

Economic Cost of Virginia House Bill 2270 and Senate Bill 1156

The Virginia State legislature is considering two bills that would effectively force local law enforcement to become federal immigration agents. House Bill 2270 and Senate Bill 1156 propose banning policies that limit local cooperation and information-sharing with federal authorities on immigration matters. These bills would create a hostile environment in Virginia potentially causing contributing members of the immigrant community to leave the state as a result. These bills could result in significant costs for the state, including a loss of almost \$38 million in taxes paid by undocumented immigrants. It would also jeopardize key parts of Virginia’s workforce in industries like construction and food services.

If successful, Virginia would be following in Arizona’s footsteps. In 2010, the Arizona Legislature enacted SB 1070, a law that gave broad authority to local law enforcement to act as immigration agents and target potential undocumented immigrants. Subsequent studies have shown that Arizona’s law led to a large decline in tax revenue and significant struggles for several key industries in the state due to the estimated 10 percent of its undocumented population that left the state after the law was passed. Many of these immigrants had been working in hard to fill jobs in construction, hospitality, and other key industries.

The Arizona experience should be a cautionary tale. Like in Arizona, undocumented immigrants in Virginia are overwhelmingly employed. According to [new data](#) from New American Economy, 88.2 percent of undocumented immigrants in Virginia are of working age (ages 16 to 64). They pay \$538 million each year in taxes, including \$189.7 million in state and local taxes, and hold \$4.3 billion a year in spending power that’s injected into the local economy. The costs of losing a significant portion of these workers would be substantial for Virginia’s economy.

This brief models what the economic costs would be if HB 2270 and SB 1156 were signed into law and 10 percent of the state’s undocumented population were to leave as a result. To be conservative, it also models the impact if Virginia experienced just half the immigrant exodus—five percent.

In either of the two cases modeled—the Arizona-style 10 percent immigrant exodus or the more conservative five percent exodus—the state would risk losing millions of dollars in taxes and GDP in just one year.

If 10% of undocumented immigrants leave Virginia, the state would lose...

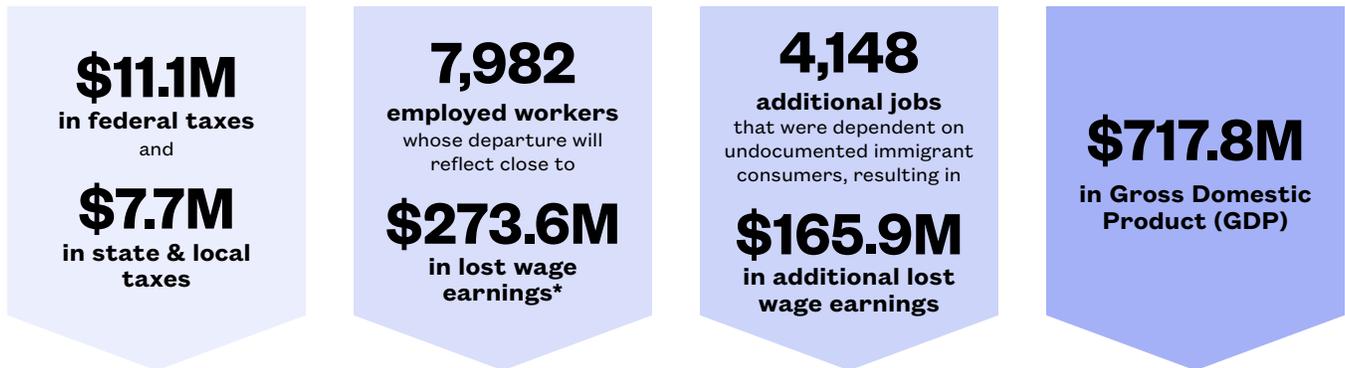


* State-wide, business owners in industries such as construction, restaurant and food services, and building services would be greatly affected.

Note: The total economic loss is proportional to the number of undocumented immigrant workers that would leave the state. For instance, if 20 percent of undocumented immigrants leave Virginia, the economic cost will be twice the above numbers.

We also estimated the economic loss as it relates to jobs, earnings, taxes, and GDP over a one-year period in an alternative scenario were **five percent of undocumented immigrants to leave Virginia**. The five percent estimate is based on the assumption that passage of HB 2720 and SB 1156 may have a lesser impact compared to Arizona's SB1070 law (see detailed methodology below).

If 5% of undocumented immigrants leave Virginia, the state would lose...



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In either scenario, these losses are significant.

Because of the role undocumented immigrants play in the state labor market—including their critical role in particularly labor-intensive jobs—**U.S.-born workers, with different skill sets and professional interests, would only fill a small number of the positions vacated by immigrants.**² Some businesses may have to close altogether because they can't find the appropriate workforce to fill vacant positions, leading to job losses for the U.S.-born individuals employed by those businesses. Economic activity will decrease across the board, having a dramatic effect on U.S.-born workers and many of the state's important industries that depend on paying customers, such as retail and service industries.

METHODOLOGY FOR ESTIMATING POTENTIAL ECONOMIC COST OF VIRGINIA'S HOUSE BILL 2270 AND SENATE BILL 1156

To estimate the potential economic cost of the passage of HB 2270 and SB 1156, we first obtained 2017 American Community Survey (ACS) one-year data using the Integrated Public Use Microdata Series (IPUMS) portal. We then applied the methodological approach outlined by Harvard University economist George Borjas to arrive at an estimate of the undocumented immigrant population in Virginia.³ We identified the top five industries in which undocumented immigrants worked, and created a new category that lumps all undocumented workers working in industries other than the top five.

By using the above data and industry multipliers from the Regional Input-Output Modeling System (RIMS II), we estimated the total loss in jobs, worker earnings, and Gross Domestic Product (GDP) over a one-year period in Virginia if 10 percent of the undocumented immigrants leave the state as a result of the proposed bills.⁴ RIMS II is a standard economic impact tool developed by the Bureau of Economic Analysis and is widely used in economic impact studies by government agencies, corporations, and researchers.

Our model for the economic impact on Virginia if 10 percent of undocumented immigrants leave the state is based on a study by Gonzalo Sanchez of Texas A&M University.⁵ His research on Arizona SB 1070, a similarly controversial legislation requiring state law enforcement to enforce federal immigration law in Arizona, found that noncitizen Hispanics—a proxy used to estimate the

state's undocumented population—decreased by 10 to 15 percent after the bill passed. We argue that, although the passage of HB 2270 and SB 1156 may not have the same legal implications as Arizona SB 1070, it would create a similarly hostile political climate that would encourage undocumented immigrants to leave Virginia. However, we understand the likelihood that the impact of the bills on the undocumented immigrant population may be smaller than what Sanchez found for Arizona SB 1070, so we also express our results under a scenario that assumes that only five percent of undocumented immigrants leave Virginia.

The RIMS multipliers provided the information we needed to calculate the direct, indirect, and induced economic cost in each industry. The direct cost comes from the impact on the top 10 industries that would be directly affected by the loss of undocumented workers, and the indirect cost is the impact on the industries that provide goods and services to the top 10 industries. Induced cost, on the other hand, is the impact on industries affected across the board because of loss of consumption from undocumented workers. When estimating the economic cost, we chose the RIMS multipliers corresponding to the top five industries that undocumented immigrants worked in. For the category that lumps the rest of the undocumented immigrant workers together, we apply the smallest multiplier among the rest of the industries to be conservative in our estimates.

Aside from the loss of jobs, worker earnings, and GDP, we also calculated the potential loss in federal and in state and local tax revenues over a single year if 10 percent of undocumented immigrant workers leave the state. To estimate the tax contributions of 10 percent of Virginia's undocumented immigrants, we randomly selected 10 percent of the undocumented immigrant population in Virginia, then estimated tax contributions for that random 10 percent sample.⁶ We repeated this estimation process 100 times, then took the minimum tax estimation out of the 100 iterations for a conservative estimate. We estimated state and local taxes using the tax rates estimates produced by the Institute on Taxation and Economic Policy (ITEP).⁷ For federal tax estimates, we used data released by the Congressional Budget Office in 2014 and calculated federal taxes based on the federal household income tax brackets.⁸

About NAE

New American Economy (NAE) is a bipartisan research and advocacy organization fighting for smart federal, state, and local immigration policies that help grow our economy and create jobs for all Americans.

Learn more at www.NewAmericanEconomy.org.



ENDNOTES

- 1 The study referenced used Arizona's Hispanic noncitizen population as a proxy to estimate the state's undocumented population. New American Economy uses its own methodology to estimate the undocumented population.
 - 2 Ottaviano, Gianmarco I. P. and Giovanni Peri. 2012. "Rethinking the Effect of Immigration on Wages." *Journal of the European Economic Association* 10, no. 1: 152-07, <https://doi.org/10.1111/j.1542-4774.2011.01052.x>.
 - 3 Borjas, George J. 2016. "The Labor Supply of Undocumented Immigrants." NBER Working Paper (National Bureau of Economic Research, Inc.). <https://ideas.repec.org/p/nbr/nberwo/22102.html>.
 - 4 Bureau of Economic Analysis. "RIMS II Multipliers." Accessed August 3, 2018. <https://www.bea.gov/regional/rims/rimsii/>.
 - 5 Sanchez, Gonzalo. 2015. "The Response of the Hispanic Noncitizen Population to Anti-Illegal Immigration Legislation: The Case of Arizona SB 107." Working Paper. <http://econweb.tamu.edu/gsanchez/immigration>.
 - 6 Gee, Lisa Christensen, Matthew Gardener, and Meg Wiehe, 2016. "Undocumented Immigrants' State and Local Tax Contributions." Institute on Taxation and Economic Policy. <https://itep.org/immigration/>.
 - 7 Institute on Taxation and Economic Policy. 2015. "Who Pays? A Distributional Analysis of the Tax Systems in All Fifty States." <https://itep.org/whopays/>.
 - 8 Congressional Budget Office. 2014. "The Distribution of Household Income and Federal Taxes, 2011." 17, no. 4: 695.
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