

Undocumented Immigrants in Iowa

Estimated Tax Contributions and Fiscal Impact

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October 2007

The Iowa Policy Project

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The Iowa Policy Project

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Purpose of the Report

This report examines undocumented immigrants in Iowa and their state tax contributions. Undocumented immigration remains a controversial issue in the United States, especially as the failure of federal immigration legislation has contributed to what the National Conference of State Legislatures (NCSL) describes as “an unprecedented level of activity” in state legislative bodies as states seek to develop their own policy solutions to the issue of undocumented immigration.¹

Many people mistakenly assume that undocumented immigrants in Iowa pay no taxes by virtue of their unauthorized status. Little research currently exists in Iowa examining the tax payments of undocumented immigrants. In February 2007, the Iowa Legislative Services Agency addressed this subject in an *Issue Review* that presented ratios of state taxes paid to state benefits accessed for undocumented immigrants. However, our study goes beyond this analysis by adopting a new methodology and presenting more extensive tax data.

Methodology

Our calculations begin with Pew Hispanic Center estimates of the size of the undocumented immigrant population in Iowa. The Pew Hispanic Center estimates that between 55,000 and 85,000 undocumented immigrants live in Iowa, part of a foreign-born population that grew approximately 145 percent between 1990 and 2000.

We assume that the average undocumented immigrant family in Iowa has an annual income of \$27,400, which is the Pew Hispanic Center’s estimate of the national average income for such a family. Our estimate of taxes paid by an undocumented immigrant family living in Iowa is derived from the state tax model developed by the Institute on Taxation and Economic Policy (ITEP). Two adjustments are then made to account for differences in taxes paid by documented versus undocumented families. First, we adjust downward the amount of sales and excise tax paid by an undocumented family in order to account for remittances that family members may send back to their country of origin. Second, we follow the lead of similar state studies in assuming that only 50 percent of undocumented families have incomes that come from working “on the books” with a fake Social Security number and are therefore paying state income taxes. We assume that the remaining 50 percent of undocumented workers in Iowa are being paid “off the books” in cash and are not paying state income taxes.³

¹ National Conference of State Legislatures. “2007 Enacted State Legislation Related to Immigrants and Immigration.” 5 August 2007.

³ In making these assumptions, we follow the lead of ITEP and various other states that have conducted research on the state fiscal impact of tax payments by undocumented immigrants (see Baker and Jones 2006, Coffey 2006, Ehresman 2006, New Mexico Policy Project 2006, Oregon Center for Public Policy 2006). National research has also supported the assumption that approximately 50 percent of undocumented workers are paying payroll taxes, including income tax. In his analysis of

In addition, we present data on state unemployment insurance tax payments and federal Social Security and Medicare tax payments made by undocumented immigrant employees working “on the books” and by their employers.

We use several approaches to compare the tax payments by and on behalf of undocumented immigrants to the state services they access. We compare the tax payments and service eligibility of an undocumented immigrant family in Iowa with the tax payments and service eligibility of a documented family in Iowa with an income identical to that of the average undocumented family. In addition, we are able to estimate specific costs related to undocumented immigrants in three areas: K-12 public education, emergency medical care and incarceration.

It is important to emphasize that, given the limitations on available data, we are presenting estimates rather than definitive conclusions regarding the amount of taxes paid by undocumented immigrants and the cost of certain services accessed by this population.

Taxes Paid

We estimate that the average undocumented family in Iowa pays about \$1,254 in sales and excise taxes, \$110 in property taxes, and \$307 in income taxes, for a total tax contribution of \$1,671 each year. This represents approximately 80 percent of the total amount of taxes paid by a documented family in Iowa earning the same income. As the table below indicates, our calculations show that undocumented immigrant families in Iowa pay in the aggregate between \$40 million and \$62 million in state and local property, sales and excise, and income taxes every year, depending on the actual size of the undocumented immigrant population in Iowa.

	Tax payment per undocumented family	Aggregate tax payments for all undocumented families in Iowa
Property tax	\$111	\$2,665,887 to \$4,120,098
Sales and excise tax	\$1,253.72	\$30,110,593 to \$46,535,579
Income tax	\$306.50	\$7,364,233 to \$11,381,087
Total income, sales and excise, and property taxes	\$1,671.22	\$40,140,713.24 to \$62,036,763.96

undocumented immigrant tax payments for the Center for Immigration Studies, Stephen Camarota (2004) uses the figure of 55 percent compliance. Passel and Clark (1998) estimate that 60 percent of undocumented immigrants pay these taxes, but adjust that compliance rate to 50 percent to account for undercounting the number of undocumented immigrants. If anything, our assumption of a 50 percent payment rate likely underestimates the amount of undocumented workers in Iowa paying payroll and income taxes.

Undocumented immigrant workers who work “on the books” also contribute additional state and federal taxes that go to pay for benefits that, because of their illegal status, these workers will never be able to access. Every year, employers pay the State of Iowa an estimated \$1.85 million to \$2.86 million in state unemployment insurance premiums on behalf of their unauthorized employees, and undocumented workers and their employers together pay an estimated \$50.3 million to \$77.8 million in Social Security and Medicare taxes to the federal government.

Services Used

It is important to emphasize that there is a substantial disparity between services for which undocumented immigrant families are eligible and those for which legal, low-income Iowa families are eligible (see Table 13). Undocumented immigrants in Iowa are eligible for only a very few state-funded services, primarily K-12 public education, emergency medical care, and certain emergency relief programs. They are not eligible for, among other things, unemployment benefits, in-state tuition at public universities, Medicaid, *hawk-i* children’s health insurance program, or child-care assistance and, in some cases, may pay taxes for services they can never receive. For instance, undocumented immigrants in Iowa pay state unemployment insurance and federal Social Security and Medicare taxes; however, because they cannot access these benefits, their tax payments offset and perhaps subsidize the provision of services and benefits to documented residents.

Many of the services that federal law provides for undocumented immigrants (for instance, emergency police and fire services) are administered at the local level. Undocumented immigrants may also access many local services that do not have citizenship or legal residence requirements. Since undocumented immigrants are not spread evenly across the state of Iowa but are in fact concentrated in certain localities, it is important to note that these localities with large concentrations of undocumented immigrants will have a more substantial cost burden than is reflected in the statewide average of costs and taxes paid.

Summary of Findings

As a group, undocumented immigrant families pay less in state taxes than do their legal counterparts in Iowa; however, even an undocumented family sending home remittances and paying no state income taxes will pay more than \$1,300 into the state coffers each year. Undocumented immigrants in Iowa pay an aggregate amount of between \$40 million and \$62 million in state and local property, sales and excise, and income taxes every year. Importantly, despite tax payments that are approximately 80 percent of the taxes paid by legally documented families with comparable incomes, undocumented immigrant families are eligible for far fewer state and federal services than are documented residents in Iowa.

Conclusions

Studies estimating the cost of services used by undocumented immigrants should also take into account the taxes that these immigrants pay. Comparisons between the fiscal impacts of undocumented immigrants and documented state residents will be more accurate if they include these tax estimates, compare undocumented immigrants to a documented family of similar income characteristics, and consider how the cost of each family’s accessed services is dependent on eligibility criteria for these services.

The Legislative Services Agency report appears to assume that the cost of services accessed by each family in Iowa should be no greater than the amount of state taxes paid by that family. Such an

assumption is misleading. That framework of analysis fails to account for the fact that state spending on all low-income families, undocumented or documented, is understood as an investment in these individuals that, particularly with regard to public education, will produce future returns not easily measurable through a balance sheet comparing annual costs and annual taxes paid. Our state tax system collects taxes from families according to their ability to pay taxes and then allocates these revenues in order to provide needed services. Like many documented families in Iowa, undocumented immigrants are “paying for” only a portion of the cost of state services. Because of their restricted eligibility, this portion may be higher than that paid by documented families at the same income level. More importantly, an analytical framework that understands the relationship between the state and taxpayers in terms of investments rather than in terms of net surpluses or deficits will more accurately reflect the fiscal impact of providing and funding state services.

Given that many solutions to undocumented will have to be developed at the federal rather than state level, our analysis concurs that the best state-level policy responses to the fiscal issues of undocumented immigration involve finding ways to increase the rate and amount of state tax payments by undocumented immigrants. These policy responses could include efforts to, for instance, increase the percent of income taxes collected from undocumented workers by issuing “dummy” taxpayer identification numbers or increasing enforcement of employers’ withholding of income taxes. Policies could also seek to increase the average income of undocumented immigrants in Iowa in order to collect more sales and excise and income tax revenue, perhaps through increasing the minimum wage or providing more educational opportunities to improve the skills of undocumented immigrants.

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INTRODUCTION

Overview of the Debate

Iowa is a state of diverse heritages and histories.⁴ Iowa is also experiencing a demographic change, in part because new patterns of immigration to the United States beginning in the 1990s have resulted in immigrant dispersal to states that have historically attracted relatively few immigrants. While the growth rate of the foreign-born population in the nation's top six "major destination" states (California, New York, Texas, Florida, New Jersey, Illinois) dropped from 75 percent in 1990 to 68 percent in 2000, the same decade saw the foreign-born population grow by 145 percent in 22 "new growth" states.⁵ This group of "new growth" states includes Iowa and neighboring states Minnesota, Missouri and Wisconsin, among others. While the national average of undocumented immigrants⁶ as a share of the foreign-born population is 30 percent, many of the new settlement states have much higher ratios of undocumented immigrants to the total foreign-born population.⁷ In Iowa, the Pew Hispanic Center estimates that between 30 and 39 percent of the foreign-born population is made up of undocumented immigrants.

The role and impact of undocumented immigrants in the U.S. economy has been a major topic of debate for the last 30 years peaking at certain points, one of which is now. Much of the debate surrounding the issue of undocumented immigration is emotional, aggravated, and has extremist elements. Many of the claims advanced in the context of the debate are ill-supported by the admittedly imperfect and spotty data available, and much of the data is presented by entities with a political interest in recommended policy outcomes.

⁴ For a listing of the ancestries claimed by Iowans on the Census, see Table 20 in the appendix. See also Table 19 for a listing of languages Iowans speak at home.

⁵ Passel, Jeffrey et al. (2002) *The Dispersal of Immigrants in the 1990s*. Immigration Brief No. 2, *Immigrant Families and Workers: Facts and Perspectives*. Washington, DC: Urban Institute.

⁶ In this report, "undocumented immigrant" is a term used interchangeably with "unauthorized immigrant." Both terms are assumed to mean that which the Pew Hispanic Center defines as an "unauthorized migrant": "a person who resides in the United States but who is not a U.S. citizen, has not been admitted for permanent residence, and is not in a set of specific authorized temporary statuses permitting longer-term residence and work." The Pew Hispanic Center goes on to explain that the vast majority of this "unauthorized migrant" population consists of two groups: 1) those who entered the country without valid documents, including people who crossed the Southwestern border clandestinely; and 2) those who entered with visas but overstayed their visas' expiration or otherwise violated the terms of their admission. Finally, the Pew Hispanic Center notes that some of the migrants in this estimate have legal authorization to live and work in the United States on a temporary basis. These include migrants with temporary protected status (TPS) and some migrants with unresolved asylum claims. Together, these may account for up to 10% of the estimate.

⁷ Passel, Jeffrey (2005) *Unauthorized Migrants: Numbers and Characteristics*. Background Briefing Prepared for Task Force on Immigration and America's Future, 14 June. Washington, DC: Pew Hispanic Center.

The debate has a number of component issues, the most prominent being:

1. The fact that the undocumented have come into the country illegally⁸;
2. Whether the large annual influx of undocumented plus the large number already here, almost all of whom are Spanish speakers, will undermine English as a common and unifying aspect of American life;
3. The claim that the influx of undocumented has included a dangerous criminal element whose presence has led to a significant expansion in crime in certain areas of the U.S.;
4. The claim that the undocumented have taken jobs that would otherwise have gone to Americans;
5. The claim that the presence in the job market of the undocumented along with their willingness to work for below-standard wages, benefits and conditions has driven down the wage and benefit levels that would otherwise have prevailed for documented workers; and,
6. The claim that payments by the undocumented in terms of taxes and public charges are substantially less than the costs involved to the public in providing these benefits, and therefore that undocumented immigrants are a net drain on local, state and federal resources.

The debate has prompted various policy responses, often aimed at restricting the access of undocumented immigrants to services at the local, state and federal level.⁹ In 1996, Congress passed the “Personal Responsibility and Work Opportunity Reconciliation Act,” which includes a long list of eligibility exclusions for undocumented immigrants.¹⁰ State legislatures and voter initiatives in various states have also passed measures limiting or attempting to limit the access of undocumented immigrants to various state and local services. In 1975, Texas passed a statute restricting public school enrollment to legal resident children. This was later struck down as a violation of the Equal Protection Clause of the 14th Amendment by the federal district and circuit courts as well as the U.S. Supreme Court in *Plyler v. Doe* in 1982.¹¹

It is interesting to note that in its decision the U.S Supreme Court referred to language in the federal district court decision that:

“under current laws and practices ‘the illegal alien of today may well be the legal alien of tomorrow,’ and that without an education, these undocumented children, ‘already disadvantaged as a result of poverty, lack of English speaking ability, and undeniable racial prejudices, ... will become permanently locked into the lowest socio-economic class.’ *Plyler v. Doe*, at 2389-90.

In 1994, California voters passed Proposition 187, styled the “Save Our State” (“SOS”) proposition, to prohibit access of undocumented immigrants to public benefits. This passed by a vote of 59 percent to 41 percent but was later overturned in the courts.

⁸ Entering the United States illegally is a misdemeanor; however, if a person is apprehended and then deported, his or her second offense is a felony.

⁹ For a list of recent policy responses at the state level, see the National Council of State Legislatures’ 2007 report, “2007 Enacted State Legislation Related to Immigrants and Immigration.”

¹⁰ See 8 U.S.C. 1621 for the text of the act. For an elaboration see the Arizona Attorney General Opinion Re: Public Benefits Under Federal Law and A.R.S. §46-140.01 (December 29, 2005) and Lipman, “The Taxation of Undocumented Immigrants: Separate, Unequal, and Without Representation, 9 *Harv. Latino Law Review* 5, footnote 21.

¹¹ *Plyler v. Doe*, 102 S.Ct. 2382 (1982).

During the 2004 general election in Arizona, voters passed Proposition 200, which contained, among other things, a requirement that state eligibility workers determine the identity and eligibility of applicants for those state and local benefits not mandated by federal law. These provisions were codified as the Arizona Revised Statutes §46-140.01 and are part of the state's interaction with 8 USC 1621 which – as noted above – generally establishes that “non-citizens who are not qualified aliens are not eligible for State and local benefits.”

Another example of state action in this area was Colorado's proposed ballot measure amending the Colorado constitution to deny non-emergency, non-federally mandated services to undocumented immigrants.¹² The measure was declared unconstitutional by the Colorado Supreme Court and struck from the ballot.

City and county entities have also passed or attempted to pass legislation, either directly or through citizen-initiated initiatives, limiting undocumented immigrants' access to services. More remarkably, some such attempts have also been aimed at restricting undocumented immigrants' access to private sector transactions such as private housing rental. The most famous example of such local restrictions is the 1996 Hazleton, Pennsylvania, ordinance that penalized rental housing owners for renting to undocumented immigrants. Other examples include the current Columbia County, Oregon, initiative measure providing for stiff penalties for construction contractors who hire undocumented immigrants and mandating 4-by-8-foot signs at all construction sites calling the public's attention to the law and encouraging them to report “undocumented workers”¹³ and the new effort by Prince William County, Virginia, lawmakers to adopt strict limits on the eligibility of undocumented residents for local services including drug counseling.¹⁴ The Hazleton ordinance was struck down in federal court as dealing with a federally pre-empted area of the law. The Oregon initiative is still under challenge in the courts.

There has also been a good deal of litigation regarding whether undocumented workers can invoke the protections of state and federal employment law. An important and very controversial case in this line of cases was the U.S. Supreme Court decision in *Hoffman Plastic Compounds v. NLRB*, 535 U.S. 137 (2003), where the Court held that the National Labor Relations Board (NLRB) could not award back pay to a worker who was fired for union activity in violation of the National Labor Relations Act (NLRA) if the worker was an undocumented worker. This case is cited to this day by employers in cases brought by undocumented workers objecting to what would otherwise be illegal treatment of workers.

Scope of the Current Study

While the various aspects of the debate as set forth above are of substantial interest, this study deals only with one specific part of the debate: the claim that payments by the undocumented in terms of taxes and public charges are substantially less than the costs involved to the public in providing these benefits.

Review of Methods Used in Other Studies

There have been a number of studies done over the last 10 years attempting to determine whether undocumented immigrants use more in terms of services and benefits than they pay in taxes. Depending

¹² See Baker, Robin and Rich Jones (2006) *State and local taxes paid in Colorado by undocumented immigrants*. Issue Brief No. 3. Denver: The Bell Policy Center, p.1.

¹³ For a recent example of this type of restriction at the county level, see Urbina, Ian and Maria Newman. “Virginia Country Votes to Deny Services to Illegal Immigrants.” *The New York Times*. 17 October 2007.

¹⁴ Oregonian, “County OKs Stiff Laws on Illegal Immigrants,” October 18, 2007, A2.

upon how these studies were done the results have either shown that the undocumented are either a net cost or provide a net surplus.

The major factors in determining the outcome of these studies include the following:

1. **Jurisdictions Included** — The jurisdictional levels (federal, state, local) included in the study affect the study's outcome. Including the federal level, at least since federal legislation passed in 1996, tends to produce a surplus because of the very limited number of services available to the undocumented. On the other hand, looking at just the state level – depending upon what is defined as a state-provided benefit – can tilt the outcome towards either a surplus or a deficit conclusion. Finally, adding in services and costs at the level of local jurisdictions tends to tip the balance toward a conclusion of deficit.
2. **Definition of “Benefit”** — The scope and definition of “benefit” is a determinative factor in shaping a study's outcome. “Benefits” can be widely defined to include every individual's share of the state budget, or they can be more narrowly identified as per capita shares of specific services. Even more narrow definitions can exhibit a range of potential cost-benefit methodologies. For example, a Federation for American Immigration Reform (FAIR) study in Florida counted as a cost the cost of educating the U.S.-born children of undocumented immigrants, thereby tipping the balance far over toward deficit, while other studies count only the cost of educating students who are themselves undocumented.¹⁵ Some studies also count the cost of incarcerating undocumented immigrants as a “benefit” to the undocumented that should be accounted for through tax payments.
3. **Time Span of the Study** — Pro-immigrant studies tend to want to estimate the costs and benefits over the life and sometimes the multi-generational life of the immigrants far into the future. Most studies, on the other hand, use a one-year study period.

Table 1 (page 13) reviews characteristics of a number of the studies done in the last few years. See our references section at the end of this document for a list of various studies of the state fiscal impact of undocumented immigration.

Coverage ratios are presented in the right hand column for those studies that actually produced numbers for benefits and tax payments. Notice that the ratios range from 5.06 (showing that undocumented immigrants use five times more in benefits than they pay for) down to 0.47 (showing that the undocumented immigrants use only half what they pay for).

¹⁵ Federation for American Immigration Reform (FAIR) (2005) *Breaking the piggy bank: how illegal immigration is sending schools into the red*. Federation for American Immigration Reform.

Table 1. Methodologies Used in Fiscal Impact of Undocumented Immigration Studies

Study	Benefits Considered	Jurisdictions	Period	Taxes	Benefits/ Tax Payments*
Bell Policy Center, Colorado (Baker and Jones 2006; Jones and Baker 2006)	K-12 education Emergency medical care Incarceration	State, Local	1 Year	State Income Tax State & Local Sales Taxes Property Tax	1.43 to 1.16
CIS, General 2002	Federal	Federal	1 Year	Federal Income Tax Social Security	\$26.3B/\$16B = 1.64
FAIR Arizona 2004	K-12 education Emergency medical care Incarceration	State	1 Year	State Taxes	\$1.3B/\$257M = 5.06
Garvin School of International Mgmt, Arizona 2003	Federal State Local	Federal State Local	1 Year	Federal State Local	\$281M/\$599M = 0.47
Georgia Budget & Policy Institute (Coffey 2006)	No specific benefits considered	State Local	1 Year	State Income Tax State & Local Sales Taxes Property Tax	No benefit figures presented
New Mexico Fiscal Policy Project, May 2006	K-12 education	State Local	1 Year	State Income Tax State & Local Sales Taxes Property Tax	Surplus (undocumented pay more in taxes than they receive in K-12 education)
Iowa, LSA 2007 (2004 data)	Per capita share of the General Fund	State Local	1 Year	State Income & Sales Taxes	\$1,525/\$831 = 1.84

*Note: Values greater than 1 in the right hand column indicate that benefits are greater than taxes paid.

Our Methodology

The choice of methodology for a study of this sort is framed by difficulties. There is limited data on the number, earnings, and service and benefit usage of undocumented immigrants in the nation as a whole and specifically in Iowa. An optimal methodology might look good on paper but could well be impossible to implement due to a lack of necessary data.

Moreover, as indicated above, there is no consensus as to what should be included as “services” and “benefits.” The Iowa Legislative Services Agency (LSA), for example, uses the General Fund Budget as a measure of state-provided benefits for estimating the fiscal impact of undocumented immigration in

Iowa.¹⁶ This method therefore captures under “benefit” everything from the public utility commission, to economic development expenditures, to the state national guard, the governor’s salary, state prisons, and public universities. An expansive definition of “benefit,” such as that employed by the LSA, does not distinguish between “negative” and “positive” benefits, meaning, for example, that the cost of incarcerating an undocumented immigrant felon is counted as a “benefit.” It is unclear with both negative and positive benefits whether the benefit accrues to an individual, to the undocumented immigrant community, or to the entire public and whether differences in how benefits are understood should change the way we measure them. For instance, should a neighborhood park be considered a local “benefit” or “service” that undocumented immigrants should also be expected to pay for, even though it was here before they arrived? What about sidewalks, local fire and police protection?

Another way of defining “benefit” would be to refer to the 1996 federal statutes sharply limiting the access of undocumented immigrants to federal, state and local “benefits” and “services.” The Welfare Reform Act made “nonqualified aliens” ineligible for any “federal public benefit” defined as:

(B) any retirement, welfare, health, disability, public or assisted housing, postsecondary education, food assistance, unemployment benefit or any similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of the United States or by appropriated funds of the United States. Welfare Reform Act Section 401(c)(1).¹⁷

The Act, however, explicitly excludes several key services from the definition of prohibited services. These include Medicaid benefits for emergency services (but not for organ transplants), immunizations, and testing for and treatment of communicable diseases.^{18 19} In addition, shortly after adoption of the Act, then-Attorney General Janet Reno made it clear that “police, fire, ambulance, transportation, sanitation, and other widely available services”²⁰ were *not* to be included in the Act’s definition of prohibited services and should be available to undocumented immigrants.

The Welfare Reform Act’s definition of “benefits” also applies to state and locally funded public services with a parallel definition in Section 411(c)(1). States and local jurisdictions may pull themselves out from under this prohibition against providing state and local services only – at least theoretically – by passing legislation specifically designating “nonqualified aliens” as eligible.²¹ However, most state and local services appear to fall under the “exception” set forth above by Janet Reno.

In sum, the suggestion that recourse to the federal acts might resolve the problem of which benefits to include in our analysis does not appear to be well founded.

A second alternative would be to adopt the methodology used by the Iowa Legislative Services Agency (LSA) in its recent report and define “benefit” as including anything that is funded through the General Fund. The LSA analysis calculates how much undocumented immigrants pay in terms of state income

¹⁶ Iowa Legislative Services Agency (2007a) *Undocumented immigrants’ cost to the state*. Issue Review, 22 February 2007.

¹⁷ Moore, Jill (1999) “Immigrants’ access to public benefits: who remains eligible for what?” *Popular Government* 65, 1 (Fall), p.5.

¹⁸ *Ibid*, p.6. Welfare Reform Act Section 401(b).

¹⁹ Moreover, several federal agencies have interpreted the act narrowly. The USDA, for example, has determined that its school breakfast and lunch programs, the special milk program for children, and the supplemental nutrition program for WIC are outside the scope of the prohibitions in Section 401(c)(1). See Moore, p.4.

²⁰ Moore, p.6.

²¹ *Ibid*, p.6. See Welfare Reform Act Section 411(d). Codified at 8 USC 1621. See the discussion in Lipman at footnote 21.

and sales and excise taxes and compares this number to the average of the total General Fund budget, divided by the population of Iowa. This approach has its strengths and weaknesses. If we assume, for the sake of argument, that since undocumented immigrants work and pay taxes, they should be eligible for all services for which the average citizen is eligible, then it could also be argued that undocumented immigrant families should therefore be responsible for all the necessary costs of government, to the same degree as any other resident family in the same tax bracket.

On the downside, the LSA methodology includes the total General Fund appropriations, but doesn't appear to have deducted tax payments made by corporations and other non-individual entities that also go into the General Fund. If we're looking for an apples-to-apples comparison, then the comparison number should just be the individual taxpayer contributions to the General Fund. So, for example, the LSA *Issue Review* uses figures from FY2004, when the General Fund appropriation was approximately \$4.5 billion. However, the FY2004 General Fund receipts include revenue from corporate income taxes, franchise taxes and insurance premium taxes in addition to the taxes that would be assessed on families in Iowa. It also includes revenue from non-tax sources such as interest, fees and transfers. In fact, taxes assessed on Iowa families account for only approximately 85 percent of Iowa's General Fund receipts in FY2004,²² which means that the "average benefit per resident" provided through the General Fund appropriation will always exceed the average tax payment of an Iowa resident paying all of his or her assessed state taxes.

Finally, the LSA methodology considers only state tax payments and benefits, meaning that it does not examine local taxes such as property taxes or any fiscal impact related to federal taxes paid by undocumented immigrants.

A third methodology, used in several other studies, would be to include as benefits only specific, major "services" that states must provide to undocumented immigrants. These major services are K-12 education, emergency medical care and state prison costs.²³ Using this methodology allows a preliminary determination of whether the state and local tax payments by undocumented immigrants cover their share of the total costs of these three services. Because a number of other state studies examining the fiscal impact of undocumented immigration have chosen to focus on these major services, this methodology also allows some form of cross-state comparison.

Having reviewed these potential methodologies, we ultimately use several approaches to compare the tax payments by and on behalf of undocumented immigrants to the state services they access. We compare the tax payments and service eligibility of an undocumented immigrant family in Iowa with the tax payments and service eligibility of a documented family²⁴ in Iowa with an income identical to that of the average undocumented family. In addition, we present details of three specific costs related to undocumented immigrants: K-12 public education, emergency medical care, and incarceration. A detailed service-by-service study of all the various services provided at each level of government, including the determination of the cost of each service, was beyond the scope of this study both in terms of time and resources.

²² IPP calculation, based on figures from Iowa Department of Revenue (2004) *Annual for fiscal year 2004*. Iowa Department of Revenue, p. 4; and Iowa Legislative Services Agency (2006b) *2006 Iowa factbook*. Iowa Legislative Services Agency, Fiscal Services Division, p.12.

²³ Jones, Rich and Robin Baker (2006) *Costs of federally mandated services to undocumented immigrants in Colorado*. Denver: The Bell Policy Center, p.1.

²⁴ We use the term "documented family" to refer to families composed of legal residents, which would include not only native-born citizens but also permanent or temporary legal immigrants.

Many of the services that federal law provides for undocumented immigrants (for instance, emergency police and fire services) are administered at the local level. Undocumented immigrants may also access many local services that do not have citizenship or legal residence requirements. Since undocumented immigrants are not spread evenly across the state of Iowa but are in fact concentrated in certain localities, it is important to note that these localities with large concentrations of undocumented immigrants will have a more substantial cost burden than is reflected in the statewide average of costs and taxes paid.

Our analysis is necessarily approximate. Much of the data as to services available is imperfect. Many of the services that are available to the undocumented are largely unused by the undocumented for fear of revealing their presence in the community to governmental entities in the anti-immigrant environment. Thus even where services may be legally available they are probably accessed at a substantially lower rate than they are by the comparable documented population.

Summary of Findings and Conclusions

Our report has three main findings. First, any belief that undocumented families in Iowa do not pay state taxes is completely unsubstantiated. Undocumented families in Iowa pay between \$40 million and \$62 million in state and local taxes each year, depending on the actual size of this population. Second, and as a result, undocumented families in Iowa pay for a substantial portion of the costs of the state services they access. Third, our research demonstrates that undocumented families in Iowa may very well have a more favorable ratio of taxes paid to cost of state services accessed than do many documented families in Iowa at similar income levels to that of undocumented families. This is the case because undocumented families in Iowa are not eligible for most state services, yet in many cases pay the same amount of taxes as documented families at the same income level.

II. The Undocumented Immigrant Population in Iowa

Population and Family Characteristics

According to 2006 estimates produced by the Pew Hispanic Center, between 55,000 and 85,000 undocumented immigrants reside in Iowa. The U.S. Census Bureau estimates Iowa's total population to be just under 3 million, which would make undocumented immigrants approximately 2 percent to 3 percent of the total Iowa population.²⁵

Nationwide, there are approximately 6.6 million "unauthorized families," or families in which one or more of the heads of the family is an undocumented immigrant.²⁶ Although 14.6 million people live in these unauthorized families, not all of them are themselves unauthorized. In fact, about 64 percent of the 4.9 million children living in unauthorized families are American citizens because they were born in the United States.²⁷ A majority (59 percent) of unauthorized families, however, are made up of single adults, couples, or some other combination of adult relatives and do not include children.

The characteristics of undocumented immigrants at the national level, as calculated by the Pew Hispanic Center, can be used to create an approximate picture of the unauthorized population in Iowa. These ranges include the numbers, also obtained from the Pew Hispanic Center, used as estimates in the LSA's *Issue Review*.

²⁵ U.S. Census Bureau 2006 estimate for Iowa's total population is 2,982,085.

²⁶ Passel (2006), p. ii.

²⁷ Ibid.

Table 2. Demographics of Undocumented Immigrants in Iowa

	Estimated National Population	Percentage of Estimated National Population	Estimated Iowa Population Range
Total Population	11.1 million	100	55,000-85,000
Total adults	9.3 million	84	46,200-71,400
Adult males	5.4 million	49	26,950-41,650
Adult females	3.9 million	35	19,250-29,750
Children ²⁸	1.8 million	16	8,800-13,600

Using Pew Hispanic Center estimates of the average family size of an undocumented immigrant family, we can also estimate how many undocumented immigrant families live in Iowa.

Table 3. Undocumented Immigrant Families in Iowa

Pew lower population estimate	
Undocumented population in Iowa	55,000
Average undocumented family size nationwide	2.29
Undocumented families in Iowa	24,017
Pew upper population estimate	
Undocumented population in Iowa	85,000
Average undocumented family size nationwide	2.29
Undocumented families in Iowa	37,118

Estimating where in the state of Iowa undocumented immigrants reside requires assuming that undocumented immigrants share the geographic settlement patterns of Iowa's documented Latino population. If this is indeed the case, then nearly half of the undocumented immigrant population in Iowa would live in Polk, Woodbury, Scott, Muscatine and Marshall counties.²⁹ The largest population of Latinos in any city in Iowa is in Des Moines, which could suggest that this city also has the largest number of Iowa's undocumented immigrants. Cities in Iowa where Latinos are a high percentage of the total population are Conesville (59 percent Latino), West Liberty (40.5 percent), Columbus Junction (39.0 percent), Columbus City (33.2 percent), and Fredonia (31.5 percent).

Economic Characteristics

The Pew Hispanic Center estimates average annual incomes for undocumented immigrant families and individuals, but they provide these estimates only at the national level. This study uses the national average as a best guess for estimating the average annual incomes of undocumented families and individuals in Iowa. The national average for the annual income of an undocumented family is \$27,400.

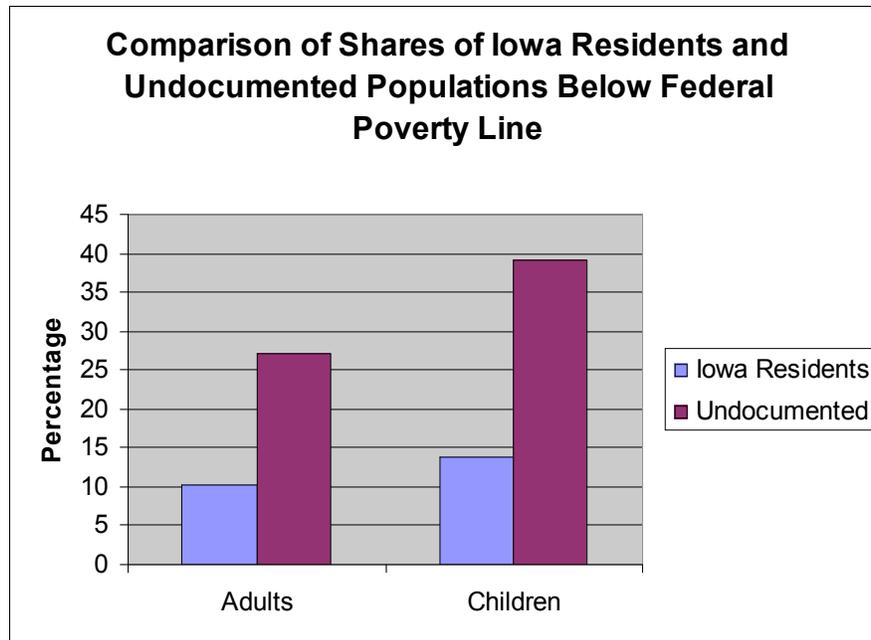
²⁸ Throughout this report, references to "undocumented children" should be understood to refer only to children who are themselves undocumented, and not to the U.S.-born children of undocumented parents.

²⁹ See State Data Center of Iowa and the Iowa Division of Latino Affairs (2007) *Latinos in Iowa: 2007*.

By contrast, the mean family income in Iowa, according to 2006 U.S. Census Bureau calculations, is \$67,354.

As the chart below shows, whereas 10.1 percent of Iowa adults and 13.7 percent of Iowa children live in poverty,³⁰ 27 percent of adult unauthorized immigrants and 39 percent of unauthorized children live in poverty.³¹ In other words, the proportion of unauthorized children living in poverty is almost three times that of the proportion of all Iowa children who live in poverty. The majority of unauthorized immigrants — 59 percent of adults and 53 percent of children — also lack health insurance.³²

Figure 1. Poverty Levels



It should also be noted that average family sizes and average national incomes for undocumented immigrant families vary depending on the length of time that a family has resided in the United States. Undocumented immigrant families that have been in the United States for fewer than 10 years tend to have average incomes and family sizes that fall below the national average for undocumented immigrant families. The smaller average family size of relatively recent immigrants to the United States means that the estimate of the total number of these undocumented families in Iowa — and therefore the aggregate amount of all taxes paid by undocumented families in Iowa — rises when these figures are used for calculations. This relationship is illustrated in Table 6, below, using the lower bound of the Pew Hispanic Center population estimate for Iowa, which is 55,000.

³⁰ U.S. Census Bureau, 2006 American Community Survey

³¹ Passel (2005).

³² Ibid.

Table 4. Comparison of Undocumented Immigrant Family Size and Tax Payments

	Undocumented Immigrants in Iowa, average family size of 2.29	Undocumented Immigrants in Iowa, average family size of 2.05
Estimated number of undocumented families in Iowa (using total undocumented immigrant population number of 55,000)	24,017	26,829
Average income	\$27,400	\$25,700
Average total taxes paid per family	\$1,671.22	\$1,586.56
Aggregate taxes paid	\$40,140,713.24	\$42,565,818.24

As this table demonstrates, the lower family size of undocumented immigrant families that have been in the U.S. for fewer than 10 years translates into Iowa’s total population of undocumented immigrants being divided into a greater number of families earning income in the state, and therefore a greater aggregate amount of state taxes paid. Although this study uses the more conservative estimates of a larger family size, and therefore lower aggregate tax contributions, it is worth noting that Iowa’s relatively recent high growth rate in its foreign-born population and the comparatively greater proportion of this population that is estimated to be undocumented means that methodology will likely underestimate the aggregate tax contributions of Iowa’s undocumented families.

Workforce Characteristics

The number of undocumented workers in Iowa amounts to about 2 percent to 3 percent of the total Iowa workforce.³³

³³ Using a total Iowa labor force number of 1,656,700, obtained from Iowa Workforce Development “Current Iowa Employment Situation: August 2007.” Available online: <http://www.iowaworkforce.org/> [Accessed 10 October 2007].

Table 5. Percentage of Undocumented Adult Immigrant Population in the Iowa Workforce

	Iowa population range	National percentage of this population in workforce	Range of this population in the Iowa workforce	Percentage of total Iowa workforce
Adult males	26,950-41,650	92%	24,794-38,318	1.50%-2.31%
Adult females	19,250-29,750	56%	10,780-16,660	0.65%-1.01%
Total adult population	46,000-71,400		35,574-54,978	2.15%-3.32%

A primary cause of the low incomes and low rates of insurance for unauthorized immigrant individuals and families is the type of occupations in which they are commonly employed. Unauthorized immigrants tend to be concentrated in jobs such as construction, farming, cleaning and food preparation. Within these occupations, undocumented immigrants typically hold positions that generally require little formal education or do not have licensing requirements.³⁴ These types of jobs tend to be low-wage and to lack benefits such as health insurance. This concentration means that undocumented workers are over-represented in a few industries and occupations. For instance, while only 6.6 percent of the total Iowa workforce (and 7 percent of the national workforce) is employed in the construction industry, 17 percent of undocumented workers are employed nationwide in the construction industry.³⁵

III. Tax Contributions of Iowa’s Undocumented Immigrant Population

Many people mistakenly assume that because undocumented immigrants work and live in the United States without authorization, they pay no taxes. Yet a large share of the taxes paid by Iowans are almost impossible to avoid and are paid by everyone in the state, regardless of immigration status. For instance, state and local sales and excise taxes are levied at the time of purchase and a portion of property taxes are passed on to renters by being included in the cost of rent. Some undocumented immigrants also pay state and federal income taxes, federal Social Security and Medicare taxes, and state unemployment insurance premiums if they are working “on the books” by using a false Social Security number.

In this section of the report, we examine the amount of these taxes that are paid by undocumented immigrant families. In order to arrive at these calculations, we make use of data provided by the Institute for Taxation and Economic Policy (ITEP), a non-profit, non-partisan research and education organization that provides policymakers, advocates and the public with information regarding state and federal tax systems. ITEP’s model for calculating taxes paid by income level is derived from a database of state tax systems, which allows it to present data specific to Iowa’s tax structure. A full description of the ITEP methodology is available at <http://www.ctj.org/itep/model.htm>.

Property Taxes

Estimates of property taxes paid by undocumented immigrants are based on the ITEP tax model as it applies to all residents with one adjustment for the immigrant population: it is assumed that none of the immigrants are homeowners. The model assumes that half of the property taxes on rental property are passed on to the tenant; this proportion is subject to dispute, and 50 percent represents the middle

³⁴ Passel (2005), p. 26.

³⁵ See Table 31 in the appendix, U.S. Census Bureau, 2006 American Community Survey. See Passel (2005) for shares of undocumented workforce employed in various occupations in the U.S.

ground. The model estimates average property taxes paid by dividing total property taxes paid by non-homeowners through their rent as a percent of the total income of non-homeowners.³⁶ Depending on what share of rental property taxes are being passed on to undocumented families through their rent, these assumptions may underestimate the amount of property tax paid by undocumented immigrant families in Iowa, but nonetheless provide a reasonable, conservative estimate of property tax payments.

Table 6. Property Taxes

Undocumented family annual income, national average	\$27,400
Property tax as a percent of family income	0.41%
Property taxes paid per family	\$111

As this table indicates, an undocumented immigrant family in Iowa pays an estimated \$111 annually in property taxes.

Sales and Excise Taxes

In order to calculate the amount of sales and excise taxes paid by undocumented immigrants in the state of Iowa, ITEP assumes that undocumented families pay the same amount of sales and excise tax as would a documented family earning the same annual income of \$27,400.

Table 7. Sales and Excise Taxes

Undocumented family annual income, national average	\$27,400
Sales and excise taxes as a percent of family income	5.03%
Sales and excise taxes paid per family	\$1,377

The table shows that an undocumented immigrant family in Iowa pays approximately \$1,377 in state sales and excise taxes each year. However, this “sales and excise taxes paid per family” number needs to be adjusted to account for remittances sent home by undocumented immigrant families.³⁷ Because remittances reduce the amount of income that a family spends on purchases in Iowa, it reduces the overall amount of sales and excise tax paid by these families. A 2004 study by Bendixen and Associates for the Inter-American Development Bank found that 65 percent of Latin American adult immigrants in Iowa regularly send remittances to their country of origin. The average amount sent per Latin American adult immigrant was \$1,887. Using these figures, we can reduce the estimate of sales and excise tax revenue paid by undocumented immigrants in Iowa to account for remittances sent back to their country of origin. At the same time, we need to acknowledge that we are using estimates of remittances paid by

³⁶ Rental payments are derived from the rents reported in U. S. Census data. Only about half of all non-homeowners in the census data for this income level report rent. There is no way of knowing how many of the remaining respondents actually paid rent but, for whatever reason, did not report it. Others may in fact not be paying rent for any number of reasons: they may be sharing living quarters with friends or relatives, living in group quarters such as dormitories or barracks, living rent free in exchange for work, living in an automobile or camper, etc.

³⁷ In adjusting for remittances, this report follows the example of a similar study conducted in Colorado (Baker and Jones) on the state fiscal impact of undocumented immigration.

documented Latin American immigrants, whose remittance patterns may not be identical to those of undocumented immigrants, so these estimates should be treated as approximate.

Table 8. Estimates of the Effects of Remittances on Undocumented Family Sales and Excise Tax Payments in Iowa

Estimated number of undocumented families in Iowa	24,017 to 37,118
Estimated number of adults per undocumented family	2
Average annual remittance sent home	\$1,887
Percent of adults sending remittance	65%
Average amount of remittance sent home per undocumented immigrant family in Iowa	\$2,453.10
Average undocumented family income, national average	\$27,400
Remittances as a percent of average annual undocumented immigrant family income in Iowa	9.00%
Sales and excise taxes paid per undocumented family in Iowa, adjusted for remittances	\$1,253.72

Adjusting for remittances therefore reduces the estimated amount of state sales and excise tax paid annually by an undocumented immigrant family by just over \$100.

Income Taxes

In addition to paying state property and sales and excise taxes, substantial numbers of undocumented immigrants work “on the books” by using false Social Security numbers, which means that they also pay state and federal income tax. The amount of income tax they pay is the same as the amount that would be paid by a documented family earning the same income.

Table 9. State Income Taxes

Undocumented family income, national average	\$27,400
Average Iowa income tax paid as a percent of family income	2.24%
Income taxes paid per family	\$613

Not every undocumented immigrant family in Iowa pays income tax because not all family incomes come from work that is “on the books.” Many undocumented workers are paid in cash and therefore do not have state income tax (or Social Security and Medicare taxes) deducted from their paychecks. Various studies have estimated and relied on different payment rates for undocumented immigrants and

income taxes, although most cluster around the 50 percent level.³⁸ In other words, we assume in our aggregate calculations that 50 percent of undocumented families in Iowa pay \$613 annually in state income taxes, which is the same as assuming that 100 percent of undocumented families in Iowa pay \$306.50 annually in state income taxes. We also recognize this estimate may be more or less accurate for Iowa, depending on the type of industry where undocumented workers in Iowa might be clustered.

Total and Aggregate State Tax Payments

We can now estimate the aggregate annual state tax payments of undocumented immigrant families in Iowa. This table summarizes and totals the results described above.

Table 10. Total and Aggregate State Tax Payments of Undocumented Immigrant Families in Iowa

	Tax payment per undocumented family	Aggregate tax payments for all undocumented families in Iowa (numbering between 24,017 and 37,118, depending on population size)
Property tax	\$111	\$2,665,887 to \$4,120,098
Sales and excise tax, adjusted for remittances	\$1,253.72	\$30,110,593 to \$46,535,579
Income tax	\$306.50	\$7,364,233 to \$11,381,087
Total income, sales and excise, and property taxes	\$1,671.22	\$40,140,713.24 to \$62,036,763.96

Undocumented immigrant families in Iowa pay between \$40 million and \$62 million in state and local taxes each year, depending on the actual size of this population.

Unemployment Insurance Premiums

Other state tax contributions are also made on behalf of undocumented workers by their employers. Employers pay a state unemployment insurance premium on the wages of their undocumented

³⁸In making these assumptions, we follow the lead of ITEP and various other states that have conducted research on the state fiscal impact of tax payments by undocumented immigrants (see Baker and Jones 2006, Coffey 2006, Ehresman 2006, New Mexico Policy Project 2006, Oregon Center for Public Policy 2006). National research has also supported the assumption that approximately 50 percent of undocumented workers are paying payroll taxes, including income tax. In his analysis of undocumented immigrant tax payments for the Center for Immigration Studies, Stephen Camarota (2004) uses the figure of 55 percent compliance. Passel and Clark (1998) estimate that 60 percent of undocumented immigrants pay these taxes, but adjust that compliance rate to 50 percent to account for undercounting the number of undocumented immigrants. If anything, our assumption of a 50 percent payment rate likely underestimates the amount of undocumented workers in Iowa paying payroll and income taxes.

employees who are working “on the books.” These taxes are paid to the state, even though the undocumented individuals on whose wages they are levied will never be able to access unemployment benefits. In Iowa, the median unemployment insurance premium for 2007 is 0.7 percent of the first \$22,000 in wages.

Table 11. Estimated State Unemployment Insurance Payments of Employers on Earnings of Undocumented Immigrant Employees

Estimated number of undocumented families in Iowa with “on the books” incomes	12,009 to 18,559
Undocumented family income, national average	\$27,400
Per-family unemployment insurance premium (0.7% applied to first \$22,000 in wages)	\$154
Total unemployment insurance premiums paid on behalf of undocumented immigrant families	\$1,849,309 to \$2,858,086

The employers of undocumented workers who are working on the books pay an estimated \$1.85 million to \$2.86 million in unemployment insurance to the state of Iowa each year. Even these adjusted totals likely underestimate unemployment taxes because they assume that each family income represents one wage-earner who works only one job. If, on the contrary, we were to assume that the entire amount of an undocumented family’s “on the books” income is assessed with unemployment insurance premiums, the amount of unemployment insurance premiums paid on behalf of undocumented immigrant families would increase by approximately 20 percent.

In addition, it is important to note that a company’s unemployment insurance premium depends on the company’s history of layoffs, with companies that have a history of higher rates of layoffs paying a higher rate of unemployment insurance. As a result, different industries exhibit different rates of unemployment insurance. While Iowa’s median rate is 0.7 percent, the rate for construction work is much higher, at 8 percent. Since undocumented workers tend to be clustered in specific, low-wage industries such as construction, it is likely that these totals underestimate unemployment taxes because they assume that the companies paying unemployment insurance premiums on the wages of Iowa’s undocumented workers are doing so at the median rate. In fact, if the amount of unemployment insurance premiums paid by employers on behalf of their undocumented employees are calculated under the assumption that 17 percent of undocumented families in Iowa receive their family income from construction (the share of the undocumented workforce nationally that works in construction), the estimated amount of unemployment insurance premiums paid to the state would be over 250 percent higher. Furthermore, the fact that undocumented workers often work “off the books” would mean that industries, such as construction, with a relatively high percentage of undocumented employees who never file for unemployment benefits may actually have unemployment insurance premiums that understate the rates of layoffs in those industries.

Estimates related to unemployment insurance premium payments should be treated with caution since they rely on numerous assumptions related to unemployment insurance premium levels, the share of Iowa’s undocumented population engaged in construction work, and the share of this latter population

working on the books. Even so, it illustrates that using the median rate for unemployment insurance premiums may substantially underestimate the contribution of undocumented workers to state coffers.

Social Security and Medicare Taxes

Finally, undocumented immigrants working on the books and their employers also pay federal Medicare and Social Security taxes, even though undocumented workers will never be able to access these benefits because of their unauthorized status. The Social Security tax is 6.2 percent of the first \$97,500 in wages and salaries and is paid both by the employee and the employer. The Medicare tax is 1.45 percent of all wages and salaries and is also paid by both the employee and the employer.

Table 12: Estimated Social Security and Medicare Tax Payments Made by and On Behalf of Undocumented Immigrant Employees in Iowa

Estimated number of undocumented families in Iowa with “on the books” incomes	12,009 to 18,559
Undocumented family income	\$27,400
Social Security tax of 6.2%	\$1,698.80
Total Social Security taxes paid by employers	\$20,400,039.80 to 31,528,029.20
Total Social Security taxes paid by employees	\$20,400,039.80 to 31,528,029.20
Total Social Security taxes paid by employers and employees	\$40,800,079.60 to \$63,056,058.40
Medicare tax of 1.45%	\$397.30
Total Medicare taxes paid by employers	\$4,770,977.70
Total Medicare taxes paid by employees	\$4,770,977.70
Total Medicare taxes paid by employers and employees	\$9,541,954.10 to \$14,746,981.40
Total Social Security and Medicare taxes paid by employers and employees	\$50,342,033.70 to \$77,803,039.80

Iowa’s undocumented workers who are working on the books and their employers pay an estimated \$50.3 million to \$77.8 million in Social Security and Medicare taxes to the federal government each year. Again, these totals likely underestimate the Social Security and Medicare taxes paid because they assume that each family has only one wage earner working one job.

IV. Public Costs of Services to Undocumented Immigrants in Iowa

In this section, we use several different approaches to comparing the tax payments and service usage of undocumented and documented families in Iowa.

Tax Payments and Service Eligibility

This table compares the tax payments and service eligibility for two hypothetical families in Iowa: an undocumented immigrant family and a documented family. We assume that each family is earning the same amount of income and that each family is renting their residence and therefore paying the same amount in property taxes. We adjust the sales and excise taxes paid by the undocumented family to account for remittances, and we also adjust the income taxes paid by the undocumented family to reflect

an average for the 50 percent estimated payment rate of income tax for the entire undocumented population.

Table 13: Comparison of Undocumented Family and Documented Family in Iowa, State Taxes and Services

	Undocumented Family in Iowa	Documented Family in Iowa
Annual income	\$27,400	\$27,400
Total property taxes paid	\$111	\$111
Total sales taxes paid	\$1,253.72	\$1,377
Total income taxes paid	\$306.50	\$613
Total state taxes paid	\$1,671.22	\$2,101

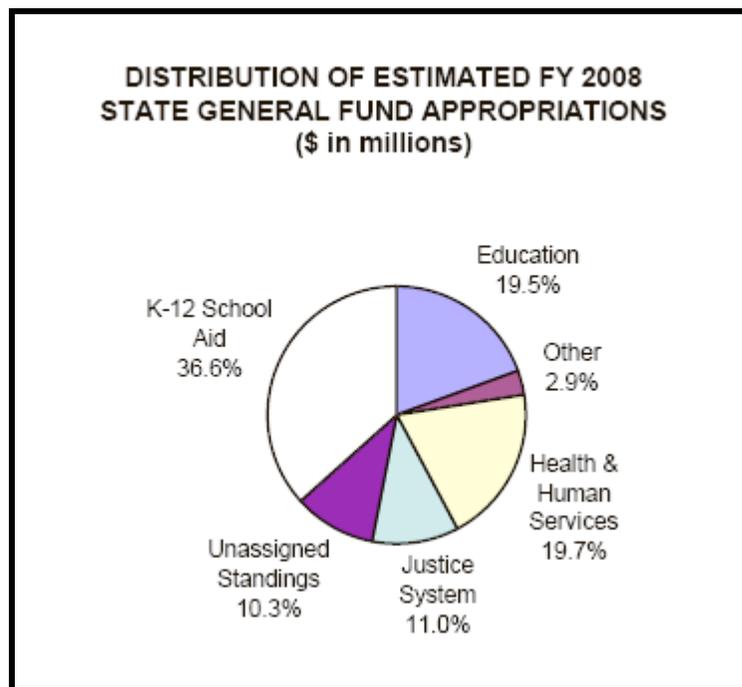
Eligible services funded by state tax dollars ³⁹	<p>Emergency medical care</p> <p>K-12 public education</p> <p>Public health assistance for immunizations and treatment of symptoms of communicable diseases</p> <p>Short term, non-cash, in-kind emergency disaster relief</p> <p>Any program that is necessary to protect life and safety that is not income-conditional (such as domestic violence shelters, homeless shelters, soup kitchens, food banks, emergency mental health and substance abuse services)</p> <p>Police, fire, ambulance, transportation, sanitation, and other “widely available services”</p>	<p>Emergency medical care</p> <p>K-12 public education</p> <p>Public health assistance for immunizations and treatment of symptoms of communicable diseases</p> <p>Short term, non-cash, in-kind emergency disaster relief</p> <p>Any program that is necessary to protect life and safety that is not income-conditional (such as domestic violence shelters, homeless shelters, soup kitchens, food banks, emergency mental health and substance abuse services)</p> <p>Police, fire, ambulance, transportation, sanitation, and other “widely available services”</p> <p>In-state tuition rates for public universities</p> <p>State unemployment benefits</p> <p>Family Investment Program (FIP)—Iowa’s Temporary Assistance to Needy Families (TANF) program that provides assistance and work opportunities to needy families</p> <p>Medicaid—funds health care coverage for low-income individuals</p> <p>HAWK-I—funds health care coverage for children in low-income Iowa families that do not qualify for Medicaid</p> <p>State Supplementary Assistance—Iowa’s state supplement to the federal income supplement program for elderly and disabled who have little or no income</p> <p>Child Care Assistance—provides child care funding to low-income parents</p>
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³⁹ Some of these services are funded through a combination of federal, state, and local funds, but all listed services include at least some state funding. Services available to undocumented immigrant families are those mandated by federal law and those excluded from federal restrictions on what states may provide to undocumented immigrants. Services available to legal families depend on specific eligibility criteria and this list is by no means comprehensive.

Costs of specific state services

In addition to presenting data that compares taxes paid and state services accessed by undocumented immigrant families to taxes paid and state services accessed by documented, low-wage Iowa residents, we have chosen to present data on the costs of providing specific state services to undocumented immigrants. In doing so, we follow the lead of various other state studies that estimate the share of the cost of K-12 education or emergency medical care services that undocumented immigrants cover with their state tax contributions.⁴⁰ These two services are often chosen for analysis for two reasons. First, they are included in the list of services that federal law mandates that states must provide to undocumented immigrants. Second, as Figure 2 shows, K-12 education and health and human services (where state contributions to Medicaid — which funds emergency medical care for undocumented immigrants — are appropriated) comprise two of the most substantial portions of the state budget.

Figure 2. Distribution of Estimated FY 2008 State General Fund Appropriations⁴¹



K-12 school aid is the single largest category of estimated FY2008 General Fund appropriations in Iowa, at 36.6 percent of the total amount of appropriations. Medicaid is the largest of Iowa's Department of Human Services' (DHS) major programs, with state spending on Medicaid accounting for approximately 30 percent of DHS' total spending on its major programs.⁴²

In addition, although state corrections expenditures account for much smaller share of total state expenditures, we include data on the cost of incarcerating undocumented immigrants in Iowa because it is often cited as a major component of costs associated with undocumented immigrants at the state level.⁴³

⁴⁰ See Baker and Jones (2006), Ehresman (2006), and New Mexico Fiscal Policy Project (2006).

⁴¹ Figure excerpted from Iowa Legislative Services Agency (2007b), p. 45.

⁴² IPP calculation based on statistics presented in Iowa Legislative Services Agency (2007b), p. 87, 89.

⁴³ See, for instance, state studies published by the Federation for American Immigration Reform (FAIR) at http://www.fairus.org/site/PageServer?pagename=iic_immigrationissuecenterslist8e20. See also Jones and Baker (2006).

K-12 public education costs

Public education costs constitute the largest share of Iowa’s budget, so it is not surprising that public education also constitutes the largest share of the total cost of services accessed by undocumented immigrants in Iowa. In calculating the costs of public education for the undocumented children in Iowa’s population, we followed the methodology adopted throughout this report and counted only the children who were themselves undocumented and did not count those children who, although their parents may be undocumented immigrants, are U.S. citizens by birth.⁴⁴

In order to estimate how many undocumented students are in Iowa’s K-12 public schools, we need to estimate the number of undocumented children in Iowa between the ages of 5 and 18. This requires using figures from the Pew Hispanic Center on the number of undocumented children under the age of 18 in Iowa and subtracting the number of undocumented children under the age of 5, estimated by applying U.S. Census Bureau figures on the percentage of Iowa children under age 5 (6.1 percent of the total Iowa population) to the total population of undocumented immigrants in Iowa (between 55,000 and 85,000).

Table 14. Cost of Educating Undocumented Students in K-12 Public Schools in Iowa

Estimated undocumented immigrant population in Iowa	55,000 to 85,000
Percentage of total Iowa population under age 5	6.1%
Number of undocumented immigrants under age 5	3,355 to 5,185
Estimated number of undocumented immigrants in Iowa below age 18	8,800 to 13,600
Number of undocumented immigrants in Iowa between ages 5 and 18	5,445 to 8,415
Estimated per-pupil education funding for an Iowa student in K-12 education	\$6,497
Estimated annual cost of educating undocumented students in K-12 public schools in Iowa	\$35,376,165 to \$54,672,255

As this table shows, educating undocumented students in Iowa costs approximately \$35.4 million to \$54.7 million per year. This number is calculated using a standard, per-pupil cost, meaning that the per-pupil cost of educating an undocumented student in Iowa is the same as the per-pupil cost of educating a documented student in Iowa.

Emergency medical care costs

Undocumented immigrants can access emergency medical care in Iowa, regardless of whether or not they can pay for this care through private insurance or out-of-pocket payments. Research has shown that, contrary to popular belief, undocumented immigrants access the emergency medical care system at

⁴⁴ The Pew Hispanic Center (Passel 2005) estimates that there are 3.1 million children living in undocumented families in the United States who are legal U.S. citizens by virtue of being born in the U.S. This number represents a little less than two-thirds of all children living in undocumented families. We do not estimate K-12 public education costs for these children, based on the fact that they are not themselves undocumented and therefore fall into the category of “documented student,” a group whose costs we do not measure here.

much lower rates than native-born citizens. In an analysis of medical care costs for native and foreign-born residents of L.A. County, Goldman et al (2006) found that immigrants, and particularly undocumented immigrants, use disproportionately less medical care than their share in the population would indicate.⁴⁵ Researchers hypothesize that this difference is due in part to the better health of the undocumented immigrant population and the self-selection process that goes into deciding whether to attempt immigration.⁴⁶

Using detailed information about the health status, care, and insurance of undocumented immigrants available from the Los Angeles Family and Neighborhood Survey (LAFANS), the Goldman study estimates that the public share of per capita medical spending for an undocumented adult woman is \$530, compared to \$886 for a native-born woman. Undocumented adult men have an annual per-capita public cost of \$148, compared to \$763 for native-born men.

Table 15. Comparison of Undocumented and Native Born Per-Capita Medical Costs

Annual per capita medical spending, public share	Undocumented Immigrant	Native-born
Adult male	\$148	\$763
Adult female	\$530	\$886

We have presented data based on the Goldman study here because it analyzes data unavailable elsewhere on the health care usage and cost of undocumented immigrants, compared to larger foreign-born and native-born populations. Although these numbers are based on data from Los Angeles County, we believe that, as the study itself suggests, the potentially more generous care available in LA County would, if anything, overstate medical spending numbers and therefore provide a more conservative estimation of medical spending on undocumented immigrants in Iowa.⁴⁷

As Table 16 indicates, we estimate that public medical spending on undocumented adult immigrants in Iowa ranges between approximately \$14.2 million and \$21.9 million, depending on the actual size of this population. We do not provide estimates for public medical spending on undocumented children in Iowa.

⁴⁵ Goldman, Dana et al (2006) "Immigrants and the cost of medical care." *Health Affairs* (November/December): 1700-1711.

⁴⁶ Goldman et al, p. 1705.

⁴⁷ Goldman et al, p. 1709.

Table 16. Public Medical Spending on Undocumented Adult Immigrants in Iowa

Adult male undocumented immigrant per capita medical spending, public share	\$148
Adult male undocumented immigrant population in Iowa	26,950 - 41,650
Total annual public cost of medical spending on adult male undocumented immigrants	\$3,988,600 - \$6,164,200
Adult female undocumented immigrant per capita medical spending, public share	\$530
Adult female undocumented immigrant population in Iowa	19,250-29,750
Total annual public cost of medical spending on adult female undocumented immigrants	\$10,202,500 - \$15,767,500
Aggregate annual public cost of medical spending on adult undocumented immigrants in Iowa	\$14,191,100 – \$21,931,700

Criminal justice system costs

The state of Iowa also pays for costs associated with incarcerating undocumented immigrants who are convicted of crimes and sentenced to serve time in Iowa’s prisons. The federal government provides the funding for these prisoners only if they are federal detainees, meaning that if the prisoner has come into Iowa’s prisons through the state criminal justice system, the state is fiscally responsible for the prisoner’s incarceration just as with any other prisoner.

Table 17. Cost of Incarcerating Undocumented Immigrants in Iowa Prisons

“Confirmed illegal aliens” in Iowa’s prison system (as of 02/14/07) ⁴⁸	158
Percentage of total Iowa prison population	1.78% ⁴⁹
Average daily cost of incarcerating an inmate in Iowa’s prison system ⁵⁰	\$71.25
Average annual cost of incarcerating “confirmed illegal aliens” in Iowa	\$4,108,987.50

Undocumented immigrants constitute a slightly smaller share of Iowa’s prison population than they do of the total population in Iowa. While undocumented immigrants are 2 percent to 3 percent of the total Iowa population, they are less than 2 percent of the prison population in Iowa.

V. Conclusions

It is important to recognize the fiscal contributions of undocumented immigrants living in Iowa. Undocumented immigrants pay an estimated aggregate amount of \$40 million to \$62 million in state

⁴⁸ Personal communication with Lettie Prell, Research Director, Iowa Department of Correction, 8 October 2007.

⁴⁹ Based on a total prison population on 14 February 2007 of 8,865. Personal communication with Lettie Prell, Research Director, Iowa Department of Corrections, 8 October 2007.

⁵⁰ Personal communication with Lettie Prell, Research Director, Iowa Department of Corrections, 19 October 2007.

taxes each year. As a group, undocumented immigrant families earning \$27,400 a year pay less in state taxes than do their documented peers in Iowa; however, even an undocumented family sending home remittances and avoiding state income taxes will pay more than \$1,300 into the state coffers each year. Although their tax payments are approximately 80 percent of the taxes paid by legally documented families with comparable incomes, undocumented immigrant families are eligible for far fewer state and federal services than are documented residents in Iowa.

In fact, some of their tax payments go to providing state services that undocumented immigrants themselves cannot access because of their immigration status. Employers in Iowa contribute an additional \$1.8 million to \$2.8 million in state unemployment insurance premiums on behalf of their undocumented employees, who can never access these benefits. Undocumented immigrants working on the books in Iowa and their employers also contribute annually an estimated \$50 million to \$77.8 million in federal Social Security and Medicare taxes from which they will never benefit. Rather than draining state resources, undocumented immigrants are in some cases subsidizing services that only documented residents can access.

Assuming, as the Legislative Services Agency report appears to do, that the cost of services accessed by each family in Iowa should be no greater than the amount of state taxes paid by that family is misleading. This framework of analysis fails to account for the fact that state spending on all low-income families, undocumented or documented, is understood as an investment in these individuals that, particularly with regard to public education, will produce future returns not easily measurable through a balance sheet comparing annual costs and annual taxes paid. Our state tax system collects taxes from families according to their ability to pay taxes and then allocates these revenues in order to provide needed services. Like many documented families in Iowa, undocumented immigrants are “paying for” only a portion of the cost of state services. Because of their restricted eligibility, this portion is in many cases higher than that paid by documented families at the same income level. More importantly, an analytical framework that understands the relationship between the state and taxpayers in terms of investments rather than in terms of net surpluses or deficits will more accurately reflect the fiscal impact of providing and funding state services.

Policy recommendations regarding undocumented immigrants in Iowa should be made with this information in mind. As the Iowa Legislative Services Agency (LSA) notes in its *Issue Review* on undocumented immigration, “decreasing undocumented immigrant eligibility for State spending does not appear to be a viable policy option,” mainly because immigrants are already ineligible for many services and those for which they do qualify (primarily K-12 education and emergency medical care) are mandated by federal law.

The LSA instead suggests three broad, alternative policy directions: 1) reduce the number of undocumented immigrants in Iowa by increasing monitoring and enforcement of current laws directed at employers who hire undocumented immigrants; 2) increase the percent of income taxes collected from undocumented workers by issuing “dummy” taxpayer identification numbers, increasing enforcement of employers’ withholding of income taxes, and/or guaranteeing that state income tax filing cannot be used as a means of identifying undocumented immigrants; 3) increase the average income of undocumented immigrants in Iowa in order to collect more sales and excise and income tax revenue by raising the minimum wage and increasing enforcement of the minimum wage requirement with employers, allowing the children of undocumented workers to attend State universities at in-state tuition rates, and/or increasing other educational opportunities for undocumented immigrants.

Our analysis supports many of these broad recommendations. However, it also recognizes that the most significant policy changes made to address immigration in the United States must be made at the federal level. The broken nature of the federal immigration system and the demographic shifts occurring as Iowa becomes a new destination for undocumented immigrants suggest that it will be difficult for Iowa to reduce the number of undocumented immigrants in the state without corresponding changes in federal policy.

Given these circumstances, our analysis concurs that the best policy responses to the fiscal issues of undocumented immigration involve finding ways to increase the rate and amount of state tax payments by undocumented immigrants. This report has assumed a 50 percent payment rate for undocumented immigrants paying income taxes as well as for the state unemployment insurance premiums and federal Social Security and Medicare taxes paid by employers of undocumented immigrants. If this payment rate were increased, the state revenue from income tax and unemployment insurance premiums could potentially double, bringing an additional \$9 million to \$14 million to state coffers.

As state legislatures across the United States develop new approaches to the issue of undocumented immigration, and particularly as the growth rate of the undocumented immigrant population continues to rise in states outside the traditional “major destination” states, policymakers are taking on a controversial and often complex issue. This analysis has demonstrated that undocumented immigrants in Iowa are taxpayers who, many times, are paying the same amount of taxes as a legal resident with the same income and who, as a group, are paying nearly as much in taxes as legal residents. Understanding undocumented immigrants as taxpayers who often receive far fewer services than their documented peers can help illuminate aspects of the immigration debate in Iowa that have not previously been analyzed and can help inform decisions related to state fiscal and immigration policy.

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VII. Appendices

Table 18: Iowa Educational Attainment, Population 25 Years and Over⁵¹

Attainment	Number	Percentage
Less than 9 th Grade	85,198	4.4%
9 th to 12 th Grade, No Diploma	130,977	6.7%
High School Graduate (Includes Equivalency)	695,373	35.6%
Some College, No Degree	394,090	20.2%
Associates Degree	177,466	9.1%
Bachelor's Degree	324,529	16.6%
Graduate or Professional Degree	144,393	7.4%
Total	1,952,026	100%

Table 19: Iowa, Language Spoken at Home, Population 5 Years Old and Over⁵²

⁵¹ Source: U.S. Census Bureau: 2006 American Community Survey.

⁵² Source: U.S. Census Bureau: 2006 American Community Survey

Language	Number	Percentage
English Only	2,612,625	93.6%
Spanish	97,876	3.5%
Other-Indo European Languages	44,059	1.6%
Asian and Pacific Islander Languages	28,990	1.0%
Other Languages	7,408	0.3%
TOTAL	2,790,958	100%

Table

20:

Ancestry Claimed by Iowans on Census⁵³

Ancestry	Number	Percentage
American	177,668	5.6%
Arab	3,947	0.1%
Czech	63,431	2.0%
Danish	68,854	2.2%
Dutch	149,454	4.7%
English	314,866	10.0%
French (Except Basque)	86,688	2.8%
French Canadian	10,106	0.3%
German	1,222,577	38.9%
Greek	7,387	0.2%
Hungarian	3,833	0.1%
Irish	469,665	14.9%
Italian	68,389	2.2%

⁵³ Source: U.S. Census Bureau, 2006 American Community Survey. Hispanic ancestry, according to a Census Bureau note to the table, was not included here because it was dealt with elsewhere.

Lithuanian	2,486	0.1%
Norwegian	163,263	5.2%
Polish	48,591	1.5%
Portugese	2,632	0.1%
Russian	11,990	0.4%
Scotch-Irish	54,350	1.7%
Scottish	52,032	1.7%
Slovak	1,666	0.1%
Subsaharan African	12,718	0.4%
Swedish	104,820	3.3%
Swiss	17,676	0.6%
Ukrainian	2,621	0.1%
Welsh	23,233	0.7%
West Indian (Not Including Hispanic)	1,598	0.1%
TOTAL	3,146,541	100%

Table 21: Iowa Principal Non-Governmental Employers⁵⁴

2005		1996	
Rank	Employer	Rank	Employer
1	Hy-Vee Food Stores	1	Hy-Vee Food Stores
2	Wal-Mart Stores	2	Deere and Company
3	Deere and Company	3	Wal-Mart Stores
4	Principal Financial Group	4	Principal Financial Group
5	Rockwell Collins	5	Rockwell Collins
6	Tyson Fresh Meats	6	Iowa Beef Processors
7	Wells Fargo	7	Central Iowa Health Systems
8	Pella Corporation	8	APAC Teleservices
9	Fareway Stores	9	Mercy Hospital
10	Central Iowa Health Systems	10	K-Mart

⁵⁴ Source: State of Iowa, Fiscal Year 2006 CAFR, p.151.

Table 22: Iowa Families and Households Distribution of Income, 2006⁵⁵

Income	Households	Percent	Families	Percent
Under \$10,000	87,020	7.2%	29,500	3.7%
\$10,000 - 14,999	77,454	6.4%	23,615	3.0%
15,000 - 24,999	147,607	12.2%	70,845	8.9%
25,000 - 34,999	154,175	12.8%	88,041	11.0%
35,000 - 49,999	208,489	17.2%	137,437	17.2%
50,000 - 74,999	250,560	20.7%	195,593	24.5%
75,000 - 99,999	138,648	11.5%	122,526	15.4%
100,000 - 149,999	98,594	8.2%	87,570	11.0%
150,000 - 199,999	23,796	2.0%	21,271	2.7%
200,000 or more	22,422	1.9%	20,572	2.6%
Total	1,208,765	100%	796,970	100%
Median Income	44,491	n/a	55,735	n/a
Mean Income	56,260	n/a	67,354	n/a
Average Size	2.38	n/a	2.92	n/a

⁵⁵ Source: U.S. Census Bureau: 2006 American Community Survey.

Table 23: Iowa Employment by Industry, Population 16 Years Old and Over⁵⁶

Industry	Number	Percentage
Agriculture, Forestry, Fishing & Hunting, and Mining	63,060	4.1%
Construction	102,122	6.6%
Manufacturing	242,304	15.7%
Wholesale Trade	53,016	3.4%
Retail Trade	178,443	11.5%
Transport, Warehousing, and Utilities	73,037	4.7%
Information	34,147	2.2%
Finance, Insurance, Real Estate, Rental & Leasing	112,221	7.3%
Professional, Scientific, Mgmt, Admin & Waste Management Services	103,437	6.7%
Educational Services, Health Care, Social Assistance	358,819	23.2%
Arts, Entertainment, Recreation, Accommodation, Food Service	112,239	7.3%
Other Services Except Public Administration	62,738	4.1%
Public Administration	49,476	3.2%
TOTAL	1,545,059	100%

⁵⁶ Source: U.S. Census Bureau, 2006 American Community Survey.

Table 24: Undocumented Immigrant Benefit Eligibility List⁵⁷

Program	Eligibility
Food Stamps	No
TANF	No
Medicaid	No
Federal Housing Programs	No
SSI	No
Unemployment Insurance	No
Social Security	No
Medicare	No
Earned Income Tax Credit	No
K-12 Education	Yes
Emergency Room Services	Yes

⁵⁷ Source: Lipman, p.5-6 and fn17.