



Special Report

December 2006

UNDOCUMENTED IMMIGRANTS IN TEXAS:

**A Financial Analysis of the Impact
to the State Budget and Economy**

CAROLE KEETON STRAYHORN
Texas Comptroller

Special Report

December 2006

CAROLE KEETON STRAYHORN • Texas Comptroller of Public Accounts

UNDOCUMENTED IMMIGRANTS IN TEXAS:

A Financial Analysis of the Impact to the State Budget and Economy

“This is the first time any state has done a comprehensive financial analysis of the impact of undocumented immigrants on a state’s budget and economy, looking at gross state product, revenues generated, taxes paid and the cost of state services.

“The absence of the estimated 1.4 million undocumented immigrants in Texas in fiscal 2005 would have been a loss to our gross state product of \$17.7 billion. Undocumented immigrants produced \$1.58 billion in state revenues, which exceeded the \$1.16 billion in state services they received. However, local governments bore the burden of \$1.44 billion in uncompensated health care costs and local law enforcement costs not paid for by the state.”

— Carole Keeton Strayhorn, Texas Comptroller

I. Introduction

Much has been written in recent months about the costs and economic benefits associated with the rising number of undocumented immigrants in Texas and the U.S. as a whole. Most reports tie the costs of the undocumented population to education, medical expenses, incarceration and the effects of low-paid workers on the salaries of legal residents. Revenue gains to governments resulting from undocumented immigrants consist primarily of taxes that cannot be avoided, such as sales taxes, various fees and user taxes on items such as gasoline and motor vehicle inspections.

This financial report focuses on the costs to the state of Texas; that is, services paid for with state revenue, including education, healthcare and incarceration. What government-sponsored services are available to undocumented immigrants is often determined by federal restrictions on spending (**Exhibit 1**). The report also identifies areas of costs to local governments and hospitals. Finally, it analyzes the \$17.7 billion impact on the state’s economy as well as state revenues generated by undocumented immigrants.

The Comptroller’s report estimates that undocumented immigrants in Texas generate more taxes and other revenue than the state spends on them. This finding is

contrary to two recent reports, FAIR’s, “The Cost of Illegal Immigration to Texans” and the Bell Policy Center’s “Costs of Federally Mandated Services to Undocumented Immigrants in Colorado”, both of which identified costs exceeding revenue.

EXHIBIT 1

Major Government-Sponsored Programs and their Availability to Undocumented Immigrants

Unavailable	Available
Medicare	K-12 Education
Medicaid	Emergency Medical Care
Cash Assistance (TANF-Welfare)	Children with Special Health Care Needs
Children’s Health Insurance Program (CHIP)	Substance Abuse Services
Food Stamps	Mental Health Services
Supplemental Security Income (SSI)	Immunizations
Public Housing Assistance	Women and Children’s Health Services
Job Opportunities for Low Income Individuals	Public Health
Child Care and Development	EMS

Source: United States Department of Health and Human Services.

In education, FAIR's report included the costs of legal children to undocumented parents. The inclusion of these children dramatically increased the costs reported. The Comptroller's report focuses its attention on the costs directly attributed to undocumented persons. Colorado's report differed from the Comptroller's report in identifying which undocumented children should be included in any estimates. Colorado assumed all undocumented children between the ages of 5 and 17 were in public schools, and therefore did not account for children that did not attend school or were enrolled in private schools.

For health care costs, FAIR's report estimated costs to local taxpayers and not exclusively the state. Colorado's report states their estimate of state health care costs is overstated due to the fact the authors included legal permanent residents as well as other authorized immigrants in their count of undocumented immigrants.

The difference in the reports also may be related to the tax systems in the two states. Unlike Colorado, Texas has no income tax and relies heavily on consumption taxes at the state and local levels. Texas is more likely to capture tax revenue from workers who do not report income. Whereas income taxes will miss much activity in an underground economy, a sales tax will more likely be collected no matter how one earns an income.

Consumption taxes make up a greater percentage of total state revenue in Texas than in most other states. Since undocumented immigrants are more likely to work in the underground economy from which income taxes may not get collected, the Texas tax system, compared to other states, may capture a greater percentage of all the taxes that should be paid from the economic activity of undocumented immigrants.

As this report shows, calculating the impact of undocumented immigrants on the Texas economy and state budget is at best an educated guess. This is a result of the difficulty in calculating the number of undocumented immigrants in the state and the number who access state paid services. It is difficult to count a population that does not *want* to be counted, particularly when the law allows them access to many government services without regard to citizenship, such as those delivered by public hospitals and public schools.

This report uses some estimates of the Pew Hispanic center when calculating the number of undocumented immigrants in Texas, and of the U.S. Census Bureau when discussing foreign-born residents. Various methods are used in calculating the number of undocumented immigrants that received services.

All levels of government experience costs associated with undocumented immigrants. In fact, this report estimates the largest costs to local governments and hospitals; that is, incarceration and uncompensated health care costs. The Comptroller estimates costs of \$1.3 billion for hospitals and \$141.9 million for local incarceration attributed to undocumented immigrants. Likewise, the Comptroller estimates undocumented immigrants paid more than \$513 million in local taxes. While this report acknowledges those costs, the main focus is the cost to the state of Texas, that is, costs paid with state revenues. While there may be costs of some state paid services not reported or deemed inestimable, the largest cost items are identified. Likewise, there may be some state revenue unaccounted for, but the largest revenue sources are used in the Comptroller's calculations.

As mentioned earlier, the Comptroller's office recognizes that there are costs associated with the legally resident children of undocumented immigrants. The Comptroller has chosen not to estimate these costs or revenues due to uncertainties concerning the estimated population and the question of whether to include the costs and revenues associated only with the first generation or to include subsequent generations, all of which could be seen as costs.

II. Background

The 2000 Census counted 31.1 million foreign-born residents in the U.S., a 57 percent increase over the 1990 Census total of 19.8 million. The total U.S. population, by contrast, rose by just 13 percent over the same period.¹ The Census Bureau defines the foreign-born population as "immigrants (legal permanent residents), temporary migrants (e.g., students), humanitarian migrants (e.g., refugees), and unauthorized migrants (people illegally residing in the United States)."²

Six states—California, New York, Texas, Florida, Illinois and New Jersey—accounted for more than two-thirds of the 2000 foreign-born resident count, with 21.3 million persons. And the immigrant population in these six states is rising rapidly. Their 2000 count of 21.3 million was nearly 50 percent higher than the equivalent 1990 Census count of 14.4 million, for an increase of 6.9 million persons.³

Texas, with 2.9 million foreign-born residents, had the third-highest total in the U.S. (after California and New York) and ranked seventh among all states in its percentage of residents who are immigrants, at 13.9 percent. Texas' foreign-born—71 percent of whom come from Mexico or other Latin American countries—are concentrated in the state's urban areas. Even so, the Census found foreign-born Hispanics in every Texas county except Loving County.⁴

Texas' foreign-born population is concentrated in seven council of government (COG) regions (Houston-Galveston, North Central Texas, Lower Rio Grande Valley, Upper Rio Grande, Alamo Area, Capital Area and South Texas). In 2000, these seven COGs accounted for almost three-quarters of the state's population and 88 percent of its foreign-born residents, 90 percent of whom were from Mexico or other Latin American countries.

Undocumented Immigrants

This report uses the term "undocumented immigrants" to refer to foreign-born individuals who reside in the U.S. who are not U.S. citizens or do not possess permanent resident status. Undocumented immigrants also may be foreign-born individuals who entered the U.S. legally but overstayed the authorized time period.

The Pew Hispanic Center estimates that the U.S. had 11.1 million undocumented immigrants in 2005. Of these, Texas accounted for between 1.4 million and 1.6 million. The Center estimates that 30 percent of the foreign-born population is undocumented.⁵

Recent research detailing the demographic characteristics of undocumented immigrants has reported U.S. totals rather than state-level characteristics. Texas is estimated to have about 14 percent of all undocumented immigrants residing in the U.S.⁶

The Pew Hispanic Center estimates that as of March 2005, two-thirds of undocumented immigrants in the U.S. had been in the country for 10 years or less, and 40 percent had been here for five years or less. Adult males composed the largest number of undocumented immigrants. Adults accounted for 84 percent of all undocumented immigrants and males made up 58 percent of all adults.⁷

The largest number of undocumented immigrants came from Latin America, with the majority of those coming from Mexico. In 2005, 6.2 million of the nation's estimated 11.1 million undocumented immigrants came from Mexico, or 56 percent of the total (**Exhibit 2**). From 2000 to 2005, the number of undocumented immigrants from Mexico rose by 31.5 percent.⁸

Undocumented immigrants are more likely to work in low-wage occupations that do not require a high level of educational attainment. The largest numbers of undocumented immigrants (31 percent) work in service occupations, followed by construction (19 percent) and production, installation and repair (15 percent). The fewest number of undocumented immigrants work in farming (4 percent), primarily because farm workers make up a relatively small portion of all occupations in general. Farming, however, has the highest concentration of

undocumented workers. Nearly a quarter (24 percent) of all farm workers are undocumented immigrants.

Other fields with large concentrations of undocumented labor include cleaning (17 percent of all workers), construction (14 percent) and food preparation (12 percent).⁹

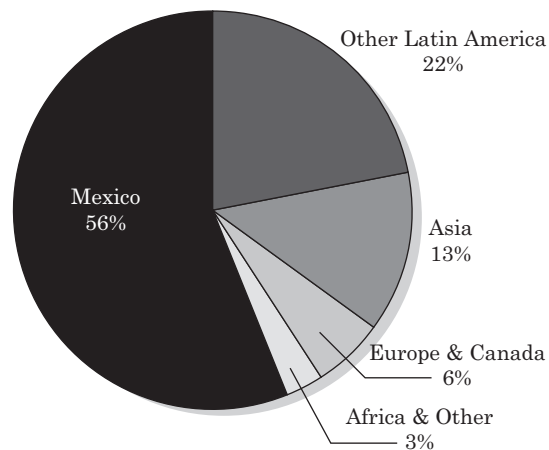
III. Education

Any estimate of state costs associated with undocumented immigrants is imprecise due to the difficulties involved in determining their numbers. In public education, federal guidelines prohibit questions of legal status. In higher education, state residency for tuition purposes is defined by the length of time an individual has lived in the state, regardless of legal status.

Public Education Costs

Until 1982, Texas law prohibited local school districts from using state funds to educate undocumented immigrant children; furthermore, districts were allowed to deny enrollment to such children. In 1982, however, the Texas law was deemed unconstitutional. In *Plyler v. Doe*, the U.S. Supreme Court ruled that Texas law violated the equal protection provisions of the 14th Amendment. As a result of *Plyler v. Doe*, states may not deny access to public education to immigrant children residing within their boundaries, regardless of their legal status.¹⁰ Subsequent court cases resulted in prohibitions against attempts to identify undocumented children because of the perception that they could then be discriminated against.

EXHIBIT 2
Country of Origin of
Undocumented Immigrants in the U.S.
March 2005



Source: Pew Hispanic Center.

**EXHIBIT 3
Public Education Cost Comparison**

	FAIR 1999-2000	FAIR 2003-2004	Comptroller 2000-2001	Comptroller 2004-2005
Avg. Cost Per Student	\$6,288	\$7,450	\$6,447	\$7,085
Est. Number of Undocumented Immigrants	164,000	225,000	125,000	135,000
Total Cost	\$1.03 billion	\$1.68 billion	\$806 million	\$957 million

Note: FAIR's estimates include federal dollars.

Sources: *Federation for American Immigration Reform and Carole Keeton Strayhorn, Texas Comptroller of Public Accounts.*

As a result of the state school funding formulas, the cost (\$7,085) of any student added to the enrollment of a local school district is borne by the state, regardless of legal status. Because the state system of school finance treats local property tax revenue as interchangeable with appropriated state funds, local and state costs are combined in the cost per student.

The Comptroller's office estimates that there were about 135,000 undocumented children in Texas public schools during the 2004-05 school year, or about 3 percent of total public school enrollment. Dr. Jeffery Passel of the Pew Hispanic Center estimated that there were 140,000 undocumented students in Texas public and private schools in 2001-02.¹¹ Applying the eight percent growth in total student enrollment from 2001-02 to 2004-05 school year (fiscal 2005) to the estimated 140,000 undocumented students resulted in an estimated 151,182 students in 2004-2005. A U.S. Government Accountability Office report's estimates that 89.3 percent of Texas students are enrolled in public school. That was applied to the estimated number of undocumented children in school, resulting in an estimated 135,013 undocumented students in Texas public schools.¹²

The Texas Education Agency reports that, during 2004-05, the average state and local expenditure per student was \$7,085 (this excludes federal funds). Applying this figure to the estimated number of undocumented immigrant children in public schools, the Comptroller estimates that the cost of educating undocumented children in 2004-05 was slightly less than **\$957 million (Exhibit 3)**.

This estimate may be conservative, in that other reports have estimated higher costs. The 2004 report by the U.S. Government Accountability Office referenced earlier stated that Texas, in response to a survey, estimated these costs at \$932 million in 1999-2000. Applying increases in enrollment and cost per student, this figure implies 2004-05 costs of nearly \$1.2 billion. A more recent report by the Federation for American Immigration Reform (FAIR) estimates Texas' costs at nearly \$1.7 billion for the 2003-04 school year.¹³ These estimates, however, include federal spending, which the Comptroller's office has excluded, as this report focuses on state costs.

In addition, the varying estimates assume different numbers of undocumented children in public schools. FAIR estimated that Texas public schools educated 225,000 undocumented children in 2003-04, substantially more than the Comptroller's estimate. FAIR based its estimate on a 1994 Urban Institute estimate of 93,907.¹⁴ One of the authors of that Urban Institute estimate is Dr. Passel, whose estimate of 140,000 was used in the Comptroller's calculation.

Higher Education Costs

The number of undocumented immigrants attending college in Texas also is unknown, as is the number of those paying in-state tuition rates, and thus the relevant costs to the state are difficult to estimate.

Prior to fall 2006, students who were not citizens or permanent residents of the U.S. (whether documented or not) still could become classified as Texas residents and thus be entitled to in-state college tuition rates under the provisions of Section 54.052(j) of the Texas Education Code, originally enacted by the 2001 Legislature as House Bill (H.B.) 1403. Prior to H.B. 1403 being signed into law in 2001, these students would have been considered international students, and therefore would have paid the more costly out-of-state tuition.

To qualify, the student must have lived in the state for at least three years before graduating from a Texas high school or receiving a high school equivalency diploma in Texas. The student also must have lived for at least part of that time with a parent or legal guardian and could not have an established residence outside of Texas. In addition, such students were required to sign an affidavit stating that they would apply for permanent residency as soon as they are eligible to do so.

The 2005 Legislature revisited the issue of resident status via Senate Bill (S.B.) 1528, which made residency requirements essentially uniform for all students, regardless of their legal status. As of fall 2006, anyone who has lived in Texas for three years before graduating or receiving a diploma equivalent from a high school, and has also lived in the state for a year prior to enrollment in college, qualifies for in-state tuition as a Texas resident. Any student

EXHIBIT 4

A Comparison of Provisions of H.B. 1403 and S.B. 1528 for Establishing Texas Residency

H.B. 1403 Requirements To become residents, must (2001)	S.B. 1528 Requirements (2005)
1. have resided with a parent or legal guardian or conservator during at least a portion of the 3 years leading up to high school graduation or the receipt of a GED certificate.	n/a
2. have graduated from a public or private high school or received the equivalent of a high school diploma in this state;	same
3. have resided in this state for at least three years as of the date the person graduated from high school or received the equivalent of a high school diploma;	same
4. have registered as an entering student in an institution of higher education not earlier than the 2001 fall semester;	n/a
5. provide to the institution an affidavit stating that the individual will file an application to become a permanent resident at the earliest opportunity he or she is eligible to do so; and	Only required if student is not a U.S. Citizen or Permanent Resident
6. have not established a residence outside this state	Must have lived in Texas the 12 months prior to enrollment.

Note: Opportunity available to all persons meeting these requirements, whatever their citizenship or INS status, including U.S. Citizens and Permanent Residents.

Source: Texas Higher Education Coordinating Board.

who is not a U.S. citizen or permanent resident still must sign the affidavit concerning permanent residency. **Exhibit 4** compares previous and current law on this issue.

According to the Texas Higher Education Coordinating Board, in fall 2001, 393 students attended institutions of higher education as Texas residents based on Section 54.052(j) of the Education Code; of these, 300 attended community colleges. In fall 2004, nearly 10 times as many students received in-state rates due to Section 54.052(j) provisions—3,792, more than 75 percent of whom attended community colleges (**Exhibit 5**).

As noted in **Exhibit 5**, average state funding per student fell between 2001 and 2004. Consequently, state costs did not go up at the same rate as the number of students; instead, there was about a 446 percent increase in total state funding for these students from 2001 to 2004. The

3,792 students in fall 2004 comprised 0.36 percent of total enrollment in the state's public institutions in 2004 (1,054,586 students in all).

It should be noted that these numbers are for all students who established residency for in-state rates under Section 54.052(j), regardless of their immigration status; not all were undocumented immigrants, despite the fact that the media often describes them as such. There are many types of visas for non-immigrants that could allow a foreign student to fulfill the residency requirements for in-state tuition; for example, the children of ambassadors and diplomats, or their employees. The Comptroller's office cannot determine the share of Section 54.052(j) students representing undocumented immigrants. If all these students were undocumented, the cost to the state in fiscal 2005 would have been **\$11.2 million**.

EXHIBIT 5

Cost to State of Non-Citizen College Student Classified as Texas Residents

	Fall 2001 Avg. State Cost per Student	Fall 2001 Resident Students	Fall 2001 Total	Fall 2004 Avg. State Cost per Student	Fall 2004 Resident Students	Fall 2004 Total
Universities	\$5,366	64	\$343,424	\$4,816	747	\$3,597,552
Health Related Inst.	\$31,693	29	\$919,097	\$25,237	16	\$403,792
Community Colleges	\$2,627	300	\$788,100	\$2,239	2,894	\$6,479,666
Tech. Colleges		0		\$5,509	120	\$661,080
State Colleges		0		\$4,265	15	\$63,975
Total		393	\$2,050,621		3,792	\$11,206,065

Sources: Texas Higher Education Coordinating Board and the University of Texas System.

**EXHIBIT 6
Estimated State and Federal Medicaid Expenditures
for Undocumented Immigrants, 2000 and 2005**

	2000	2005	Difference
Medicaid Expenditures	\$45,206,381	\$96,864,943	114.3%
Medicaid Expenditures (constant 2000 dollars)	\$45,206,381	\$89,698,067	98.4%
Average Number Recipient Months per Month	1,528	2,762	80.8%
Medicaid Expenditures per Recipient Month	\$2,466	\$2,923	18.5%
Medicaid Expenditures per Recipient Month (constant 2000 dollars)	\$2,466	\$2,678	8.6%

Note: Amounts may not add due to rounding.

Note: Recipient month equals one month's coverage for an eligible individual.

Sources: Texas Health and Human Services Commission and Carole Keeton Strayhorn, Texas Comptroller of Public Accounts.

IV. Health Care

State and federal-funded health benefits for undocumented immigrants are limited in Texas (see **Exhibit 1**). Costs for services are far more likely to fall on local governments, non-profit and private health care facilities.

State Costs

Health-related benefits available for undocumented immigrants in Texas generally fall into three categories: emergency Medicaid; state-local programs such as mental health services and school-based health centers; and public health programs.

Emergency Medicaid

Medicaid is a federal/state funded program that provides healthcare to low income families, pregnant women, elderly people and those with disabilities and dependent children and related caretakers. Eligible persons must meet asset requirements.¹⁵

Emergency Medicaid payments represent the majority of state costs for medical care provided to undocumented immigrants. In the case of a medical emergency, such as childbirth and labor or other conditions that may threaten an individual's life, the federal government allows Medicaid to pay for services rendered to persons who would otherwise qualify for Medicaid regardless of their

immigration status. Not all undocumented immigrants seeking medical care qualify for emergency Medicaid.

Medicaid expenditures for all immigrants, regardless of legal status, more than doubled (114 percent) from 2000 to 2005. When adjusted for inflation, spending rose by 98.4 percent. The average number of recipients per month increased by 81 percent during the same time period.

Because the Texas Health and Human Services Commission makes no distinction between legal immigrants, undocumented immigrants, refugees and those awarded asylum, costs attributed to undocumented immigrants must be estimated. The Pew Hispanic Center estimates that undocumented immigrants account for 30 percent of all immigrants. Based on that estimate, **Exhibit 6** details both state and federal estimated costs to emergency Medicaid.

The state shares the costs of Medicaid with the federal government. Texas pays approximately 40 percent of Medicaid costs; therefore, the total estimated state cost for Medicaid services for undocumented immigrants was **\$38.7 million** in fiscal 2005 (**Exhibit 7**).

Children with Special Health Care Needs

The U.S. Department of Health and Human Services defines children with special health care needs (CSHCN),

...as those who have or are at increased risk for a chronic physical, developmental, behavioral, or emotional condition and who also require health and related services of a type or amount beyond that required by children generally.¹⁶

Funding for this program is split between the states and federal Title V, Maternal Child Health Services Block Grants.

**EXHIBIT 7
Estimated State Medicaid Expenditures
for Undocumented Immigrants, 2000 and 2005**

	2000	2005	Difference
Medicaid Expenditures	\$18,082,552	\$38,745,977	114.3%
Medicaid Expenditures (constant 2000 dollars)	\$18,082,552	\$35,879,227	98.4%

Sources: Texas Health and Human Services Commission and Carole Keeton Strayhorn, Texas Comptroller of Public Accounts.

