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BAD FOR BUSINESS:*How Harsh Anti-Immigration Legislation Drains Budgets and Damages States' Economies*

This session, state legislatures are once again considering harsh immigration-control laws. These laws are intended to make everyday life so difficult for unauthorized immigrants that they will choose to “self-deport” and return to their home countries. Proponents of these laws claim that the departure of unauthorized immigrants will save states millions of dollars and create jobs for U.S. citizens. However, experience from states that have passed similar anti-immigration measures shows that the opposite can occur: the impact of the laws can hinder prospects for economic growth, and the costs of implementing, defending, and enforcing these laws can force taxpayers to pay millions of dollars.

This paper outlines some of the economic and fiscal lessons from states that have passed harsh immigration-control legislation.

Anti-immigration measures harm states' economies.

- If unauthorized immigrants leave, states will lose workers, taxpayers, and consumers who earn and spend money in the state. Unauthorized immigrants comprised roughly **5.2% of the national workforce** (or 8,000,000 workers) in 2010, according to a [report](#) by the Pew Hispanic Center.¹
- Experiences from states that have passed harsh immigration laws tell a cautionary fiscal tale:
 - Alabama's HB 56 could shrink the state's Gross Domestic Product (GDP) by **up to \$10.8 billion**, according to Professor Samuel Addy at the Center for Business and Economic Research at the University of Alabama.² Prof. Addy [estimates](#) that a loss of 40,000 to 80,000 unauthorized immigrants who earn between \$15,000 and \$35,000 annually could result in:
 - **70,000 to 140,000 lost jobs** with \$1.2 to \$5.8 billion in earnings;
 - **\$2.3 to \$10.8 billion reduction** in Alabama GDP, or 1.3% to 6.2% of the state's \$172.6 billion GDP in 2010;
 - **\$57 to \$264 million loss** in state income and sales tax collections; and
 - **\$20 to \$93 million loss** in local sales tax collections.³
- A 2011 [report](#) by Dr. Raul Hinojosa-Ojeda and Marshall Fitz found that deporting all of the unauthorized immigrants in Arizona would **decrease total employment by 17.2%, eliminate 581,000 jobs** for immigrants and native-born workers alike, **shrink the state economy by \$48.8 billion**, and **reduce state tax revenues by 10.1%**.⁴

- Similarly, [Hinojosa-Ojeda and Fitz](#) found that if all of the unauthorized immigrants in California were removed, the state would **lose \$301.6 billion in economic activity, decrease total employment by 17.4%, and eliminate 3.6 million jobs.**⁵
- A [study released](#) in July 2007 by the University of Arizona’s Udall Center for Studies in Public Policy concluded that economic output would drop annually by **at least \$29 billion, or 8.2%**, if all non-citizens, which include unauthorized workers, were removed from Arizona’s workforce. About 14% of the state’s 2.6 million workers are foreign-born, and about two-thirds to three-fourths of non-citizens are unauthorized.⁶

Harsh immigration laws have produced severe worker shortages.

The agricultural industry has been devastated in states that have passed harsh immigration laws. Immigrant workers have failed to show up for work and millions of dollars of produce has been left to rot in the fields. Legal U.S. workers have not been filling the open jobs. The uncertainty about how much labor will be available affects growers’ ability to prepare and plant for [next year](#).

- After passing its immigration enforcement bill (HB 87), Georgia’s agriculture industry experienced severe labor shortages. A [survey of farmers](#) conducted by the Georgia Department of Agriculture found 56% of those surveyed were experiencing difficulty finding workers.⁷ Early [reports](#) from the state estimate economic losses for the 2011 growing season to be **between \$300 million and \$1 billion.**⁸
- Alabama Agriculture Commissioner John McMillan stated, “the economic hardship to farmers and agribusiness will reverberate throughout Alabama’s economy, as one-fifth of all jobs in our state come from farming.”⁹ Alabama growers have reported planting less due to concerns that there may not be enough workers to harvest the crops.¹⁰
- A Georgia Restaurant Association [survey](#) found that **nearly half (49%)** of surveyed restaurants reported labor shortages, and 88% were concerned about future shortages. Lack of workers and related business losses have cut some restaurants’ revenue by as much as \$80,000 per month.¹¹

Harsh immigration laws result in lost tax revenues.

- States stand to lose millions of dollars in tax revenues if unauthorized immigrants—as well as legal immigrants whose lives are made difficult by the law—were to leave. Unauthorized immigrants in the United States paid **\$11.2 billion in state and local taxes** in 2010, according to [data](#) from the Institute for Taxation and Economic Policy,¹² which includes:
 - \$1.2 billion in state income taxes;
 - \$1.6 billion in property taxes; and
 - \$8.4 billion in sales taxes.
 - Estimates for your state are available [here](#).
- In Alabama, according to Professor Addy, HB 56 could result in a loss of **between \$56.7 and \$264.5 million in state income and sales tax collections and up to \$93.1 million lost in local sales tax collections.**

Harsh immigration laws discourage economic growth.

Many states are hoping for a manufacturing renaissance to help reduce unemployment and lift their economies out of recession. For these hopes to succeed, states will require business-friendly public policy. Investors need to expect a hassle-free experience for work permit-holding foreign managers and workers alike, which cannot happen when state officials and law-enforcement officers are required to verify immigration status even in routine encounters.

- Foreign companies employ 77,500 workers, or 5% of Alabama’s workforce; the auto industry supports nearly 45,000 in the state.¹³ In November 2011, a German Mercedes-Benz executive, visiting an auto plant in Tuscaloosa, Alabama, was arrested during a routine traffic stop for failing to produce evidence that he was in the United States legally.¹⁴ Soon afterwards, a Japanese Honda employee was issued a ticket when his international driver’s license was deemed insufficient.¹⁵ These examples illustrate the kind of bureaucratic hassle to be faced by authorized and unauthorized workers and executives alike under the new immigration laws.
- According to Gerald Dial, Alabama State Senate Republican whip and former HB 56 supporter, an unintended consequence of the legislation in that state has been to make other states more attractive for investors. “Other states will say, ‘Hey, you don’t want to go to Alabama now,’” said Dial. “We’re probably going to lose those people. We won’t know about it. There won’t be a big red flag: ‘Hey, we didn’t go to Alabama, we’re going to go to Arkansas or we’re going to go to South Carolina.’ That’s probably the most detrimental part of the whole bill.”¹⁶
- In Nashville, Tennessee, the [Chamber of Commerce](#) called harsh immigration-control legislation “detrimental to work force development and international trade efforts,” while the president of a local commercial real estate firm said it would “make Tennessee unattractive to businesses looking to relocate.”
- International tourism is an extremely profitable and growing market for the United States. In 2010, international visitors spent more than \$134.4 billion in the U.S., and travel and tourism exports accounted for 24% of U.S. services exports and 7% of all U.S. exports. Despite the global recession, Mexican tourists spent \$8.7 billion in 2010—an 8% increase since 2009. Harsh enforcement laws could create an unwelcoming environment for international tourists, threatening this vital source of revenue.¹⁷

Harsh immigration laws make it more difficult and expensive for businesses to operate.

- Two of Indiana’s largest employers, Eli Lilly and Co. (a drug manufacturer) and Cummins Inc. (an engine manufacturer), published a [statement](#) arguing that Indiana’s proposed immigration enforcement law (SB 590) would impede their ability to compete globally and grow in Indiana. According to Eli Lilly and Co., Indiana has a sizeable and growing biosciences industry, with almost 90,000 employees and supporting a total of \$22.7 billion in economic output—direct, indirect, and induced.¹⁸ Spokesman Ed Sagebiel said the company’s “ability to thrive in Indiana is dependent on an environment that is welcoming.” Similarly, Cummins Inc. highlighted 550 new high-paying jobs they brought to the state as a result of Indiana’s friendliness to new business.
- States could experience significant blows to tourism/convention profits. After Arizona passed SB 1070, major groups and associations cancelled events and conventions in the state. A

report by the [Center for American Progress](#) (CAP) estimates that Arizona will **lose \$45 million in lodging revenue** alone.¹⁹ Arizona was eventually forced to spend **\$250,000 for a marketing campaign** to help improve its image after SB 1070 was enacted.²⁰

- Some proposed laws require the mandatory use of the E-Verify employment verification system.²¹ Bloomberg estimates that implementing E-Verify costs small businesses an average of **\$435 per year**.²² There are also costs to U.S. citizens and legal immigrants who are erroneously flagged as not eligible to work by E-Verify and must take time off of work to navigate the bureaucracy to fix the error.
- State immigration enforcement laws mean businesses must incur additional costs. Economist Jeremy Thornton of Samford University points to the “shadow costs” employers incur when they take steps to protect themselves from the law’s stiff penalties. Businesses will spend more on employee screening to protect themselves from provisions of the law that bar them from knowingly hiring unauthorized workers. There could also be increased litigation costs for businesses because any legal worker could sue the employer if they have hired an unauthorized worker. “Every business that now has to comply with this legislation, that’s just extra cost. And anytime you raise costs, businesses shrink, Thornton said.”²³ Businesses will likely have to spend more on third party assistance for employment eligibility paperwork and extra human resources staff.²⁴
- Alabama had to push back the deadline for businesses to obtain or renew their licenses “due to the hardship placed on Alabama businesses” that could not get business licenses in October because of implementation of the new law. The new law requires individuals and businesses obtaining or renewing business and store licenses to show additional documentation, which has led to long lines at courthouses and other delays.²⁵

Implementing and enforcing harsh immigration laws cost states millions.

Implementing these new measures will cost taxpayers dearly at a time when states are already having tremendous difficulty balancing their budgets. Potential costs include:

- **Cost to Police:** Costs associated with a projected increase in arrests and overtime.
- **Cost to Jails:** Costs associated with a projected increase in jail population.
- **Other Criminal-Justice Costs:** Cost of projected increase in prosecutorial and public-defender staff, jail space, court rooms, and support offices needed to handle increased caseload.
- **Costs to State Agencies:** Costs associated with additional personnel and time necessary to check the identification documents of all persons applying for certain state benefits. Also, cost of foster-care for children of detained immigrants.
- **Costs to Schools:** Costs associated with checking and reporting the immigration status of children enrolled in schools and lost federal or state funding for schools due to decreases in school enrollment.
- **Legal Costs:** Legal costs incurred by the state to defend against lawsuits.

Some states that considered immigration enforcement laws in 2010-2011 backed off once they considered cost estimates for implementation.²⁶

- In [Kentucky](#), an enforcement bill died after an estimate showed it would cost the state **\$89 million per year to enforce**.²⁷
- In [Louisiana](#), a bill was withdrawn when it was estimated to cost **\$11 million to implement**.²⁸
- In Tennessee, immigration bills are stalled in 2012 until “sufficient funds can be generated to finance it.”²⁹ In 2011, the General Assembly Fiscal Review Committee found that their proposal would increase expenditures by **\$3 million for the first year and \$1.8 million every year after that**.³⁰
- In [Indiana](#), state police said they would have to spend **\$5 million to train for and enforce the law**.³¹

States will have to spend millions to defend laws in the courts.

Most anti-immigration measures have immediately been challenged on constitutional and other grounds. Defending the law in the courts can be very expensive.

- Utah’s immigration control bill, HB 497, has cost taxpayers **more than \$85,000** to defend in federal court. The price tag will likely increase a great deal before a final ruling is reached.³²
- In Arizona, [seven lawsuits](#) were filed to stop implementation of SB 1070, and other states are likely to see numerous lawsuits against similar legislation. At the end of February 2011, Arizona had [already spent more than \\$1.5 million](#) defending SB 1070.³³
- Farmers Branch, Texas, has already spent about **\$3.2 million** to defend itself since September 2006, when it launched the first of three ordinances. The city has budgeted **\$623,000 for legal expenses** through the rest of the fiscal year related to the ordinance defense. Legal costs could **exceed \$5 million** by the end of the fiscal year.³⁴
- Riverside, New Jersey, rescinded an ordinance that penalized renting to or employing unauthorized immigrants after the town of 8,000 accumulated **\$82,000 in legal fees**.³⁵

Endnotes

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