



UNDOCUMENTED IMMIGRANTS IN TEXAS: A COST-BENEFIT ASSESSMENT

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Introduction

In recent decades, the issue of what to do with undocumented residents living in the United States has been part and parcel of the broader immigration debate. The essential divide on this subject is about the future legal status of these unauthorized immigrants. On one side, there are those who advocate for immigration reform to allow most undocumented immigrants to stay in the United States. On the other side are those who favor strict deportation regulations. A third group, however, are those who consider it impractical to deport all of the estimated 10.7 million undocumented immigrants currently in the United States and support a plan to allow most of them, under certain conditions, to remain in the country. The reasons for each of these positions range from national security concerns to humanitarian explanations to economic considerations. This research paper evaluates the economic considerations of each position via a cost-benefit analysis. It seeks to answer the oft-debated question: How much do undocumented residents cost the country, and how much do they contribute to the country in sheer material terms?

This is not an easy question to answer, as undocumented residents are, by definition, and increasingly so, hidden from plain view. Most data available to assess their costs and benefits to society are therefore incomplete and even suspect. Even so, there are data and methods that can be used to calculate the costs and benefits produced by the undocumented population in the United States. Moreover, because some studies have shown that immigration fosters economic growth in host nations,¹ we will assume that this extends to undocumented migrants too. In other words, they are not net consumers or users. They often produce their own wealth and contribute to society. The key is to find data that can show how much the unauthorized population takes from and gives to its host country. In the case of the United States, there is an added urgency to calculating this, given that it is likely that an aging workforce and the stagnating population growth will require added immigration, especially younger workers, who can engage in economic activities, such as joining labor markets and paying taxes. Granting legal status for those who are already here, working and building families, is therefore not a bad idea. Deporting undocumented workers, who tend to be young, economically active taxpayers with the potential to create new jobs and businesses and to generate new products and technology, could in fact be counterproductive. Understanding their impact, both positive and negative, is therefore important when decisions are made on their legal status.

This paper begins with a central hypothesis based on previous studies on authorized migrants: The net benefits of undocumented residents are greater than the costs of the public services they utilize. This hypothesis is more complex than it appears and difficult to test. First, it is important to calculate how many undocumented residents there are in the country. According to various sources, the current number of undocumented immigrants has been estimated to be between 10.7 million (Pew Research Center) and 11.3 million

¹ Francine D. Blau and Christopher Mackie, eds., "Wider Production, Consumption, and Economic Growth Impacts," *The Economic and Fiscal Consequences of Immigration*, 2017, 279-318. Washington D.C: The National Academies Press, <https://www.nap.edu/read/23550/chapter/10>.

(Migration Policy Institute).² Both estimates indicate that the number of undocumented immigrants has decreased in recent years, partly due to a decline in immigrants from Mexico³ and from aggressive deportation policies under former President Barack Obama and President Donald Trump. Second, many undocumented residents work off the books or work with false documents and therefore come across as documented in the system. Of course, neither they nor their employers report their status for fear of deportation or penalties. Third, many unauthorized residents live in mixed-status homes, with some members who are citizens, others who are legal permanent residents, and still others who are undocumented. A public benefit obtained by a citizen that comes into a mixed-status household and also benefits an undocumented member is difficult to calculate. Therefore, there is no exact information on how many undocumented immigrants there are in the United States, the exact structure of their income and expenditures, their location, or the amount of taxes they pay, among other things. Of course, there is also the question of their burden to law enforcement, especially when the government chooses to go after them and detain them for prolonged periods of time. That, however, is a governmental choice and difficult to attribute as a cost to the undocumented resident. Still, an effort can be made to measure their benefits and costs, directly and indirectly.

To be sure, there is an alternative hypothesis—that the costs exceed the benefits produced by the undocumented residents of the United States. Undocumented immigrants, like everyone, do generate costs. The enormous task of calculating those figures, of course, remains the same. Indirect methods must be found to measure both the costs and the benefits and to determine the balance of the two.

Texas as a Case Study

This study focuses on estimating the costs and benefits produced by the undocumented resident population in the state of Texas. It is one of the most populous states in the United States, with an unauthorized population considered representative of that of the whole country. In effect, Texas has the second highest undocumented immigrant population, only behind California.⁴ This paper traces a previous study conducted by the Texas State Comptroller published in 2006—nearly 15 years ago. That study also sought to estimate the costs, benefits, and overall economic impact of the population of undocumented residents

² MPI (Migration Policy Institute), “Unauthorized Immigrant Population Profiles,” accessed February 18, 2020, <https://www.migrationpolicy.org/programs/us-immigration-policy-program-data-hub/unauthorized-immigrant-population-profiles>; Pew Research Center, “Unauthorized immigrant population trends for states, birth countries and regions,” June 12, 2019, <https://www.pewresearch.org/hispanic/interactives/unauthorized-trends/>.

³ John Gramlich, “19 striking findings from 2019,” December 13, 2019, <https://www.pewresearch.org/fact-tank/2019/12/13/19-striking-findings-from-2019/>.

⁴ Pew Research Center, “U.S. unauthorized immigrant population estimates by state, 2016,” February 5, 2019. <https://www.pewresearch.org/hispanic/interactives/u-s-unauthorized-immigrants-by-state/>.

in the state.⁵ By reproducing the study, this report seeks to update the information, test the methodology, and add new facts to the ongoing debate about the future status of the undocumented resident population.

Literature Review

The Texas State Comptroller report of 2006 utilized the Regional Econometric Model, Inc. (REMI) to measure the economic impact of undocumented immigrants. It found that Texas would have lost approximately \$17.7 billion in gross domestic product in 2005 if all the undocumented immigrants who lived in Texas were deported that year. This report calculated costs in three main categories: education, health care, and incarceration costs. The benefits were measured through state revenues and school property taxes. In general terms, the study found that undocumented migrants generated more in-state revenue (\$1.58 billion in 2005) than the costs they exacted in services (\$1.16 billion in 2005). The net benefit to the state was \$424.7 million. Local governments, however, had a loss of approximately \$1.44 billion due to health care and law enforcement costs—which the state did not reimburse. The Comptroller’s report provided key information on the resources that the state spent on undocumented immigrants, but also on the revenues the state obtained from them. In doing so, it provided data-driven arguments for the debate of undocumented immigrants and for understanding their importance in the Texas economy.

The report, however, may not have considered all costs and benefits. For costs, they considered education, health care, and incarceration expenses, and for benefits, they considered revenue and school property taxes. In hindsight, this appears to be a good start, but it remains far from a comprehensive picture of the true economic impact of undocumented residents. Some cost calculations were also excessive because of government policies. For example, because the government does not allow undocumented residents to access health insurance or health care services, undocumented individuals often wait until they are very sick and then end up in the emergency room, which is much more expensive for the state than preventive measures or timely health care.

Despite this, the Comptroller’s methodology likely overestimated the true costs of undocumented immigrants in Texas. The study assumed that all undocumented immigrants have access to health programs in Texas, and although some of them do use these programs, most undocumented residents do not, primarily due to the fear of being detected and deported, especially as the state has stepped up its collaboration with the U.S. Immigration and Customs Enforcement (ICE). It is also possible that an undocumented resident addicted to substances may not resort to the Texas substance use and abuse

⁵ Carole Keeton Strayhorn, “Undocumented Immigrants in Texas: A Financial Analysis of the Impact to the State Budget and Economy,” Office of the Comptroller, Texas, December 2006, http://www.fosterglobal.com/policy_papers/TexasAnalysisCost-BenefitOfUndocdWorkers.pdf.

treatment program to treat his or her addiction.⁶ Simply assuming that undocumented residents resort to these programs in the same proportion as the general population is faulty and overestimates their consumption of that service.

A similar situation happens with mental health programs, to which undocumented immigrants have access. There are important barriers that prevent these immigrants from participating, such as not speaking English, not seeking help due to cultural reasons, and of course being fearful of deportation if they apply to these programs.⁷ Therefore, their rate of participation in mental health programs is probably very low. Indeed, undocumented residents not only have lower rates of participation than any other group, but they also have fewer mental health appointments and lower lifetime in-patient rates.⁸ These are nuances that the comptroller's report does not carefully consider. Consequently, the UCLA Center for Health Policy Research established that the methodology of the Comptroller's 2006 report tended to overestimate the health care costs, since it applied estimates of the total undocumented population to aggregate these costs.⁹

This happened across state programs. The Comptroller's report completely ignored the problem of participation rates of undocumented immigrants in all kinds of state programs. There clearly are intervening variables that affect their rate of participation. This is truer today, when, for example, the Trump administration has increasingly penalized public program use. Undocumented migrants can even be denied green cards in the future if they have used public assistance. Consequently, many are abandoning the use of health programs altogether. After all, federal law requires those seeking a green card and legal status to prove that they have not been a public burden to the U.S. government. These rules have further depressed the use of public services by undocumented immigrants—especially if they want to apply for legal status in the future.

Thus, it is important to note that this report seeks only to replicate and update the Comptroller's report, not to correct its methodology, even though it is highly likely that its methodology overestimates some of the health and incarceration costs spent on undocumented immigrants in Texas.

⁶ Samuel García, "What Happens To Immigrants Who Face Addiction," *Forbes*, October 15, 2018, <https://www.forbes.com/sites/samuelgarcia/2018/10/15/what-happens-to-immigrants-who-face-addiction/#7acc6ad34745>.

⁷ Edith Gonzalez, "Salud Mental: The Conceptualization and Experiences of Mental Health among Undocumented Mexican Immigrants," PhD Dissertation, 2018, College of William and Mary.

⁸ Amelia Derr, "Mental Health Service Use Among Immigrants in the United States: A Systematic Review," *Psychiatric Services* (Washington, D.C) 67 no. 3 (2016): 265-274, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5122453/>.

⁹ Steven Wallace, Jacqueline Torres, Tabashir Sadegh-Nobari, Nadereh Pourat, and Richard E. Brown, "Undocumented Immigrants and Health Care Reform," UCLA Center for Health Policy Research, August 31, 2012, <http://healthpolicy.ucla.edu/publications/Documents/PDF/undocumentedreport-aug2013.pdf>.

In any event, the Texas State Comptroller has not updated its 2006 report. But other institutions have analyzed and estimated these benefits and costs. The AngelouEconomics consulting company took the Texas Comptroller's report and updated it, accounting for 250,000 additional undocumented immigrants, and converted all figures into current dollars as of 2017.¹⁰ According to this report, the state received \$2.7 billion in revenue and provided \$2.0 billion in state services, with a net benefit of \$702.9 million for that year.

Similarly, in 2016, the Perryman Group estimated that the net direct economic benefit of undocumented immigrants was \$326.1 billion and \$144.7 billion in output every year.¹¹ Adding the multiplier effects,¹² the Perryman Group found that the net economic effects were \$663.4 billion and \$290.3 billion in output. Their estimates included the costs of the undocumented population to society at large, such as education, health care, and social services and also included the fiscal revenues from this population. The Perryman Group used an Input-Output Assessment Model (the U.S. Multi-Regional Impact Assessment System) to estimate the above figures.

Raúl Hinojosa Ojeda, a scholar from California, analyzed only the direct impact of the deportation of undocumented workers on the economy of Texas. In his report, he used the IMPLAN Input-Output model to calculate the direct economic impacts of this policy.¹³ He found that Texas's gross state product would be reduced by more than \$77.7 billion if all of the undocumented immigrants were deported from the state by 2010. He established some scenarios of deportation, and for a deportation rate of 15% there would be a decrease in the state output of \$11.7 billion.

At this point, it is important to mention that there are few papers that have a comprehensive measure of the net costs and benefit of undocumented immigrants in Texas. Indeed, the Texas Comptroller was the first public institution to conduct a relatively comprehensive study to analyze the impact of undocumented residents on the state's budget and its economy. Other studies have calculated some of the revenues or costs in education, health care, and incarceration, but they have not been as detailed nor as comprehensive as the Texas Comptroller's report. Based on these observations, this report follows the methodology applied by the Texas Comptroller in its 2006 report.

¹⁰ Imelda Mejia, "AngelouEconomics Study: Senate Bill 4 Will Jeopardize Texas' Economic Prosperity," ACLU of Texas, November 9, 2017, <https://www.aclutx.org/en/news/angeloueconomics-study-senate-bill-4-will-jeopardize-texas-economic-prosperity>.

¹¹ The Perryman Group, "Texas Needs the Workers!! An Analysis of the Economic and Fiscal Impact of Undocumented Workers," February 2016, <https://www.perrymangroup.com/media/uploads/reports/perryman-texas-needs-the-workers-01-2016.pdf>.

¹² Multipliers measure how a given change in a particular industry will result in changes in the overall economy.

¹³ Raúl Hinojosa-Ojeda, "The Consequences of Legalization Versus Mass Deportation in Texas," The Center for American Progress, August 2012, <https://cdn.americanprogress.org/wp-content/uploads/2012/08/Texas1.pdf>. IMPLAN is an economic impact software that measures how a change in a variable affects a specific economy.

Data and Methodology

In Texas, there were an estimated 1.6 million undocumented residents, representing 5.7% of the total state population in 2018—the year on which this report is based.¹⁴ These immigrants generate costs to the state but also support the economy by working in different industries such as construction, agriculture, manufacturing, and services. The labor force participation rate of undocumented residents was approximately 65%, with an unemployment rate of 5.7%,¹⁵ and undocumented immigrants comprised 8.2% of the Texas workforce. The two main industries where undocumented workers are employed are construction (24%) and the entertainment, arts, recreation, accommodation, and food services industries (18%).¹⁶

Undocumented residents, in addition to being workers and business owners, are taxpayers. They pay taxes to the state of Texas that they cannot avoid, such as sales taxes and consumer taxes on gasoline and motor vehicle inspections. The benefits to the state focus on this fact. Thus, this study does not consider the overall economic activity they generate, but only the taxes they pay. In fiscal year 2018, undocumented residents paid approximately \$1.3 billion in state taxes.¹⁷

At the same time, undocumented residents do create costs for the state, including the cost of education, medical care, and incarceration—regardless of whether these costs are, at least in part, further elevated by the state’s own choice to deny primary health care and to collaborate on immigration enforcement with the federal government. Thus, the costs of undocumented residents focus on these main areas: education, health care, and incarceration.

The exact methodology for estimating these figures is described in each section. It is important to note, however, that the report focuses only on the contributions of immigrants to the state coffers and the costs paid from state revenue. More narrowly, the study focuses on the taxes that they cannot avoid, including various fees and user taxes, and the costs that the state incurs, regardless of whether the state could avoid such costs by providing general health insurance or reducing incarceration.

¹⁴ These figures were calculated using the following sources: Pew Research Center, “U.S. Unauthorized Immigration Population Estimates by State, 2016,” February 5, 2019, <https://www.pewresearch.org/hispanic/interactives/u-s-unauthorized-immigrants-by-state/>; United States Census Bureau, “Quick Facts: Texas,” <https://www.census.gov/quickfacts/TX>.

¹⁵ MPI, “Profile of the Unauthorized Population: Texas,” accessed February 18, 2020, <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/TX>.

¹⁶ Ibid.

¹⁷ Jeffrey S. Passel and D’Vera Cohn, “U.S. Unauthorized Immigrant Total Dips to Lowest Level in a Decade,” Pew Research Center, November 27, 2018, https://www.pewresearch.org/hispanic/wp-content/uploads/sites/5/2019/03/Pew-Research-Center_2018-11-27_U-S-Unauthorized-Immigrants-Total-Dips_Updated-2019-06-25.pdf.

Finally, this report uses the software IMPLAN to analyze the impact to the state treasury if all undocumented residents from Texas were deported.

Undocumented Resident Demographics

The population of the United States increased by 13.4% from 1990 to 2000 and by 9.9% from 2000 to 2010.¹⁸ The population of foreign-born residents grew 58.2% from 1990 to 2000 and 28.2% from 2000 to 2010. For the period between 2010 to 2020, the estimated growth for foreign-born residents is 16.2%. This population has been growing faster than the total U.S. population in the last 20 years—a 49.9% increase compared to the 18.7% increase of the total U.S. population. However, more recently, the population growth of foreign-born residents has been slowing, particularly after the 9/11 attacks, when more rigorous laws blocking entry into the U.S. were passed. Even more laws meant to impede immigration have been passed during the administration of President Donald Trump.¹⁹

The foreign-born population encompasses all immigrants, including legal permanent residents, legal temporary residents, humanitarian-visa residents, and unauthorized immigrants. The last group is the object of this study—those who have no legal right to remain in the United States.

The Migration Policy Institute (MPI) estimated the number of unauthorized immigrants in the U.S. to be 11.3 million in 2016.²⁰ California, Texas, and New York accounted for half of all undocumented immigrants in the country. Texas was estimated to have 14% of all unauthorized immigrants,²¹ or some 1.6 million (Figure 1).²² Sixty-seven percent of these immigrants were born in Mexico and Central America, 16% in Asia, and 6% in South America.²³ According to the Pew Research Center, the number of undocumented immigrants from Mexico has declined since 2007.²⁴ Indeed, Mexicans are no longer the majority of undocumented immigrants in the United States, but they are in Texas, making up 71% of the undocumented population, followed by immigrants from other Latin

¹⁸ Pew Research Center, “Population, by nativity and citizenship status: 1960-2015,” April 11, 2017, https://www.pewresearch.org/hispanic/ph_stat-portraits_foreign-born-2015_trends-01/.

¹⁹ Ted Hesson, “Five Ways Immigration System Changed After 9/11,” *ABC News*, September 13, 2012, https://abcnews.go.com/ABC_Univision/News/ways-immigration-system-changed-911/story?id=17231590; Ana Gonzalez-Barrera and Jens Manuel Krogstad, “What we know about illegal immigration from Mexico,” Pew Research Center, June 28, 2019, <https://www.pewresearch.org/fact-tank/2019/06/28/what-we-know-about-illegal-immigration-from-mexico/>.

²⁰ MPI, “Unauthorized Immigrant Population Profiles,” accessed February 18, 2020, <https://www.migrationpolicy.org/programs/us-immigration-policy-program-data-hub/unauthorized-immigrant-population-profiles>.

²¹ Ibid.

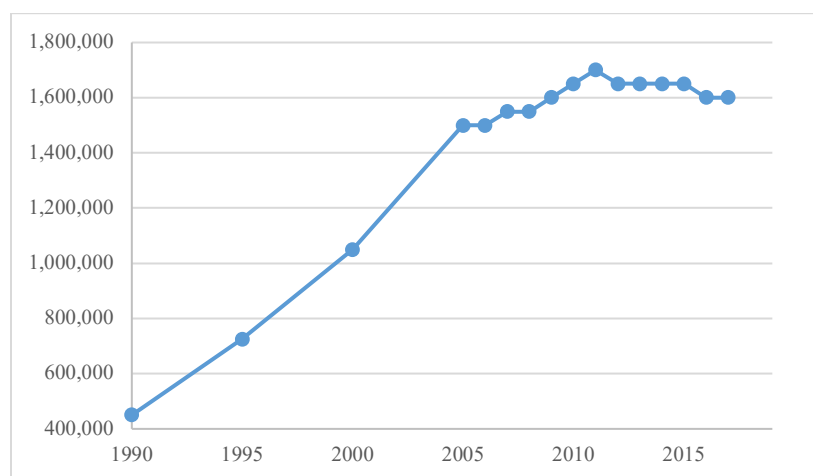
²² Ibid.

²³ MPI, “Profile of the Unauthorized Population: United States,” accessed February 10, 2020, <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US>.

²⁴ Jeffrey S. Passel and D’Vera Cohn, “Mexicans decline to less than half of the U.S. unauthorized immigrant population for the first time,” Pew Research Center, June 12, 2019, <https://www.pewresearch.org/fact-tank/2019/06/12/us-unauthorized-immigrant-population-2017/>.

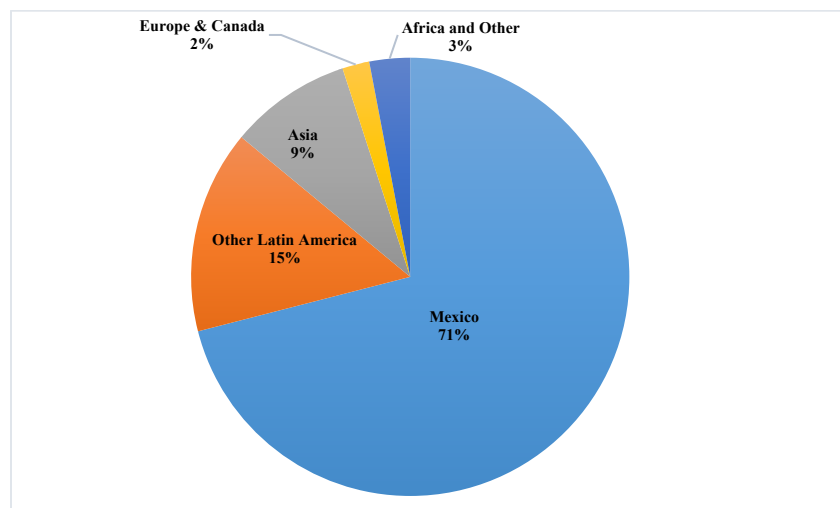
American countries with 15% (Figure 2). Unauthorized immigrants in Texas are more likely to work in low-wage occupations such as construction (24%) and accommodation and food services (18%). They also work in professional, scientific, management, and administrative services (14%), manufacturing (12%), and retail (10%).²⁵

Figure 1. Undocumented Immigrant Population in Texas, 1990-2017.



Source: Pew Research Center, “Unauthorized immigrant population trends for states, birth countries and regions,” June 12, 2019, <https://www.pewresearch.org/hispanic/interactives/unauthorized-trends/>.

Figure 2. Country of Origin of Undocumented Immigrants in Texas, 2016.



Source: MPI (Migration Policy Institute), “Profile of the Unauthorized Population: Texas,” accessed February 18, 2020, <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/TX>.

²⁵ MPI, “Profile of the Unauthorized Population: Texas,” accessed February 18, 2020, <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/TX>.

According to MPI estimates in 2016, nearly half of all undocumented residents in Texas have been in the state for 10 years or more, 36% for between five and 10 years, and 17% for less than five years.²⁶ Adults comprised the largest number of unauthorized immigrants (92%), and males represented 53% of all undocumented immigrants in the state. Only a small percentage of undocumented immigrants over age 25 had a professional degree (12%). Half of undocumented residents do not speak English. This may explain why undocumented immigrants perform jobs that require lower levels of education and have lower wages. Finally, 64% of these individuals were uninsured, and 45% owned a house.²⁷ These factors matter in the cost/benefits calculations. For example, given this high uninsured rate, many undocumented immigrants delay or go without needed care. The health outcome for them and the state of Texas then becomes worse, since in the long-term the treatments are more complex and very expensive with a lower probability of survival.²⁸ Moreover, undocumented immigrants are aging and have more health problems, which can be exacerbated by not having health insurance. Of course, the high uninsured rate stems from federal spending restrictions, which prevent unauthorized residents from receiving health resources (Figure 3).

Figure 3. Main Government-Sponsored Health Programs and their Availability to Undocumented Immigrants.

Unavailable	Available
Medicaid	Emergency Medicaid
Children's Health Insurance Program (CHIP)	Children with Special Health Care Needs
Affordable Care Act (ACA)	Substance Abuse Services
Medicare	Mental Health Services
Temporary Assistance for Needy Families (TANF)	Immunizations, Public Health and EMS
Supplemental Nutrition Assistance Program (SNAP)	Women and Children's Health Services

Note: New rules were issued in 2020 further restricting access to some of the available services. This will worsen the situation of undocumented individuals and families and likely reduce the cost to the state in future studies.

Mirroring this, the fact that 45% of undocumented immigrants own their homes means that a large percentage of them directly contribute to the state and local government through property taxes, while those who rent contribute indirectly, since landlords usually factor in property taxes when fixing their rental prices.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Lydia Saad, "More Americans Delaying Medical Treatment Due to Cost," *Gallup*, December 9, 2019, <https://news.gallup.com/poll/269138/americans-delaying-medical-treatment-due-cost.aspx>.

The following sections engage the analysis of both the costs and the benefits of undocumented immigrants in Texas. This analysis is limited by the sources of data considered. Even so, these calculations capture most of the fiscal interactions of undocumented residents within the state of Texas.

State Costs

I. Education

It is difficult to obtain estimates of state education costs associated with undocumented immigrants because most schools do not record the legal status of individuals in public education. In higher education, the problem is similar. In state universities, many undocumented immigrants who are enrolled pay in-state tuition, and colleges do not record their immigration status if they graduated from a high school in Texas. At the same time, undocumented students who graduate from high school face major challenges in pursuing higher education, since it is expensive to access and difficult to finance. Therefore, most of them prefer not to continue studying and instead join the workforce. Of course, preventing these immigrants from accessing higher education can affect their future wages as well as the tax revenue they generate.

Starting in 2012, however, undocumented students were allowed to apply for deportation waivers and work permits under the Deferred Action for Childhood Arrivals (DACA) executive order. This program has given these students the opportunity to access higher education and to work at the same time to pay their tuition. This is in addition to the in-state tuition policy of Texas, which has also positively impacted undocumented students' ability to access higher education.²⁹ DACA recipients, however, present a complicated case, because they may not technically fit the definition of undocumented, since once they have this status, they are considered to be in the United States lawfully.

Despite these limitations, this report will estimate these figures as accurately as possible.

Elementary and Secondary Public Education Costs

According to the Texas Education Agency (TEA), the average state expenditure on a public-school student was \$9,374 during 2018-2019 school year.³⁰ To estimate the number of undocumented students in Texas public schools during the 2018-2019 school year, this report uses two strategies with almost the same result. First, TEA established that in the

²⁹ Rajeev Darolia and Stephanie Potochnick, "Educational "When" "Where," and "How" Implications of In-State Resident Tuition Policies for Latino Undocumented Immigrants," *The Review of Higher Education* 38, no. 4 (Summer 2015): 507–535, http://rajeevdarolia.com/wp-content/uploads/2017/07/DaroliaPotochnick_RHE2015.pdf.

³⁰ "2018-2019 Budgeted Financial data," Texas Education Agency, accessed February 18, 2020, https://rptsvrl.tea.texas.gov/cgi/sas/broker?_service=marykay&_program=sfadhoc.budget_report_2019.sas&_service=appserv&_debug=0&who_box=&who_list=STATE.

2018-2019 school year, 5,431,910 students were enrolled in Texas public schools.³¹ Using information from the MPI, the estimated percentage of undocumented students is 2.91%. Applying this figure to the students enrolled in Texas public schools, we can estimate that the number of undocumented students in Texas is 158,000.

Second, this report uses the data of Jeffery Passel, who estimated that the number of undocumented students in Texas public and private schools was 140,000 in 2001-2002.³² By applying the actual annual change in enrollment in Texas schools from 2002 to 2019 given by TEA, we obtain an estimated 182,970 students in 2018-2019.³³ According to the Institute of Education Sciences, 90% of Texas students were enrolled in public schools in that period.³⁴ Applying this figure to the total number of undocumented students, we can estimate that there are about 164,673 undocumented students in Texas public schools.

This report uses 160,000 as the estimated number of undocumented students in Texas and multiplies this value by the \$9,374. Thus, the public education cost in 2018-2019 was \$1.5 billion. Of course, the number can also be questioned, as it is plausible that in many public schools in Texas, there is space for another student in every classroom with almost no additional cost. Indeed, in these cases, the marginal cost of having one more undocumented student must be lower than the average annual cost per student. Besides, any additional student pulls the average down. Still, we will leave the total cost calculated at \$1.5 billion.³⁵

³¹ Texas Education Agency, “Enrollment in Texas Public Schools 2018-19,” Division of Research and Analysis, Office of Governance and Accountability, Texas Education Agency, July 2019, https://tea.texas.gov/sites/default/files/enroll_2018-19.pdf.

³² Carole Keeton Strayhorn, “Undocumented Immigrants in Texas: A Financial Analysis of the Impact to the State Budget and Economy,” Office of the Comptroller, Texas, December 2006, https://www.fosterglobal.com/policy_papers/TexasAnalysisCost-BenefitOfUndocdWorkers.pdf.

³³ Texas Education Agency, “Enrollment in Texas Public Schools 2018-19.”

³⁴ “Table 208.20. Public and private elementary and secondary teachers, enrollment, pupil/teacher ratios, and new teacher hires: Selected years, fall 1955 through fall 2027,” *Digest of Education Statistics*, accessed February 18, 2020, https://nces.ed.gov/programs/digest/d17/tables/dt17_208.20.asp.

³⁵ Lori L. Taylor, Timothy J. Gronberg, Dennis W. Jansen, and Mustafa U. Karakaplan, “Anticipating the Consequences of School District Consolidation in Major Metropolitan Areas: A Simulation Based on Cost Function Analysis,” Prepared for The University of Texas at Dallas Education Research Center and the Texas Education Agency, August 2014, https://tea.texas.gov/sites/default/files/TEC%2012%201013%20Report_final_v2.pdf; “Largest Texas Public Schools,” Public School Review, accessed February 18, 2020, <https://www.publicschoolreview.com/school-size-stats/texas>. In 2014, the Texas Education Agency and the University of Texas at Dallas analyzed the school district consolidation policy in Texas. In this study, researchers found that there were economies of scale for schools in Texas. If campus sizes increased, the average cost of education decreased. This relationship was true if the size of the school was less than 3,200 students. On average, a public school in Texas has approximately 639 students. Given this information, we can ensure that the average variable cost of students decreases as the campus size increases, while holding everything constant. If that is the case, the marginal cost must be below the average variable cost, and if the campus has space for an additional student, the marginal cost must be low.

Higher Education Costs

Prior to 2001, residency for in-state tuition depended only on the establishment and maintenance of a domicile in Texas. Non-U.S. citizens could obtain this status if they had a visa and remained in Texas one year before enrollment.³⁶ In 2001, the Texas Legislature passed House Bill 1403 (the Texas Dream Act) which modified the requirements and included non-U.S. citizens who were not lawfully present in the U.S. to pay in-state tuition rates for higher education.³⁷ This new regulation allowed a student to be considered a resident of Texas if the student graduated from a Texas high school and lived in Texas during the three years before graduating from high school or receiving a General Equivalency Diploma. The students paid in-state tuition if they lived in Texas the year prior to enrollment in a Texas public university or college.³⁸ However, according to this new regulation, non-citizen students are also required to sign an affidavit stating their intention to apply for legal permanent resident status as soon as they are able to do so.³⁹ In 2005, the Texas Legislature passed House Bill 1528 with almost the same requirements as the House Bill 1403, but the additional amendments extended the three-year pathway to gaining Texas residency to all U.S. citizens.⁴⁰

According to House Bill 1528, Texas has provisions allowing for in-state tuition rates for undocumented students. However, the number of undocumented students attending higher education in Texas is unknown, and so the total cost to the state is difficult to calculate. In this report, we estimate the total cost of undocumented students favored to pay in-state tuition using information from the Texas Higher Education Coordinating Board (THECB). The number of students who met this requirement for in-state tuition totaled 25,930 in 2017. Figure 4 shows a breakdown by sector and the total state expenditures for these students in 2017.⁴¹

³⁶ “Overview: Eligibility for In-State Tuition and State Financial Programs,” Texas Higher Education Coordinating Board, December, 2018, <http://reportcenter.theccb.state.tx.us/reports/data/overview-eligibility-for-in-state-tuition-and-state-financial-programs/>.

³⁷ Ibid.

³⁸ “In-State Tuition for Non-Citizen Resident Texans,” Center for Public Policy Priorities, accessed February 18, 2020, http://forabettertexas.org/images/EO_2015_02_TXDreamAct_Factsheet_4pg.pdf.

³⁹ Ibid.

⁴⁰ “Residency and In-State Tuition,” Texas Higher Education Coordinating Board, April 2007, <https://www.sos.state.tx.us/border/forms/reports-07/theccb-april2007.pdf>.

⁴¹ “Overview: Eligibility for In-State Tuition and State Financial Programs,” Texas Higher Education Coordinating Board, December, 2018.

Figure 4. Total Affidavit Students, 2017.

Higher Education Sector	Students	Total Expenditure
Public Universities	8,568	\$11.69 M
Public Community, Technical and State Colleges	17,318	\$13.37 M
Public Health Related Institutions	44	\$881,601
Total	25,930	\$25.94 M

Source: “Overview: Eligibility for In-State Tuition and State Financial Programs,” Texas Higher Education Coordinating Board, December, 2018, <http://reportcenter.thecb.state.tx.us/reports/data/overview-eligibility-for-in-state-tuition-and-state-financial-programs/>.

The total expenditure paid by the state of Texas for undocumented students with in-state tuition is estimated using information from the MPI and the U.S. Immigration and Customs Enforcement. In Texas, the estimated total number of undocumented immigrants enrolled in higher education is 60,000. The total number of legal immigrants enrolled in Texas in higher education is 86,076.⁴² Hence, the percentage of undocumented students out of the total non-U.S. citizens or permanent residents is 41%. Applying this figure to the adjusted total expenditure,⁴³ we calculate that the total spending on undocumented students is \$10.90 million in Texas.

According to THECB, the estimated state-supported grant aid to affidavit students is \$12.32 million.⁴⁴ If we apply the percentage mentioned above to that figure and we adjust it, the supported grant aid for undocumented immigrants is \$5.18 million. Hence, the total cost for higher education of undocumented immigrants was \$16.1 million in fiscal year 2018.

This report estimates that the total cost for the state of Texas in primary and secondary public education and higher education for undocumented immigrants is \$1.52 billion.

II. Health Care

According to the MPI, 64% of undocumented residents do not have health insurance. Additionally, undocumented immigrants are not eligible for federal health care programs such as Medicaid, the Children's Health Insurance Program (CHIP), and the Affordable Care Act and its subsidies. They are only eligible for emergency medical assistance given

⁴² “Sevis by the Numbers,” Student and Exchange Visitor Program (SEVP), April 2018, <https://www.ice.gov/doclib/sevis/pdf/byTheNumbersApr2018.pdf>.

⁴³ Adjusted to 2018 dollars using the growth rate of total expenditures for affidavit students of 2016 and 2017 (2.4%).

⁴⁴ “Overview: Eligibility for In-State Tuition and State Financial Programs,” Texas Higher Education Coordinating Board, December, 2018.

by Medicaid and federally qualified health centers. Given this access restriction to main federal programs, undocumented immigrants must buy private health insurance. However, many undocumented immigrants do not have the income to purchase it, since it is expensive without the possibility of a subsidy from the federal government. The federal government will not subsidize their health care due to restrictions on using federal funds for undocumented residents, except in the case of emergencies. Hence, state governments must fund the health services undocumented immigrants require. Even so, state support for health care is limited.

Undocumented immigrants, however, do obtain some health benefits in Texas, mainly through Emergency Medicaid, state and local programs, and public health programs. The following sections calculate those costs.

Emergency Medicaid

Undocumented immigrants can have access to health care for limited periods if, and only if, it is an emergency. Emergency Medicaid, however, offers minimal coverage when an undocumented immigrant has a life-threatening condition. Once the undocumented resident's condition stabilizes, the coverage ends. Even so, many undocumented immigrants prefer not to or cannot access this kind of care, or they do so only when diseases like cancer have progressed to later stages. Given this, most patients in this state-federal health insurance program are undocumented,⁴⁵ and many are seriously ill.

To estimate the costs of this program for Texas as a whole, we use information from the MPI, the Kaiser Family Foundation (KFF), the U.S. Census Bureau, and the U.S. Department of Health and Human Services. The state shares the cost of Medicaid with the federal government. Texas pays approximately 43.6% of Medicaid costs, nearly \$16.4 billion. If we estimate flatly that immigrants represent 16.9% of the entire population in Texas and undocumented immigrants account for 34% of these immigrants, we are able to estimate a total cost attributable to undocumented residents. To estimate the state cost of Emergency Medicaid for undocumented aliens, we multiply the share of the state spending on Medicaid by the previous percentages. Then, we again multiply the latter result by the percentage that refers only to emergencies (10.2%), and the result is the total estimated state cost for Emergency Medicaid for undocumented immigrants: \$95.8 million in fiscal year 2018.

Children with Special Health Care Needs

This program helps children with special health care needs to improve their health and hence their quality of life. These children are or have been at an increased risk for a chronic physical, developmental, behavioral, or emotional condition. Indeed, approximately 20% of U.S. children under 18 years of age have a special health care need.⁴⁶

⁴⁵ Phil Galewitz, "How Undocumented Immigrants Sometimes Receive Medicaid Treatment," *PBS*, February 13, 2013, <https://www.pbs.org/newshour/health/how-undocumented-immigrants-sometimes-receive-medicaid-treatment>.

⁴⁶ "Children with Special Health Care Needs," Health Resources & Services Administration, August 2019, <https://mchb.hrsa.gov/maternal-child-health-topics/children-and-youth-special-health-needs>.

This program is available for all inhabitants of Texas, regardless of their citizenship status or their income.

The state of Texas shares the cost of this program with the federal government. The expenditures totaled \$23.7 million in fiscal year 2018 using data from the Texas Health and Human Services (HHS) (Figure 5). Applying the above state share to non-citizens, we estimate the state cost of this program for undocumented immigrants was \$8.2 million in fiscal year 2018.

Figure 5. Children with Special Health Care Needs in Texas, 2018.

	Clients Served	Expenditures
Citizens/Legal Residents	326	\$4,823,887
Non-Citizens	127	\$18,896,025
Total	1,603	\$23,719,913

Source: Texas Health and Human Services.⁴⁷

Substance Abuse Services

Substance use and abuse disorders affect people from all levels of income and age groups in Texas. The state maintains a program for substance use and abuse treatment, and it is oriented to all Texans, regardless of their income or citizenship. The Texas Department of State Health Services (DSHS) provides facilities for substance abuse treatment services throughout Texas.

Our previous estimate was that the number of undocumented immigrants in Texas accounts for approximately 5.7% of the population. According to the Substance Abuse and Mental Health Services Administration (SAMHSA), in Texas people who received substance abuse treatment account for 9% of the population per year.⁴⁸ Therefore, of the number of people receiving substance abuse treatment, 0.51% are undocumented immigrants. By applying this percentage to the state expenditures for substance abuse in Texas, we estimate that the total cost for this program for undocumented immigrants was approximately \$836,497 in fiscal year 2018.

⁴⁷ Texas Health and Human Services, email to the author, September 12, 2019.

⁴⁸ SAMHSA (Substance Abuse and Mental Health Services Administration), *Behavioral Health Barometer: Texas, 2014*, HHS Publication No. SMA-15-4895TX. Rockville, MD: Substance Abuse and Mental Health Services Administration, 2015.

https://www.samhsa.gov/data/sites/default/files/State_BHBarometers_2014_2/BHBarometer-TX.pdf.

Mental Health Services

The state of Texas also provides services to help people with mental health conditions. The HHS manages 37 local mental health authorities and two local behavioral health authorities to deliver mental health services within Texas.⁴⁹ Using these community mental health centers, the HHS analyzes and develops policies to address the mental health needs of all Texans. People qualify if these centers diagnose them with schizophrenia, bipolar disorder, or severe depression, among other illnesses. This program is for all inhabitants in Texas who have such diagnoses.

To estimate the number of undocumented immigrants receiving mental health services, we use the same methodology used for substance abuse. The number of undocumented immigrants in Texas is around 5.7% of the population. According to the SAMHSA, in Texas, 15% of adults received mental health care in 2018.⁵⁰ In this case, 0.85% would be undocumented immigrants with a mental health disorder. Applying this percentage to the state expenditure for mental health services, we found that the total cost for this program for undocumented immigrants was approximately \$3.9 million in fiscal year 2018.

Immunizations

The DSHS prepares a list of all immunizations required for admission to public schools. Each student must be totally immunized against different diseases such as diphtheria, mumps, hepatitis, and poliomyelitis. The goal is to protect students and increase vaccine coverage to reduce the risk of contracting these diseases in Texas, and therefore all students must provide evidence that they have been immunized before enrollment.

Texas spent approximately \$81.3 million for adult and child immunizations, and \$32.6 million was state general revenue in 2018. We estimate that 160,000 undocumented students are enrolled in Texas schools. This figure represents 2.9% of all students enrolled in Texas. Many of these undocumented students received all required immunizations in their country of origin before entering the United States. Using information from the MPI and the World Bank, we calculate that almost 94.3% of the undocumented people who came from other countries were immunized. It means that only 5.7% of them were not immunized. Applying 2.9% and 5.7% to the state funds, we estimate that the total cost of immunization for the state of Texas was about \$55,114 in fiscal year 2018.

⁴⁹ “Find Your Local Mental Health or Behavioral Health Authority,” Texas Health and Human Services, accessed February 18, 2020, <https://hhs.texas.gov/services/mental-health-substance-use/mental-health-substance-use-resources/find-your-local-mental-health-or-behavioral-health-authority>.

⁵⁰ SAMHSA, *Key substance use and mental health indicators in the United States: Results from the 2018 National Survey on Drug Use and Health*, HHS Publication No. PEP19-5068, NSDUH Series H-54, Rockville, MD: Center for Behavioral Health Statistics and Quality, Substance Abuse and Mental Health Services Administration, 2019, <https://www.samhsa.gov/data/sites/default/files/cbhsq-reports/NSDUHNationalFindingsReport2018/NSDUHNationalFindingsReport2018.pdf>.

Women and Children's Health Services

Texas also offers health services to women and children in low-income households, including the prevention of unwanted pregnancies, the development of healthier pregnancies, and the care of children. These services help poor children under the age of 20 to have access to medical services to improve their health.

Texas spent approximately \$18.8 million in state funds for this program. We estimate that 5.2% of the female population in Texas are undocumented immigrants, using information from the United States Census Bureau and the MPI. In addition, we use the estimate of 2.9% for the number of undocumented students enrolled in public education. If all undocumented immigrant women and children participated in this program, the state of Texas would have spent about \$875,253 in fiscal year 2018.

Public Health

Some infectious diseases can spread throughout the population if the government does not take steps to treat them. Sexually transmitted diseases are an example of these conditions, and they can affect undocumented immigrants as much as any other Texan. To avoid contagion, Texas provides residents, regardless of legal status, with public health services to lessen the negative public impacts of contagious diseases. We must assume that undocumented residents partake of many of these programs, especially as they learn of their condition.

Here, we estimate the cost of providing control and treatment for these diseases for the state and public health facilities in Texas. The DSHS funded facilities such as the Texas Center for Infectious Disease with \$9.8 million in fiscal year 2018. In addition, the DSHS provided local public health departments with \$50.8 million for HIV identification and prevention, \$18.4 million for the surveillance and prevention of tuberculosis, and \$12.5 million for the prevention of other infectious diseases.⁵¹ We apply 5.7% to the total sum of the above figures to obtain a total cost of \$5.2 million for fiscal year 2018. In this case, we assume that all undocumented immigrants in Texas have had access to these services and partake of these funds.

Emergency Medical Services

Emergency Medical Services (EMS) offer immediate medical care to prevent death or aggravation of an illness or injury to any person living in Texas. The state of Texas provides these services through efficient transportation of sick and injured patients to health care institutions after stabilization of the patient. Texas spent approximately \$125.6 million in state funds for EMS in fiscal year 2018.

To estimate the total cost accrued by undocumented immigrants regarding EMS, we applied the 5.7% of undocumented immigrants in Texas to the above total state

⁵¹ "Operating Budget for Fiscal Year 2020," Texas Department of State Health Services, December 01, 2019,

<https://www.dshs.state.tx.us/budget/dshs-fiscal-2020-budget.pdf>.

expenditure. Again, we are assuming that all the undocumented immigrants received EMS in 2018, although this was not the case. This assumption will give us an upper limit for the total cost of undocumented immigrants in Texas for EMS. We found the total cost for the state of Texas to be \$7.1 million in fiscal year 2018.

Total Health Care Costs

If we sum all the above costs, we obtain the total figure for the state of Texas regarding health care expenses. This report estimates that the total expenditure for undocumented immigrants in Texas was \$122.1 million in fiscal year 2018 (Figure 6).

Figure 6. State Health Care Costs Associated with Undocumented Immigrants Fiscal Year 2018.

Service Area	Undocumented Immigrants Costs
Emergency Medicaid	\$95,858,013
Children with Special Health Care Needs	\$8,238,667
Substance Abuse	\$836,497
Mental Health	\$3,898,646
Immunizations	\$55,114
Women and Children	\$875,253
Public Health	\$5,184,099
Emergency Medical Services	\$7,115,588
Total	\$122,061,878

In this report, we estimate only the expenditures incurred by the state of Texas for the health care of undocumented immigrants. However, some local governments and private firms also offer health care to undocumented immigrants and share this cost. In some cases, hospitals provide emergency services to uninsured undocumented immigrants and then face uncompensated care costs if the patient can't pay for the services. We estimate that the total for uncompensated care costs in 2018 was \$6.8 million, since this amount has not changed significantly since 2016.⁵² Assuming that 13% of undocumented immigrants have at least one uncompensated visit a year, we can estimate that the uncompensated health care costs attributable to undocumented immigrants was \$890 million in 2018.⁵³

⁵² "Texas Hospital Uncompensated Care Report," Texas Health and Human Services Commission, December 01, 2018, <https://hhs.texas.gov/sites/default/files/documents/laws-regulations/reports-presentations/2018/rider-10-hospital-uncompensated-care-report-dec-2018.pdf>.

"Future of Uncompensated Care Funding for Texas Hospitals," Texas Hospital Association, accessed February 18, 2020, https://dnnsymkuj.blob.core.windows.net/portals/0/Issues/1115Waiver/Future_of_UC_Funding.pdf?sr=b&si=DNNFileManagerPolicy&sig=4q3TCsRYqiWt%2Bc4UO2KzIhxq92aaaGcFtUid03%2BCr5c%3D.

⁵³ Lila Flavin, Leah Zallman, Danny McCormick, and J. Wesley Boyd, "Medical Expenditures on and by Immigrant Populations in the United States: A Systematic Review," *International Journal of Health Services* (2018): 1-21, http://www.pnhp.org/docs/ImmigrationStudy_IJHS2018.pdf.

Community Health Centers or Federally Qualified Health Centers offer primary and preventive health care services to people who do not have insurance or have a low income. Federal grants, Medicaid, Medicare, CHIP, private grants, and state/local funds support the Texas Community Health Centers. According to the Texas Association of Community Health Centers (TACHC), these centers obtained 10% from the state of Texas and local funds.⁵⁴ We use information from the MPI and the TACHC to estimate the figure for undocumented resident use of these services. We know that 5.7% of the population of Texas is undocumented, 64% of undocumented immigrants do not have insurance, and 18% of these undocumented immigrants have access to these centers. If we apply these percentages to the total amount that the state of Texas provided to these centers (\$115,705,758), we estimate that the amount spent by these centers that was attributable to undocumented immigrants was \$741,769 in 2018.

It is important to mention that the total cost of health care for undocumented immigrants in Texas (\$122.1 million) could be reduced if undocumented individuals were granted access to health programs or medical insurance. Almost 85% of these total costs came from emergency services, since undocumented immigrants must access these services as the only way to stay alive. Undocumented immigrants should receive assistance in the initial stages of their diseases; waiting until the final stages is more expensive and inefficient for Texas and inhumane for undocumented individuals. In addition, in this final stage, undocumented immigrants must suffer a lot of pain, and their probability of death increases exponentially. Early detection of a serious disease, such as cancer, reduces the financial impact on state spending. Not only is the cost of treatment much lower in the early stages, but people can continue to work and support their families if they receive effective treatment in time. Therefore, the best option would be to include undocumented immigrants in the programs offered by the government to diminish their health costs.

III. Incarceration

The criminal justice system in Texas provides public safety by deterring and preventing crime, punishing criminals, and rehabilitating inmates. This system has a regulatory framework that defines crimes and offenses, as well as their respective punishments. According to the Bureau of Justice Statistics, Texas led the nation with the largest incarcerated population in 2017.⁵⁵

The criminal justice system in Texas consists of law enforcement and criminal prosecution (sheriffs and police departments), trial and appeals (the Texas Supreme Court), and corrections (state jails and prisons). All of these categories affect undocumented immigrants if they commit a crime, and the arrest of an undocumented immigrant causes a complicated interaction between local, state, and federal authorities. The Texas criminal justice system interacts with the U.S. Immigration and Customs Enforcement (ICE) agency

⁵⁴ "Texas Community Health Centers," Texas Association of Community Health Centers, accessed February 18, 2020, http://www.tachc.org/content/wrap/2018-2019_statewide_fact_sheet.pdf.

⁵⁵ Jennifer Bronson and E. Ann Carson, "Prisoners in 2017," U.S. Department of Justice, April 2019, <https://www.bjs.gov/content/pub/pdf/p17.pdf>.

to verify the immigration status of criminal suspects and to determine if deportation is necessary. However, deportation depends on different factors such as an individual's criminal and immigration history.

The criminal justice process starts when the state and local law enforcement officials arrest a suspect. The officials set the charges and file them. The suspect provides identification to the officers and they take his or her fingerprints. If the suspect claims foreign birth, if officials suspect foreign birth of the suspect, or if the suspect's fingerprints match federal immigration records, ICE will review that information and decide to pick him or her up or to ask the jail to notify them when the criminal is released. Once in custody of ICE, the undocumented immigrant will wait for federal deportation proceedings.

The total population of inmates in Texas is 137,223 distributed in 108 facilities.⁵⁶ Of this total, at least 13%,⁵⁷ or 17,860 inmates, are undocumented. The immigration status of another 8,769 is under investigation, and approximately 1,955 inmates are lawful immigrants or cannot be deported. Offenses related to illegal drugs and immigration violations are the most common crimes of these immigrants. However, an important result found by the Cato Institute in Texas was that conviction and arrest rates for undocumented immigrants were lower than those for native-born Americans for most crimes.⁵⁸

Following the methodology of the U.S. Government Accountability Office (GAO), we estimate the costs associated with undocumented offenders. We multiply the average cost per day (\$57.40)⁵⁹ of inmates by the number of undocumented offenders (17,860) who were incarcerated in Texas in one year. We estimate that the total costs were \$374.2 million in fiscal year 2018.

⁵⁶ "Texas Prison Inmates," *Texas Tribune*, accessed December 18, 2019, <https://www.texastribune.org/library/data/texas-prisons/>.

⁵⁷ "Alien Incarceration Report," Department of Homeland Security and Department of Justice, June 6, 2018, <https://www.justice.gov/opa/press-release/file/1069281/download>.

⁵⁸ Alex Nowrasteh, "Criminal Immigrants in Texas in 2017: Illegal Immigrant Conviction Rates and Arrest Rates for Homicide, Sex Crimes, Larceny, and Other Crimes" CATO Institute, Immigration Research and Policy Brief no. 13, August 27, 2019, <https://www.cato.org/publications/immigration-research-policy-brief/criminal-immigrants-texas-2017-illegal-immigrant>.

⁵⁹ Patrick Graves, "Texas State Jails: Time for a Reboot?" *Fiscal Notes*, Texas Comptroller, August 2019, <https://comptroller.texas.gov/economy/fiscal-notes/2019/aug/jails.php>.

Federal Reimbursement

The U.S. Bureau of Justice Assistance's State Criminal Alien Assistance Program (SCAAP) partially reimburses the state of Texas and units of local governments for the cost related to the incarceration of undocumented residents. Reimbursements will be made if undocumented residents were convicted of at least one felony or two misdemeanors, and if the undocumented resident was incarcerated for at least four consecutive days.⁶⁰ Texas received \$20.4 million in SCAAP funds to partially reimburse the state and local governments of Texas.⁶¹ The state received almost 69% of this money, and the rest of the money went to local governments in 2018.⁶²

Local governments face a high financial burden due to the cost of enforcing the law, prosecuting suspects, and operating county jails. Counties must pay sheriffs, clerks, and attorneys every time an undocumented immigrant commits a crime. In this report, we are only estimating the cost for the state of Texas to have undocumented immigrants incarcerated, not the cost for local governments. However, it is important to note that there are other costs for local governments with respect to undocumented immigrants.

At the state level, we can conclude that undocumented immigrants cost Texas a total of \$2.0 billion in 2018 (Figure 7). This cost is the sum of money spent on education, health care, and incarceration.

Figure 7. Estimated Costs from Undocumented Immigrants, Fiscal Year 2018.

Category	Undocumented Immigrants Costs
Education	\$1.5159 B
Health Care	\$122.1 M
Incarceration	\$374.2 M
Total	\$2.0122 B

⁶⁰ Gabrielle Bronstein, "FY 2019 State Criminal Alien Assistance Program (SCAAP)," The Ferguson Group, April 17, 2019, <http://www.thefergusongroup.com/Details-Page/ArticleID/519/FY-2019-State-Criminal-Alien-Assistance-Program-SCAAP>.

⁶¹ "State Criminal Alien Assistance Program (SCAAP)," Bureau of Justice Assistance, U.S. Department of Justice, accessed November 30, 2019, <https://bja.ojp.gov/program/state-criminal-alien-assistance-program-scaap/overview>.

⁶² Ibid.

State Benefits

This section focuses on the benefits that undocumented residents accrue for the state of Texas, specifically in the form of contributions to state coffers through various taxes.

Texas Revenue

The state of Texas receives revenue from different sources such as tax collections, federal funding, licenses, fees, fines and penalties, and other miscellaneous sources of revenue. Revenue in Texas totaled \$120.2 billion in fiscal year 2018. From these sources of revenue, \$55.6 billion (46%) came from tax collection. Federal funding represented \$39.6 billion (33%); licenses, fees, fines and penalties accounted for \$6.5 billion (5%); and other sources accounted for \$18.5 billion (16%).⁶³

Undocumented immigrants in Texas pay various taxes that provide revenue to the state. Texas does not collect income tax, but it does collect other types of tax. Like any other Texan, undocumented immigrants pay sales and excise taxes when they buy goods and services. They pay property taxes on their owned or rented houses. Other payments that undocumented immigrants make to the state are related to fees and fines, tuition, and utilities. This report estimates the major sources of state revenue obtained from undocumented immigrants, but it does not consider federal revenue.

The sources of state revenue considered in this report include the following: consumption taxes, lottery proceeds, utility taxes, court fees, school property taxes, tuition for higher education, and state park fees. To estimate the revenue for each category, we use information from the MPI, the Pew Research Center, the Texas Comptroller, the U.S. Department of Health and Human Services (HHS), the University of Houston and the Texas Lottery Commission, and the Texas Parks and Wildlife Department. The estimate of annual average family income in this report is \$23,044, using the federal poverty levels from HHS.

Major Consumption Taxes and Fees

Consumption taxes are composed mainly of sales tax, motor vehicle sales and use tax, gasoline tax, alcoholic beverage tax, cigarette and tobacco tax, and the hotel tax. To calculate the proportion of taxes paid by undocumented immigrants, we need information about the number of undocumented families that pay taxes in Texas, their income distribution based on poverty levels, and the incidence tax based on that income distribution. We estimate that the number of undocumented families who pay taxes in Texas is approximately 776,112. We use the income distribution of undocumented immigrants from the MPI data. The MPI categorizes these individuals in five discrete income groups based on poverty levels. We use the midpoint of the income ranges in each group to calculate the average income within each group. Then, we multiply this figure by

⁶³ “Monthly State Revenue Watch,” Texas Comptroller, February 2020, <https://comptroller.texas.gov/transparency/revenue/watch/all-funds/>.

the number of taxpaying families in each group to obtain the aggregate income. Finally, we multiply each of these outcomes by their respective incidence of tax to obtain the contribution of undocumented immigrants for each group in Texas. The total is the estimated revenue from major consumption taxes and fees that was paid by undocumented immigrants. In fiscal year 2018, this was estimated to be \$1.06 billion.

Utilities and School Property Tax

Revenue from utility tax comes from the use of gas, electricity, and water, services that undocumented immigrants must pay. We used the same methodology as the previous category, but with a different tax incidence for each income group. The estimated revenue from undocumented immigrants with respect to utilities was \$60.9 million in fiscal year 2018. We use the same data and methodology to estimate the school property tax revenue, but with a different tax incidence. The estimated value for school property tax revenue was \$1.1 billion in fiscal year 2018.

Lottery

We estimate the number of taxpaying families in five income groups with the same methodology as before. To calculate the lottery revenue, we must multiply the percentage of the population that plays lottery games and the average amount spent by each household given their income level in 2018. According to the Texas Lottery Commission, the percentage of Texans who play any Texas lottery game was 42% in 2018.⁶⁴ Multiplying the number of taxpaying families by the participation rate of each of these groups by the median amount spent per year per income group, we obtain the lottery revenue for each group in Texas. Based on these calculations, the lottery revenue was \$110.3 million for fiscal year 2018.

Court Costs, Fines, and Fees

These fees are not related to the incidence of tax, so we estimate them on a per capita basis. The total revenue for licenses fees, court costs, and fines was \$490.9 million in 2018. Dividing this amount by the population of Texas, we find that the revenue per capita for these revenue objects was \$17.38 in 2018. Then, we multiply this by the unauthorized population in Texas that can be subject to these types of fees. The result is the total revenue from undocumented immigrants for court costs, fines, and fees: \$25.5 million in fiscal year 2018.

All Other Revenue

Other sources of revenue consist of only two types of consumer taxes and fees that undocumented immigrants pay: higher education tuition and state park fees. Regarding the amount paid by affidavit students in tuition and fees, the Texas Higher Education Coordinating Board estimates this amount to be \$72.8 million.⁶⁵ In the case of undocumented immigrants, the amount was \$30.61 million in 2018. Using data from the

⁶⁴ "Demographic Survey of Texas Lottery Players 2018," Texas Lottery Commission, November 2018, https://www.txlottery.org/export/sites/lottery/Documents/legal/meetings/2018/comm_meeting_12132018_SectionII.pdf.

⁶⁵ "Overview: Eligibility for In-State Tuition and State Financial Programs," Texas Higher Education Coordinating Board, December, 2018, <http://reportcenter.theccb.state.tx.us/reports/data/overview-eligibility-for-in-state-tuition-and-state-financial-programs/>.

Texas Parks and Wildlife Department and the MPI, we estimate that undocumented immigrants contributed to the state approximately \$3.0 million in 2018.⁶⁶ Therefore, the total revenue attributed to undocumented immigrants from these categories was \$33.6 million in fiscal year 2018.

Total Revenue for the State of Texas

Undocumented immigrants contributed to the state revenue with nearly \$1.3 billion in 2018. They also paid approximately \$1.13 billion in school property tax revenue. According to these figures, their total contribution to the state of Texas was around \$2.43 billion in estimated revenue in fiscal year 2018. This number is likely even higher if we consider that second-generation immigrants are among the strongest fiscal contributors in the population, since they have more education, better jobs, and, therefore, higher salaries.⁶⁷

Figure 8. Estimated Revenue from Undocumented Immigrants, Fiscal Year 2018.

Revenue Source	Estimated Revenue from Undocumented Immigrants
Major Consumption Taxes and Fees	\$1.0678 B
Lottery	\$110.3 M
Utilities	\$60.9 M
Court Costs and Fees	\$25.5 M
All Other Revenue	\$33.6 M
State Revenue Subtotal	\$1.2981 B
School Property Tax	\$1.1349 B
Total Estimated Revenue	\$2.433 B

Economic Impact

This report conducts an economic impact analysis of the deportation of all undocumented residents from Texas on its gross state product (GSP). This analysis estimates the immediate and secondary economic effects on the GSP. We use a methodology known as Input-Output (I-O) analysis to replicate the relationship among industries in Texas and to determine how a deportation policy will affect them and their final output. An I-O model can be used to calculate the effects on economic activity of a specific policy change. In this case, deportation would represent a shock to the Texan economy.

⁶⁶ “Texas Parks and Wildlife Department Financial Overview—2019,” Texas Parks and Wildlife Department, 2019,

https://tpwd.texas.gov/publications/pwdpubs/media/pwd_rp_a0900_0679_01_19.pdf.

⁶⁷ Francine D. Blau and Christopher Mackie, eds., *The Economic and Fiscal Consequences of Immigration*, Washington D.C: The National Academies Press, 2017, <https://doi.org/10.17226/23550>.

Multipliers are the core of how the I-O model makes estimations for the potential impacts of economic changes. Multipliers measure the overall economic effects and the inter-industry relationships of the state. These multipliers estimate the total change in the economy given a change in employment, income, or another important economic variable.

This report uses the IMPLAN model for Texas to estimate the economic impact of the deportation of undocumented immigrants. The IMPLAN model employs a top-down approach with national databases such as the U.S. Census Bureau and the U.S. Bureau of Economic Analysis. The model allows for identifying direct, indirect, and induced economic effects. Direct effects refer to the initial changes in affected industries where undocumented immigrants work. Then the multipliers estimate the changes in related economic sectors that will also be affected by the deportation of these individuals to generate the indirect effects. The change in state employment levels due to direct and indirect effects will affect household incomes in Texas. This impact on the economic activity through changes in household incomes is known as an induced effect. The sum of these three effects represents the total impact on the Texas economy of the deportation of undocumented immigrants in Texas.

The dataset used in this report is a 2018 data file for Texas, and the study uses constant 2018-dollar amounts given by the IMPLAN database. With this software, we can analyze the impact of removing all the undocumented immigrants from Texas. This policy would have a major negative impact on the Texas economy. Indeed, the state of Texas would not only lose revenue, but driving undocumented immigrants out of Texas would also reduce its GSP, as we will see below.

This study uses information from the MPI to estimate the number of undocumented workers who would be deported from Texas. This group represents 60% of all undocumented residents in Texas. The number of undocumented workers eliminated from each industry was estimated using MPI data and adjusted using the methodology of Hinojosa-Ojeda. After that, we calculated the economic impact of deporting 20% and 100% of undocumented workers in the state of Texas. The IMPLAN model calculates those impacts on the Texas economy.

If all undocumented workers were deported, Texas would lose more than \$41.9 billion in direct employment compensation, defined as pretax salary and wage earnings. The total lost would be \$70.3 billion (Figure 9), which represents a reduction of 7.7% in state employment compensation. If even 20% of this group were deported, the state would lose approximately \$8.4 billion in direct employee compensation, and the total impact would be \$14 billion. In this case, we assume that unemployed individuals would not take these jobs and other workers would not replace these jobs immediately. We make this assumption because many of these jobs require skills that only undocumented immigrants have (for example in construction or manufacturing). This reduction in labor income has a major impact on the state's economy, since their purchasing power decreases.

Figure 9. Economic Impacts of Mass Deportation, 2018 (in billions).

Impact	Labor Income	Output
Direct	-\$41.977	-\$84.527
Indirect	-\$12.138	-\$36.987
Induced	-\$16.267	-\$50.479
Total	-\$70.382	-\$171.994

The deportation of all undocumented workers would shrink the economy of Texas since the decrease in labor income would diminish the demand for goods and also the productivity and profits of the firms. In this case, the Texas's GSP would directly diminish by more than \$84.5 billion if all undocumented workers were deported. The total decrease in the GSP would be approximately \$171.9 billion; this represents a reduction of 10% in the GSP. Assuming the same scenario for a 20% deportation, the state would lose around \$16.9 billion in direct GSP and \$34.4 billion in total GSP (1.9% reduction of the GSP).

Conclusion

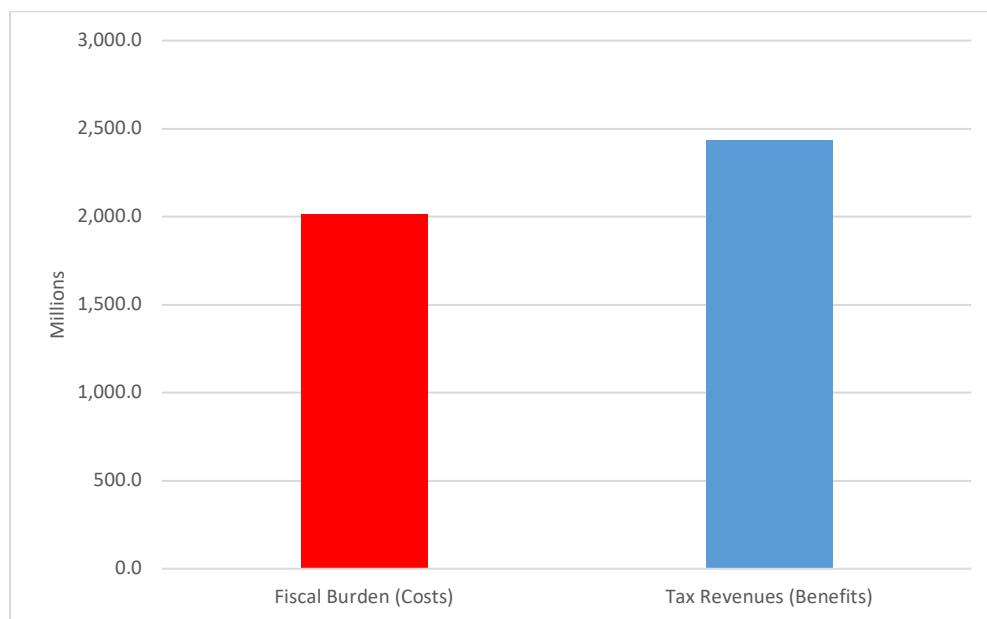
Immigration reform in the United States appears nearly impossible today, as it has been for twenty years. The probabilities of it happening may, however, increase if we deal first and separately with the undocumented population through an understanding of what they contribute to the U.S. economy. This report strengthens the argument of those who would advocate for allowing them to stay in the United States, under certain conditions. The Texas case demonstrates that they add more than they take from the economy. In effect, undocumented residents have a positive influence and impact on the economy, since they pay taxes and fees and constitute an important part of the labor market. Even if we consider the costs of undocumented immigrants to the state of Texas, the benefits outweigh the costs. These costs are mainly in education, health care, and imprisonment—though imprisonment is nearly a choice of the state itself. This report estimates that the revenue collected from undocumented immigrants exceeded what the state spent on them, resulting in a net benefit of approximately \$420.9 million in fiscal year 2018 (Figure 10). This means that for every dollar spent on public services for undocumented immigrants, they provide \$1.21 in fiscal revenue for the state of Texas.⁶⁸ The economic impact analysis

⁶⁸ Chris Conover, "How American Citizens Finance \$18.5 Billion In Health Care For Unauthorized Immigrants," *Forbes*, February 26, 2018, <https://www.forbes.com/sites/theapothecary/2018/02/26/how-american-citizens-finance-health-care-for-undocumented-immigrants/#466f975c12c4>. If we estimate and adjust the costs of health care using Chris Conover's estimate for Texas in 2018 (published in *Forbes*), we still find that the total benefits are higher than the total costs. In this case, the estimated costs of health care were \$414.7 million, meaning the net benefit would be \$128.3 million in Texas. However, this estimate of health care costs not only includes the state cost, but also the local cost, meaning the total cost must be lower and the net benefit greater.

reinforces this, since the deportation of all undocumented workers would create a loss of \$171.9 billion in the GSP.

The results of this report are of great value as they help us to understand the importance of undocumented residents in Texas and indicate what Texas should do to protect their contributions to the state. Texans need to advocate for their regularization, since they are a vital part of the Texas economy.

Figure 10. Fiscal Surplus of \$420.9 million in 2018.



Undocumented residents constitute a significant part of the Texas labor force. However, the wages of these workers are not equal to those of legal workers.⁶⁹ There is a large wage gap between undocumented immigrants and fully documented residents and citizens. The general working conditions are not the same either. Undocumented immigrants are forced to work without any health or legal protection and must accept these conditions due to the fear of deportation. Indeed, forced labor and exploitation are more feasible when undocumented workers must work in fear.⁷⁰ If we add that undocumented residents do not have access to the same health care and other social programs as legal workers, this group is particularly vulnerable. However, even with these conditions, they are working and helping

⁶⁹ George Borjas and Hugh Cassidy, “The wage penalty to undocumented immigration,” *Labour Economics* 61, December 2019, <https://www.sciencedirect.com/science/article/pii/S0927537119300831>.

⁷⁰ Guadalupe Correa-Cabrera and Tony Payan, *Political Turpitude: The Negative Impact of Zero-Tolerance Immigration Policies on Irregular Labor Market*. Issue brief no. 07.09.18. Rice University’s Baker Institute for Public Policy, Houston, Texas, 2018, <https://www.bakerinstitute.org/media/files/research-document/f2cd22db/bi-brief-070918-mex-immigrationtolerance.pdf>.

to boost the Texas economy. If we consider these gaps, we can assume that regularizing all undocumented immigrants would further positively impact the Texas economy.

The scope of this report was to replicate and update the Texas Comptroller's report of 2006. However, as mentioned above, there are some serious issues with the methodology of that report. It likely overestimates the costs that undocumented immigrants generate to the state. It is therefore important to highlight that the costs obtained in this report are likely much lower than what we estimated, rendering higher benefits than those allowed by the methodology. A more accurate methodology would involve a state survey to estimate costs based on the responses of individual participants.

An improvement on methodology and more frequent analyses of this type would better serve to inform policy makers with evidence-based policy decisions. Immigrants offer considerable contributions to the Texas economy, and it is useful to continue comprehensive studies on the financial impact of immigrants on the state's budget and economy. Finally, this report can serve as a blueprint for other states to conduct their own analyses of their undocumented residents. The results in those states are likely to be similar to the results in Texas. Having demonstrated this, state and local officials can then focus on negotiating immigration policies to benefit their own economies.