



PERFORMANCE AUDIT REPORT

**Illegal Immigrants: Reviewing Studies That Have
Assessed Their Economic Impact**

Executive Summary
with Conclusions and Recommendations

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
November 2008**

Legislative Post Audit Committee

Legislative Division of Post Audit

THE LEGISLATIVE POST Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$13 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. Government Accountability Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

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You won't receive an individual response, but all ideas will be reviewed, and Legislative Post Audit will pass along the best ones to the Legislative Post Audit Committee.

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LEGISLATURE OF KANSAS
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November 18, 2008

To: Members of the Kansas Legislature

This executive summary contains the findings and conclusions from our completed performance audit, *Illegal Immigrants: Reviewing Studies That Have Assessed Their Economic Impact*.

The report also contains appendices showing the Pew Hispanic Center's estimates of the illegal immigrant population for each state, and a bibliography of studies we found that provide background or discuss the economic impact of legal and illegal immigration.

We would be happy to discuss the findings or any other items in the report with any legislative committees, individual legislators, or other State officials.

If you would like a copy of the full audit report, please call our office and we will send you one right away.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton
Legislative Post Auditor

EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

Overview of Illegal Immigration

Recent estimates show that about 12% of the population in the United States was foreign-born. *The United States allows certain foreign-born individuals to live in this country legally. These include legal permanent residents, temporary residents, refugees, and those seeking asylum. Legal immigrants represent about 25 million (or 8%) of the approximately 300 million people living in the United States.*

The Pew Hispanic Center estimates approximately 12 million of the immigrants living in the United States are illegal. *The Pew Hispanic Center is a widely used source for estimates of the number of illegal immigrants living in the United States. According to their estimates, the number of illegal immigrants in the United States has grown dramatically since the early 1990s, reaching an estimated 12.4 million by 2007. The Center estimates that between 40,000 and 70,000 illegal immigrants resided in Kansas as of 2005.*

About half of the illegal immigrants originally entered the country legally. *Many entered legally for travel, work, or study but overstayed their temporary visas. A little over half of the illegal immigrants, however, entered illegally by evading immigration inspectors and border patrol agents. Over half of the illegal immigrants are estimated to come from Mexico, and most are fairly young, less-educated, and earn less than the average citizen family.*

Congress and state legislatures have considered or enacted many laws to restrict benefits for illegal immigrants. *Over the past 20-plus years, the federal government has tried to restrict benefits available to illegal immigrants. Various federal acts imposed sanctions on employers who knowingly hire illegal immigrants, increased border patrol agents, and mandated verification of citizenship to determine eligibility for programs. States proposed a record number of laws in 2007 that affected illegal immigrants on such topics as providing better identification to obtain driver's licenses, employment, and public benefits.*

Kansas has passed three laws in recent years affecting illegal immigrants and their access to State programs or services. One law allowed illegal immigrants to pay in-State college tuition at the State's universities and community colleges. The other two laws required applicants to provide applicable documents to obtain driver's licenses and be eligible for State Children's Health Insurance coverage.

Question 1: What Have Studies Shown About the Costs of Benefits and Services Provided to Illegal Immigrants, and About the Tax Revenues or Other Benefits Illegal Immigrants Provide?

Studies agree that illegal immigrants increase education, healthcare, and criminal justice costs, but that they also pay taxes. *The primary categories in which illegal immigrants can increase government costs are K-12 education, emergency Medicaid services, other public health services, and incarceration. However, researchers commonly assume that about half of the illegal immigrant workers pay income taxes, and all immigrants pay sales, property, and other taxes that help offset some of the costs they incur.*

The studies we reviewed have mixed findings about whether the costs of illegal immigrants outweigh the revenues they generate. *Nearly all the studies have limitations or differences that make them difficult to compare. For instance, studies may include only a portion of costs or revenues, define the population differently, or cover different levels of government. The two most comprehensive studies we reviewed estimated that the combined state and local costs exceeded the revenues associated with illegal immigrants. One of these studies, published by the Texas Comptroller's Office, also used a complex economic model to measure the economic impact on Texas if the illegal immigrant population was removed. It concluded the effects on the Texas economy would be negative.*

We found relatively little Kansas-specific information about costs and revenues attributable to illegal immigrants. *Officials from several State agencies told us that although they have the authority to ask program participants if they are here legally, they generally don't ask. For example, because the Department of Education is required to provide education services regardless of the child's immigration status, they don't inquire about students' legal status. However, agencies that are required by federal law to determine the applicants' legal status for program eligibility purposes do so. For example, Kansas Health Policy Authority officials told us they verify citizenship and identity for Medicaid applicants.*

Question 1 Conclusion. *The number of comprehensive studies that have been done to look at costs and revenues attributable to illegal immigrants is too few to allow us to make any definite conclusions about whether they result in a net gain or loss for state and local governments. A few things do, however, appear to emerge from the studies that have been done. In general, state and local governments do bear the brunt of the costs of services provided to illegal immigrants because there are few federal benefits that immigrants can receive. Additionally, many of the costs that states incur are unavoidable, because they are tied to K-12 education which the U.S. Supreme Court has ruled must be provided. States and local governments won't really know the true costs associated with illegal immigrants unless better systems are put in place to determine who they provide services to, and what the associated costs are.*

Question 2: What Have Studies Shown About the Impact of Illegal Immigration on Labor Costs and the Job Markets?

The literature suggests illegal immigrants mostly compete for jobs in a few industries. *Illegal immigrants accounted for about 5% of the civilian labor force in 2005. The Kansas Department of Labor estimates that between 2% and 4% of the Kansas workforce is comprised of undocumented workers. Illegal immigrants have a high presence in many low-skill or low-education occupations such as farming, cleaning, construction, and food preparation.*

Studies generally show illegal immigrants negatively affect wages in low-skill occupations. *The studies can differ because some look at different time periods, some look at all immigrants, while others use different economic assumptions. Key findings from the six studies we reviewed showed the following:*

- *Hiring illegal immigrants negatively affects the wages of low-skilled or least-educated native-born workers and immigrants who've been in the country for longer periods of time.*
- *The immigrant workforce has no impact, or at times a positive effect, on the wages of higher-skilled native-born workers.*

Studies also show illegal immigrants negatively affect job opportunities for low-skilled workers. *Key findings from the four studies we reviewed showed the following:*

- *Native-born workers facing the most competition from immigrants (legal and illegal) are those in low-paying jobs, young adults, and high school dropouts.*
- *As the share of the job market held by illegal immigrants goes up, the unemployment rate of native-born citizens also goes up.*
- *U.S. citizens are willing to take jobs in the same occupations in which immigrants have a large presence.*
- *Immigrants tend to go where the jobs are or where other immigrants already are present.*

Kansas-specific information about the impact of illegal immigration on Kansas' wages and job markets is scarce. *The Kansas universities, the Department of Labor, and Kansas labor unions and associations we contacted didn't have specific studies or data on the effects of illegal immigration in Kansas related to the job market and wages.*

Question 2 Conclusion. *It's not surprising the studies have found that the presence of illegal immigrants negatively affects the wages and employment opportunities for low-wage or low-skill jobs. Anytime more competition for a fixed number of jobs is introduced to a specific industry, it stands to reason that wages will tend to go down, and the number of people in that industry who are unemployed will tend to go up. In Kansas,*

it is clear that those most affected are likely to be low-skilled workers in industries such as meat packing, construction trades, agriculture, and the hospitality industry.

These appendices can be found in the full report:

APPENDIX A: *Scope Statement*

APPENDIX B: *Estimated Number of Illegal Immigrants in All 50 States and the District of Columbia*

APPENDIX C: *Bibliography*

This audit was conducted by Katrin Osterhaus, Nathan Ensz, Alex Gard and Brad Hoff. Leo Hafner was the audit manager. If you need any additional information about the audit's findings, please contact Katrin Osterhaus at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.