

February 2012

BAD FOR BUSINESS:

How Anti-Immigrant Laws Can Hurt the Kansas Economy

While proponents of harsh immigration bills in Kansas claim that passing these laws would save the state money, experience from other states shows harsh immigration-control laws will actually cost the state millions of dollars. Implementing the laws and defending them in the courts would cost Kansas's taxpayers millions they can ill afford. The laws would make it more difficult for businesses to operate in the state and would deter investment, and the loss of taxpayers and consumers could devastate Kansas's economy.

After the legislatures in Arizona, Alabama, and other states approved their immigration-control bills, these states experienced negative economic consequences. Meanwhile, other states have considered similar proposals, but abandoned them after concluding that the economic consequences and enforcement costs would prove too high.

Kansas needs its immigrant workforce and tax base.

- Over the past two decades, Kansas has increasingly come to rely on immigrants for growth. In the last 10 years, Kansas's population has grown by only 20,000 overall. Native Kansans have been leaving the state (77,890 between 2000 and 2011) at a faster rate than immigrants have arrived (57,951 in that same period).¹
- Immigrants comprised 8.3% of the state's workforce in [2010](#) (or 124,253 workers), according to the U.S. Census Bureau.² Unauthorized immigrants comprised roughly 3.3% of the state's workforce (or 45,000 workers) in [2010](#), according to a report by the Pew Hispanic Center.³
- The unemployment rate in Kansas, 6.2%,⁴ is well below the national average.

Latino and Asian entrepreneurs and consumers add tens of billions of dollars and thousands of jobs to Kansas's economy.

- The 2010 purchasing power of Latinos totaled \$5.6 billion—an increase of 539.1% since 1990. Asian buying power in Kansas totaled \$2.3 billion—an increase of 468% since 1990, according to the [Selig Center for Economic Growth](#) at the University of Georgia.⁵
- Kansas's 4,833 [Asian-owned](#) businesses had sales and receipts of \$1.4 billion and employed 12,676 people in 2007, the last year for which data is available.⁶ The state's 5,763 [Latino-owned](#) businesses had sales and receipts of \$1.3 billion and employed 7,935 people in 2007, according to the U.S. Census Bureau's Survey of Business Owners.⁷
- Kansas's 8,922 foreign students contributed \$186 million to the state's economy in tuition, fees, and living expenses for the 2009-2010 academic year, according to the [NAFSA: Association of International Educators](#).⁸

Harsh immigration laws will harm Kansas's economy.

Anti-immigrant laws have a negative impact on a state's economy. If unauthorized immigrants leave, the state loses workers and consumers who earn and spend money and pay taxes in the state. Unauthorized immigrants comprised roughly 3.3% of Kansas's workforce (or 45,000 workers) in 2010, according to a report by the Pew Hispanic Center.⁹ Experiences from other states that have passed harsh immigration laws tell a cautionary tale:

- According to Prof. Samuel Addy at the Center for Business and Economic Research at the University of Alabama, Alabama's HB 56 could shrink Alabama's Gross Domestic Product (GDP) by up to \$10.8 billion.¹⁰ It will result in "a shrinking of the state economy and will be seen in lower economic output, personal income, and fewer jobs than would otherwise have been."¹¹ Prof. Addy estimates that a loss of 40,000 to 80,000 unauthorized immigrants who earn between \$15,000 and \$35,000 annually could result in:
 - 70,000 to 140,000 lost jobs;
 - \$2.3 to \$10.8 billion reduction in Alabama GDP, or 1.3 to 6.2 percent of the state's \$172.6 billion GDP in 2010;
 - \$57 to \$264 million loss in state income and sales tax collections; and
 - \$20 to \$93 million loss in local sales tax collections.¹²
- If all unauthorized immigrants were removed from Kansas, the state would lose \$1.8 billion in economic activity, \$807.2 million in gross state product, and approximately 11,879 jobs, even accounting for adequate market adjustment time, according to a report by the [Perryman Group](#).¹³

Harsh immigration laws would result in lost tax revenues for Kansas.

- Kansas stands to lose millions of dollars in tax revenues if unauthorized immigrants—as well as legal immigrants whose lives are made difficult by the law—were to leave. Unauthorized immigrants in Kansas paid \$57.3 million in state and local taxes in 2010, according to data from the Institute for Taxation and Economic Policy,¹⁴ which includes:
 - \$10.3 million in state income taxes;
 - \$3.9 million in property taxes; and
 - \$43.1 million in sales taxes.
- According to Professor Addy, a similar law in Alabama could result in a loss of between \$56.7 and \$264.5 million in state income and sales tax collections and as much as \$93.1 million lost in local sales tax collections.

Harsh immigration laws will create an unfriendly environment for investment in Kansas.

- According to Gerald Dial, Alabama State Senate Republican whip and former HB 56 supporter, an unintended consequence of their immigration legislation is that it makes other states more attractive for investors. "Other states will say, 'Hey, you don't want to go to Alabama now,'" said Dial. "We're probably going to lose those people. We won't know about it. There won't be a big red flag: 'Hey, we didn't go to Alabama, we're going to go to Arkansas or we're going to go to South Carolina.' That's probably the most detrimental part of the whole bill."¹⁵

Harsh immigration laws would be harmful to Kansas businesses.

- A survey of farmers conducted by the Georgia Department of Agriculture found 56% of those surveyed were experiencing difficulty finding workers.¹⁶ A Georgia Restaurant Association survey found that nearly half (49%) of surveyed restaurants reported labor shortages, and 88% were concerned about future shortages. Lack of workers and related business losses have cut some restaurants' revenue by as much as \$80,000 per month.¹⁷
- State immigration enforcement laws mean businesses must incur additional costs. Economist Jeremy Thornton of Samford University points to the "shadow costs" employers incur when they take steps to protect themselves from the law's stiff penalties. Businesses will spend more on employee screening to protect themselves from provisions of the law that bar them from knowingly hiring unauthorized workers. There could also be increased litigation costs for businesses because any legal worker could sue the employer if they have hired an unauthorized worker. "Every business that now has to comply with this legislation, that's just extra cost. And anytime you raise costs, businesses shrink."¹⁸ Businesses will likely have to spend more on third party assistance for employment eligibility paperwork and extra human resources staff.¹⁹

Implementing harsh immigration laws would cost Kansas millions.

Implementing the new laws will be very expensive at a time when Kansas is already struggling financially. Potential costs include costs to schools, which must determine the immigration status of students and their parents; costs to jails, which would have to detain more immigrants; costs to the court system, which would have to prosecute violations of the new law; and legal costs to the state to defend against lawsuits.

- Some states that considered immigration enforcement laws in 2010-2011 backed off once they considered cost estimates for implementation.²⁰
 - In Kentucky, an enforcement bill died after an estimate showed it would cost the state \$89 million per year to enforce.²¹
 - In Louisiana, a bill was withdrawn when it was estimated to cost \$11 million to implement.²²
 - In Tennessee, the General Assembly Fiscal Review Committee found that their proposal would increase expenditures by \$3 million for the first year and \$1.8 million every year after that.²³

Kansas will have to spend millions to defend laws in the courts.

If proposed laws were to pass, they would immediately be challenged on constitutional and other grounds. Defending the law in the courts can be very expensive:

- In Arizona, [seven lawsuits](#) were filed to stop implementation of SB 1070, and other states are likely to see numerous lawsuits against similar legislation. At the end of February 2011, Arizona had [already spent](#) more than \$1.5 million defending SB 1070.²⁴
- Farmers Branch, Texas has already spent about \$3.2 million to defend itself since September 2006, when it launched the first of three ordinances. The city has budgeted \$623,000 for legal expenses through the rest of the fiscal year related to the ordinance defense. Legal costs could exceed \$5 million by the end of the fiscal year.²⁵

- Riverside, New Jersey rescinded an ordinance that penalized renting to or employing unauthorized immigrants after the town of 8,000 accumulated \$82,000 in legal fees.²⁶

Harsh immigration enforcement dismantles Latino communities and has ripple effects throughout the economy.

- In Kansas, counties where the meatpacking industry dominates the overall employment host much higher foreign-born populations than counties without such industries. Between 1990 and 2000, Kansas counties with 20% or more of the overall workforce employed in meatpacking gained an average of 2,050 residents, while the average Kansas county gained only 215.²⁷ In such areas where immigrants are highly concentrated, an immigrant exodus will damage the local economy, affecting both the immigrant and native populations.
- In the aftermath of an ICE raid on a meatpacking plant in Marshalltown, Iowa in December 2006, the plant experienced a turnover rate averaging approximately twice its pre-raid turnover rate for two years after the raid—even though the plant raised its wages in an attempt to attract and retain workers. The Marshalltown experience illustrates food producers’ continued difficulty finding sufficient numbers of reliable and productive native or authorized immigrant workers.²⁸
- After the Marshalltown raid, the town experienced significant losses throughout the town’s economy. Sales tax collections declined by 3.2%. Many bank accounts were closed as residents left; other Latino accounts shrunk in value by an average of 15%. The housing market declined, and Latino business owners reported losing at least half their customers immediately after the raid, and one year later, most reported that business had not returned to pre-raid levels.²⁹

Endnotes

¹ U.S. Census Bureau Population Estimates, [Cumulative Estimates of the Components of Resident Population Change for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2011](#) and [Cumulative Estimates of the Components of Resident Population Change for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2009](#).

² 2010 American Community Survey (1-Year Estimates).

³ Jeffrey S. Passel and D’Vera Cohn, [Unauthorized Immigrant Population: National and State Trends, 2010](#) (Washington, DC: Pew Hispanic Center, February 1, 2011), p. 24.

⁴ Bureau of Labor Statistics, [Kansas Economy at a Glance](#)

⁵ Jeffrey M. Humphreys, [The Multicultural Economy 2010](#) (Athens, GA: Selig Center for Economic Growth, University of Georgia, 2010).

⁶ U.S. Census Bureau, [Estimates of Business Ownership by Gender, Ethnicity, Race, and Veteran Status: 2007](#), June 2011.

⁷ Ibid.

⁸ NAFSA: Association of International Educators, [The Economic Benefits of International Education to the United States for the 2009-2010 Academic Year: A Statistical Analysis](#) (Washington, DC: NAFSA: Association of International Educators, 2010).

⁹ Jeffrey S. Passel and D’Vera Cohn, [Unauthorized Immigrant Population: National and State Trends, 2010](#) (Washington, DC: Pew Hispanic Center, February 1, 2011), p. 24.

¹⁰ Samuel Addy, [A Cost-Benefit Analysis of the New Alabama Immigration Law](#) (Tuscaloosa, AL: Center for Business and Economic Research, University of Alabama, January 2012).

¹¹ Samuel Addy, [The New Alabama Immigration Law: A Preliminary Macroeconomic Assessment](#) (Tuscaloosa, AL: Center for Business and Economic Research, University of Alabama, October 2011), p. 2.

¹² Samuel Addy, [A Cost-Benefit Analysis of the New Alabama Immigration Law](#) (Tuscaloosa, AL: Center for Business and Economic Research, University of Alabama, January 2012).

¹³ The Perryman Group, [An Essential Resource: An Analysis of the Economic Impact of Undocumented Workers on Business Activity in the US with Estimated Effects by State and by Industry](#) (Waco, TX: April 2008), p. 69.

¹⁴ The Immigration Policy Center, [Unauthorized Immigrants Pay Taxes, Too](#) (Washington, DC: April 2011).

¹⁵ "Episode 456: Reap What You Sow." *This American Life*. WBEZ, Chicago. 27 Jan. 2012. Radio.

¹⁶ Fox News Latino, ["Georgia survey finds farmers are having hard time replacing migrant workers."](#) January 2012.

¹⁷ Georgia Restaurant Association, ["Georgia immigration reform restaurant impact study."](#) July 2011.

¹⁸ Evan Belanger, ["Experts: Immigration Law Will Cost Businesses,"](#) *Birmingham Business Journal*, October 7, 2011.

¹⁹ Jay Reed, ["Consequences of the Immigration Law,"](#) *Birmingham Business Journal*, October 21, 2011.

²⁰ A. Elena Lacayo, [One Year Later-A Look at SB 1070 and Copycat Legislation](#) (Washington, DC: National Council of la Raza, April 2011) p. 5.

²¹ NECN, "[Cost of Ky. Immigration Bill Could Reach \\$89M](#)," February 2, 2011.

²² http://www.nola.com/politics/index.ssf/2011/06/rep_ernest_wooton_withdraws_bi.html

²³ James W. White, [Fiscal Note SB 780 - HB 1380](#) (Nashville, TN: Tennessee General Assembly Fiscal Review Committee, March 14, 2011).

²⁴ Ginger Rough, "[1.5 Million Already Spent Defending SB 1070](#)," *The Arizona Republic*, February 25, 2011.

²⁵ Dianne Solis, "[Farmers Branch legal costs rise in immigration fight](#)," *The Dallas Morning News*, April 9, 2010.

²⁶ Ken Belson and Jill P. Capuzzo, "[Towns Rethink Laws Against Illegal Immigrants](#)," *New York Times*, September 26, 2007.

²⁷ Georgeanne M. Artz, "[Immigrants, Meat Packing and Processing Industries, and Communities in the Midwestern United States](#)," Prepared for Immigration and Agriculture Conference, June 14-15, 2006, Washington DC, p. 4.

²⁸ Jan L. Flora, Claudia M. Prado-Meza, and Hannah Lewis, [After the Raid is Over: Marshalltown, Iowa and the Consequences of Worksite Enforcement Raids](#) (Washington, DC: Immigration Policy Center, Jan. 2011).

²⁹ Jan L. Flora, Claudia M. Prado-Meza, and Hannah Lewis, [After the Raid is Over: Marshalltown, Iowa and the Consequences of Worksite Enforcement Raids](#) (Washington, DC: Immigration Policy Center, Jan. 2011), p. 14.