



# National and State-by-State Economic Benefits of Immigration Reform

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On April 16, 2013, the Senate’s “Gang of 8”—a bipartisan group of eight U.S. senators—filed the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013.<sup>1</sup> At the core of the bill is a provision that will provide a pathway to earned legalization and citizenship for the 11 million undocumented immigrants in America.

The pathway to citizenship for these aspiring Americans will be neither short nor easy. Under the provisions of the bill, most undocumented immigrants will have to wait 10 years before they can apply for legal permanent residency—a green card. In addition, most will not be eligible for citizenship until at least 13 years after the bill is enacted.<sup>2</sup>

Despite this long process, there are significant economic benefits to the U.S. economy and to all Americans when unauthorized immigrants acquire provisional legal status. Our prior research in a Center for American Progress report, “Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants,” showed that legalization and citizenship bring large economic benefits to the nation as a whole.<sup>3</sup> But as this brief will show, the economies of each state also stand to gain large benefits if immigrants are put on a path to legal status and citizenship.<sup>4</sup> In this follow-up issue brief, we break down the economic gains for 24 individual states.

Both the acquisition of legal status and citizenship enable undocumented immigrants to produce and earn significantly more. These resulting productivity and wage gains ripple through the economy because immigrants are not just workers—they are also taxpayers and consumers. They pay taxes on their higher wages and they spend their increased earnings on the purchase of goods and services including food, clothing, and homes. This increased consumption boosts business sales, expands the economy, generates new jobs, and increases the earnings of all Americans.

Each state will experience significant economic growth as well. In this follow-up to the “Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants,” we begin by recapping the national gains. We then provide estimates of

the economic benefits for 24 states if their undocumented populations were legalized. Specifically, we estimate the increases over 10 years in gross state product, or GSP, as well as earnings, taxes, and jobs for these states if the Senate Gang of 8's bill is enacted in 2013. We also explain why immigration reform is responsible for these specific economic benefits. The methodology for this brief relies upon estimates of the undocumented population in each state and replicates the methodology used in our previous report.<sup>5</sup>

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## National economic benefits of legalization and a pathway to citizenship

If the 11.1 million undocumented immigrants currently living in the United States were provided legal status, then the 10-year cumulative increase in the gross domestic product, or GDP, of the United States would be \$832 billion. Similarly, the cumulative increase in the personal income of all Americans over 10 years would be \$470 billion.<sup>6</sup> On average over 10 years, immigration reform would create 121,000 new jobs each year. Undocumented immigrants would also benefit and contribute more to the U.S. economy. Over the 10-year period they would earn \$392 billion more and pay an additional \$109 billion in taxes—\$69 billion to the federal government and \$40 billion to state and local governments.<sup>7</sup> After 10 years, when the undocumented immigrants start earning citizenship, they will experience additional increases in their income on the order of 10 percent, which will in turn further boost our economy.

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## State-by-state economic benefits of legalization and a pathway to citizenship

The economic benefits of legalization have been calculated for 24 states where 88 percent of the 11 million undocumented immigrants reside.<sup>8</sup> Across all of these states, the economic gains are significant. In Arizona, for example, the 10-year cumulative increase in GSP will be \$23.1 billion, the increase in the earnings of state residents will be \$15.3 billion, and immigration reform will create an average of an additional 3,400 jobs annually. In addition to these significant gains, undocumented immigrants themselves will experience significant increases in their income and pay more taxes to their states. In Arizona, for example, over the 10-year period they will earn \$12.7 billion more and pay an additional \$1.5 billion in state and local taxes on these increased earnings.

In each of these states, when the undocumented immigrants eventually gain citizenship, their earnings will increase an additional 10 percent, further improving the economy and prosperity of all residents in their state. But since the attainment of citizenship will occur outside of the 10-year window of analysis of this study, we do not include any of the economic benefits from the acquisition of citizenship. In addition, we do not include the \$69 billion in additional federal taxes that the undocumented would pay on their increased earnings.

The table below provides a state-by-state breakdown of these benefits over 10 years.

### Economic benefits of immigration reform for 24 states

	Undocumented immigrants	Cumulative increase in GSP	Cumulative increase in earnings of all state residents	Cumulative increase in earnings of undocumented workers	Increase in taxes paid by undocumented immigrants	Average number of jobs created annually
Arizona	400,000	\$23,100,000,000	\$15,300,000,000	\$12,700,000,000	\$1,464,000,000	3,400
Arkansas	55,000	\$4,200,000,000	\$2,500,000,000	\$2,100,000,000	\$257,000,000	600
California	2,500,000	\$125,500,000,000	\$68,200,000,000	\$56,800,000,000	\$5,285,000,000	18,200
Colorado	180,000	\$15,800,000,000	\$9,100,000,000	\$7,600,000,000	\$681,000,000	2,300
Florida	825,000	\$55,300,000,000	\$37,800,000,000	\$31,500,000,000	\$3,057,000,000	8,000
Georgia	425,000	\$44,100,000,000	\$26,100,000,000	\$21,800,000,000	\$2,352,000,000	6,400
Illinois	525,000	\$30,400,000,000	\$16,300,000,000	\$13,600,000,000	\$1,640,000,000	4,400
Maryland	275,000	\$23,800,000,000	\$15,600,000,000	\$13,000,000,000	\$1,259,000,000	3,400
Michigan	150,000	\$10,200,000,000	\$6,800,000,000	\$5,600,000,000	\$546,000,000	1,500
Missouri	55,000	\$5,101,000,000	\$3,300,000,000	\$2,700,000,000	\$253,000,000	700
Nevada	190,000	\$17,900,000,000	\$9,000,000,000	\$7,500,000,000	\$534,000,000	2,600
New Jersey	550,000	\$50,000,000,000	\$30,000,000,000	\$25,000,000,000	\$2,568,000,000	7,200
New Mexico	85,000	\$3,800,000,000	\$2,400,000,000	\$2,000,000,000	\$201,000,000	600
New York	625,000	\$58,700,000,000	\$28,000,000,000	\$23,400,000,000	\$2,452,000,000	8,500
North Carolina	325,000	\$34,700,000,000	\$19,300,000,000	\$16,100,000,000	\$1,542,000,000	5,000
Ohio	100,000	\$7,600,000,000	\$4,600,000,000	\$3,800,000,000	\$414,000,000	1,100
Oregon	160,000	\$12,600,000,000	\$6,800,000,000	\$5,700,000,000	\$437,000,000	1,800
Pennsylvania	160,000	\$14,800,000,000	\$9,300,000,000	\$7,700,000,000	\$810,000,000	2,100
South Carolina	55,000	\$5,800,000,000	\$3,400,000,000	\$2,900,000,000	\$200,000,000	800
Texas	1,600,000	\$144,600,000,000	\$74,700,000,000	\$62,200,000,000	\$6,533,000,000	21,000
Utah	110,000	\$8,600,000,000	\$4,600,000,000	\$3,800,000,000	\$346,000,000	1,200
Virginia	210,000	\$16,300,000,000	\$9,600,000,000	\$8,000,000,000	\$670,000,000	2,400
Washington	230,000	\$21,300,000,000	\$12,500,000,000	\$10,400,000,000	\$1,293,000,000	3,000
Wisconsin	100,000	\$6,100,000,000	\$3,700,000,000	\$3,100,000,000	\$331,000,000	900

Sources: Undocumented immigrants column: Jeffrey Passel and D'Vera Cohn, "Unauthorized Immigrant Population: National and State Trends, 2010" (Washington: Pew Hispanic Center, 2011). All other columns: Authors' calculations based on the March 2012 Current Population Survey. For a complete description of methodology please see Robert Lynch and Patrick Oakford, "The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants" (Washington: Center for American Progress, 2013).

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## Why legalization and citizenship improve economic outcomes and boost the earnings of undocumented immigrants

There are many reasons why receiving legal status and citizenship raises the incomes of immigrants and improves economic outcomes. Five main reasons are explained below.<sup>9</sup>

### *Investment in education and training*

Legalization and citizenship promote investment in the education and training of immigrants that eventually pays off in the form of higher wages and output. Legal status and citizenship provide a guarantee of long-term membership in American society and cause noncitizen immigrants to invest heavily in their English language skills and in other forms of education and training that raise their productivity and earnings.

### *Labor mobility and efficiency*

Legalization and citizenship facilitate the labor-market mobility of the undocumented, which boosts wages and improves economic efficiency. Prior to legalization, unauthorized immigrants are subject to deportation if apprehended and, regardless of their skills, tend to pursue employment in low-paying, low-profile occupations—such as farming, child care, or cleaning services—where their legal status is less likely to be discovered. Thus, undocumented workers do not receive the same market returns on their skills that comparable but legal workers receive. In other words, the productivity of the legalized improves in part because workers move to sectors where their skills and education are both valued and relevant to the work being conducted. Therefore, legalization and citizenship improve the efficiency of the labor market by ensuring that people are working in fields where their skillsets and training are being used to the fullest extent.

### *Legal protections*

Providing legal status and citizenship to undocumented immigrants gives them legal protections that raise their wages. Legalization allows the newly authorized to invoke employment rights and increases their bargaining power relative to their employers. This means that newly legal immigrants are better equipped to contest an unlawful termination of employment, to negotiate for fair compensation or a promotion, and to file a complaint if they are being mistreated or abused.

### *Access to better jobs*

Legal status and citizenship provide access to a broader range of higher-paying jobs. Many jobs, including many public-sector and high-paying private-sector jobs, are available only to legal residents or citizens. In addition, employers often prefer to hire citizens over noncitizens.

### *Fostering entrepreneurship*

Legal status and citizenship make it easier for immigrants to start businesses and create jobs. These facilitate entrepreneurship by providing access to licenses, permits, insurance, and credit—all of which make it easier to start businesses and create jobs. Despite the legal obstacles to entrepreneurship that noncitizens currently face, immigrants are more likely to own a business and start a new business than are native-born Americans. Thus, immigration reform that unleashes this creative potential of immigrant entrepreneurs promotes economic growth, higher incomes, and more job opportunities.

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### Conclusion

Undocumented immigrants are currently earning far less than their potential and therefore paying much less in taxes than they otherwise would be. Overall, they are contributing significantly less to the U.S. economy than they potentially could. With legalization and citizenship, undocumented immigrants will produce and earn more, pay more in taxes, boost the American economy, increase the incomes of all Americans, and promote job growth. This analysis of the economic impact on 24 states, many with the largest undocumented populations, demonstrates that it is not just the nation but also each individual state that will benefit from immigration reform. The sooner we grant legal status and provide a pathway to citizenship to undocumented immigrants, the sooner all Americans will be able to reap these benefits.

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## Endnotes

- 1 *Border Security, Economic Opportunity, and Immigration Modernization Act of 2013*, S. 744, 113 Cong. 1 sess. Government Printing Office, 2013.
- 2 *Border Security, Economic Opportunity, and Immigration Modernization Act of 2013*, Title II Sec. 2101-2102.
- 3 Robert Lynch and Patrick Oakford, "The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants" (Washington: Center for American Progress, 2013), available at <http://www.americanprogress.org/issues/immigration/report/2013/03/20/57351/the-economic-effects-of-granting-legal-status-and-citizenship-to-undocumented-immigrants/>.
- 4 Under the bill, undocumented individuals who entered the country when they were less than 16 years old and have met a series of requirements, such as graduating from high school or receiving a GED, may receive a green card in five years and will subsequently be immediately eligible to naturalize. Research shows that the DREAMers—undocumented individuals that came to the United States in their youth—also bring significant economic benefits to each state. See Juan Carlos Guzmán and Raúl C. Jara, "The State Economic Benefits of Passing the DREAM Act," Center for American Progress, October 1, 2012, available at <http://www.americanprogress.org/issues/immigration/news/2012/10/01/39215/the-state-economic-benefits-of-passing-the-dream-act/>.
- 5 Please see the report for full details. Ibid. Note: In this issue brief, gross state product, or GSP, is used in lieu of gross domestic product, or GDP.
- 6 Lynch and Oakford, "The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants."
- 7 Ibid.
- 8 Jeffrey Passel and D'Vera Cohn, "Unauthorized Immigrant Population: National and State Trends, 2010" (Washington: Pew Hispanic Center, 2011), available at <http://www.pewhispanic.org/2011/02/01/unauthorized-immigrant-population-national-and-state-trends-2010/>.
- 9 For a more detailed discussion of these five reasons, please see Lynch and Oakford, "The Economic Effects of Granting Legal Status and Citizenship to Undocumented Immigrants."