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**Federal/State Cost Sharing of Immigrant Welfare**

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**Abstract**

In 2007, the foreign-born population in the United States reached 38 million persons, comprising approximately 12.6 percent of the United States population. Of the foreign born, approximately 10.3 million or 29 percent were illegally in the country. Because the foreign born were heavily clustered in five states, a product of network-driven migration, the impact of their numbers fell quite unevenly on cities and regions. In the United States welfare is not exclusively a federal responsibility. In principle, 50 states share welfare responsibilities with the federal government, but in reality five heavily impacted states bore three-quarters of the nation's immigration-related welfare burden. Additionally, legal and illegal migrants impose different consequences on the welfare system. As a joint result, the regional and local clustering of the legal and illegal immigrants imposed an unequal and variegated pattern of fiscal and social impacts on the nation's welfare regime by 2004. However, as immigrants have begun to settle outside of the five impacted states, they have begun to demolish the political status quo that has long frustrated the reform of immigration. The American case highlights the importance of sound legislative design in the management of immigrant welfare.

**Keywords:** immigrants, welfare, Mexicans, states, TANF, deflection

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## Federal/State Cost Sharing of Immigrant Welfare

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Prior to 1965, the United States had long admitted Mexican guest workers for harvest labor in the southwest. However, these guest workers had reliably repatriated to Mexico when the harvest was gathered. As a result, long-term growth of a resident Mexican origin population was negligible until the so-called *Bracero* authority expired in 1964. Thereafter, like all other countries, Mexico obtained an annual immigration quota under the 1965 Immigration and Nationality Act. Mexican harvest laborers entered the United States thenceforth with temporary immigration visas. However, once admitted, Mexican harvest laborers began to settle illegally in American cities instead of repatriating to Mexico as they had done in the past. When they settled in cities, Mexican immigrants dropped out of the harvest labor pool. Their absence then required growers to recruit from Mexico the annual harvest labor force anew instead of drawing upon the labor of returned Mexicans.<sup>1</sup> As the practice of settling in cities widened and repatriation declined after approximately 1980, Mexican immigration quotas filled up quickly, and a flow of undocumented and illegal immigration from Mexico developed alongside the legal (Table 1).

Although Mexican immigrants always repatriated, and many continue to do so today, the long-standing circular migration from Mexico had become a predominantly settlement migration centered on cities by 1990. In tandem with deteriorating economic conditions in Mexico (Hernández-León, 2008), the overall result was a drastic expansion of the volume of Mexican immigration and Mexican immigrant population of the United States. By 2006, the United States housed 11,541,404 Mexican immigrants who represented 30.7 percent of the nation's foreign-born population (Table 1). In 2000, approximately 46 percent of the Mexican immigrants in the United States were undocumented (Bean and Stevens, 2003: Table 3.7). By 2008, 55 percent of the 11.9 million Mexican immigrants were undocumented.<sup>2</sup>

Public opinion polls show that, ever since the mid-1970s, Americans have considered that too much immigration enters the nation, especially immigration from Asia and Latin America (Light, 2006: chapter 9). Illegal immigration has also been the most persistent and harshest target of conservative critics for decades. The public mood is so dark that, speaking in 2009, President Barack Obama had repeatedly to

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**Table 1. Total and Mexican Foreign-Born Population of the United States**

Year	Foreign Born	Mexican Born		
		Rank*	Share of all foreign born	Number
1960	9,738,091	7	5.9	575,902
1970	9,619,302	4	7.9	759,711
1980	14,079,906	1	15.6	2,199,221
1990	19,767,316	1	21.7	4,298,014
2000	31,107,889	1	29.5	9,177,487
2010	37,547,315	1	30.7	11,541,404

\*Rank refers to the position of the Mexican-born relative to other immigrant groups in terms of size of the population residing in the United States in a given census year.

Source: Jeanne Batalova, “Mexican Immigration in the United States.” Originally published on the Migration Information Source ([www.migrationinformation.org](http://www.migrationinformation.org)), a project of the Washington D.C.-based Migration Policy Institute, an independent, nonpartisan, nonprofit think tank dedicated to the study of movement of peoples worldwide.

reassure Americans that his healthcare reform would not include *any healthcare* for undocumented immigrants.<sup>3</sup> The public’s attitude is uncharitable, but the number of undocumented immigrants is admittedly quite high. In 2004, an estimated 10.3 million persons were undocumented. These undocumented persons represented 29 percent of all immigrants and 3.5 percent of the United States population (Van Hook, Bean, and Passel, 2005: 2). The unauthorized population also grew rapidly between 1990 and 2005, possibly explaining the voters’ dark mood on the subject. Seventy percent of the undocumented hailed from Mexico or Central America (Passel and Cohn, 2009; Telles and Ortiz, 2008: 286). The public’s hostility toward the undocumented falls very heavily upon the Mexican immigrant population.

### The Political Tide

Anti-immigrant backlash contributed to but surely did not cause conservative political ascendancy in the United States during the last quarter of the twentieth century and to the George W. Bush administration, 2001–2008. This outcome is unsurprising. Antiforeigner sentiment frequently accompanies immigrations (Light, 1996); it has accompanied immigration to the United States in the past, and it is present in contemporary Europe as well as in the United States (Wilensky, 2002: 650–54; Maas, Raijman, Semyonov, 2006).<sup>4</sup> Anti-immigrant voters responded to political appeals that depicted immigrants as criminals, economic refugees, and

welfare seekers whose costs would be passed to taxpayers in the reception countries (Wilensky, 2002: 394). This ideological currency is not new. A century ago, the United States Senate (Dillingham, 1911) published a 41-volume report that exposed the racial inferiority and economic/social undesirability of the “new” migration from Southern and Eastern Europe. Among the 41 volumes was one entitled, *Immigrants as Charity Seekers* the contents of which are fully accessible from the title. However, in 1911, the United States did not have a functioning welfare state. All the United States could offer needy immigrants was charity, not welfare. By 1970 all that had changed. The American welfare state offered the population a range of services including old-age pensions, old-age medical care, Medicaid,<sup>5</sup> food stamps, emergency medical care, tax-supported higher education, unemployment insurance, occupational safety and health, a minimum wage, death and disability assistance, and, above all, Aid to Families with Dependent Children (AFDC), which, although a minor cost component of the welfare state, long provided the easiest target for demagogic attack.

Of course, the conservative political agenda called for reduction of the welfare state for citizens too, not just for immigrants. Indeed, welfare reform mainly addressed and intended to amend the supposedly work-shy habits of native-born poor people. In response to the powerful conservative political tide, Congress legislated major changes in the welfare state in 1996. The Personal Responsibility and Work Opportunity Act of 1996 abolished the AFDC program, which had been accused of fostering intergenerational welfare dependency among relief recipients. AFDC was replaced by Temporary Aid for Needy Families (TANF), still the major income support program of the federal welfare state. TANF tightened eligibility rules for outdoor relief to such an extent that recipients of federal relief declined by approximately 75 percent in the next decade even though poverty rates and unemployment rates were stable. TANF also devolved funding and administration of welfare relief from the federal government to states. Under TANF, the federal government made block grants to states, which were conceded wide authority to design their own relief programs. As a result, welfare relief recipients under TANF are in quite different programs depending on their state of residence.

That said, while restricting welfare access for native-born Americans and for naturalized citizens, who are 87 percent of the population, the Personal Responsibility and Work Opportunity Act of 1996 (PRAWOA) also severely restricted the access of immigrants and noncitizens to relief. Whereas seven percent of immigrants had received AFDC or state General Assistance in 1994, after four years of TANF only four percent were receiving relief (Graefe, De Jong, Hall, Sturgeon, and VanEerden. 2009: 122). PRAWOA specifically excluded noncitizens and recent legal immigrants from access to major federal benefit programs including cash and food stamps (Papademetriou and Terrazas, 2009: 11). Despite persistent rumors to

the contrary, which testify to the intense voter dislike of immigrant welfare recipients, undocumented immigrants were never previously eligible for federal relief, and PRAWOA only continued that ineligibility. However, in devolving authority from federal to state level, the PRAWOA authorized states to continue to assist recent legal immigrants and noncitizens legally present in the United States *if the states elected to do so*. Only six states (California, New York, Texas, Florida, Illinois, and New Jersey) restored state-based coverage to recent legal immigrants. Tellingly, these states are all high immigration states for whom impoverished immigrants posed a present problem on their doorstep.

### **Impacted and Unimpacted States**

Quite to the contrary, the 44 unimpacted states crafted stingy relief rules that discouraged immigrant influx. “No relief here: immigrants stay out” was their message. Conversely, states *already housing* large populations of immigrants extended welfare liberally to immigrants in order to cope with the immigrant poverty already on their doorsteps (Newman, Fan, and Gius, 2008). Graefe, De Jong, Hall, Sturgeon, and VanEerden, (2009: 123) have addressed the problem of why some states opted for more liberal treatment of immigrants under TANF than did others. On the strength of their large data set, they concluded that what made the difference was the actual presence of immigrants in some states but not in others. “As states become recipients of larger inflows of immigrants, they are likely to become less stringent toward meeting their social welfare needs as they incorporate immigrants into the life fabric of the state.”

PRAWOA’s administrative devolution of federal welfare responsibilities to the states further decentralized the already decentralized welfare regime of the United States. After PRAWOA, the federal government retained control of the welfare system’s crown jewels, Medicare (old-age healthcare) and Social Security (old-age pensions), but recipient contributions pay for these systems, which are means-tested at the point of distribution. The federal government devolved outdoor relief to states under TANF. Like Medicaid, TANF is a true tax-supported welfare program that transfers income from taxpayers to recipients. TANF is also a federal welfare program that concedes extensive policy authority to states. There are other welfare programs for which the federal government and the 50 state governments share responsibility. After welfare reform, the federal government continued to share responsibility for Medicaid, occupational safety and health and minimum wages with the states.<sup>6</sup> After reform, states retained exclusive authority for public education, insurance regulation, and emergency health care all of which are supported by state taxpayers.

### **The States' Contribution**

Since states share much responsibility for social welfare with the federal government, some sense of their relative fiscal contribution is essential. Federal and state contributions are not that different in volume. That is, the federal government's budget contribution to health, education, and welfare exceeds the aggregate of the 50 states, but not by very much. In 2006, the 50 states devoted approximately 40 percent of state budgets to health, education, and welfare whereas the federal government devoted only 29 percent (Table 2).<sup>7</sup> However, the federal budget was almost twice as large as the aggregate of the 50 state budgets combined. As a result, federal budget outlays for health, education, and welfare were approximately 770 billion dollars in 2006 compared to approximately 539 billion dollars for the aggregate of the 50 states. Therefore, the 50 states' aggregated fiscal contribution to health, education, and welfare was about 70 percent of the federal in 2006.<sup>8</sup>

### **Regional Clustering and Welfare Devolution**

The federal government's devolution of responsibility for welfare policy and administration to states is well understood. What has escaped attention, however, is the disarticulation between federal devolution of outdoor relief and the highly clustered regional settlements of immigrants. The impact of immigration upon the regional redistribution of *native-born persons* has been already addressed, but not the impact of immigrant dispersion within the United States (Frey and Liaw, 1998). Similarly, in his review of the welfare costs, Clune (1998: 120) long ago pointed out that California had more than its share of immigrants. But Clune did not then approach the implications of federal/state cost sharing for California and other states that, like California, housed much more than their share of the foreign born population. It is one thing to devolve welfare policy and authority to states when immigrants are evenly distributed among them; it is quite another to do so when most states have hardly any immigrants and a few are heavily impacted. Because immigrants clustered in a handful of states, the federal government's administrative and policy devolution of welfare policy to the states created perverse incentives.

### **The Regional Demography of Immigration**

Understanding these perverse incentives requires some preliminary attention to the changing regional demography of immigration. In the United States, immigrants have long clustered in just a few states. The top five immigration states (in descending order) are: California, New York, Texas, Florida, and Illinois. In 1990, these five states contained 84.8 percent of the nation's 19.8 million immigrants.

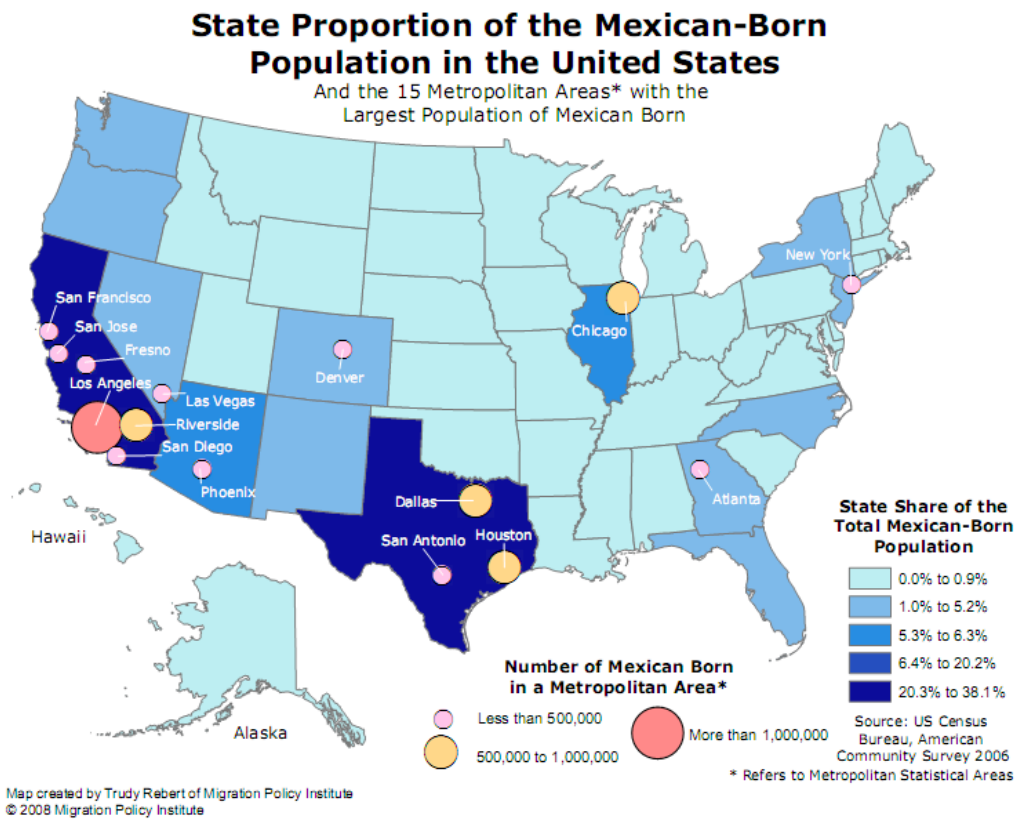


**Table 2. California State Budget, 2009–10: Total Expenditures by Agency (millions of dollars)**

	Dollars	Percentage
Health and Human Services	\$32,826	27.5
Education, K-12	\$35,653	29.9
Higher Education	\$12,206	10.2
Corrections	\$8,234	6.9
All Other	\$30,326	25.4
Total	\$119,245	100

Source: California Department of Finance, Figure SUM-04, <<http://www.budget.ca.gov>>.

**Figure 1.**



Source: Jeanne Batalova, “Mexican Immigration in the United States.” Originally published on the Migration Information Source ([www.migrationinformation.org](http://www.migrationinformation.org)), a project of the Washington D.C.-based Migration Policy Institute, an independent, nonpartisan, nonprofit think tank dedicated to the study of movement of peoples worldwide.



By 2000, the share of the top five had been reduced to 63.7 percent of 31.1 million immigrants.<sup>9</sup>

Figure 1 displays a map showing the distribution of the Mexican immigrant population in the United States as it was in 2006.

The dispersion of Mexican immigrants from the traditional settlement states approximately doubled the influx of Mexicans into non-traditional states over twenty years. Arizona was one of these. Although dispersion reduced immigrant clustering, and therewith regional inequalities in immigrant related welfare burden, clustering was still serious in 2007. In that year, five American states contained 61.7 percent of all immigrants, and the other 45 states divided the remaining 38.3 percent. Because of this imbalance, the mean share of the nation's immigration population was 12 percent in top five states, and in the other 45 states it was 0.9 percent. The top five states had on average 13 times more immigrants than the other 45 states! In 1996, when the federal government undertook welfare reform, the regional imbalance had been even greater.

### **The Neediest Immigrants**

The causes and political consequences of the regional dispersion of immigrants since 1990 have been studied only for Mexicans. Happily, Mexicans are the single largest immigrant group, constituting a third of all immigrants. They are also among the poorest and most vulnerable of all immigrants. Of course, needy persons can be found in every immigrant group. Nonetheless, in the United States, most of the Asian immigrants have arrived with savings and educational levels well above the poverty line.<sup>10</sup> This advantage also characterizes European immigrants. The poorest immigrants in the United States arrive from Central America, Mexico, Haiti, and the Dominican Republic. But for sheer size, no immigrant group approaches the Mexicans, and in the interest of simplicity, the subsequent discussion focuses upon the Mexicans.

Mexicans are more vulnerable to job loss than immigrants in general and more vulnerable even than native-born teenagers. First, Mexican immigrants are less educated than native-born teenagers; they are also less educated than immigrants in general and may, for this reason be regarded as the *least educated* workers in the United States. The mean years of education of Mexican immigrants in California was 8.2 in 2000 (Light, 2006: Table 2.8). Among Mexican immigrants in the United States, 30 percent were high school graduates compared to 62 percent among all foreign born and 83 percent among the native born (Portes and Rumbaut, 2006: Table 6). The mean years of education among Mexican immigrants 18 years of age or older was 8.2 years compared to 9.4 among native-born *teenagers*; while native-born persons over 18 years of age had on average of 12.8 years of schooling,

and adult immigrants in general had an average of 11.4 years of schooling (Light and von Scheven, 2008). Mexican immigrants were *less educated than native-born teenagers* in 2000 and less educated than immigrants in general.

Second, their inferior educational status is not the only labor force disadvantage of Mexican workers. In 2000, approximately 46 percent of the Mexican immigrants in the United States were undocumented (Bean and Stevens, 2003: Table 3.7). Eight years later, 55 percent of the 11.9 million Mexican immigrants were undocumented. In 2008, Mexicans alone were 59 percent of all the undocumented immigrants in the United States; Central Americans were 11 percent (Passel and Cohn, 2009). The undocumented have fewer options and opportunities at work than equally unskilled but fully documented immigrants.

Finally, Mexican immigrants earn less *than other immigrants* and less than natives. In 2008, the median annual personal earnings of all persons over 16 years of age with earnings was \$31,000. Among non-Mexican immigrants, however, the median was \$30,000, and among Mexican immigrants only \$20,000 (Pew Hispanic Center, 2009, Table 1). Whatever their national origin, recent immigrants earn less than those immigrants who have been longer in the United States (Light and Johnston, 2009: Table 1). Indeed, recent immigrants in general occupied a lower occupational status than all Mexican immigrants, the majority of whom are not recent immigrants (Card, 2001: 34).<sup>11</sup> Similarly, among the Mexican immigrants, the most recently arrived earn less than compatriots who have been in the United States longer (Myers, 2007: 119).

### **Causes of Mexican Dispersion, 1980–2000**

Light (2006), Light and von Scheven (2008), and Light and Johnston (2009) have explored the causes of Mexican dispersion after 1980. According to these authors, two processes drove this dispersion of Mexican population.<sup>12</sup> First, the long-term, network-driven immigration of low wage Mexicans saturated employment and housing markets in the major destination states in the 1990s. That is, the huge Mexican influx into just three states reduced Mexican wages in those states, and increased the rents Mexicans paid for housing. Whipsawed between rising rents and declining wages in preferred destinations, Mexicans were induced reluctantly to settle in hitherto unpreferred destinations in nontraditional states.

Second, state policy decisions also accentuated the dispersion of Mexicans. States and cities heavily impacted by Mexican immigration experienced a problem of growing immigrant poverty in the 1980s (Light, 2006: 60–80). This problem was a local result of the trend toward higher rents and lower wages that Mexicans experienced because of saturation. As Mexican influx continued, slums, sweatshops, and homelessness increased in impacted localities. To combat these visible

and growing evils, affected cities and states introduced antislum and antisweatshop projects (Newman, Fan, and Gius, 2008: 7). These projects were partially successful in reducing the slums in which the poorest immigrants lived and reducing the sweatshops in which they worked. As a result, the average welfare of Mexican immigrants improved in the localities that cleaned up the slums and sweatshops. However, just in Los Angeles, the exportation of local poverty entailed the deflection of a million immigrants to outside regions in which sweatshops and slums still flourished. In effect, eliminating sweatshops and slums in Los Angeles deflected Mexican immigrants to Omaha, Baton Rouge, Phoenix, and other second-tier cities of the South and West.

### **Political Dynamics of Dispersion**

Because of the regional clustering of immigrants, federal devolution of relief policy and administration to the states created a perverse incentive. Under TANF, states that already had huge populations of immigrants had the authority as well as the motive to relax federal relief guidelines. For states heavily impacted by immigration, the problem was how to relieve existing poverty among their immigrants. Their solution was to use federal dollars to relieve immigrant distress on their doorstep and, insofar as they could, to obtain more federal dollars. On the other hand, for the vast majority of states that housed negligible settlements of poor immigrants, mainly the Hispanic immigrants, the problem was how to inhibit any influx of poor immigrants. For these states, federal devolution of welfare policy offered a breastwork behind which they could shelter in hope of confining poor immigrants to impacted states. For unimpacted states, immigrant poverty posed no fiscal problem. But, for those states, relief stinginess sent this message to poor immigrants living in impacted states: don't come here!

A comparable situation existed with respect to the federal minimum wage, an important institution of the American welfare state. Federal law permits states to raise their minimum wage above the federal level if they choose. States without a state minimum wage automatically impose the federal minimum wage. States whose minimum wage is at or below the federal minimum wage automatically impose the federal minimum wage. It is noteworthy that among the five states with the highest immigrant populations, four (80 percent) raised their minimum wage above the federal level during the 1990s.<sup>13</sup> Texas was the exception. Among the other 43 contiguous states, only 47 percent raised their minimum wage above the federal level during the 1990s.<sup>14</sup> Arizona retained the lower federal minimum wage. States with lower populations of immigrants generally retained the lower federal minimum wage longer as well. For high immigration states, a higher-than-federal minimum wage reduced immigrant poverty, a problem on their doorstep. For low

immigration states, a low federal minimum wage was thought to send an unfriendly message to low-wage immigrants in impacted states: this state pays low wages, stay out. In this way, the low-immigration states thought to bottle up the poor migrants in the high immigration states.<sup>15</sup> In fact, the states' exclusionary policies were somewhat effective in deflecting immigration. A pro-immigration research center, The Progressive States Network examined a battery of state policies toward immigrants and, on the strength of those results, classified 14 states as punitive or somewhat punitive in their policies toward immigrants, and 17 states as integrative or somewhat integrative in their policies. The other 19 states they called mixed or inactive. On this reckoning, the 14 punitive states contained 17.5 percent of the U. S. population and 12.3 percent of the undocumented. Conversely, the 17 integrative states housed 29.7 percent of the U.S. population and 41.6 percent of the undocumented (Newman, Fan, and Gius, 2008: Charts 1 and 2).

The abrupt collapse of the decades-long demographic breastworks that had confined Latinos to three traditional settlement states (California, Texas, Illinois) resulted in an abrupt increase in the Latino population of many second-settlement states and cities. According to Hopkins's (2010: 55) "politicized places" theory, rapid increases in local immigrant populations double the likelihood of anti-immigrant ordinances, and the collapse of the traditional Mexican watersheds was rapid. Arizona's controversial and arguably illegal policy of Latino harassment gained national attention in 2010, but other states and localities had previously enacted less controversial legal provisions intended to reduce immigrant influx and expedite their egress (Light and Light, 2008). Experiencing an influx of low-wage Mexicans, previously unimpacted states and localities sought novel legal ways of reducing their influx (Light, 2006: chapter 10). These are not easy to find. Whether legally or illegally in the United States, immigrants have a legal right to reside anywhere they choose within the national territory. States and cities cannot exclude immigrants from their territory on the grounds that they are illegally in the United States or are likely to become welfare charges. Destitute immigrants are at perfect liberty to settle in any state they choose. In this legal context, state policies of exclusion seem hopeless, but, confronting a rapid influx, many previously unimpacted localities invented new if dubious legal remedies to impede Mexican influx.

One device has been to instruct local and state police to demand proof of legal status from persons they lawfully stop as, for example, after traffic violations. No one may be stopped just for looking Mexican, soliciting employment on a street corner, and speaking Spanish, but if he or she crosses a street against a traffic light, police may demand proof of legal residence in the United States in some states and cities, but, intriguingly, not in California, Texas, or Illinois, the traditional states for Mexican settlement. Arizona's controversial anti-immigrant statute transgressed even this extended boundary because it permits state and local police to detain

people they reasonably suspect of being illegally in the United States (Riccardi and Powers, 2010). Once detained, persons unable to prove they are legally in the United States are thereupon turned over to federal authorities for deportation. Only the federal government can deport an alien. The federal government has assisted states and localities to retrain local police around this tactic (Gorman, 2009), but the effectiveness remains uncertain.

Another legal device is local ordinances that require residents to prove that they are legally in the United States in order to rent a residence or hold a job within the city limits (Zuníga and Hernández-Léon, 2005). Where introduced, this measure has reduced the influx of Mexicans. It has even liquidated whole Mexican colonies in formation because, after all, half the Mexicans are undocumented. However, this measure is of dubious legality (Light and Light, 2008). Litigation now pending will decide whether localities have the right to prevent undocumented immigrants from working or obtaining housing within a local jurisdiction. A California court has already upheld the right of *undocumented* immigrants to solicit employment while standing on the public sidewalks even if, in the opinion of the local police, they constitute a public nuisance.

### **Regional Inequalities in Welfare Burden**

The most celebrated inequality of the current welfare regime in the United States, apart from healthcare reform, is the welfare system's *durable regional inequalities*. As noted above, states have exclusive responsibility for public education, and emergency health care, and they share responsibility for prisons, and occupational safety and health with the federal government. Education is the single largest budget item of all the American states. In 2009–10, the cost of primary, secondary, and higher education amounted to 40.1 percent of the California state budget (Table 2). Education was the state's largest budget commitment. Low-wage Hispanic immigrants increased the costs of public education in California and other high-immigration states for several reasons (Clune, 1998: 163–67). First, Hispanic immigrants were younger and more fecund than nonimmigrants. They had many children whom they sent to public schools. Second, the children of immigrants required remedial education in the English language, and this extra instruction increased school budgets approximately five percent. Because of these extra costs, states with many Hispanic immigrants confront higher education budgets than do states with few poor immigrants, and higher education budgets imply tax increases that voters reject. Compounding the frustration, Hispanic spokespersons complain that state education outlays are unduly small, and hold back the economic progress of the Hispanic immigrants.<sup>16</sup> States with few poor immigrants escape the extra

expense of educating the immigrants' children as well as their spokespersons' complaints about educational stinginess.

A related educational inequality is the ambiguous eligibility of the children of undocumented immigrants to receive taxpayer-subsidized higher education. If this eligibility is granted, states receive lower tuition payments from the students, and have to make up the cost from their general funds. The children of undocumented immigrants are numerous. Their legal entitlement is ambiguous even if they are birthright citizens. Of the approximately 12 million undocumented immigrants in the United States in 2007, two million were the children of undocumented immigrants. If just four percent of these children received \$10,000 in taxpayer subsidized tuition in their lifetime, the aggregate cost to the 50 states would be \$800 million. If eight percent, \$1.6 billion. These are not large sums, but the children of undocumented immigrants share their parents' unpopularity. Congress passed the Illegal Immigration Reform and Immigrant Responsibility Act in 1996. Section 505 declares that unauthorized immigrants are not eligible for postsecondary public education, but it does not *prohibit* states from admitting unauthorized students to state colleges and universities at the in-state tuition rate. Only 10 states have chosen to relax the restriction in favor of the undocumented applicants, but, among these are the three largest immigration states, California, Texas, and Illinois. All the states are awaiting a federal courts' ruling on the legality of this practice (Konet, 2007), but the issue only matters in impacted states.

Emergency medical care creates another regional asymmetry in the welfare burden states bear as a result of immigration. As noted above, states provide emergency medical care from taxpayer funds. The insured pay for this service; the indigent obtain free treatment. Low-wage immigrants are mostly uninsured; many are ineligible for government-sponsored healthcare, and so a large proportion are indeed medically indigent (Weslin, 2009). In 2007, 33.2 percent of all immigrants lacked health insurance compared with 12.5 percent of the U. S. population.<sup>17</sup> Similarly, immigrants and their U.S. born children were 31.9 percent of all uninsured in 2007, but they were only 16.8 percent of U.S. population (Camarota, 2009). When ill or injured, uninsured immigrants visit the emergency rooms where they obtain free healthcare. Many of those obtaining free healthcare are also undocumented. States with many low-income immigrants must bear this healthcare burden whereas states with few low-income immigrants escape it.

True, the Hispanic immigrants are younger and healthier than the American population in general. Therefore, in proportion to their number, the Hispanics less frequently visit public emergency rooms than do nonimmigrants. This advantage is often called the "Hispanic paradox" because poor people are normally less healthy than other people (Solé-Auró and Crimmins, 2008: 862).<sup>18</sup> The Immigration Policy Center (2009: 2) reported that in 2006, 20 percent of adult citizens had visited a



public emergency room within the past year; only 13 percent of noncitizen adults had done so. Immigrants spend little on health care. They spend less because they are less often sick, not just because they have lower incomes. In 2005, the average annual per capita health care expenditures for noncitizens were \$1,797 vs. \$3,702 for citizens. The good health of the immigrant population reduces the cost of their health care to themselves and to states. That said, *any free use* of public emergency rooms by uninsured immigrants imposes a cost on state taxpayers, and states with many poor immigrants experience more such use than do states with few. The difference amounts to a regional inequality in states' healthcare burden for immigrants.

Occupational safety and health and wages and hours supervision are welfare activities that states share in principle with the federal government. These industrial regulations are in place to protect employees against unhealthful and unsafe workplaces and also to protect them against scoff-law employers who evade wages and hours requirements. Scoff-law employers are quite numerous (Light, 2006: chapter 6), Bankers and stock brokers do not need this welfare state protection. Poor immigrants need it (Greenhouse, 2009). Therefore, the fiscal burden of protecting the most vulnerable workers increases in states that have more immigrants. These are states that house many low-wage immigrants. States with few low-wage immigrants escape this expense.

A still popular and ancient canard complains that immigrants commit more crimes than nonimmigrants, and impose on the public the additional cost of their crimes, prosecution, and imprisonment. Generally speaking, that claim is as false now as it was false in the past. On the contrary, relative to their numbers, immigrants are less frequently imprisoned than nonimmigrants (Portes and Rumbaut, 2006: 194–97). But *there is* one crime that only immigrants can commit. This is the crime of illegally entering the United States, a felony under federal law. Although border control is strictly a federal responsibility, state prisons share the cost of temporarily housing thousands of undocumented immigrants prior to deportation. It takes several days between the time a person is arrested for illegal entry, and his or her deportation. There is no other penalty so many of those deported just try again, hoping to succeed on a subsequent attempt. As a result, there are thousands of arrestees every year at the Mexican border with California and Arizona. California and Arizona have to provide prison facilities at taxpayer expense in order to house detainees awaiting deportation *for a federal crime*. Interior states with few immigrants bear no cost of imprisoning aliens charged with federal crimes.

### **Fiscal Mismatch**

Aggravating the welfare burden on high immigration states is the celebrated *fiscal mismatch* between federal and state welfare receipts and expenditures. It is



universally agreed that poor immigrants pay less in taxes to states than they receive in services from the states (Clune, 1998; Bean and Stevens, 2003: 201–06). For example, because of their youth and low incomes, immigrant families send more children to the public schools than do nonimmigrant families, but they pay lower income taxes to the states (Smith and Edmonston, 1997: 352–54). States fund the public schools out of state tax revenues. In this context, states with many low-wage immigrants bear uncompensated education expenses that unimpacted states escape. Regional differences in the fiscal burden of immigration are large. On average, within the United States, the net fiscal cost of immigration was \$200 per native household in 1996 dollars, but in California, the fiscal cost per native household was \$1,200 per household (Bean and Stevens, 2003: 205).

The federal side is less clear. Most analysts conclude that immigrants pay *more* in taxes to the federal government than they receive in services from the federal government (Clune, 1998: 163–67; Wilensky, 2002: 648; Bean and Stevens, 2003: 206). The principle reason is the significant undocumented component within the immigrant population. Undocumented workers pay Social Security taxes, but they never receive old-age benefit from the Social Security system.<sup>19</sup> In effect, the undocumented subsidize the Social Security system. They pay Medicare taxes, but, because they are young and healthy, use the system proportionately less than non-immigrants. These subsidies to the federal government are paid by the poorest and most vulnerable workers, Latino immigrants. Even if we consider that legal immigrants break even on federal Social Security tax, receiving back the exact value they bought, the same is not true of undocumented immigrants. Writing for the Center for Immigration Studies, a restrictionist research center, Camarota concedes that immigrants pay more for federal Social Security than they receive from that system, but Camarota (2004) maintains that, when proper attention is paid to other costs they impose on the federal treasury, immigrants underpay federal *as well as* state taxes.

From the point of view of regional inequalities in welfare burden, it makes little difference whether Camarota is right. Either way, states with a large population of poor immigrants bear a heavier burden of immigrant welfare than do states with a small proportion. Yet, immigration is a federal responsibility, not a state responsibility. In effect, under the existing American welfare regime, a handful of states bear the lion's share of the nation's welfare responsibility to immigrants; the vast majority evades their share. While this situation is unfair, the unfairness is quite congenial for the federal treasury and for the unimpacted states. For decades, the interest of these 45 states has been to bottle up the low-income immigrants in the major reception states (California, Florida, Illinois, Texas, New Jersey, New York). So long as they contain low-wage immigration in this fashion, the 45 low-immigration states escape the burden of low-wage immigration, and even defer having

to address the problem of immigration reform. The political *status quo* was good enough for many decades during which immigration was some other state's problem. For many decades they succeeded in both endeavors. But the demographic handwriting on the wall now signals that this party is ending.

### Discussion

In the American welfare regime, the federal government shares responsibility for welfare and the cost of welfare with the 50 states. The welfare reforms of 1996 devolved this responsibility even further toward the states. However, because of the clustering of poor immigrants in a handful of heavily impacted states, shared federal/state responsibility for welfare released several perverse incentives. In the five heavily impacted states, immigrant poverty demanded immediate solutions. These states favored fiscal generosity toward poor immigrants under TANF and more liberal federal policies toward immigrants. They also imposed high state minimum wages, expecting thereby to reduce immigrant poverty. However, among the 45 unimpacted states, welfare policy became an exercise in deterrence. A state policy of welfare stinginess was expected to forestall poor immigrants from entering the state, thus preventing unimpacted states from having to remediate immigrant poverty. Unimpacted states tended as well to require the lowest possible minimum wage in order to deter low-wage immigrants.

Shared federal/state responsibility for immigrant welfare also produced a fiscal mismatch with adverse consequences for impacted states. The fiscal mismatch arises because immigrants consume more state-provided welfare services than they pay in taxes to the states. Most analysts think that immigrants pay more federal taxes than they receive in benefits from the federal government. But, even if so, that reciprocal overpayment, which evens the balance at the national bottom line, does not compensate impacted states for their heavier welfare burden. Heavier welfare burdens imply tax increases, which voters resist. Especially in the field of education, emergency healthcare, and prisons, immigration-impacted states incur welfare costs much higher than unimpacted states. In effect, the federal/state shared responsibility shifts the fiscal burden of immigration, a national problem, to five states, permitting 45 states to evade co-responsibility.

Unfair though it was, evasion of their welfare burden well suited the 45 unimpacted states. No wonder the federal government did nothing to remedy the unfairness during decades of inaction! However, as the Mexican case shows, the American welfare regime's fiscal *status quo* proved unstable in the long-run. Partially because of market forces, but also because of actions taken by the impacted states, low-wage immigrants have begun to settle in previously unimpacted states, reducing the fiscal burden on the impacted states, but increasing it on the others. As a

result, some previously *unimpacted* states have now become *less-impacted* states. Seeking to block this growing internal migration of low-wage immigrants in their states, and therefore, into their fiscal jurisdictions, the less-impacted states have invented and promoted new legal remedies that they hope will inhibit the influx of low-wage immigrants into their states and drive out those already settled there. The constitutionality of these remedies is uncertain, but their widespread development testifies to the motive of frustrated deterrence that less-impacted states have consistently applied toward low-income immigrants.

### **Conclusion**

Four decades ago, Gunnar Myrdal (1967: 135) declared that, “*the democratic Welfare State in the rich countries of the Western world is protectionist and nationalistic.*”<sup>20</sup> Myrdal here drew attention to the ethnic underpinnings of welfare regimes. Welfare states came into existence to benefit the citizens of the welfare state, not the Third World’s downtrodden masses. Therefore, welfare states are inherently ethno-chauvinist. Myrdal understood as well that welfare states reallocate income in favor of the less advantaged. He believed that history had *already* proven that this reallocation was in the long-term self-interest of all the citizens, rich citizens as well as poor.<sup>21</sup> That said, Myrdal recognized that voters would prove more reluctant to reallocate income to foreigners than to co-ethnic citizens. In Myrdal’s (1967: 150) words, “human solidarity stops short at the national boundary,” and the immigration from Mexico to the United States tends to confirm his conclusion. Additionally, as Myrdal (1967: 153) shrewdly observed, bringing immigrants into the welfare state releases into the national political debate the citizens’ “hostility and aggressiveness” toward foreign nations. In short, Myrdal was fully aware that the extension of welfare state benefits to immigrants would prove a harder sell politically than their extension to citizen co-ethnics. This much was obvious decades ago.

However, the ubiquitous scent of ethno-chauvinism in the American immigration debate does not imply that policy makes no difference. Myrdal (1967: 79) also realized that the organization of welfare services mattered too, not just the human tendency to demonize immigrants. He recommended that welfare state planning be decentralized with lower-level units undertaking more responsibility and operating with more independence from the national government.<sup>22</sup> In the United States, shared federal and state responsibility for welfare has put this much of Myrdal’s program into effect. Unfortunately, as the discussion above has shown, in a context of regionally clustered immigration, shared federal/state responsibility created perverse incentives. Unimpacted states became virtually free riders in the nation’s immigration project. Unimpacted states interpreted shared federal/state responsibility

for immigrant welfare as an opportunity to shelter behind the harshest and stingiest interpretation of federal welfare mandates. Stingy welfare policies protected the unimpacted states against an influx of low-income immigrants who, many of their voters also thought, did not after all possess a legitimate claim upon the welfare state because not co-ethnics. Sheltered behind stingy welfare policies, the unimpacted states watched in comfort as five impacted states assumed the nation's burden of immigrant integration. Since the unimpacted states were the vast majority of states, the federal government showed for decades no interest in equalizing the welfare burden among the states or in reforming immigration law.

The consequences call attention to the organization of national welfare services, not just voter attitudes, important as are those attitudes. Yes, as Wilensky (2002: 394) explains, when they look down the class hierarchy, middle-class voters perceive a mass of immigrants “whose morals, lifestyle, and ethnic-racial origin repel them, whose children, they think, are at the root of crime and disorder.” All that conceded, what affects the success of the welfare state in rich democracies, according to Wilensky (2002: 376) is not voter attitudes but rather, “*the political management*” of the integration process.<sup>23</sup> Emphasizing tax policy, Faccini and Mayda (2009: 312) also conclude that “the type of response” carried out by a welfare state influences the impact of immigration on different subgroups of the population. The point of similarity between these conclusions and this research is that, whether in Europe or in the United States, welfare state policies mold and temper voters' aggressive and hostile feelings toward immigrants. Even given voter antipathy to immigrants, by far the preponderant accompaniment of immigration, policy outcomes depend importantly on the packages in which policies come wrapped. American states responded to immigrant poverty in a generous way when that poverty was at their doorstep; and they responded in a stingy way when hoping to evade responsibility. The difference reflected the perverse incentives that shared federal/state responsibility for immigrant welfare had created in a context of regionally clustered immigration.

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## Notes

<sup>1</sup> This is a simplification. If the growers had raised the wages of harvest laborers enough, they could have recruited them domestically, but it was less expensive to import labor from Mexico at a lower wage than to pay higher wages to native-born workers.

<sup>2</sup> "Over one in every two Mexican immigrants is undocumented, compared with about one in every six for the remainder of the foreign born." Passel, 2004.

<sup>3</sup> Many still refuse to believe Obama. See: "Paying the price for illegal care." *Investor's Business Daily*, August 21, 2009. <[www.ibdeditorials.com/IBDArticles.aspx?id=335746399258116](http://www.ibdeditorials.com/IBDArticles.aspx?id=335746399258116)>.



## Light: Federal/State Cost Sharing of Immigrant Welfare

Accessed Aug. 30, 2009; also see: Camarota, 2009.

<sup>4</sup> “The Progress Party continued to express neoliberal themes (free market, deregulation, anti-tax, antibureaucratic, anti-intellectual) but increasingly added xenophobia. Its anti-immigrant rhetoric escalated in the 1980s as more immigrants and refugees entered Denmark; the party argued that welfare-state benefits should be denied to these foreigners, as well as to welfare cheaters. Its electoral base remained the middle mass.” Wilensky, 2002: 378.

<sup>5</sup> “Medicaid is the U.S. health program for eligible individuals and families with low incomes and resources. It is a means-tested program that is jointly funded by the states and federal government, and is managed by the states.” Wikipedia.

<sup>6</sup> “Unlike Medicare, which is solely a federal program, Medicaid is a joint federal-state program. Each state operates its own Medicaid system, but this system must conform to federal guidelines in order for the state to receive matching funds and grants. The federal matching formula is different from state to state, depending on each state’s poverty level.” <<http://en.wikipedia.org/wiki/Medicaid>>. Illegal immigrants are not eligible for Medicaid.

<sup>7</sup> Exclusive of off-budget Social Security costs.

<sup>8</sup> These estimates are based on the author’s calculations derived from official statistics. See: U.S. Office of Management and Budget, *Budget of the United States Government, Historical Tables*. <[www.census.gov/compendia/statab/tables/09](http://www.census.gov/compendia/statab/tables/09)> Accessed August 22, 2009.

<sup>9</sup> Migration Policy Institute Data Hub.

<sup>10</sup> “As a group, the foreign born from Asian countries are more likely to be proficient in English, work in higher-level occupations, and have higher earnings than the overall foreign-born population. However, closer examination of this population reveals a great deal of variation by country of birth.” Dixon, 2006.

<sup>11</sup> Of all Mexican immigrants in the United States in 2008, 32 percent had arrived since 2000. Pew Hispanic Center, 2009, Table 1.

<sup>12</sup> Card and Lewis (2007) find that “supply push” explains 90 percent of the dispersion, a result compatible with Light’s saturation explanation, but overlooking the political role in the dispersion.

<sup>13</sup> The federal minimum wage became \$7.25 per hour on July 24, 2009. At the end of 2008, state minimum wages were higher than federal in 24 contiguous states. *Migration News*, vol. 16, no. 2, April 2009.

<sup>14</sup> Data are from Light, 2010, Table 3.

<sup>15</sup> The strategy backfired. Light (2010) showed that the minimum wage plan worked out in an unexpected way. High minimum wages reduced Hispanic employment in the already impacted states and thus deflected Hispanic immigrants to states with low-minimum wages. A high minimum wage helped states to divest poor immigrants; and a low minimum wage state attracted them. This is a novel idea in social science so it is safe to assume that state policymakers were not aware of this alternative during the 1990s.

<sup>16</sup> “Public education is the greatest source of Mexican-American exclusion in that low education impedes their economic prospects.” Telles and Ortiz, 2008: 291.

<sup>17</sup> In 2008, the number of people lacking health insurance in the United States rose to 46.3 million, approximately 15.1 percent of the total population. *Wall Street Journal*, September 10, 2009. Available at <<http://online.wsj.com/articles>>.

<sup>18</sup> Mexicans in the United States are poorer, more frequently unemployed, and worse housed than Turks in Germany, but Mexicans are healthier than Turks. See Kurthen and Heisler, 2009).

<sup>19</sup> The undocumented do not always pay Social Security tax to the federal government because so many of the undocumented work for cash in the informal economy, These workers pay *no taxes at all*. But the burden of policing wages and hours falls upon state authorities as well as upon federal.

<sup>20</sup> Italics in original.

<sup>21</sup> “[T]he social security schemes . . . were initially supported only by arguments of social justice and welfare for specific groups of people in need; and such arguments remained predominant for a long time. When the opponents of these schemes, who argued all the time that they would ruin the economy of the country, were again and again proved wrong, this was largely the result of the effect of these reforms in raising the productivity of the mass of people—an effect that had never played an important part in their motivation.” Myrdal, 56.

<sup>22</sup> “[I]t often happens that people confuse planning with direct and detailed state regulations. The opposite, however, is true. . . . Planning should normally imply simplification and rationalization. We assume further that, as planning proceeds, it will be seen to be in line with the ideals of the welfare state to delegate, wherever it is safe and practicable, responsibility for detailed public regulations to local and sectional collective authorities instead of having them carried out by means of direct state intervention.” Myrdal, 79.

<sup>23</sup> My italics.