

BALLOT PROPOSITION #200

Arizona Taxpayer and Citizen Protection Act

FISCAL ANALYSIS

Description

Proposition 200 would require that evidence of United States (US) citizenship be presented by every person to register to vote, that proof of identification be presented by every voter at the polling place prior to voting, that state and local governments verify the identity of all applicants for state and local public benefits that are not federally mandated, and that government employees report United States immigration law violations by applicants for public benefits.

Estimated Impact

Proposition 200 may result in state and local government savings depending on the number of ineligible applicants determined to be currently receiving state and local public benefits that are not federally mandated. The reduction in spending will also depend on whether savings from removing the ineligible persons from these programs are then used to serve additional eligible applicants.

Proposition 200 may result in state and local government costs if persons ineligible for public benefits ultimately use federally mandated health programs after losing services for non-mandated preventive health programs. There may also be state and local government costs to verify an applicant's identity and eligibility, as well as maintaining documents admitted as evidence of citizenship.

The proposition's effect on the overall level of unauthorized immigration is difficult to estimate. If Proposition 200 reduces this immigration, there may be an impact on the state share of costs for federally mandated programs. There may also be a loss of tax revenue currently paid by these individuals. This population tends to fill lower paying jobs. A decrease in this population may increase job opportunities for the remaining population or result in an increase in wages for these jobs if the overall labor supply declines.

Analysis

The proposition could generate both savings and costs for state and local governments. If state agencies are not currently verifying applicants' eligibility for benefits, and they begin to do so as a result of the requirements of the proposition, there could be savings as individuals are determined ineligible. JLBC Staff does not have a cost estimate for the number of ineligible individuals currently receiving state and local public benefits. (There is some information on federally mandated benefits, which is described below.) The level of state benefit savings will depend on the number of persons determined ineligible and also on whether these savings are used to serve additional eligible applicants. Proposition 200 does not define the term "state and local public benefits that are not federally mandated." Therefore, the potential level of savings will also depend on how many state and local government programs are ultimately determined to be covered by the proposition.

Federal law mandates that individuals who are not lawfully present in the United States are eligible to receive some benefits such as emergency medical care and elementary and high school public education. The proposition does not directly affect the provision of these federally mandated benefits. Some state share of the cost for these benefits may be reduced if the proposition results in a reduction in this population or serves to discourage future unauthorized immigration. The JLBC Staff is not aware of any studies that project the proposition's effect on the overall level of immigration.

Two recent studies have examined the cost of services provided to immigrants in Arizona. Based in part on a 1994 study by the Urban Institute, a report by the Federation for American Immigration Reform (FAIR) estimated that those individuals not lawfully present in the United States and their US born children annually receive approximately \$1.3 billion in certain public funding and private hospital care. This cost estimate consists primarily of the federally mandated benefits of elementary and secondary education and uncompensated public and private health care, which are not affected by the proposition. The FAIR study estimated the cost impact of elementary and secondary education at \$480 million for unauthorized immigrants' US born children and \$330 million for non-US born children. The report estimated the cost for uncompensated public and private health care at \$400 million. The FAIR report also included \$80 million in spending on incarcerated individuals, which would probably not be affected by the proposition.

A second report, by the Thunderbird American Graduate School of International Management, was not limited to the unauthorized population only. The report estimated that immigrants from Mexico to Arizona annually receive approximately \$250 million in public benefits. These numbers, however, are extrapolations of data from national studies, which may include the cost of federal programs. In addition, these national studies appear to estimate the net cost impact after adjusting for any taxes paid. It is unclear whether the Thunderbird estimates have adjusted the federal numbers to produce a gross pre-tax spending impact. The JLBC Staff has not attempted to reconcile the FAIR and Thunderbird estimates.

The proposition may also generate costs for state and local governments. In some cases, there could be long-term costs with determining individuals ineligible for non-federally mandated benefits. Determining low-income individuals ineligible for discretionary preventive health programs may increase their future use of emergency health care. The federal government requires the funding of certain emergency health care for low-income individuals regardless of citizenship status and the cost is shared by the state.

The proposition may also result in higher state and local administrative costs. If agencies are not currently verifying an applicant's identity and eligibility for benefits, and reporting immigration violations, they may also face additional administrative costs associated with performing these functions. The JLBC Staff is unaware of an estimate for either of these potential cost impacts.

Economic Impact

The proposition may also affect state and local government revenue collections as unauthorized immigrants contribute to the state's economy and labor market. The estimate of tax collections received from this population varies. The FAIR report estimated that these individuals generated about \$257 million annually (2004 dollars) in state and local sales, income and property tax revenues. The Thunderbird report estimated that Mexican immigrants paid approximately \$293 million in sales taxes (about \$306 million in 2004 dollars). The Thunderbird study did not estimate the amount of state income or property taxes paid by unauthorized individuals. The direct state revenue impact will depend on how the proposition affects the state's overall level of immigration.

In addition to affecting tax collections, the level of immigration affects the labor market. The Urban Institute estimated earlier this year, based on the Census Bureau's March 2002 Current Population Survey, that about 5% of all U.S. workers are not lawfully present. Arizona's labor force included approximately 300,000 of these workers, or about 11.5% of total employment in the state. According to the Thunderbird study, these individuals earned \$11,170 per year in 2000, (\$12,260 in 2004 dollars), about 39% of the average for all workers. The annual wages earned by this group are estimated to be about \$3.7 billion. This population tends to fill lower paying jobs. A decrease in this population may increase job opportunities for the remaining population or result in an increase in wages for these jobs if the overall labor supply declines. These secondary labor market impacts could also affect state revenue collections.

Local Government Impact

The proposition could increase costs for the County Recorder's Office in each of the counties. These costs could include administrative costs associated with maintaining documents admitted as evidence of citizenship, as well as increasing the level of security of voter files.

Because the provision related to agencies that administer public benefits refer both to state and local agencies, any potential costs and savings identified above also apply to local governments. Similarly, any of the economic costs and benefits described above would have effects both at the state and local levels.

The Arizona Association of Counties reports that they believe there would be increased costs but they do not have a formal estimate.

7/14/04

This estimate was prepared by Brad Regens, Brian Cary and Beth Kohler (602-542-5491).