI payments to foreign-borns in proportion to the ratio of the number of immigrants in the category considered to the total number of immigrants. Because, recent studies have focused on the immigrants who have arrived most recently, this method attributes a higher "costs" to immigrants than the first. For instance, CIS, which used the latter method, estimated social security costs "incurred" by post-1970 immigrants to be ten times higher (\$704) than the Urban Institute which used the first method (\$66) (see Table 2.1). In this view, new immigrants, are "held liable" for supporting the pensions of previous waves of immigrants. Call it the "intra-immigrant" accounting approach.

Whether one should adopt one or the other approach is not a technical question. It depends on one's view of who should be paying for whom when there is a long time lag between contributions and receipt of benefits.

Ongoing vs. Lifetime Costs. This discussion raises an even broader issue: should we measure costs and contributions at a particular point in time, (the "ongoing approach"), or over the lifetime of each individual, (the "lifetime" approach). When there is a large inflow of young immigrants in a short period of time, as there is now, the costs of the social security payments made to them while most are still in the labor force are relatively small. In the meantime, they contribute payroll taxes to the general revenues. The "ongoing" approach to cost accounting is the appropriate one if the primary concern is with balancing the budget on an annual basis.

Another approach is to view the payments made today as downpayments for benefits that will be redeemed later to determine whether over the lifetime of the immigrant the revenues they contribute fully compensate for the payments they will receive later. This is the appropriate approach if one is primarily concerned with the "self-funding" concept of a program over the long-term.

Neither approach is inherently right or wrong. Each provides a different piece of information and answers a different question.

This issue arises not just for social insurance programs. It arises for all services which have an investment component --that is where an initial expenditure of resources is expected to have a long-term payoff. A classic case of such an investment is education which involves large initial investments in the early life of an individual and large returns in the form of higher earnings, and hence, public revenues much later in life. Health care services may involve the trade off of higher costs this year in the form of preventive health care for lower costs later in the form of catastrophic or other social costs. In these cases, as in the previous ones, both approaches provide important information, albeit of a different nature.⁵

Revenues to be Included

Just as the studies we reviewed did not include all the public services from which immigrants derive benefits, neither do they include all revenues accruing to the public fisc. Typically, the studies have been more comprehensive on the revenue side at the national level, and more comprehensive on the costs side at the state and local level, introducing an unknown bias in the estimates of net costs or tax surplus.

⁵ Indeed, this distinction between the "ongoing" and "lifetime" approaches foreshadows a more general point. Should the assessment of costs and revenues for immigrants be measured on an annual basis or over their lifetime? We return to this issue in Section 4.

Six major types of revenues have been excluded or otherwise treated unevenly:

- Bank, corporation, and insurance taxes,
- Commercial property taxes,
- Interest earnings,
- Fines, fees, and special assessments,
- Utility revenues, and
- Special funds taxes.

The *bank, corporate, and insurance tax* is the largest tax that is omitted at both the federal and the state levels even though revenues from this source are sizable: 10 percent of federal revenues and 15 percent of general and special funds revenues raised by the state of California (see Table 3.2). The omission of these revenues is all the more problematic because the costs of providing public services to businesses and banks are typically not deducted from the costs allocated to individual residents. This practice inflates costs and deflates revenues attributed to immigrants, overstating the relative difference between the two. Either the costs of services to businesses should be excluded from the costs attributed to immigrants, or a portion of these revenues should be deemed to be contributed by immigrants.

Similarly, *the commercial property tax* raises sizable revenues for counties. For instance, commercial property tax contributes about 37 percent of the total property taxes levied by the County of Los Angeles and nine percent of all revenues, including state and federal aid (see Table 3.2). However, the costs of providing local services to businesses have typically not been deducted from the overall costs allocated to individual immigrants leading to the same bias noted above.

In an earlier section, we noted that *interest* on general debt is not always included in the "costs of services". Similarly, interest earnings from investment funds or overnight tax revenue investments are not accounted on the revenue side. The issue would be of lesser import if the two were generally in balance, but they rarely are. The federal

government has consistently been in a deficit situation in recent times. At the local level the reverse is often true. For instance, the county of Los Angeles earned more interest than it paid in debt service in 1990: \$309 vs. \$240 million.

Fines, fees and special assessments can be significant. They contribute 10 percent to California state general and special revenues and up to 25 percent of general revenues to the county of Los Angeles.

Utility revenues are generally small, but can vary significantly across jurisdictions.

Finally, *special funds revenues* constitute a major portion of the revenues levied by federal and state governments. In California, they constitute some 25 percent of total state revenues (excluding federal transfers and revenues from bonds). The studies we have reviewed generally have included the major special funds: motor vehicle fees, tobacco and liquor taxes, and horse racing taxes. Generally excluded, however, are smaller special funds revenues such as regulatory licenses and permits, penalties on traffic violations, rentals on state property, state and local beach and park service fees, oil and gas revenues, and other miscellaneous items. These items can amount to several billion dollars at the state and federal levels and account for up to 10 percent and no less than 5 percent of state and federal revenues.

These three last categories of revenues raise two additional issues. The first is a consistency issue. If any of these revenues are used to defray the costs of services included on the costs side, then they should be included on the revenue side. Studies appear to have been uneven in implementing this basic principle of accounting.

The second issue concerns special funds or user fees that are earmarked to be spent for a specific purpose. To the extent that no general funds are used to cover a portion of the costs of that service, they arguably can be excluded. Another approach,

Table 3.2

Public Revenues by Level of Government and by Source: 1993*

Sources of Revenues	Federal		State and Local Governments		State of California		County of Los Angeles ^a	
	\$Billions	Percent	\$Billions	Percent	\$Billions	Percent	\$Billions	Percent
Personal tax & non-tax receipts	521.3	34.8	160.3	18.0	17.7	29.9		
Income taxes	506.7		120.8		17.2			
Estate & gift taxes	13.0				.5			
Non-taxes	1.6		19.7					
Other			19.9					
Corporate profits tax accruals	143.1	9.6	31.0	3.5	6.0	10.0		
Indirect business tax & non-tax accruals	87.3	5.8	443.1	49.9	28.8	48.6	3.5	37.2
Sales tax			211.7		19.8		.1	
Excise tax	50.3				.3		.03	
Property tax			186.9				2.2 ^b	
Custom duties	19.8							
Non-taxes	17.2							
Other ^c			44.5		8.7		1.2	
Contributions for social insurance	517.8	34.6	67.4	7.6	6.7	11.3	1.0	10.6
Grants-in-aid from other levels of Govts.			(186.2)	30.4	(16.7)	28.2	(4.9)	52.1
Total	1,495.9	100.0	888.1	100.0	59.2	100.0	9.4	100.0

SOURCES: Survey of Current Business, June 1994, Vol. 74, number 6, Table 3.2; California State Budget; and U.S. Bureau of Census for Los Angeles County.

NOTE: Individual items may not add to totals because of roundings.

^aFigures for Los Angeles County are for the year 1989-90.

^bResidential properties contribute 63 percent to total property tax revenues and commercial properties 37 percent.

^cInclude assorted mix of fines, fees, special assessment and special funds revenues.

supported by research findings, is that earmarked public funds are a substitute, though imperfect, for general funds, and, hence, all public funds, including categorical funds should be treated as general funds.

BEHAVIORAL ASSUMPTIONS AND DATA AVAILABILITY

Until such time as adequate resources are provided for collecting the necessary data on the services used and the revenues contributed by immigrants, studies of the net costs of immigration will continue to rely on proxy information. As a result, we must be prepared to accept broad variations in estimates regardless of whether agreement can be reached on uniform treatment of the conceptual questions discussed in the preceding subsection. Below, we outline the main problems with the use of such proxy information and illustrate how the use of different proxies can lead to significant variations in findings.

Estimating Use of Public Services

In lieu of direct measures of service utilization by immigrants, the assumption most commonly made by the studies reviewed, is that immigrants use services in proportion to their numbers, with no adjustments made to account for lower or greater intensity of use over the period of time considered. Direct census and administrative data on actual service usage have been used in only a few instances including primary and secondary education, occasionally criminal justice, and emergency medical assistance (Medicaid). But even in these instances, assumptions had to be made that significantly shape the results.

In the case of education, a key factor affecting the estimated costs is the estimate of the number of undocumented children who are of school age and actually attend public schools. The difficulty of making reliable estimates of this number is illustrated by the fact that estimates of the number of illegal children in California's schools differ by 20 percent or more depending on the study.

In the case of health care, the estimates are based on surveys of utilization of health services by the amnestied population used as a basis to claim federal reimbursement under IRCA's State Legalization Impact Assistance Grants (SLIAG). Alternatively, estimates of the use of emergency services covered under the Federal Omnibus Budget

and Reconciliation Act of 1986 (OBRA) have also been used. In both instances, only a portion of total public health costs--primarily emergency and prenatal care--were included.

A 1991 RAND pilot survey of Salvadoran and Filipino immigrants residing in Los Angeles allows us to assess the extent to which the "proportionality rule" used to allocate the costs of most other services may be biasing the results.¹ These data can also be used to verify the common assumption that utilization of specific services does not vary with immigration status or income. The data raise serious questions about the validity of these assumptions.

Our survey asked respondents whether they or anyone in their family had used a broad array of public and private services at least once over the past twelve months. Table 3.3 shows the results for four types of services: income transfer and nutrition programs, health services, health insurance coverage, and other services (e.g., education, libraries, and public transport). Overall, our multivariate analysis results suggest that the use of public services is generally not affected by immigration status, including undocumented status. The main factors affecting the use of transfer programs and health services are income and number of children, most particularly children aged five or under. In addition, the use of special purpose services (libraries, public transport, parks and recreation) is affected by factors influencing the need for the service in the first place, such as income, number of children, english proficiency, or desire to change immigration status. In brief, our results do not support the "proportionality" assumption for service utilization across immigrant groups. There is no reason to believe that it would hold across native groups either.

In addition, the following observations affecting the estimates of costs of immigration can be made from our survey results:

¹ For a detailed description of this survey and its findings see DaVanzo, et al, *Surveying Immigrant Communities: Policy Imperatives and Technical Challenges*, Santa Monica, CA: RAND, MR-247-FF, 1994. Our survey randomly sampled 382 Salvadoran and 273 Filipino immigrants in selected communities of Los Angeles.

- Although illegal immigrants are not eligible for AFDC or food stamps, they benefit indirectly from these programs either through their eligible children or relatives. Should a portion of these costs be deemed to illegal immigrants?
- Illegal immigrants are more likely than their legal counterparts to use public hospitals and clinics and less likely to participate in HMOs. A potential reason for this pattern may be found in the pattern of public versus private insurance coverage. As shown in Table 3.3, illegal immigrants are less likely to be covered by private insurance or an HMO.
- The extent to which children attend public or private school appears to depend both on income and immigration status. The children of the low-income Salvadoran immigrants attend public school exclusively. The only exception is for a small percentage of children (7 percent) of Salvadoran permanent immigrants. In contrast, from one out of six to one out of four school age children of Filipino immigrants attend private or parochial schools.

Estimating Public Revenues

In lieu of direct measures of the public revenues collected from immigrants, estimates of revenues collected are made by first estimating, i.e., making assumptions about, a number of factors including: (1) individual earnings; (2) family incomes; (3) portion of income earned in the United States spent abroad; (4) incidence of actual payroll deductions and actual tax filings; (5) consumption of items subject to taxation; (6) tax rates applicable to each individual, or groupings of "similar" individuals; and (7) from whom the revenues are actually collected, either individuals, families, or businesses.

Of these seven factors, only individual earnings and family income are fairly accurately measured for foreign-borns by the decennial censuses or by the annual Current Population Surveys. A major problem with Census or CPS data is that they do not provide information on immigration status; hence assumptions must be made about the earnings and income profile of immigrants with different immigration status.

Table 3.3

Use of Services by Immigration Status and by Type of Program:
Salvadoran and Filipino Immigrants: 1991

Type of Program	Salvadoran Immigrants				Filipino Immigrants			
	Undocu- mented	TPS*	Temporary Visa	Permanent Resident	All	Permanent Resident	Citizen	All
Transfer Programs								
AFDC	14%	10%	13%	6%	9%	2%	1%	1%
Food stamps	22	17	18	14	17	4	1	2
WIC	33	28	34	20	26	6	0	2
Unemployment compensation	8	8	8	10	9	13	8	10
Worker's compensation	4	6	0	8	6	3	3	3
Health Services								
Public hospital County, free, or family clinics	30	24	29	21	25	10	10	10
Prenatal clinics	52	50	53	35	45	16	10	12
Private doctor or clinic	17	20	16	14	16	6	4	4
Private doctor or clinic	31	48	39	51	45	52	62	58
Health Insurance Coverage								
Any health insurance	39	40	37	44	41	87	90	88
Government program	35	28	32	22	28	26	26	26
Private insurance	3	7	11	15	10	56	58	57
HMO	7	10	3	18	12	40	53	49
Other Services								
School attended								
Public	100	100	100	93	95	85	76	78
Private or parochial	0	0	0	7	5	15	24	22
Public transport	70	61	66	60	63	25	28	26
Recreation	52	46	37	58	52	62	71	66
Libraries	21	22	32	32	28	47	71	62
Average annual income (dollars)	10,250	10,800	11,250	13,000	11,485	37,630	50,000	47,325

SOURCE: DaVanzo, Julie, Jennifer Hawes-Dawson, R. Burciaga Valdez, and Georges Vernez, *Surveying Immigrant Communities: Policy Imperatives and Technical Challenges*, p.51, Santa Monica, CA:

RAND, MR-247-FF, 1994, Tables 5.5-5.9, pp. 46-49.

*TPS means Temporary Protective Status.

Assumptions made regarding the other factors needed to estimate public revenues from immigrants have also varied significantly across studies. Those of greater impact on findings are discussed below.

Assumptions Regarding Remittances. Some studies assume that immigrants spend all of their income in this country while others estimate that a portion of that income is sent home in the form of remittances. Estimates of remittances vary from 0 to 12 percent across studies. Of course, the relative value of remittances can be expected to vary between immigrants of different immigration status, length of stay in the country, and income. These variations are typically ignored. Indeed, we have encountered just such variations in our survey of immigrants from El Salvador and the Philippines. Table 3.4 suggests that the proportion of families sending remittances, as well as the amount of these remittances is similar across income groups, e.g., about \$100 a month per family. As a percent of income however, remittances vary from a low of 2 percent to a high of 13 percent.

Incidence of Actual Payroll Deductions and Actual Tax Filings. Estimates of the incidence of actual payroll deductions and federal and state tax filings vary significantly across studies. Some assume high rates of compliance while others accept the findings of one study which measured a 56 percent compliance for payroll tax payments among illegal immigrants and an 83 percent compliance among legal immigrants.¹

The 1991 RAND survey of Salvadoran and Filipino immigrants suggests that payroll tax deductions and federal income tax filing are highly dependent on immigration status (Table 3.5). About half of the illegal immigrants working at the time of the interview had payroll taxes deducted and less than 40 percent had filed a federal or state tax return. Permanent immigrants reported the highest incidence of payroll tax deductions and income tax filings. But even among those with the same immigration status, there are

¹North, David and Marion Houstoun, *The Characteristics of Role of Illegal Aliens in the U.S. Markets: An Exploratory Study*, Washington D.C.: Litton and Company, 1976.

variations among immigrants. Salvadoran permanent immigrants were less likely than Filipino permanent immigrants to have their payroll taxes deducted or to file federal tax returns, reflecting significant differences in occupational structure and incomes.²

Although our findings are based on a relatively small, albeit representative, sample, and cannot be generalized to all immigrants, they support the hypothesis that incidence of public revenues vary by immigration status, independently from income.

COST ALLOCATION ISSUES

The preceding discussion raises a number of critical cost allocation questions that have either been ignored or implicitly deemed of lesser importance in the studies we have reviewed. The most important of these are discussed below.

Costs to Individuals vs. Costs to Households

A number of federal, state, and local entitlement benefits and services are provided directly to individuals: e.g., cash payments, social security, schooling, nutrition programs, and training programs. However, even in such cases, allocation of the full value of the payments or full cost of the service to the eligible recipient is not without ambiguity. Other individuals may directly or indirectly benefit from the payment or provision of the service. Such is the case, for instance, of the illegal parents of citizen children eligible for AFDC payments as we noted earlier. And such is the case with nutrition programs, which are preventative in nature, and indirectly serve general public health interests and might even save on future remedial or rehabilitation services.

² For a detailed discussion of these issues see DaVanzo, et al, *Surveying Immigrant Communities: Policy Imperatives and Technical Challenges*, Santa Monica, CA: RAND, MR-247-FF, 1994, op. cit., pp. 50-53.

Table 3.4

**Average Remittance and Income by Immigration Status:
Salvadoran and Filipino Immigrants: 1991**

Remittance/ Income	Salvadoran Immigrants					Filipino Immigrants		
	Undocu- mented	TPS	Temporary Visa	Permanent Resident	All	Permanent Resident	Citizen	All
Percent families sending remittances	73	82	92	72	77	69	75	72
Average income	10,250	10,800	11,250	13,000	11,567	37,630	50,000	42,083
Average remittance	946	1,311	1,493	1,039	1,132	910	1,330	1,197
Remittance as percent of income	9.2	12.1	13.3	8.0	9.8	2.4	2.7	2.8

SOURCE: 1992 RAND survey of Salvadoran and Filipino immigrants in Los Angeles.

Table 3.5

**Federal Tax Filings and Payroll Deductions by Immigration Status:
Salvadoran and Filipino Immigrants: 1991**

Tax Filings and Payroll Deductions	Salvadoran Immigrants					Filipino Immigrants		
	Undocu- mented	TPS ^a	Temporary Visa	Permanent Resident	All	Permanent Resident	Citizen	All
Filed federal taxes ^b	38%	54%	63%	84%	64%	91%	95%	93%
Filed federal tax or reported payroll tax deductions	38	55	63	84	64	92	96	94
Payroll deductions ^c								
Any	50	52	53	72	60	97	96	97
Federal taxes	46	51	37	72	57	94	96	95
State taxes	50	49	40	72	57	94	96	95
Social Security	46	51	44	70	57	91	91	91
Health insurance	9	6	12	25	15	47	62	52
Average annual income (dollars)	10,250	10,800	11,250	13,000	11,567	37,630	50,000	47,325

SOURCE: DaVanzo, Julie, Jennifer Hawes-Dawson, R. Burciaga Valdez, and Georges Vernez, *Surveying Immigrant Communities: Policy Imperatives and Technical Challenges*, p.51, Santa Monica, CA: RAND, MR-247-FF, 1994.

^aTPS means Temporary Protective Status.

^bPercent of all respondents.

^cPercent of respondents who worked the week preceding the interview.

In cases such as those cited above, the question arises whether the value of the benefits accruing to others should be deducted from the costs assigned to the individual immigrant recipients? The answer to this question seems to depend on one's view of immigration. If one believes that the service would not have been provided if the immigrant were not here in the first place, then the full costs ought to be allocated to the immigrant. But if one believes that the immigrant would be here anyway, then only the costs net of benefits to others ought to be allocated to the individual immigrant.

A different issue arises with services that are not directly allocated to individuals such as fire and police protection, which arguably protect housing units and commercial properties in which families live and conduct business. Should the costs of such services be allocated proportionately to the number of households or to the number of individuals? All studies reviewed have used a per person allocation algorithm.

Costs to Individuals vs. Costs to Businesses

At the same time as the studies reviewed have excluded corporate tax payments from the revenue side, they have prorated the total costs of public services to individuals. For some services, such as fire and police protection, general government functions, even garbage collection, such an allocation is clearly questionable. Businesses benefit from the provision of those services and hence a portion of their costs should be allocated to them.

Average vs. Marginal Costs

What cost basis should be used in assigning costs for services that can be provided with minimal, if any, additional operational costs is a critical issue. Fixed costs --such as building and/or maintaining a facility, or administering a program-- may not vary over a broad range of service recipients. But at some point, substantial incremental costs are required to build new facilities. Which approach to adopt in allocating such costs is both a technical and a "political" decision. A **marginal** cost approach is consistent with a focus on the "cash costs" of providing the service to an increased number of people. In selecting this approach, one should be prepared to attribute to immigrants the entire

capital costs of building new facilities should these be necessitated by the growth in the population they generate.

An average cost approach is consistent with a focus on "benefits" of the services, i.e., the immigrants benefit equally in the provision of the service. Under this approach the total cost of the service by the total number of recipients, both immigrant and native. These two approaches provide different pieces of information to the policymakers: the first, what it costs in added public funds to extend a service to a specified increment of the population. The second, what everyone ought to be charged were the burden of paying for the service distributed equitably according to the level of benefit received or some other allocation criteria.

Employees vs. Employers

A final allocation issue arises when revenues are collected in some predetermined proportion from both employees and employers (such as payroll taxes for social security, unemployment compensation, and Medicare). This issue has been treated differently by different studies. The Urban Institute and State of California studies, for instance, deemed that the entire employee and employer components of payroll taxes are revenues "contributed" by the employee. In effect, they assume that the employer portion of FICA is passed through to the employee in the form of lower wages and/or benefits. The San Diego study also deemed that both the employee and employer portions of the payroll tax are deemed to be collected from the employee. However, because payroll tax payments made by employers are deductible for the purpose of computing corporate taxes, that study deducts the "tax expenditure" implied by the deduction amounting to about one third of the employer payments, reasoning that the payroll taxes collected are partially offset by the "loss" in corporate taxes. The CIS study, on the other hand, deemed only half of the employer portion of the payroll tax as revenue "contributed" by the immigrant employee. It relies on econometric findings that only about half of the payroll tax paid by the employer can be deemed as being actually paid by the employee in the form of a

lower salary or benefits. The rest is passed on to consumers and/or absorbed by the employer in the form of lower profits.¹

Which of the above approaches is the “right” one in computing payroll revenues attributable to any subgroup of individuals in the labor force? The answer to this question depends in part upon the extent to which immigrants are substitute or complement to native-born workers and the extent to which immigration affects the wages and the incomes of the native-born, either positively or negatively. As noted earlier, the direction and size of these dynamic effects of immigration remain controversial.

¹ See Ehrenberg, Ronald, and Robert S. Smith, *Modern Labor Economics*, New York: Harper-Collins, 1991, p. 75.

IV. RECASTING THE POLICY DEBATE

The discussion in the previous sections has demonstrated three key points:

First, prior studies prove little beyond the fact that most recent immigrants have low incomes and families with low incomes contribute less to public revenues than higher income families. In essence, the suggestive finding that illegal immigrants are net consumers of public services is more a product of their low incomes than their immigration status.

Second, absent a consistent accounting framework, the findings of prior studies are not really comparable despite the fact that many seem, at first glance, to share a common heritage.

Third, without both a consistent framework and additional data on service usage and revenue contributions, there is little hope for a definitive answer to the question of how much immigrants actually cost the public fisc.

In sum, while suggesting that recent immigrants have been net consumers of public resources, the existing literature is unlikely to provide a definitive answer to exactly how much that cost is and how it differs across different types of immigrants. Also, by using an annual cost accounting framework, it is limited to addressing short-term policy issues, e.g. do immigrants cost more in any given year than they contribute to the public coffers.

The short term focus on fiscal costs of the current policy debate has overshadowed the economic, social, and cultural benefits of immigration documented in past studies. This is not surprising given current economic conditions and increases in immigration flows. A national recession that has been particularly severe and prolonged in the state with the largest concentration of immigrants combined with widespread federal, state, and local government budget shortfalls, have focused public attention on the short-term effects

immigration has on non-immigrants' standard of living and on states' and local governments' ability to maintain public infrastructure and services at current levels.

These short-term concerns carry over into the long-term as well. There is a concern that increasing numbers of immigrants with low levels of education are inconsistent with the development of an economy that increasingly demands a more highly educated labor force. Similarly, there are concerns about the country's ability to strike a balance between continuing population growth and environmental "sustainability". In this instance, immigration, a major past and projected future contributor to population growth, is viewed as threatening that balance.

The current set of fiscal studies have not addressed these longer-term issues nor should they overshadow the findings of other studies that have focused on issues of the broader economic and social effects of immigration. However, studies of the fiscal costs of immigration, appropriately designed and supported by suitable data, have the potential to inform both longer- and shorter-term issues by contributing to decide:

- Which and how many immigrants should be allowed to enter the country?
- Which public services should be provided to immigrants and at what costs?
- Should the federal government reimburse state and local governments for the services they provide to immigrants and, if so, by how much?

We elaborate on these points below.

CRITERIA FOR ENTRY AND SERVICE ELIGIBILITY

The questions of which immigrants, how many immigrants, and which public services should be extended to them are interrelated. Policy in the former two areas has traditionally been driven by long-term economic, humanitarian, and social considerations. Including an explicit consideration of the public costs and benefits of immigrants would represent a real departure from past practice. To date, such costs have played a very

minor role in policy with the exception of their inclusion among the factors used to set annual refugee quotas under the 1980 Refugee Act and an unevenly enforced proviso disqualifying immigrants who might become a public charge from permanent residence. The use of a fixed set of preference categories and a constant annual immigrant ceiling testifies to the fact that short-term fiscal cost factors were to be ignored in determining the number and characteristics of legal immigrants and the services they are eligible to receive.

If nothing else, the current policy debate has brought to the fore the issue of whether fiscal costs over the short and/or the long-term should become an explicit principle of the nation's immigration and refugee policies. Whether such a policy shift is desirable depends upon the effects it would have on several factors--some of which, e.g. providing asylum to refugees, ensuring equal treatment to residents, promoting family unification, revolve around inherently political tradeoffs among the potentially competing objectives of immigration policy.

To assess whether to consider fiscal costs in formulating immigration policy, and if so, how to implement it, requires taking a long-term as well as short-term perspective. In essence, we need to know not just whether immigrants in the aggregate consume more than they contribute in any one year but what services they use and what revenues they contribute over the entire course of their residence. We also need to distinguish immigrants along those dimensions that are most relevant to their long-term economic success, and/or use of public services. Neither of these requirements has received any real attention in the studies reviewed.

Identifying the factors that lead to high/low use of public services and economic progress of immigrants over time requires a different analytical approach than that which has been used in current studies. It would require that considerable attention be given to the individual and family characteristics of immigrants at the time of their entry that play the most important role in determining their eventual success. Such characteristics would include, at a minimum, the criteria under which they qualified for entry, e.g. family

reunification, humanitarian, or employment-related. But they should also include characteristics that might be considered in the future to determine eligibility for permanent entry such as: education levels, ability to speak English, skills and work experiences, income of family members already in the country, or other potential criteria. Also, instead of focusing on the aggregate experience of all immigrants one should look at how immigrants' use of services and contributions to revenues changes over the course of their residence as well as at a given point in time.

Similarly, in looking at the specific services that immigrants use, one needs to look upon those services in much the same way one would at any investment--does that investment pay off over the long-term, i.e., are the costs of providing that service recovered over the long-term. Answers to this question would go a long way toward determining which services provided to immigrants pay off in terms of higher future revenues and which do not.

Recent studies suggest that this line of inquiry would provide more reliable and policy-relevant information than the current short-term and undifferentiated approach to estimating the public costs of immigration. In particular, it would inform the issue of whether to change current entry criteria and, if so, in what way, in a fashion that the current literature cannot. It would, also, provide information on which groups are high users of state and local services and assist in determining the level of federal assistance needed to cover these costs.

We are not suggesting that consideration of immigrants' effects on the public fisc should become a factor considered in determining which immigrants to admit. Indeed, several studies demonstrate, for example, that refugees admitted on humanitarian grounds during the past 20 years, are far and away the highest users of public services. The federal government has recognized the special services needs of refugees by making them eligible for a host of services for which other immigrants are not qualified and by assuming partial responsibility for financing these services. Clearly, using a fiscal cost-benefit criteria as the

basis for admitting refugees would conflict with the humanitarian objectives of U.S. refugee policy. Whether such tradeoffs are desirable is essentially a political question but the eventual implications of those tradeoffs should be examined in a longer-term analytical framework, not just in the short-term: Who would benefit and who would gain? Which immigrants from which countries might be excluded? What would it mean for enforcement? And so on.

FEDERAL TRANSFER PAYMENTS

Whether the federal government ought to reimburse state and local governments for their costs of providing services to immigrants is not a question that can be answered exclusively on analytical grounds. This is an issue that goes to the heart of federal-state relationships and responsibilities and to the question of "unfunded" federal mandates. Only the federal government can effectively intervene to control the number of immigrants entering the country. Elsewhere, we have argued that shifting to the federal government responsibility for some of the public costs of providing services to immigrants might have a moderating influence on federal immigration policy.¹ A precedent for this practice was set in the Immigration and Reform Control Act of 1986, which authorized \$1 billion per year for four years to reimburse state governments for the costs of providing public services to immigrants who had been granted amnesty under IRCA. The funds authorized for these State Legalization Assistance Grants (SLIAG) were never fully appropriated due in part to the stringent eligibility verification and financial accounting procedures required prior to federal reimbursement. But, in the past few years, the states most affected by immigration--California, Florida, New York, Texas, and Illinois, have again pressed for federal reimbursement, specifically for the costs of services provided to illegal immigrants.

Although several studies have attempted to estimate how much state and local jurisdictions spend on providing such services, our review suggests that none provides a reliable estimate of the magnitude of these costs for the reasons outlined in the prior

¹ For a discussion of this issue see Georges Vernez, *Needed: A Federal Role in Helping Communities Cope with Immigration*, RAND, RP-177, 1993.

sections. The GAO reached a similar conclusion in its review of three studies that attempted to estimate the costs of providing education, health, and correction services to illegal immigrants in California. The GAO also concluded, as we have, that no improvement on current estimates can be made in the absence of a consensus on an accounting framework and collection of the relevant data.²

A principal argument that state and local governments have made for federal reimbursement is the fact that the federal government collects more revenues from immigrants than state and local governments taken together. Senator Barbara Boxer (CA) articulated this argument when she wrote to President Clinton that "because most revenues from immigrants accrue to the federal government... an appropriate use of these revenues would be to reimburse states and localities for uncovered costs."³

Table 4.1 indicates that the Federal government does indeed collect and "keep" about 60 percent of all public revenues collected in taxes and from other sources. But it also spends more money providing services than all other levels of government. The issue then is not with the accuracy of the facts but rather with the assumption that all revenues the federal government collects from immigrants should be available, in their entirety, to reimburse states and localities. (In the studies we reviewed, the estimates of "uncovered" state and local costs exceed the estimated revenues illegal immigrants have paid to the federal government.)

Underlying this assumption are two implicit arguments. First, that the federal government provides no services to illegal immigrants. This is factually wrong. While the marginal federal costs of extending coverage of such services as national defense, policymaking, general governmental administration may be small, this is not true for all services. The federal government pays at least half the costs of providing emergency

² U.S. General Accounting Office, *Illegal Aliens: Assessing Estimates of Financial Burden on California*, Washington, D.C.: U.S. Government Printing Office, December 1994.

³ Letter to the President dated November 29, 1994 sent with a copy of the GAO report (op. cit.).

health care, nutrition, AFDC, and a slew of other services provided by states and localities to both immigrants and the native born.

Table 4.1

Federal and State and Local Governments Revenues and Expenditures, 1993

Level of Government	Total Revenues		Revenues w/o Corporate Taxes		Expenditures	
	Dollars (billions)	Percent	Dollars (billions)	Percent	Dollars (billions)	Percent
Federal	1,269.5	59.0	1,126.4	56.8	1495.9	62.8*
State and local	881.1	31.0	857.1	33.2	886.2	27.2
Total	2,150.6	100.0	1,983.5	100.0	2,382.1	100.0

Source: U.S. Department of Commerce, Survey of Current Business, Volume 74, Number 6, June 1994, Tables 3.2 and 3.3.

*The difference between the \$1,495.9 federal expenditures and the \$1,269.5 revenues reflects the federal budget deficit. In 1993, and in the aggregate, state and local governments exhibited a small surplus.

Even if those costs are disregarded, the assumption that the federal government has no claim against revenues collected from illegal or other immigrants must rest on the assumption that the costs of providing public goods to all residents should be solely born by native-born citizens. This would seem to violate basic equity principles.

RECOMMENDATIONS

Existing studies of the costs of immigration do not provide a reliable or accurate estimate of the net costs and benefits of immigration—even when those costs/benefits are defined narrowly. Moreover, without reaching consensus on a host of conceptual and accounting issues, we doubt that additional studies will shed light on these important policy questions. Consequently, we recommend the following:

First, the research and policy communities need to recognize that the available data are inadequate for making reliable estimates of the fiscal costs of immigration. Instead, of conducting more studies with these data, more emphasis should be placed on developing a commonly accepted framework for estimating these costs and collecting the data required

for that framework. In addition, much more attention should be paid to the longer-term perspective we have identified above and to its ability to speak to important policy questions. Any studies that are conducted should correspondingly be quite explicit as to how it deals with the problems with the current approach.

Clearly, the issue of federal reimbursement for the unreimbursed state and local costs of providing services to illegal immigrants is a pressing one which cannot simply be ignored until all the necessary conceptual and data problems have been solved. However, this issue is also not amenable to a purely analytical answer. Should a political decision be made in favor of reimbursement, a common accounting framework will be required against which to measure the best range of estimates that currently exist. Such a framework could be developed by some sort of joint federal-state taskforce.

Second, if federal and state governments are indeed serious about answering the policy questions that are dominating the current immigration policy debate, then they will have to provide the resources to support that effort. Such an effort will require agreement on conceptual issues, a common accounting framework, data collection efforts, and attention not just to the short-term approach but also to the longer-term framework necessary to address the equally important policy issue of whether the goal of minimizing the public costs of immigration should be added to the list of objectives of US immigration and refugee policy. Barring such an investment, we are unlikely to make real progress on these issues.

Finally, however critical the issue of the fiscal costs of immigration might be currently, it should not overshadow that it is only one dimension of the broader question of the economic, social, cultural, and distributional costs and benefits of immigration.

APPENDIX A

List of Studies Reviewed

ISD, 1992

Los Angeles County Internal Services Division (ISD), *Impact of Undocumented Persons and Other Immigrants on Costs, Revenues and Services in Los Angeles County*: Los Angeles County, November 6, 1992.

Huddle, 1993

Huddle, Donald, *The Costs of Immigration*, Washington, DC: Carrying Capacity Network, 1993.

Urban Institute I, 1993

Clark, Rebecca L., and Jeffrey S. Passel, *How Much do Immigrants Pay in Taxes? Evidence from Los Angeles County*, Washington DC: The Urban Institute, PRIP-UI-26, August 1993.

County of San Diego, 1993

Parker, Richard A., and Louis M. Rea, *Illegal Immigration in San Diego County: An Analysis of Costs and Revenues*, Report to the California State Senate Special Committee on Border Issues, California Legislature, September 1993.

Urban Institute II, 1994

Passel, Jeffrey S., *Immigrants and Taxes: A Reappraisal of Huddle's "The Costs of Immigrants"*, Washington DC: The Urban Institute, PRIP-UI-29, January 1994 and the Tomás Rivera Center, February 1994.

Center for Immigration Studies, 1994

Center for Immigration Studies, *The Costs of Immigration: Assessing a Conflicted Issue*, Book grounder, No. 2-94, September 1994.

Urban Institute III, 1994

Clark, Rebecca L., et al., *Fiscal Impacts of Undocumented Aliens: Selected Estimates in Seven States*, Washington DC: The Urban Institute, September 1994.

State of California, 1994

Romero, Philip J., Andrew J. Chang, and Theresa Parker, *Shifting the Costs of a Failed Federal Policy: The Net Fiscal Impact of Illegal Immigrants in California*, Sacramento: Governor's Office of Planning and Research, State of California, September 1994.

State and Local New Jersey, 1994

King, Vanessa E., "An Investigation of the Fiscal Impacts of Immigrants in New Jersey", in Thomas J. Espenshade, ed., *A Stone's Throw from Ellis Island: Economic Implications of Immigration to New Jersey*, University Press of America, 1994.

APPENDIX B

- Table 1 National Studies of Costs of Immigration: Per Capita Service Costs for Immigrants Who Entered the Country Between 1970 and 1992**
- Table 2 National Studies of Costs of Immigration: Per Capita Public Revenues Contributed by Immigrants Who Entered the Country Between 1970 and 1992**
- Table 3 State and Local Studies of Costs of Immigration: Per Capita Costs by Type of Service**
- Table 4 State and Local Studies of Costs of Immigration: Per Capita Revenues by Sources of Revenue**

Table 1

National Studies of Costs of Immigration: Per Capita Service Costs for Immigrants Who Entered the Country Between 1970 and 1992: 1992

Services	Studies		
	Huddle, 1993	Urban Institute II, 1994	Ctr for Immigration Studies, 1994
Education			
K-12	] 834	] 684	] 707
ESOL	] 21	NI	] 22
Compensatory	] 21	NI	] 22
Adult	] 130	] 104	] 109
Student aid (Public) higher ed.	] 130	] 104	] 109
Headstart	2	(a)	(a)
Nutrition, public assist.			
School lunch	19	(b)	(b)
AFDC	144	100	105
SSI	118	NI	109
Food stamps	82	] 44	] 46
Elderly nutrition	1	] 44	] 46
General assistance	14	24	26 ^c
WIC	14	13	14
Health			
Medicaid	441	427	448
Supplemental Medicare	NI	NI	114
Other assist. programs			
Community service & grants	14	NI	15
Unemployment comp.	93	NI	97
Housing assistance	55	] 48	] 51
Low-income house energy	6	] 48	] 51
JTPA	14	(c)	(c)
Refugee programs	20	NI	NI
Federal Worker benefits	NI	NI	64
Veteran benefits	NI	NI	19
Earned income tax credit	NI	NI	99
Social security	NI	66	704
Other costs			
Highway use	NI	NI	242
Corrections	125	NI	248
Interest costs of IB	NI	NI	446
Net county costs	487	212	363
Net city costs	NI	NI	429
Other	NI	441	NI
Total	2,638	2,156	4,476

SOURCE: See Appendix A for full reference to studies

NOTE: NI means not included. Individual items may not add to totals because of rounding.

^aIncluded with estimate for WIC.

^bIncluded with estimate for K-12.

^cIncluded with estimate for general assistance.

Table 2

**National Studies of Costs of Immigration: Per Capita
Public Revenues Contributed by Immigrants
Who Entered the Country Between 1970 and 1992: 1992**

Taxes Included	Huddle, 1993	Urban Institute II, 1994	Ctr for Immigrations Studies, 1994
Federal taxes			
Income	453	891	935 ^a
Excise (alcohol & tobacco)	106	70	73
FICA	NI	1252	984
Unemployment insurance	NI	77	41
Gasoline tax	NI	55	58 ^a
State taxes			
Income	67	162	170
Sales	228	466	488
Excise (alcohol & tobacco)	36	68	72
Gasoline tax	NI	63	66 ^a
Vehicle license and registration	NI	45	47 ^a
Lottery	71	66	69 ^a
County and local			
Sales	30	119	125 ^a
Property	56	310	325 ^a
Total	1,051	3,644	3,453

SOURCE: See Appendix A for full references to studies.

NOTE: NI means not included. Individual items may not add to totals because of rounding.

^aAccepts the estimate by Urban Institute II, 1994, but applies it to a smaller estimated population.

Table 3
State and Local Studies of Costs of Immigration:
Per Capita Costs by Type of Service

Type of Service	Studies				
	ISD, 1992 ^a	CA State, 1994 ^b	San Diego, 1993 ^b	New Jersey State, 1994 ^c	New Jersey Local, 1994 ^c
Education					
K-12	(400)	889	255	212	304
ESOL			15	4	
Postsecondary			2		
Nutrition, Public assistance					
AFDC			127 ^d	14	5
Food stamps					
Elderly pharmacy assistance					
General assistance			6 ^e	.35	
Children's services	1		8		
Social services	25				
Health					
Medicaid		229 ^f	84	17	
Public health	123		137 ^g		
Mental health	2		7		
Other assistance programs					
Unemployment comp.			36		
Law enforcement/ Corrections					
Adult	153	275 ^h	689 ⁱ		
Juvenile					
All other	53	596	16 ^j	384	293
Total	353^k	1,990	1,380	633	602

SOURCE: See Appendix A for full references of studies.

NOTE: No independent estimates of costs was made by Urban Institute I, 1993, hence it is not included in this Table. Individual items may not add to totals due to rounding.

^aAverage figures for immigrants who were illegals, amnestied, or permanent and entered after 1980.

^bAverage figures for illegals only.

^cAverage figures for all immigrants as of 1980.

^dCitizen children of undocumented immigrants.

^eImmigrant adults using fraudulent documents.

^fIncludes only emergency services to illegal immigrants.

^gIncludes indigent care at UCSD, community clinics, county Public Health services, alcohol and drug abuse, ambulance and paramedics, and uncompensated care.

^hIncludes only costs of incarceration, parole, and obligation bonds for state prisons.

ⁱIncludes law enforcement, court costs, attorney costs, probation, incarceration/probation/parole, and juvenile justice.

^jIncludes Disability Insurance, pedestrian improvements, public and low/moderate -income housing.

^kExcludes K-12.

Table 4
State and Local Studies of Costs of Immigration:
Per Capita Revenues by Sources of Revenue

Sources of Revenue	Studies					
	ISD, ^a 1992	Urban Institute 1, ^a 1994	CA State, ^b 1994	San Diego, ^b 1993	New Jersey State, ^c 1994	New Jersey Local, ^c 1994
Income						
State			37	10	174	
County						
Sales						
State			239	118	63	
Local	2	2				
Property						
State				<i>d</i>		
Local	58	121		(<i>a</i>)		348
Excise (alcohol & tobacco)			37	11	34	
state						
Gasoline tax			34	6	] 38	
Vehicle license and registration			48	10		
Lottery			35	7		
State unemployment				68		0
Employment training tax				3		
State disability insurance				50		
Public utility						60
Inheritance					2	
Business/personal property					13	
Realty transfer tax					3	
Total	60	123	429	271	329	408

SOURCE: See Appendix A for full references to studies.

NOTE: Individual items may not add to totals because of rounding.

^aAverage figures for all immigrants who entered the country after 1980.

^bAverage figures for illegals only.

^cAverage figures for all immigrants aged 65 or less as of 1980.

^dAll property taxes assumed to be paid by owners of property.