



FAIR

THE FISCAL BURDEN OF ILLEGAL IMMIGRATION ON  
**North Carolinians**

A REPORT BY JACK MARTIN, DIRECTOR OF SPECIAL PROJECTS  
FEDERATION FOR AMERICAN IMMIGRATION REFORM

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## Executive Summary

After a brief hiatus that coincided with the worst of the economic recession, North Carolina's illegal alien population is on the rise again. There are about 410,000 illegal aliens in the state, 25,000 (6.5%) more than in 2007. This concentration of illegal aliens — 4.3 percent of the overall population — is higher than the national average of 3.9 percent, and ranks North Carolina as the 11th most impacted state in the country.

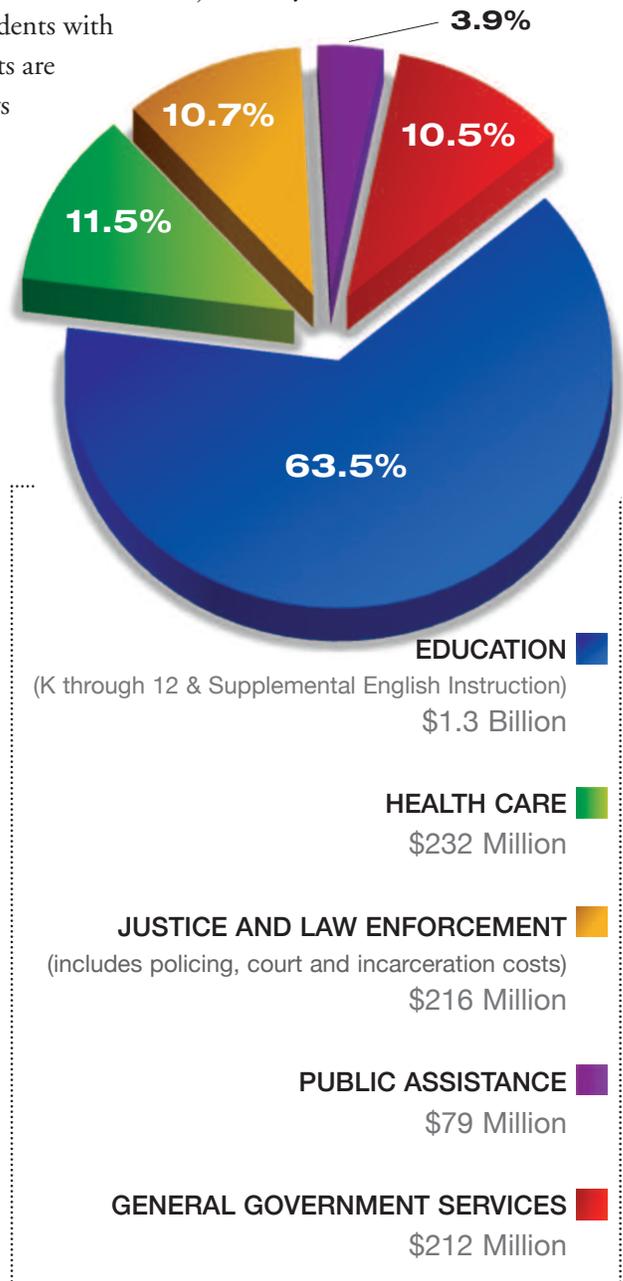
**Illegal immigration costs North Carolina taxpayers about \$2 billion per year.** That amounts to about \$578 for every household headed by a native-born or naturalized U.S. citizen.

Half of the fiscal expenditures result from the costs of K-12 education for the children of illegal aliens—both those in the country illegally and those born here to illegal aliens. Another major outlay results from the need to provide supplemental English language instruction to students with Limited English Proficiency. Together, these educational costs are more than two-thirds of all expenditures. Other fiscal outlays include health care, justice and law enforcement, public assistance and general government services.

Tax revenue is collected from the illegal alien population, but the taxes paid—estimated at about \$288 million per year—do not come close to paying for the outlays. In this study we include an estimate of revenue from income, property, sales and “sin” taxes. It should be kept in mind however that similar or greater tax revenue would be collected if the same jobs were occupied by legal workers rather than by illegal workers.

North Carolina's fiscal burden is **not** inevitable. States can discourage the arrival of illegal residents by measures such as requiring the use of the E-Verify system for all new employees. North Carolina enacted an E-Verify requirement in 2011, but in 2013 its General Assembly undermined the effectiveness of that provision by enacting HB 786, which expands a major loophole in the requirement.

Relief from the fiscal burden of illegal immigration would not be achieved by enacting amnesty legislation such as Senate bill S. 774. The only sure way to reduce the fiscal burden from illegal aliens is to reduce the size of that population. Conversely, policies that invite additional illegal alien residents will only increase the fiscal burden.

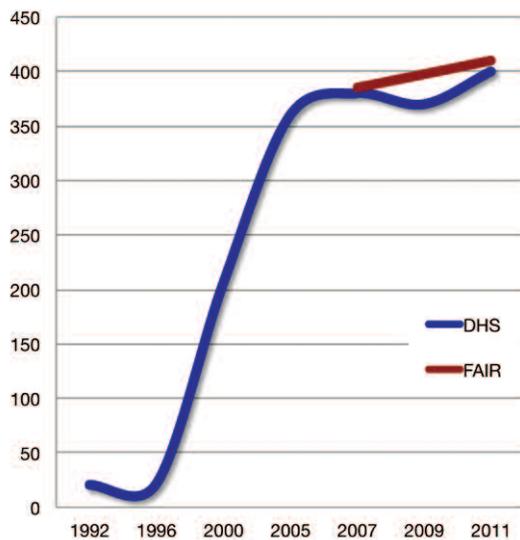


## Background

FAIR has issued two prior fiscal cost estimates for illegal aliens in North Carolina. The first was in 2008, and the second was in 2010 as part of a comprehensive study of fiscal costs across the country. Both of these earlier studies were based on an estimated illegal alien population of 385,000 residents.

The Department of Homeland Security's estimate of the illegal alien population in North Carolina dropped from 380,000 in 2008 to 370,000 in 2009, but it reached a new peak with the 2011 estimate of 400,000<sup>1</sup>—8.1 percent higher than the 2009 estimate.

FIGURE 1  
ILLEGAL ALIEN POPULATION (THOUSANDS)



FAIR's estimate includes illegal aliens not counted in the DHS estimate, such as those recently arrived and those granted Temporary Protected Status or Deferred Action for Childhood Arrivals who remain deportable if that temporary status lapses.

A 2006 report by researchers at the University of North Carolina Kenan Institute of Private Enterprise was cited in news accounts as presenting a contrasting analysis.<sup>2</sup> However, that report discussed the economic effect of the state's rising Hispanic population. Hispanics and illegal aliens are not synonymous, and economic effects are very different from fiscal effects. For example, the UNC study is quoted as finding, "\$1 billion saved in labor costs had Latinos not been around to build an estimated 27,000 houses in the state in 2004." Saving labor costs means that by employing Hispanics, employers were able to pay

lower wages and realize greater profit. From a fiscal viewpoint, that means other workers ended up unemployed or worked for lower wages, paid less in taxes, and may have become reliant on social assistance programs.

Our estimates also include the fiscal costs of the U.S.-born children of illegal aliens. The reason for including these outlays is because the costs would not have been incurred if the illegal aliens had been deterred from settling in North Carolina and/or had been encouraged to return to their home countries or deported. We assume that if the parents left they would take their children with them. That assumption is less valid when the children reach an age when they are able to take a job. We, therefore, do not include additional taxpayer outlays supporting post-secondary education for those U.S.-born youth.

TABLE 1  
CHILDREN OF ILLEGAL ALIENS

Children	Pre-School	School-Age	Total
Illegal Aliens	10,500	32,400	42,900
U.S.-Born	40,000	80,000	120,000
Total	50,500	112,400	162,900

## Educational Expenditures

As previously noted, FAIR's current estimate of the state's illegal alien population is 410,000 people. Using the Pew Hispanic Center's national demographic analysis, we estimated the share of children of illegal

aliens — both U.S.-born and those who are illegal residents.<sup>3</sup> This forms the basis for our estimate of the costs of education for these children and for the additional expenditures for supplemental English instruction. It is also used in estimating medical and public assistance expenditures.

**K-12 EDUCATION**

The greatest fiscal burden on North Carolina taxpayers comes from the K-12 public school education for the children of illegal aliens. According to the National Education Association, North Carolina is unlike most

TABLE 2  
PER STUDENT COSTS TO TAXPAYERS

Students	Number	Per Student	Total (\$M)
Illegal Aliens	32,400	\$8,760	\$283.8
U.S.-Born	80,000	\$8,760	\$700.8
Total	112,400		\$984.6

other states in that the state budget covers the lion's share of the public school funding. Excluding federal funding, the NEA attributes about 71 percent of expenditures to the state and 29 percent to local governments. State and local funding in 2013 amounted to an average of \$8,757 per K-12 student.<sup>4</sup>

**Educating the children of illegal aliens in North Carolina's public school system amounts to nearly \$1 billion per year to the state's taxpayers.**

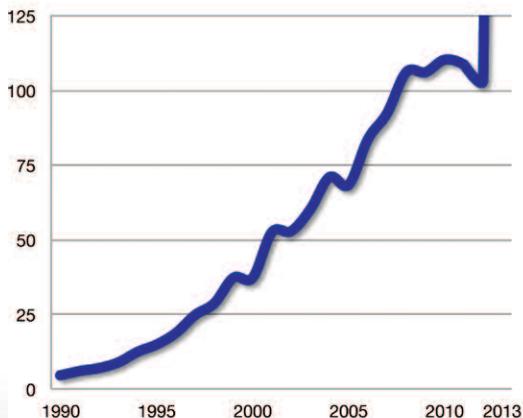
**SUPPLEMENTAL ENGLISH INSTRUCTION**

The number of students enrolled in supplemental English programs in North Carolina has soared since 1990. At that time, enrollment in Limited English Proficient instruction numbered fewer than 4,600 students.

Figure 2 shows the steep rise in LEP enrollment as tracked by the National Clearinghouse for English

Language Acquisition through 2009. The more recent data are from the Consolidated State Performance Reports filed with the U.S. Department of Education.

FIGURE 2  
LEP ENROLLMENT (THOUSANDS)



North Carolina's 2013 budget supported LEP programs at a per pupil level of \$2,904. That includes an allocation from the federal government for English Language Acquisition of \$14.6 million (about \$141.50 per student). The state funding is, therefore, about \$2,452 per pupil. We assume the state funding is matched by local funding at the same level as for general education, i.e., about a third of the state funding level. That would increase overall funding for LEP instruction per pupil to about \$3,320.

The fiscal cost of this program is based on the assumption that some LEP students are not children of illegal aliens (see Table 3). It also assumes that some illegal alien students will have tested out of LEP or bilingual classes and that this will more often be the case for U.S.-born children of illegal aliens. We estimate that about four-fifths of the children in LEP instruction are children of illegal aliens.

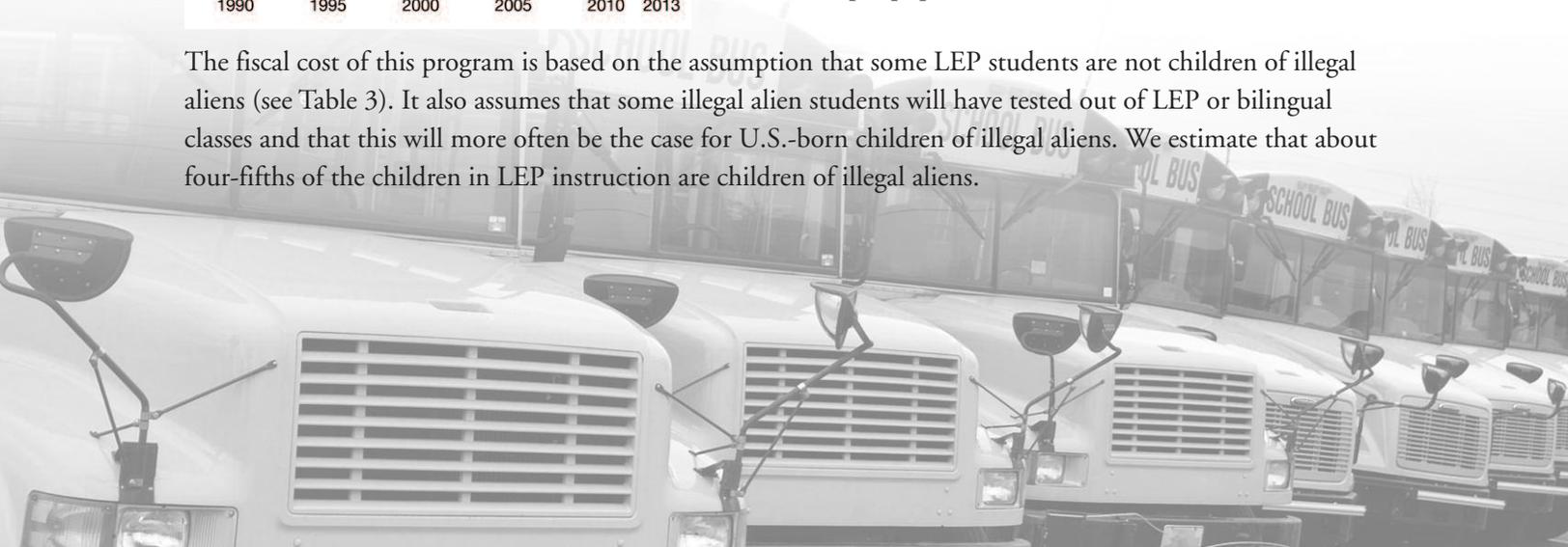


TABLE 3  
LEP ENROLLMENT

Students	Enrollment	Per Student	Total (\$M)
Illegal Aliens	28,000	\$3,320	\$93.0
U.S.-Born	62,000	\$3,320	\$205.8
Total	90,000		\$298.8

other costs such as the employment of interpreters for communicating with the illegal alien parents. As the 2010–2011 school budget for Wake County schools noted, “English as a Second Language supported 1,348 interpreting sessions and trained approximately 1,739 parents with contractor support.”<sup>5</sup> Similarly, when hit with a lawsuit in 2012 by the Southern Poverty Law Center alleging discrimination against Spanish-speaking parents of public school students, Maria Rosa Rangel, a spokesperson for the Wake County Public Schools System, told the EFE news service, “It took us by surprise because we have 27 translators, the majority of them Hispanics, who work in our schools.”<sup>6</sup>

#### POST-SECONDARY EDUCATION OF ILLEGAL ALIEN STUDENTS

North Carolina admits illegal aliens into higher educational instruction, but it does not allow them to enroll at the in-state resident tuition rate. It also does not provide them with the financial aid available to legal residents. In theory, out-of-state tuition rates are set at a level to recover the full cost of the schooling. We believe there still remains a taxpayer subsidy supporting the out-of-state rates, but without documentation we do not include an estimated cost for illegal alien students in taxpayer-supported higher education.

The U.S.-born children of illegal aliens who attend as in-state residents **are** eligible for the taxpayer tuition subsidy. However, we exclude this burden from our fiscal cost analysis as well. The assumption is that these youth will remain permanently in the United States, and it is logical to treat that cost as an investment in their future earnings and tax payments.

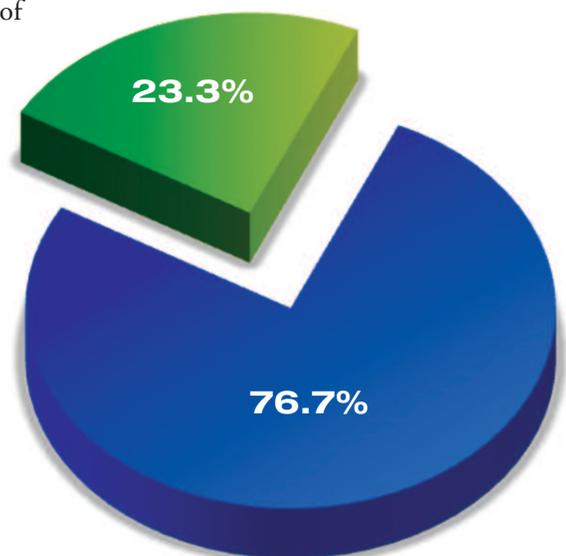
**The total cost to North Carolina taxpayers for educating the children of illegal aliens is nearly \$1.3 billion per year.** About 30 percent of that is spent on children who are illegal aliens with the remainder spent on the U.S.-born children of illegal aliens.

TABLE 4  
TOTAL EDUCATIONAL EXPENDITURES

	Illegal	U.S.-Born	Total (\$M)
K–12	\$283.8	\$700.8	\$984.6
LEP	\$93.0	\$205.8	\$298.8
Total	\$376.8	\$906.6	\$1,283.4

#### Supplemental English instruction for the children of illegal aliens costs North Carolina taxpayers about \$300 million annually.

This estimated fiscal cost is conservative because it does not include additional students who are tracked separately as part of the Migrant Education Program. Furthermore, there are



## Health Care Expenditures

The illegal alien population generally does not have health insurance and has low income levels. This results in the utilization of free clinics and emergency rooms when medical services are needed,<sup>7</sup> which leads to medical expenditures in several categories:

- Medicaid funded births to illegal aliens (including pre- and post-natal care)
- Medicaid services to the U.S.-born children
- Publicly-funded medical insurance for some U.S.-born children
- Emergency medical attention to uninsured illegal aliens

It is unclear what impact the Affordable Care Act (Obamacare) will have on expenditures for the illegal alien population in North Carolina, as illegal aliens are precluded from participating in Obamacare. However, most of the medical outlays described in this section are unaffected by that restriction because they relate to childbirth, in which the expense is treated as a medical service provided to a U.S. citizen (the child to be born), or later to the U.S.-born children. Those expenditures are, for the most part, a current taxpayer expense, and they will continue to be so.

What **is** likely to change is the subsidy to hospitals under the Disproportionate Share Hospital federal assistance program. The assumption is that the low-income patients currently receiving free emergency medical care will gain insurance under the ACA, thus reducing DSH charity care outlays. That, however, does not apply to the illegal alien population. Public hospitals currently receiving DSH payments will need to seek other funding from the state or local governments or compensate by raising rates on **insured** patients.

### BIRTHS AND OTHER MEDICAID

We estimate that, out of 120,432 births in the state in 2012, about 21,495 were to foreign-born mothers, and about half of those to illegal alien mothers.<sup>8</sup>

This estimate is consonant with a study that appeared in the Journal of the American Medical Association. The article indicated that the average number of births paid for by Medicaid in North Carolina from 2001 to 2004 was nearly 10,000 and that nearly all of those births were to the “undocumented.”<sup>9</sup>

*[In North Carolina] “A total of 48,391 individuals received services reimbursed under Emergency Medicaid during the 4-year period of this study. The patient population was 99% undocumented, 93% Hispanic, 95% female, and 89% in the 18- to 40-year age group.” More than 80% received care related to childbirth and complications of pregnancy.*

If the number of illegal alien Medicaid births is increased to reflect the increased population of illegal aliens in the state, the likely number would be about 10,740. That number is about one-sixth of all Medicaid births in the state according to data reported by the Kaiser Family Foundation.<sup>10</sup> In 2013, the Federal Medical Assistance Percentage covered 65.51 percent of the costs in North Carolina, with the remaining cost paid from the state budget.

TABLE 5  
MEDICAID BIRTHS

Number	Expense	Total (\$M)
10,740	\$3,690	\$39.6

The cost of delivery depends heavily on whether the delivery is natural or C-section and whether there are complications. In North Carolina, the reported range for birth costs in 2010 was from \$7,115 to \$9,674 for a vaginal birth to \$12,640 to \$16,979 for a C-section birth.<sup>11</sup> We use an estimated cost of \$10,700 per delivery, and the share paid by the state is about \$3,690.

This estimate may be overly conservative. A 2005 report by the Charlotte Mayor's Immigration Study Commission reported, "In 2005, the State's Medicaid Manager reported that North Carolina illegal immigrants cost the state \$52.8 million in Medicaid payments, up from \$25.8 million in 2000."<sup>12</sup> It was not clear whether this estimate included all Medicaid expenditures on illegal aliens or just on Medicaid births.

### MEDICAID COVERAGE FOR U.S.-BORN CHILDREN OF ILLEGAL ALIENS

Children born to an illegal alien mother remain eligible for coverage under Medicaid if the family is under the income threshold. For the child's first year, qualifying family income is 185 percent of the Federal Poverty Level. For children aged 1 to 5 years, the income ceiling drops to 133 percent of FPL. For ages 6 to 19 the income ceiling falls to 100 percent of the FPL. This is changing under the ACA. People in families below 400

percent of the Federal Poverty Level will have access to subsidized or free medical coverage.

TABLE 6  
MEDICAID FOR CHILDREN

	Number	Cost Per Child	Total (\$M)
Age 0-1	9,500	\$1,240	\$11.8
Age 1-5	30,400	\$1,240	\$37.7
Age 6-18	74,100	\$1,240	\$91.9
Total	114,000		\$141.4

In 2006, average Medicaid expenditures were about \$3,100 per child.<sup>13</sup> That average expense updated to 2013 is about \$3,600. The one-third of expenses that North Carolina taxpayers pay is about \$1,240 per child. We estimate that all of

the 33,600 newborn children to illegal alien mothers will remain eligible for Medicaid services and that 85 percent of age 1-5 children and 70 percent of age 6-18 children will retain access to Medicaid services.

**Even with the reduced number of U.S-born children of illegal aliens qualifying for Medicaid services on the basis of family income, the total expenditures amount to about \$140 million per year.** These children who remain eligible for Medicaid services represent about 95 percent of the U.S.-born children of illegal aliens.

### HEALTH CHOICE FOR CHILDREN

North Carolina's Children's Health Insurance Program, is a medical insurance program for low income children who live in families where income is above the qualifying level for Medicaid but below 200 percent of the FPL. According to the Kaiser Family data collection, CHIP in North Carolina provides coverage only up to age five. We estimate there are about 5,000 children of illegal aliens ineligible for Medicaid coverage because of a higher family income but who qualify for health insurance under CHIP.

Data from the Kaiser Family State Health Facts website indicates that the state covers one-fourth of the program's cost and that average state expenditures in North Carolina in 2010 was about \$525 per enrollee.

**The health insurance outlays for these additional children of illegal aliens therefore represent a cost to the North Carolina taxpayer of about \$2.6 million annually.**

**UNCOMPENSATED EMERGENCY MEDICAL SERVICES**

Under the federal Emergency Medical Treatment and Labor Act, public hospitals must provide emergency medical treatment to any patient regardless of immigration status or ability to pay until the patient’s medical condition is stabilized. Illegal aliens without medical insurance benefit from this provision. The Kaiser Health News reported in 2011 that North Carolina spent \$48 million on health benefits for about 19,000 illegal aliens receiving emergency health care.<sup>14</sup> We assume that amount is after receiving payment from the Disproportionate Share Hospital federal program that compensates hospitals that treat large numbers of uninsured, low-income patients.

Therefore, we use the estimate of \$48 million as the annual costs of emergency medical treatment to illegal aliens.

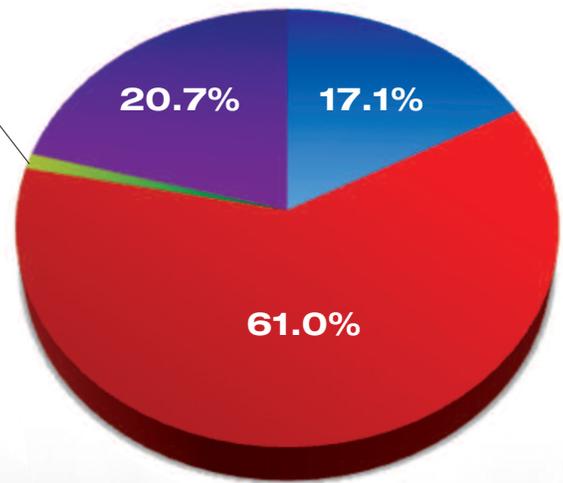
The medical expenditures described are for the rendering of specific medical services. There are other fiscal implications for the health care sector related to the illegal alien population that are not included in this analysis. An example of those expenditures is taken from a report on the impact of illegal immigration prepared for the city of Charlotte.

*“The CMC (Carolinas Medical Center) clinics presently employ 11 interpreters at an annual cost of \$440,000. The bilingual staff provides an additional 15,500 hours of interpretation at a cost of \$23,000 above base pay. The Mecklenburg County Health Department employs six full time interpreters at an annual cost of \$300,000 and utilized their bilingual staff at a cost of \$25,000 above base pay for their bilingual skills.”<sup>15</sup>*

TABLE 8  
TOTAL MEDICAL EXPENDITURES

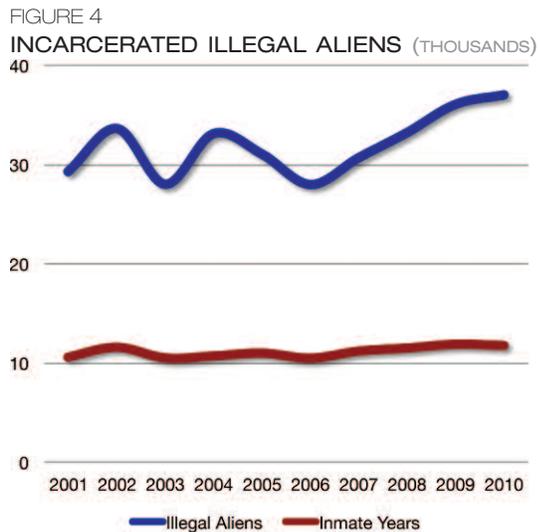
	(\$Millions)
Medicaid for Illegal Aliens	\$39.6
Medicaid for U.S.-born children of illegal aliens	\$141.4
CHIP for U.S.-born children of illegal aliens	\$2.6
EMTALA care for illegal aliens	\$48.0
Total	\$231.6

1.1%



## Justice and Law Enforcement Expenditures

Administration of justice expenditures fall into three categories: policing, adjudication and punishment. In each of these areas, the presence of illegal and deportable aliens in state and local detention represent a cost to North Carolina taxpayers that they would have been spared if the federal government did a better job deterring and deporting illegal entrants.

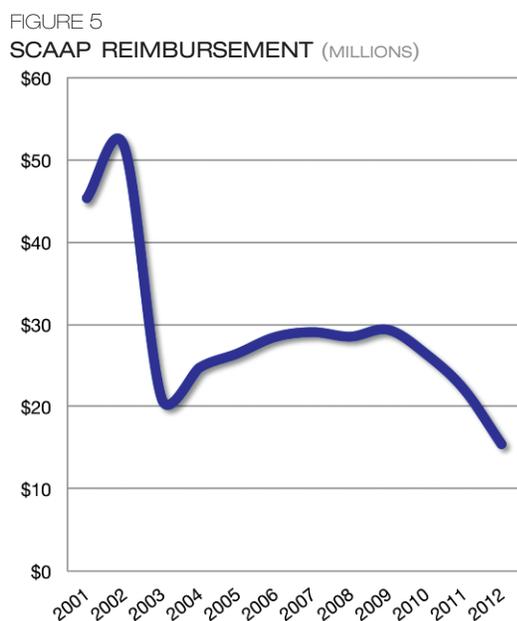


Two federal government resources are available for evaluating the magnitude of those costs to the North Carolina taxpayer. The first is a study by The Department of Justice's Bureau of Justice Statistics that ascribed annual state and local costs in 2006 of \$3.7 billion per year in North Carolina with 47.8 percent of that expense for policing, 38.5 percent for incarceration and 13.7 percent for the judicial system.<sup>16</sup>

The other federal information source relates to the State Criminal Alien Assistance Program (SCAAP). The program collects data from state and local incarceration facilities on foreign-born convicts and provides compensation for a limited share of the state or local jurisdiction's personnel

costs. Data reported in SCAAP indicate a sharp rise during the course of the 2001–2010 decade in both alien prisoners (535%) and in inmate detention years (376%).<sup>17</sup>

In our estimate of incarceration costs, we use the DOJ/BJS estimates adjusted for the increase in the illegal alien population since 2006 and a factor for inflation from the Bureau of Labor Statistics, i.e., 16.1 percent during the seven year period ending in 2013.



The SCAAP reimbursement—a small fraction of expenses incurred, meant to offset the states' costs—underwent a reduction in 2003 and again in 2010.

The SCAAP data (available until 2010) also allowed insight into the number of illegal and deportable aliens in state and local prisons and jails. It documented 8,948 prisoners who accounted for 2,719 inmate years of detention

However, there is no requirement for participation in the program, and the fact that the federal level of compensation has declined has apparently led some local jurisdictions to ignore the program. In the last listing of North Carolina's counties applying for SCAAP compensation, about one-third did not participate.

## POLICING

The BJS estimate for state and local policing costs in North Carolina in 2006 was \$1.78 billion. The share of that amount that was attributable to the illegal alien population was \$76 million. On the basis of inflation and the increased illegal alien prisoner population, we estimate that expenses currently to be about \$107 million. A challenge to policing has been the spread of Hispanic gangs that recruit among illegal alien youth. The Sureno 13 and Latin Kings gangs in Durham County in 2008 were reported to number as many as 1,000 members.<sup>18</sup>

## JUDICIAL

The DOJ/BJS estimate for judicial costs in North Carolina in 2006 was \$511 million. In our 2010 study, we estimated that on a per capita basis, about \$23 million of that was directly attributable to illegal aliens. We update that estimate for both the increased criminal alien population as well as for inflation to about \$31 million annually. That estimate is conservative because judicial expenses are likely to be higher because of the requirement for translation and interpreter services as well as the services of public defenders.

## INCARCERATION

The reported costs of incarceration in the state vary considerably depending on the security level. The North Carolina Department of Public Safety reported that in 2011 the annual incarceration costs ranged from \$23,491 for minimum security custody to \$34,153 for close custody. The average expense was reported as \$27,747. The Vera Institute of Justice put the incarceration cost in a January 2012 report at \$29,965 per year.<sup>19</sup>

Using an estimate of average incarceration of \$30,000 per year and the 2,750 prisoner years of illegal and deportable alien detention — slightly higher than the last count available in SCAAP data — the annual expenditure on incarceration is about \$82.5 million.

Because the state receives partial compensation from the federal government of the costs of incarcerating criminal aliens, we include those SCAAP funds as an offset against the amount of expenditures.

**The overall net fiscal burden on North Carolina taxpayers from the state and local law enforcement operations related to illegal aliens amounts to nearly \$216 million per year.**

TABLE 9  
TOTAL JUSTICE EXPENDITURES

	(\$Millions)
Policing	\$107
Judicial	\$30.7
Incarceration	\$82.5
SCAAP Reimbursement	-\$4.5
Total	\$215.7

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## Public Assistance Costs

As a general rule, illegal aliens are not eligible for welfare programs. Nevertheless, they benefit from public assistance in two ways; some programs provide services to target populations without regard to legal status and others provide benefits to mixed-status families ostensibly for the U.S. citizen members of the family, but also indirectly providing benefit to the illegal alien members of the family.

Examples of the former include the school meal program, public health services such as immunizations, and public health clinics. The latter type of program includes the Temporary Assistance to Needy Families and the Child Care and Development Fund.

### NATIONAL SCHOOL LUNCH PROGRAM

Enrollment in the free and reduced price school meal program is primarily a federal expenditure, but there is also some state participation. According to the School Nutrition Association, the state contributes \$.30 per free breakfast.<sup>20</sup> Participation in the NSLP program in North Carolina is reported as 707,032 students in the free meal program and 96,270 students in the reduced price program. We estimate that most of the K-12 students of illegal aliens will be eligible for the program at a cost of \$47.40 per student per year. **That amounts to a cost of about \$4.7 million per year.**

### CHILD CARE AND DEVELOPMENT PROGRAM

More than 100,000 children in North Carolina from birth to age 13 are currently served by the Child Care and Development block grant that provides child care for working parents.<sup>21</sup> The funding of the program is shared between the federal government and the state government. The state's share of the funding in 2012 was \$37.9 million and \$28.3 million in a matching program; a total of \$66.2 million.<sup>22</sup>

The U.S.-born children of illegal aliens represent about 5.4 percent of the state's under age 13 population. **We estimate that about \$3.6 million of the state's CCDF funding goes to provide care to the U.S.-born children of illegal aliens.**

### WORK FIRST

Temporary Assistance to Needy Families, known as Work First in North Carolina, is a federal-state public assistance program for low income families supplying limited cash benefits, child care, and food stamps. Illegal aliens are not eligible for this assistance, but they may collect this assistance on behalf of their U.S.-born children. Those cases are designated "child only." Because children are not subject to the TANF requirement for job hunting, these cases are much less temporary than for qualified low-income legal residents. There are other family situations that may lead to the child-only designation.

According to the federal government, the total number of TANF cases in North Carolina in 2011 was 43,544.<sup>23</sup> Between 1997 and 2007, child-only cases numbered about 10,300—an average share of 23.7 percent.<sup>24</sup> Assuming that most of those cases were considered "child-only" because the parents were illegal aliens and ineligible to participate in the assistance program, that number of participants would include only a fraction of the estimated 120,000 U.S.-born children of illegal aliens. We estimate there are likely to be about 5,000 illegal alien families with two U.S.-born children in the program. The current payment in the program is \$1,536 for two-child cases. **The estimated annual cost is, therefore, about \$7.7 million.**

**SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM**

SNAP is the current version of the Food Stamp program. It is funded by the federal government with only an administrative expense by the state government. Therefore, any additional costs to North Carolina taxpayers are minimal except as they pay for the program through their federal tax payments.

**Welfare benefits are mostly unavailable to illegal aliens, but a total of about \$79 million per year are funded by the state’s taxpayers — largely for the U.S.-born children of illegal aliens.**

TABLE 10  
TOTAL PUBLIC ASSISTANCE EXPENDITURES

	(\$Millions)
NSLP	\$4.7
CCDF	\$66.2
TANF	\$7.7
Total	\$78.6

**General Government Services**

Illegal aliens benefit from general government functions the same as legal residents, and a share of the cost is attributable to their presence in the state’s population. The lawmaking function, for example—whether in the state legislature or county or municipal council—is part of those costs.

There are also services for common use by the public such as parks and recreation areas, libraries, or street and road maintenance. Fire departments and municipal health clinics offer other examples of services open to all and used by the illegal alien population as much or more than the general public.

General government expenditures are generally related to the size of the population being governed, as is readily apparent in the difference between the size of a state budget and the budget of a metropolitan area. As the illegal alien population constitutes a share of that population size, so too does it account for a share of those expenditures. The illegal alien population and their minor U.S.-born children represent 5.5 percent of the North Carolina population.

According to the Governor’s Recommended Budget for the biennium 2013-2015, general government expenditures for North Carolina are about \$2.49 billion.<sup>25</sup> The illegal alien share amounts to \$137 million. Our review of county budgets revealed a general government expenditure of \$66.2 million attributable to the illegal alien share of the population. Extrapolating the general government expenditures of \$72 million from the city budgets of Charlotte and Raleigh, statewide those expenditures are likely to be about \$166 million

and the share attributable to the illegal alien population is about \$9 million. **We, therefore, assume a total of general government expense attributable to the illegal alien population of about \$212 million.**

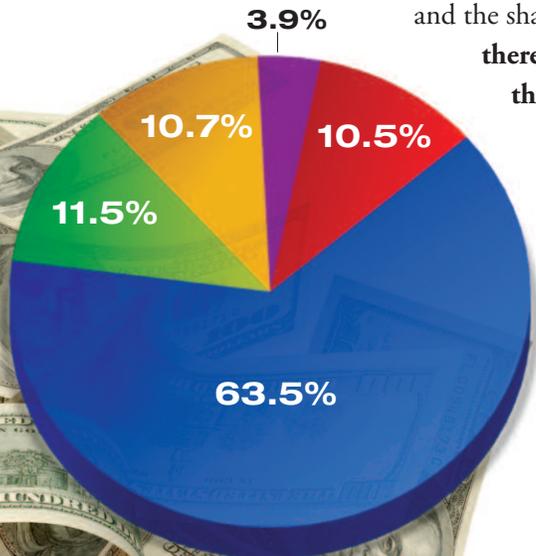


TABLE 11  
Total Fiscal Burden of Illegal Immigration

	\$Millions
Education (K-12 AND LEP)	\$1,283.4
Health Care	\$231.6
Justice and Law Enforcement	\$215.7
Public Assistance	\$78.6
General Services	\$212.1
<b>Total</b>	<b>\$2,021.4</b>

## Amnesty Implications

### EDUCATIONAL EXPENDITURES

Advocates of an amnesty for illegal aliens argue that it would have economic and fiscal benefits for the state. However, the expense is the same for a U.S.-born child of an illegal alien and one who is brought into the country illegally. Simply changing the status of a student from illegal to legal would have no impact on the fiscal cost outlay for either regular schooling or for supplemental English instruction.

Given the ruling of the U.S. Supreme Court in 1982 (*Plyler v. Doe*) that states may not deny publicly funded K-12 education to illegal aliens, the only potential reduction in fiscal outlays for K-12 education would depend on a reduction in the number of children of illegal aliens in the public school system.

Public opinion polling in the North Carolina indicates that an effort to effectively deny job opportunities to illegal aliens — as is intended by current law — has majority support.<sup>26</sup> It is reasonable to assume that if jobs to illegal workers were denied, those workers would leave and that they would take their minor children — including those U.S.-born — with them when they departed. There is anecdotal evidence that that has happened with enactment of an E-Verify requirement for employers and the recent recession with high unemployment. For example, a Mexican illegal alien worker in the state noted in 2008 that a brother-in-law had been recently deported, and his wife and children left to join him, and because of the economy he was planning to send his wife and children — two U.S.-born — back to Mexico and follow them soon after.<sup>27</sup>

A Durham immigration lawyer noted in 2008 that several Hispanic clients who had lived in North Carolina for years told him they planned to go home for Christmas and wouldn't be coming back.<sup>28</sup>

However, the recent amendment to the state's E-Verify law is likely to weaken efforts to deter illegal aliens from residing in the state. The E-Verify system is designed to apply to all new hires. However, the North Carolina law exempts employers of fewer than 25 employees, and the 2013 revision included an exemption for “temporary” workers employed for less than nine months — overriding the Governor's veto. That is a green light for employers, especially agricultural employers, to continue to exploit illegal alien seasonal workers.

### HEALTH CARE

If enacted, the proposed amnesty legislation (S.744) initially would continue to bar illegal aliens from Medicaid. It is too early to speculate on the fiscal effects of the Affordable Care Act (ACA), but there will continue to be a taxpayer-funded outlay for medical care for low wage families that will be shared between the federal government and the states, and extending this coverage to those currently uncovered illegal aliens, would likely entail additional cost to the taxpayer.

### JUSTICE PROGRAMS

If enacted, S.744 would not in general spare illegal alien convicts from deportation upon their release. However, the legislation contains serious loopholes that, among other provisions, would allow the Secretary of Homeland Security to waive convictions for:

- Gang-related crimes and gang membership;
- Three or more drunk driving offenses;
- Domestic violence, stalking, child abuse, and violation of protective orders;
- Committing crimes of moral turpitude;
- Violating federal or state drug laws.

Those waiver provisions would allow some current convicts to be admitted as amnesty beneficiaries and be released back into the community upon release from incarceration rather than being deported. On the other hand, if more effective border enforcement were to result as part of new immigration legislation, it could decrease the number of illegal aliens entering the state and engaging in criminal activities. In balance, the impact on administration of justice operations in the state would depend on the commitment of the administration to effectively deter illegal immigration and suppress illegal alien criminal activity. As documented by FAIR, the commitment of the Obama administration is lacking in that regard.<sup>29</sup>

### **PUBLIC ASSISTANCE PROGRAMS**

Legalization of current illegal aliens would put them on track for qualifying for the same welfare benefits as legal residents. That would not result in a significantly lessened tax burden on North Carolina taxpayers, however, because those welfare benefits are generally paid by the federal government — unlike shared funding of medical benefits. An amnesty would, therefore, result in increased federal welfare outlays — because of the income profile of the illegal alien population — to which North Carolina taxpayers would contribute through their federal taxes.

In other states, one of the main state level welfare programs is the state Earned Income Tax Credit which mirrors the federal EITC. The state has eliminated the EITC as of 2014, and has thereby removed for now the possibility that an amnesty would add to the drain on state coffers through creating eligibility for that tax credit.

## **Tax Collection**

Advocates of amnesty for illegal aliens routinely suggest that the illegal resident population has earned legal permanent residence because they have paid taxes. That argument is illogical because even tourists, foreign students, and guest workers pay some state taxes, but no one would suggest that fact should entitle them to ‘green cards.’

In addition, the same or greater taxes would be received by the state and local governments if illegal alien workers were replaced with legal workers, because legal workers are less likely to be working ‘off-the-books’ than illegal alien workers.

The taxes collected from illegal aliens include the income tax, sales tax, property tax as a share of rental payment, and gasoline and alcohol taxes. This report analyzes the fiscal impact on the state, and therefore includes an analysis on state tax receipts but no federal tax receipts. That precludes an estimate of Social Security or income tax withholdings from wages of those using false documents to work as if they were legal workers.

To assess the amount of state and local revenue collected from illegal aliens it is necessary to develop an earnings and spending profile. Because illegal aliens generally are working in low-earning jobs they will have lower levels of spending on rents and consumables subject to taxation. That means their tax contributions differ significantly from average tax contributions from other residents, even from those with similar earnings.

According to the Pew Hispanic Center, “In 2007, the median annual household income of unauthorized immigrants was \$36,000, compared with \$50,000 for people born in the United States.”<sup>30</sup> 2010 Census Bureau data for North Carolina revealed median household income for the native-born (\$43,895) and for non-U.S. citizen foreign-born residents (\$31,387). The non-U.S. citizen foreign-born households will include the illegal alien population as well as some legal residents and temporary workers who are likely to be earning higher than median wages, so most wages of the illegal alien population will be even lower than suggested by the median.

The average family size in North Carolina in the 2010 Census data for non-U.S. citizen foreign-born families was 3.97. The federal poverty level for a four person family is \$23,550. CHIP eligibility in North Carolina is set at 200 percent of the federal poverty level, i.e. \$47,100 for a family of four.

In addition to the average income level of illegal aliens being low, there are a number of other factors that influence their economic profile.

- An estimated half of all illegal alien workers are in the underground economy for cash wages. This means that an employer is able to ignore the state’s \$7.25 per hour minimum wage law.
- In addition to the low level of earnings, illegal aliens often send money out of the country in remittances to support family members in the home country and, perhaps, to create a nest egg for an eventual return to that home. That means that they have less disposable income than a legal worker with the same income. A state tax collection study by the Institute on Taxation and Economic Policy (ITEP) discounted average earnings by 10 percent to compensate for remittances sent abroad.<sup>31</sup>
- Illegal aliens are more likely to be mobile than Americans and are, consequently more likely to be temporarily sharing housing accommodations with other illegal aliens or legal resident relatives. This means that the share of expenditures on housing is likely to be significantly less than for legal residents. It also means that property tax collection from illegal aliens is less than from settled residents. For North Carolina, 2010 Census Bureau data recorded that 19.4 percent of possible illegal aliens lived in crowded housing compared to 1.4 percent for native-born residents.<sup>32</sup>
- Where illegal aliens are concentrated, there are also likely to be informal services, such as unlicensed food vendors, who do not collect or pay taxes and help illegal aliens cut costs while also depriving legal, tax-paying commercial enterprises of revenue.
- Because illegal aliens can’t obtain a driver’s licenses in North Carolina, they are less likely to own cars and more likely to use public transportation which is subsidized by the government and represents an additional fiscal outlay.

There is also an indirect fiscal effect associated with illegal alien workers. By being more easily exploited at low wages, hiring illegal workers to keep payrolls low causes wages for unskilled workers to stagnate. This has meant lower wages for legal workers, less tax collection from those workers as well as the inability of some

legal workers to find jobs. Social assistance programs are, therefore, relied on more by unemployed and underpaid legal residents, and that indirect cost is passed on to the taxpayer.

North Carolina's primary revenue source from individuals is the income tax and secondarily from the sales tax.

### INCOME TAX

We calculate tax receipts from illegal aliens based on the state's 2013 law, although we note that the tax rate will drop in 2014. We estimate income tax collection in North Carolina on the assumption that one-fourth of the illegal alien families and most of the single illegal alien workers were employed in the underground economy and did not have taxes withheld and, therefore, did not file a tax return. Further we reduce tax liability on the basis that some of the salaried illegal workers with tax deductions would file for the EITC and for the Additional Child Tax Credit (ACTC).<sup>33</sup> Using an Individual Tax Identification Number, illegal aliens without an SSN may file a return claiming a child tax credit. In 2010, 888,853 North Carolina tax filers received the EITC in an average amount of \$2,295; 685,700 claimed the child tax credit in an average amount of \$1,140; and an additional 706,500 claimed the refundable ACTC in an average amount of \$1,335.<sup>34</sup>

On the basis of an estimated 70,000 tax returns filed by illegal alien families, we estimate a tax collection of \$35.4 million reduced by \$8.0 million for the ACTC — assuming no fictitious children living abroad are claimed for the tax credit. We further reduce income tax collections for the ACTC by 1.7 times the value of the EITC rate, i.e. \$13.6 million — although we note that that deduction will not be possible in 2014. Therefore, the **net income tax receipts from illegal aliens are estimated at \$13.8 million.**

### SALES TAX

The collection of the state sales tax of 4.75 percent and local sales tax of 2.12 percent depends on the disposable income of the illegal alien earners. To calculate the disposable income we subtract average rent, utilities, food, and transportation expenses. We estimate an annual disposable income of about \$7,440 for single illegal aliens and about \$12,578 for double income families. That estimate leads to an assumption of annual disposable income spending of about \$3.5 billion, which at 6.87 percent tax collection indicates receipts of about **\$240 million.**

### PROPERTY TAXES

Most illegal aliens will contribute some share of property taxes as part of their rent payments. There is no state property tax, it is set and collected locally. According to Moody's Investment Services, average property taxes in North Carolina were 1.1 percent in 2007.<sup>35</sup> Property tax rates vary widely by jurisdiction with combined county and city rates higher than 1.9 percent in some jurisdictions and less than one percent in others. We use the 1.1 percent average to estimate current tax collection.

We assume that half of the property tax on apartments or homes is passed on to the renter. This is the same assumption used by the ITEP. We further assume that about three-fifths of the illegal alien adult population are single and living on average three persons to an apartment and half of the families with children are doubling up in an apartment or house. This results in about 110,000 housing units.

Using the asking price of apartment complexes for sale we found annual taxes per unit varying between as much as \$1,660 to as low as \$182. Median property taxes per unit were about \$450 and the half of that amount passed on to the tenant would be \$225 per year.

TABLE 12  
PROPERTY TAX

	Unit	Property Tax	Total (\$M)
2 Adults	18,500	\$225	\$4.2
3 adults	18,500	\$225	\$4.2
3 singles	73,033	\$225	\$16.4
Total	110,033		\$24.8

**In total the illegal alien population accounts for annual property tax revenue of about \$25 million.**

### SIN TAXES

We estimate adult consumption of cigarettes at shares of Mexican consumers reported by the World Health Organization.<sup>36</sup> For alcohol consumption, we use data from the Centers for Communicable Diseases.<sup>37</sup>

North Carolina tax rates are \$.45 on a pack of cigarettes at half a pack a day, generates estimated tax revenue of about \$7.6 million and the tax of \$0.617 per gallon of beer generating estimated tax receipts of about \$1.9 million. **Combined, these “sin” taxes generate an estimated tax collection of about \$9.5 million.**

In total, the taxes collected are estimated to amount to **\$288 million annually.**

TABLE 13  
STATE/LOCAL TAX RECEIPTS  
(\$Millions)

Income tax	\$13.8
Sales tax	\$239.9
Property tax	\$24.8
Sin taxes	\$9.5
Total	\$288.0

## Final Thoughts on Amnesty

If amnesty legislation were adopted and it led to the current illegal alien population to realize higher earnings, disposable income would also rise and generate greater tax revenue. That was the assumption of the ITEP in estimating tax collection from the illegal alien population of additional tax revenue of \$83.5 million if S.744 were enacted.<sup>38</sup> ITEP relied on a report of the Congressional Budget Office that estimated that if S.744 were enacted overall wages would decrease for the first 18 years after enactment, but that wages for the illegal alien population would rise. The CBO analysis relied on a longitudinal study of the 1986 amnesty recipients.<sup>39</sup> That study noted a wage increase for the legalized population, but one that simply mirrored wage gains across the labor force and was at least in part due to an increase in the minimum wage. *We judge it more likely that the largely unskilled illegal alien workforce would experience the same drop in income following an amnesty as that projected by the CBO for the rest of the labor force. In that eventuality, tax receipts would not rise, and more likely would actually decrease.*

The proponents of amnesty, or “earned legalization,” as they term it, generally ignore the fiscal effects of illegal immigration other than to note that “unauthorized immigrants” pay taxes. But, as noted above, the fiscal costs following an amnesty would not appreciably change.

Amnesty advocates try to disguise this fiscal burden by shifting the discussion to the economic effects of immigration in which they lump illegal workers with legal immigrant workers. This blurring of the difference between legal and illegal immigration tends to disguise the very real differences in terms of education and skills levels between the two categories.

The only sure way to lessen the fiscal burden from illegal aliens is not by making them legal but, rather, by reducing the size of this uninvited foreign population. Amnesty legislation would assure that the population would become permanent and invite others to follow in the footsteps of those who gained U.S. residence through illegal immigration. On the contrary, a refusal to enact amnesty legislation coupled with measures to deny benefits to the illegal alien population — with denial of job opportunities at the top of the list — would over time not only deter new illegal immigration, but also to encourage those residing here illegally to return to their home countries.

This objective ideally should be achieved at the national level, thereby denying illegal aliens the ability to move from one jurisdiction to another within the country to avoid restrictive measures. However, in the absence of federal immigration reform legislation, such as the proposed expansion of the E-verify system to make employers accountable if they knowingly hire illegal workers, state and local policymakers have numerous measures available to them to advance taxpayer interests in lessening the fiscal impact of illegal immigration in their state or local jurisdiction.

Measures such as mandating the use of E-Verify has been attacked by amnesty proponents as anti-immigrant and anti-Hispanic. These contrived attacks are designed to deflect attention from the difference between legal and illegal immigration, and they ignore the fact that illegal immigration negatively impacts other foreign-born residents more than any other sector. In North Carolina, more than half of that vulnerable foreign-born population is Hispanic.

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