



# *New Immigrants in* Focus on Minnesota

The Economic and Fiscal Impacts of Deferred Action for Childhood Arrivals (DACA) and Deferred Action for Parents of Americans (DAPA) in Minnesota

# Sponsoring Organizations



**JUNE 2016**

## EXECUTIVE SUMMARY

# Focus on Minnesota

## The Economic and Fiscal Impacts of Deferred Action for Childhood Arrivals (DACA) and Deferred Action for Parents of Americans (DAPA)

June, 2016

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In November 2014, President Obama announced a series of administrative actions related to immigration. One proposal expanded the DACA program for unauthorized youth who had entered the U.S. before the age of 16, and a second action, called DAPA would defer the deportation of certain parents with children who are U.S. citizens or Lawful Permanent Residents (LPRs). As of this writing, both DAPA and the expanded DACA program are in limbo, pending a decision by the U.S. Supreme Court. The original DACA program remains in effect.

In 2013, there were close to 404,000 immigrants in Minnesota, well over three quarters of whom had authorized status. This report focuses on the estimated 91,000 immigrants living in Minnesota without authorization. If the President's November 2014 administrative actions took effect, what would be the fiscal and economic impacts on Minnesota? Several research reports suggest that:

1. Federal and state tax revenues would increase, with Minnesota collecting about an additional \$7 million per year;
2. Wages would increase for immigrants eligible for expanded DACA and DAPA, which would have a positive economic impact on the state, generating increased employment statewide;
3. DAPA and DACA-eligible immigrants would be able to obtain drivers licenses and insurance;
4. DACA has already encouraged young immigrants to stay in school, has expanded their job opportunities, and has enabled them to obtain drivers' licenses. Expanding DACA would motivate even more young immigrants to stay in school;
5. The projected rise in wages with the implementation of DAPA will help to mitigate the dramatic socio-economic differentials between Latino and White children in the U.S. as a whole, and in Minnesota in particular. The benefits of legal status to immigrants themselves would help to reduce ethnic disparities in education and earnings that have plagued Minnesota. Evidence of a possible narrowing of disparities is shown in national data that demonstrate that Mexican immigrants who have legal status in the U.S. earn 28% more than unauthorized Mexicans in the country.

In 2015, the Institute on Taxation and Economic Policy (ITEP) published [state-by-state estimates of current taxes paid by unauthorized immigrants](#), and of the additional tax revenues that would accrue if Obama's executive actions were put into effect. They estimated that the unauthorized immigrants in Minnesota who would be eligible for DACA or DAPA **already** pay about \$40 million in sales, excise, personal income tax and property taxes per year; if the new DACA and DAPA were implemented, this would increase by almost \$7 million per year.

Because DACA and DAPA eligible immigrants would receive work authorization, they would have increased access to education and training, more opportunities to apply for jobs, and an overall increase in access to higher-paying jobs.

### Taxes Paid by Minnesota Population Impacted by Executive Action (DAPA or DACA)

Current Taxes Paid

\$40,372,000

Implementation of DAPA/DACA

\$47,337,000

Additional Tax Revenues (per year)

\$6,965,000

The expanded DACA and DAPA administrative actions are short-term measures. Comprehensive immigration reform would yield even greater fiscal benefits. ITEP researchers from the Center for American Progress [contrast a legalization program that offered unauthorized immigrants an eventual path to citizenship with DAPA/DACA](#). A comprehensive program with legalization paths would result in additional tax revenues of \$17,475,000 per year for Minnesota, far more than the \$7 million from DAPA/DACA. In addition, according to Regional Economic Models, Inc. (REMI), unauthorized immigrants who enrolled in a legal path to citizenship would [generate more than 6,500 jobs for Minnesota by 2020](#).<sup>1</sup> Unauthorized immigrants themselves would benefit from a 15% increase in income within five years, and would contribute an additional \$69 billion in federal taxes, and \$40 billion to state and local governments.

Eligibility for DACA already serves as a motivation for young immigrants to stay in school, and has made it possible for many to obtain driver's licenses, work authorization, and better jobs.

Such impacts led NYU professor of psychology, [Hiro Yoshikawa to suggest](#) that "DACA can be seen as a very cheap, very effective, long term anti-poverty program, an anti-crime program, and a pro-education program. Every undocumented young person we legalize now via DACA potentially contributes to decreasing the money we have to spend later addressing the downstream issues their U.S. citizen children will face related to long-term poverty and other ills related to undocumented status."

In summary, immigration reform proposals expand the size of the labor force, which increases the size of the economy. Providing employment authorization and social security cards to unauthorized individuals would enable them to secure better jobs, obtain driver's licenses and be likely to pay more federal and state income taxes.

When these statistics are combined with data on the rapid growth of the immigrant population (54% between 2000 and 2010), and the imminent retirement of thousands of U.S.-born Minnesotans, the positive fiscal and social implications of mainstreaming the status of unauthorized Minnesotans are clear.

# Focus on Minnesota

The Economic and Fiscal Impacts of Deferred Action for Childhood Arrivals (DACA) and Deferred Action for Parents of Americans (DAPA)

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## IMPACTS OF DEFERRED ACTION FOR CHILDHOOD ARRIVALS (DACA) AND DEFERRED ACTION FOR PARENTS OF AMERICANS (DAPA): A FOCUS ON MINNESOTA

On June 15, 2012 President Obama announced that the U.S. Department of Homeland Security would refrain from deporting certain DREAM Act-eligible (see criteria below) undocumented youth. The administrative action, called DACA (Deferred Action for Childhood Arrivals) granted work authorization and protection from deportation for a two-year period to thousands of undocumented individuals who entered the country as children. DACA status carries the possibility of renewal after two years.

Some of the estimates of the fiscal impact of executive action on immigration assume full participation in DAPA and DACA. This assumption overestimates the fiscal benefits of the programs since many unauthorized immigrants will not apply for a variety of reasons. Nevertheless, researchers generally agree that the programs will yield a net gain in revenues for individual states, and for the U.S. as a whole. For this reason, a broad range of organizations have submitted legal briefs defending the President's deferred action initiatives.

### TO BE ELIGIBLE AND HAVE THEIR APPLICATIONS APPROVED BY USCIS (UNITED STATES CITIZENSHIP AND IMMIGRATION SERVICES), YOUNG PEOPLE HAD TO MEET THE FOLLOWING CRITERIA (USCIS, 2013).

- Were under the age of 31 as of June 15, 2012;
- Came to the United States before reaching their 16th birthday;
- Had continuously resided in the United States since at least June 15, 2007, up to the present time;
- Were physically present in the United States on June 15, 2012, and at the time of making a request for consideration of deferred action with USCIS;
- Entered without inspection before June 15, 2012, or lawful immigration status expired as of June 15, 2012;
- Were currently in school, had graduated or obtained a certificate of completion from high school, had obtained a general education development (GED) certificate, or were an honorably discharged veteran of the Coast Guard or Armed Forces of the United States; and
- Had not been convicted of a felony, significant misdemeanor, three or more other misdemeanors, and did not otherwise pose a threat to national security or public safety.

In November of 2014, President Obama announced [another series of administrative actions](#) related to immigration. One proposal expanded the DACA program by eliminating the upper age cap and permitting 3-year, renewable work authorizations instead of the 2-year permits authorized in the original DACA. A second action, called [DAPA \(Deferred Action for Parents of Americans\)](#), would defer the deportation of certain parents with children who are U.S. citizens or Lawful Permanent Residents (LPRs). Like DACA, DAPA would allow individuals to receive 3-year, renewable work authorizations.

## TO BE ELIGIBLE FOR DAPA, INDIVIDUALS HAD TO MEET THE FOLLOWING CRITERIA:

- Be the parent of a U.S. citizen or lawful permanent resident.
- Have continuously lived in the U.S. since at least January 1, 2010.
- Were present in the U.S. on November 20, 2014.
- Did not have a lawful immigration status on November 20, 2014.
- Have not been convicted of certain criminal offenses, including any felonies and some misdemeanors.

As of this writing, both DAPA and the expanded DACA program are in limbo, pending the outcome of [United States v. Texas](#), argued before the Supreme Court on April 18, 2016.

Arguments for and against DACA and DAPA most often focus on whether President Obama exceeded his authority in taking executive actions on immigration without the consent of Congress. In addition, some opponents of the actions have argued that they are tantamount to an amnesty for immigrants who have violated the law, and that, before considering these steps the government must further strengthen border security.

Less attention has been paid to the economic and fiscal arguments for or against the recent executive actions on immigration. In this brief, we address these issues by summarizing the research on the following topics:

1. Reports on the national economic and fiscal impacts of Obama's executive actions on immigration
  - a. DACA implementation of 2012
  - b. Proposed expansion of DACA and initiation of DAPA
2. Data on Minnesota
  - a. Unauthorized immigrants in Minnesota
  - b. Eligibility for expanded DACA and for DAPA
  - c. Estimates of the economic and fiscal impacts of DACA and DAPA

## REPORTS ON THE NATIONAL ECONOMIC AND FISCAL IMPACTS OF OBAMA'S EXECUTIVE ACTIONS ON IMMIGRATION

Economic impacts include participation in the labor market, impact on Gross Domestic Product (GDP), and impact of increased consumer expenditures on the community.

Because many unauthorized residents live 'in the shadows,' they tend to be employed in low wage jobs that prevent them from thriving economically, and thereby contributing substantially to the tax base. Providing employment authorization and social security cards to unauthorized individuals would enable them to secure better jobs, and to pay more income taxes. These suppositions have been examined by several research organizations that have demonstrated that President Obama's proposed administrative actions on immigration would expand the U.S. economy and *increase* both jobs and tax revenues.

The Congressional Budget Office (CBO)<sup>2</sup> reports that, as of the end of September of 2014, 610,000 young people who entered the U.S. as children had been approved for deferred action under DACA. [A study of a sample of "DACAmended" youth by Gonzalez and Terriquez](#) found that 60% had found a new job, 57% had obtained a driver's license, and 49% had opened their first bank accounts.<sup>3</sup>

In November 2014, the nonpartisan Council of Economic Advisers (CEA)<sup>4</sup> issued a report on the [Economic Effects of Administrative Action on Immigration](#).<sup>5</sup> They made a range of estimates, basing their analyses on the economic literature and on earlier studies of proposed immigration reform legislation. On the *conservative* end, the CEA calculated that implementation of the DACA and DAPA administrative actions would:

- Raise the level of the U.S. Gross Domestic Product (GDP) by the equivalent of an additional \$90 billion (0.4%) after ten years
- Expand the U.S. labor force by about 150,000 workers

- Increase the productivity of American workers as a result of greater flexibility in the labor market;
- Have no impact on the likelihood of employment for U.S.-born workers;
- Raise average annual wages for U.S.-born workers by about \$170 (0.3%) in ten years;
- Cut federal deficits by \$25 billion by 2024, due to GDP growth.

Their upper-bound, *more optimistic projections* were that the administrative actions would raise the level of the GDP by 0.9% by 2024, equivalent to an additional \$210 billion, and a \$60 billion reduction in the federal deficit.

The finding that these administrative actions would not result in the loss of jobs on the part of American workers and that they would raise wages may seem counter-intuitive. Indeed, some of the most ardent opposition to liberalized immigration policies in the United States has been rooted in the fear that immigrants who are given authorization to work will take the jobs of U.S.-born residents and drive down employment and wages. Such fears stem from what economists call the “lump of labor” fallacy—the notion that there are a fixed number of jobs that are reduced each time an immigrant is employed. [Economics journalist Adam Davidson explains](#) the error in this logic as follows:

*The single greatest bit of evidence disproving the “lump of labor” idea comes from research about the Mariel boatlift, a mass migration in 1980 that brought more than 125,000 Cubans to the United States. According to David Card, an economist at the University of California, Berkeley, roughly 45,000 of them were of working age and moved to Miami; in four months, the city’s labor supply increased by 7 percent. Card found that for people already working in Miami, this sudden influx had no measurable impact on wages or employment. His paper was the most important of a series of revolutionary studies that transformed how economists think about immigration. Before, standard economic models held that immigrants cause long-term benefits, but at the cost of short-term pain in the form of lower wages and greater unemployment for natives. But most economists now believe that Card’s findings were correct: immigrants bring long-term benefits at no measurable short-term cost.*<sup>6</sup>

Urban Institute researchers who [examined the potential economic impacts of U.S. Senate proposals for the legalization of millions of unauthorized immigrants in the U.S.](#) concluded that, both nationally and in Minnesota, “immigration reform proposals increase the size of the labor force, and such increases almost indisputably increase the size of the economy and tax collection.”<sup>7</sup>

DACA and DAPA represent much more limited changes than [the comprehensive immigration reforms proposed by the U.S. Senate in 2013](#). Nevertheless, the granting of work authorizations under expanded DACA and the implementation of DAPA would both benefit the U.S. economy and have strong positive impacts on immigrants themselves. The granting of authorized status, whether short-term or long-term, increases opportunities for job mobility and advancement. These, in turn, grow tax revenues from the collection of income taxes, from greater consumer expenditures, and through the corresponding payment of sales and excise taxes.

If DACA were extended, within three years an additional 2 to 2.5 million people would be approved for DACA or DAPA. Nationally, close to three-quarters (72%) of unauthorized adults are currently in the U.S. labor force, and approximately [3.7 million of them would be eligible for the DAPA program if it were implemented](#).<sup>8</sup>

## **FISCAL IMPACTS OF IMMIGRATION AND ELIGIBILITY FOR BENEFITS: NATIONAL DATA**

In contrast to analyses of economic impacts, analyses of *fiscal* impacts assess the net gains or losses assumed by local, state or federal governments when comparing projected revenues from immigrants with potential expenditures for the provision of educational, health and social services.

Contrary to public perceptions, even before achieving legal status, unauthorized immigrants pay several forms of taxes, including retail, property and excise taxes. In addition, a sizeable percentage pay income and social security taxes using federal Individual Taxpayer Identification Numbers (ITIN) in lieu of social security numbers. Researchers at the Center on Taxation and Economic Policy

estimate that at least half of unauthorized immigrant households file income tax returns using ITINs; they also note that many who do not file still have taxes deducted from their wages.<sup>9</sup>

Conclusions concerning the fiscal impacts of changes in immigration policy are more ambiguous than those of economic impacts because of differences in the assumptions in the analyses. An example of these variations can be seen in [a recent Urban Institute report on the results of six studies](#) of the economic and fiscal impacts of immigration reform.<sup>10</sup> The studies reached contradictory conclusions because of differences among them “in scope and time; treatment of the second generation; definitions of the immigration reform scenario; modeling of the current law over time; and assumptions regarding labor force, wage growth, and the number of immigrants that will attain legal status.”

The period over which impacts are estimated is particularly important: “Over time, immigrants become eligible for different government benefits, the children of immigrants become adults, new immigrants enter the country, and older immigrants retire from the labor force. When the time horizon is longer, more of these changes have to be taken into account. The time horizon used by each study examined is different, and the changes considered over time vary.”<sup>11</sup>

Any calculation of fiscal impacts of immigrants needs to begin with an analysis of the kinds of benefits to which they are entitled. Since 1996, when President Clinton signed welfare reform into law with the Personal Responsibility and Work Opportunity Reconciliation Development Act (PRWORA), [these have been severely restricted](#).

*PRWORA declares that undocumented immigrants are ineligible for “any retirement, welfare, health, disability... or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of a State or local government or by appropriated funds of a State or local government.”<sup>12</sup> Exceptions include “assistance for health care items and services that are necessary for the treatment of an emergency medical condition” and “public health assistance for immunizations with respect to immunizable diseases and for testing and treatment of symptoms of communicable diseases whether or not such symptoms are caused by a communicable disease.” PRWORA also allows provision of public benefits to undocumented immigrants if states enacted legislation after August 22, 1996, that “affirmatively provides for such eligibility” or if the U.S. Attorney General declares additional services exempt from the law’s restrictions.<sup>13</sup>*

Nor are unauthorized immigrants eligible for health insurance, welfare or food stamps under the Affordable Care Act (ACA). Under the provisions of the ACA, although they are considered to be “lawfully present,” unauthorized immigrants who receive DACA or DAPA status would be [barred from receipt of the following](#):<sup>14</sup>

- ACA health insurance or participation in federal health exchanges
- Food stamps (SNAP)
- Welfare (TANF)
- Medicaid
- Supplemental Security Income (SSI)
- Children’s Health Insurance Program (CHIP)
- Medicaid, with the exception of emergency Medicaid services

States, however, can provide CHIP and Medicaid to children and/or to pregnant women at their own discretion. Furthermore, although neither DACA nor DAPA would make unauthorized immigrants eligible for federal benefits, the Congressional Budget Office (CBO) estimates that the temporary status of parents with DAPA might lead to enrollment of U.S. citizen children who, although eligible, had not participated in such programs before. Since about 4.5 million U.S. citizens under the age of 18 have at least one parent who is unauthorized this could lead to enrollment of some portion of the 400,000 additional children who will be born to DAPA parents over the next decade.<sup>15</sup>

While studies show positive economic impact and increasing tax revenues from implementation of DACA and DAPA, they are inconsistent in estimating overall fiscal impacts, largely because of differences in the length of time-horizon used by various studies.

In contrast to citizens, for whom expenditures such as education and health care are viewed as long-term investments, some critics of immigration policies focus only on short-term costs. The time period that is selected to estimate the net fiscal impact of immigration is another factor that greatly affects study outcomes. Immigrants are most “costly” when they first arrive, or—like U.S.-born residents—when they are in school or retire. Analyses that focus exclusively on short-term costs greatly underestimate the fiscal benefits of legalizing the status of immigrants since, over the course of their lifetimes they provide a net benefit to state and national economies. Unlike native-born Americans, who are aging rapidly and creating what some have called a “silver tsunami,” immigrants are generally in their prime working years when they come to the United States, thus providing a crucial infusion to the work force. Immigrants too will become more costly as they age and retire, but their contributions to the tax base should offset these expenditures as long as new waves of working-age immigrants enter the country and the state.

## Focus on Minnesota

Minnesota’s immigrant population makes up just over 7% of the state’s total, but it grew by more than 50% over the past decade, well above the national average. In 2013, there were close to 404,000 immigrants in the state, well over three-quarters of whom had legal status. However, it is those without authorization who are the focus of this report.

According to estimates released by the Center for Migration Studies (CMS), in 2013 there were about 87,000 unauthorized immigrants in Minnesota.<sup>16</sup> A substantial majority (63%) were Hispanic—particularly Mexicans. (The Institute on Taxation and Economic Policy (ITEP) estimates that there are 91,000 unauthorized immigrants in Minnesota.<sup>17</sup>)

Contrary to what some might expect, the unauthorized population in the state is neither recent nor particularly impoverished. Fully 76% have lived in the U.S. for five or more years, and over a third (36%) of those sixteen or older have incomes at or above 200% of the federal poverty level<sup>18</sup>. 55% have a high school diploma or higher degree, and half speak English “well” or “very well.” Over a third of the total unauthorized population (36%) are estimated to be homeowners. Over half (55%) are in what might be called “prime working age”: 25-44, and, of those age sixteen or over, 65% are employed, with another 9% unemployed and looking for work. In 2012, the largest percentage of unauthorized workers in Minnesota (37%) were employed in service industries (including such categories as food preparation, health service occupations, cleaning and building services and personal and service occupations), followed by production (15%) and professional occupations (12%).<sup>19</sup>

### Occupations of Unauthorized Workers in Minnesota, 2013

Industry	Percent
Service Industries	34.5
Managerial and professional	16.9
Operators, fabricators and laborers	16.1
Precision production, crafts and repair	9.1
Farming, forestry and fishing	5.2
Technical, sales and administrative support	5.1
Other	13.1

The high rates of labor force participation on the part of unauthorized immigrants is particularly significant in a state where 40% of the workforce will be eligible to retire in the next five years (Kiedrowski, 2015).<sup>20</sup>

## UNAUTHORIZED IMMIGRATION AND ELIGIBILITY FOR BENEFITS: MINNESOTA

In Minnesota, unauthorized immigrants are barred from General Assistance (GA), the Minnesota Family Investment Program (MFIP), Minnesota Supplemental Aid (MSA), Supplemental Security Income (SSI), Food Support (FS), Emergency General Assistance, Minnesota Care, Group Residential Housing, and the Supplemental Nutrition Assistance Program (SNAP).

On the other hand, pregnant, unauthorized immigrants are eligible for Medical Assistance (MA) and Emergency Medical Assistance. [A research report from the Minnesota legislature](#)<sup>21</sup> states that:

*Undocumented pregnant women who are uninsured and do not have a spend-down are eligible for covered MA services through the period of pregnancy, including labor and delivery and 60 days postpartum. These services are funded through the Children's Health Insurance Program (CHIP). To obtain these services, they must meet all other MA requirements except for immigration status.*

Budget cuts in health programs enacted by the Minnesota Legislature in the 2011 session reduced the number of immigrants – authorized and unauthorized—who were eligible for Emergency Medical Assistance.

Even without DACA (or expanded DACA), undocumented youth remain eligible to attend K-12 public schools – a right that was affirmed by the 1982 Supreme Court ruling in Plyer v. Doe. In other words, Minnesota and other states will continue to incur the costs of educating unauthorized students, but only DACA offers the possibility of increasing tax revenues by granting employment authorization when they are old enough to work.

In 2013 Minnesota passed the DREAM Act making unauthorized and DACA-eligible students eligible for in-state tuition<sup>22</sup> and financial aid. With DACA, more unauthorized students have been willing to come out of the shadows and take advantage of this opportunity.

Because unauthorized immigrants are ineligible for most means-tested benefits, with the exception of emergency services, withholding DACA and/or DAPA would do little to reduce these costs. To the contrary, issuing employment permits and social security cards will increase the likelihood of health insurance for some unauthorized immigrants, and will also result in fewer unlicensed drivers. The resulting reductions in uncompensated care (largely paid for with public funds) and increases in insured drivers should benefit the public overall.<sup>23</sup>

With or without administrative actions extending DACA and implementing DAPA, individuals who are eligible for these programs are among those least likely to be deported under current guidelines. This means that without the actions, large numbers of immigrants in both groups would be likely to remain in the U.S., but with limited opportunities to improve their education and wages, thus reducing their potential fiscal contributions to localities, states and the federal government.

## IMPACTS OF DACA IN MINNESOTA SINCE 2012

Eligibility for DACA serves as a motivation for young immigrants to stay in school. Evidence of this can be found in the comments of a small sample of individuals who went to the Immigrant Law Center of Minnesota (ICLM) to renew their DACA status.

Between April 2nd and May 19th of 2015, the ICLM helped sixteen, mostly Mexican, clients prepare applications for DACA renewal— 5 young men and 11 young women. Almost two-thirds of the young people had earned a high school diploma or GED. Their new-found status opened the door to continuing their education, and 81% planned to go further. A 22-year-old woman gave an articulate description of the new opportunities available to her:

*"DACA gave me the tools to allow me to continue my education. It has also allowed me to contribute with my family. DACA has provided me hope that even though I'm from a minority, a higher education is still something I can acquire. To me it's the proof*

*that the United States of America is one of the countries that allows immigrants to have an opportunity to become successful and improves our way of life."*

DACA clearly had a positive impact on these recipients' lives. 70% had gotten a new or a different job, and almost three-quarters were making more money than before. The percentage with health insurance jumped from 6% before DACA to 56%, and the percentage of young people with a bank account went from 38% to 63%. DACA recipients also reported having obtained a state identification card (88%) and a driver's license (63%).

Gaining DACA status greatly reduced individuals' fears of getting deported. Before DACA, 63% had this worry, while after being approved for DACA only 13% reported the same concern. A 26-year-old woman exclaimed:

*"It's amazing how DACA changed my life. I can finally breathe without worrying of leaving my 3 children without a parent because of fear of deportation one day. I was able to get a job and open my own credit card. I'm so thankful for the people who help me in getting everything together at Immigrant Law Center."*

Being temporarily freed from fear of deportation allows young people the freedom to act on their career aspirations. As one young man commented, "I get to apply for any job I want without having to worry about my background. A 19-year-old man added a comment on the emotional effect of his status, as well as the opportunities it affords him:

*"DACA has helped my life tremendously. I now have the opportunity to better myself and go to college and accomplish in a career. Now I feel like I belong."*

NYU professor of psychology Hiro Yoshikawa has found that unauthorized parents with children are more likely than other parents to be isolated, and unable to utilize institutional resources that may benefit their children.<sup>24</sup> As a consequence, their children – many of whom are U.S. citizens—are less likely to be "reading ready" when they enter kindergarten. He argues that DACA is a potentially high-yield investment tool because it focuses on unauthorized immigrants who are current or future parents.

*DACA can be seen as a very cheap, very effective, long term anti-poverty program, an anti-crime program, and a pro-education program. Every undocumented young person we legalize now via DACA potentially contributes to decreasing the money we have to spend later addressing the downstream issues their US citizen children will face related to long term poverty and other ills related to undocumented status.... Instead of being raised in a household with undocumented parents, the current or future U.S. citizen children of young people who get DACA now will be raised in households where their parent's earnings are boosted by their legal status. Moreover, for many, they will pursue their educations well beyond what the earlier generation of undocumented youth did.*

## **ECONOMIC IMPACTS OF DACA AND DAPA IN MINNESOTA**

The [Center for Migration Studies](#) estimates that, as of 2014, about 30,717 of the unauthorized population in Minnesota were eligible for DAPA, and 8,320 were eligible for either the original or the expanded DACA program. Taken together this means that just under half (46-48%) of the total unauthorized population in Minnesota would be eligible for temporary work authorizations if the President's administrative actions were fully implemented.

On the other hand, the number of individuals who enroll is likely to be much smaller. Only 41% of all potentially eligible youth applied for DACA when it was first introduced in 2012. Barriers included inability to pay the application fee, the fear on the part of youth that they would be ineligible because of a criminal record, inability to prove continuous residence in the U.S., and the lack of sufficient adult education classes for older youth. 20% of potential applicants met all the eligibility criteria, except the education requirement.

Hennepin and Ramsey County are home to the majority of both authorized and unauthorized immigrants. The Migration Policy Institute estimates that 45% of unauthorized individuals in Hennepin and 48% in Ramsey would be eligible for either DAPA, or for the expanded DACA program.<sup>25</sup>

In 2015, the Institute on Taxation and Economic Policy (ITEP) published [state-by-state estimates of current taxes paid](#) by the unauthorized, and of the additional tax revenues that would accrue if DACA and DAPA were put into effect.<sup>26</sup> They estimated that there are 91,000 unauthorized immigrants in Minnesota (slightly more than the CMS figure of 87,000). Tax revenue estimates for Minnesota are shown below.

### Taxes Paid by Minnesota Population Impacted by Executive Action (DAPA or DACA)

Current Taxes Paid	Implementation of DAPA/DACA	Additional Tax Revenues (per year)
\$40,372,000	\$47,337,000	\$6,965,000

All unauthorized immigrants pay retail and excise taxes when they purchase such items as groceries, clothing, utilities and gasoline. Even in the absence of executive action or comprehensive immigration reform, about half of unauthorized immigrant households also pay personal income taxes using IRS-issued "ITIN" numbers as federal tax identification; many of those who do not file have payroll taxes automatically deducted from their paychecks. In Minnesota, a third of unauthorized individuals are homeowners who therefore pay property taxes. Renters also pay property taxes indirectly, through their rent checks to landlords.

Researchers at the Center for American Progress also assume that having the authority to work legally would increase the wages of unauthorized immigrants as a result of legal protections that make wage increases possible, increase investments in education and training, and increase access to higher-paying jobs.<sup>27</sup>

[Fiscal Policy Institute researchers have shown](#) that immigrants who are not authorized to work in the U.S. are much more likely to be in lower-skilled and lower-paying jobs than individuals with work permits. They note that immigration contributes to strong economic growth in a region (along with other factors), and that the fastest-growing metro areas all have very strong growth in the share of the labor force represented by immigrants.<sup>28</sup>

Between 1990 and 2008, significant economic growth in the Twin Cities Metro Area (57%), as well as growth in earnings per worker (30%) coincided with a tripling in the immigrant share of the labor force (from 3.2% to 10.6%). It seems reasonable to expect that this would be increased if DAPA and expanded DACA were implemented. Furthermore, increased authorizations to work legally would increase the wages of unauthorized immigrants themselves by as much as 6-10% as a result of increased access to training and a broader labor market.<sup>29</sup>

### LONG TERM EFFECTS OF DAPA AND DACA ON U.S.-BORN CHILDREN

Most of the analyses of the effects of DAPA focus on adults, but the impacts may be even more significant for the 6.3 million children in the U.S. who live with a parent who is eligible for DAPA. In Minnesota, nearly one in five children has one or two immigrant parents, and many of these children are U.S. citizens.

The constant threat of deportation takes a toll on both adults and children, and when parents are actually deported, many U.S. citizen children are shunted into the foster care system. The stresses of family separation and poverty affect children's school performance and their future achievement.

Policy analysts at *Human Impact Partners* in Oakland have summarized the results of continued detention and deportation of unauthorized adults in terms of poorer child health, educational and behavioral outcomes, and poorer adult health, shorter lifespans, higher rates of poverty and diminished access to food.<sup>30</sup> In their interviews with unauthorized parents, almost a third reported that

their children were afraid all or most of the time, and nearly half reported that a child had shown symptoms of Post-Traumatic Stress Disorder (PTSD).

The projected rise in wages with the implementation of DAPA will help to mitigate the dramatic socio-economic differentials between Latino and White children in the U.S. as a whole, and in Minnesota in particular. The benefits of legal status to immigrants themselves would help to reduce ethnic disparities in education and earnings that have plagued Minnesota. Evidence of a possible narrowing of disparities is shown in national data that demonstrate that Mexican immigrants who have legal status in the U.S. earn 28% more than unauthorized Mexicans in the country.<sup>31</sup>

Improvements in the educational attainment and income of unauthorized adults and children have important implications for the future of the state<sup>32</sup>. When these statistics are combined with data on the rapid growth of the immigrant population in Minnesota (54% between 2000 and 2010), and the imminent retirement of thousands of U.S.-born Minnesotans, the fiscal and social implications of regularizing the status of unauthorized Minnesotans are clear.

## CONCLUSIONS

DACA has already improved the education and economic outlook for the DREAMers participating in this program. Expanding DACA would motivate more young immigrants to stay in school. With the implementation of expanded DACA and DAPA, Minnesota would experience increased economic and social benefits. Federal and state tax revenues would increase, with Minnesota collecting about an additional \$7 million per year. Wages would increase for immigrants eligible for expanded DACA and DAPA, which would have a positive economic impact on the state, generating increased employment statewide. DAPA and DACA-eligible immigrants would be able to obtain driver's licenses and insurance, with a corresponding benefit to public safety.

The proposed administrative actions covered in this report are only short-term measures that fall far short of comprehensive reform measures; such reforms would yield even greater fiscal benefits. For example, researchers from the Center for American Progress estimate that a program like the one passed by the U.S. Senate in 2013 offering unauthorized immigrants an eventual path to citizenship would result in the addition of \$832 billion increase in the U.S. GDP by 2022, with \$470 billion in increases to the incomes of U.S. residents, and 121,000 more jobs per year for the ten-year period. Unauthorized immigrants themselves would benefit from a 15% raise in incomes within five years, and would contribute an additional \$69 billion in federal taxes, and \$40 billion to state and local governments.

Broader, permanent reforms would create thousands of new jobs and generate significant revenues for Minnesota. ITEP has estimated that comprehensive immigration reform would yield additional tax revenues of \$17,475,000 for the state, and, according to Regional Economic Models, Inc. (REMI), unauthorized immigrants who enrolled in a legal path to citizenship would generate more than 6,500 jobs for Minnesota by 2020.

Given the opposition of many members of Congress to President Obama's administrative actions on immigration, it is ironic to note that 72% of all Americans (56% of Republicans and 80% of Democrats) support even more comprehensive measures that would include a path to legal status for unauthorized immigrants in the country (though not all agree that legal status should include a path to citizenship).<sup>32</sup>

## ENDNOTES

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<sup>1</sup> Treyz et al.

<sup>2</sup> Congressional Budget Office

<sup>3</sup> Gonzales & Terriquez

<sup>4</sup> According to the Concise Encyclopedia of Economics, "The Council of Economic Advisers is the most prestigious group of applied economists in the United States. The CEA, which was formed after World War II, advises the U.S. president on economic policy. Presidents tend to appoint the three members, including the chairman, from their own party. Yet the advice given is relatively nonpartisan. Below the chairman and the two members are the approximately 15 senior and junior economists. Economists at all levels are appointed for their expertise in policy economics." <http://www.econlib.org/library/Enc1/bios/CEECEAList.html>

<sup>5</sup> Executive Office of the President of the United States

<sup>6</sup> Davidson

<sup>7</sup> Enchautegui, et al.

<sup>8</sup> Estimates from the Migration Policy Institute, 2014

<sup>9</sup> Gardner, et al.

<sup>10</sup> Enchautegui, et al.

<sup>11</sup> Enchautegui, et al.

<sup>12</sup> Kullgren

<sup>13</sup> Kullgren

<sup>14</sup> National Immigration Law Center

<sup>15</sup> Enchautegui, et al.

<sup>16</sup> Center for Migration Studies

<sup>17</sup> Gardner, et al.

<sup>18</sup> Migration Policy Institute, Data Hub, "Profile of the Unauthorized Population." Data came from the U.S. Census Bureau 2013 American Community Survey and the 2008 Survey of Income and Program Participation (SIPP) HubHub

<sup>19</sup> Passel & Cohn

<sup>20</sup> Kiedrowski, J. (2015, April 8). Personal communication.

<sup>21</sup> Chun & Punelli

<sup>22</sup> National Council of State Legislators (NCSL)

<sup>23</sup> Taurel

<sup>24</sup> Yoshikawa & Kholoptseva

<sup>25</sup> Migration Policy Institute

<sup>26</sup> Gardner et al.

<sup>27</sup> Lynch & Oakford

<sup>28</sup> Kallick

<sup>29</sup> Gonzales & Terriquez

<sup>30</sup> Satinsky

<sup>31</sup> Donato & Sisk

<sup>32</sup> In May of 2015, the Pew Research Center conducted a national poll of 2,002 adults

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