

IMMIGRATION AND EDUCATION IN CALIFORNIA

Introduction

The education of foreign-born children and the citizen children of legal and illegal aliens poses one of the major challenges for communities in California. Yet, it is a challenge that is hard to quantify. The 1990 Census shows that 18.8 percent of California's school enrollment is foreign-born. Because of limitations on the authority of school systems to question students about their immigrant status (discussed below), no reliable statistics are available on the actual number of *immigrant* children (as compared to foreign-born) in California schools. Nor are there statistics showing the legal status of students (legal versus illegal aliens).

Instead, a number of studies have used estimation procedures to derive statistics on this issue. The most useful base for determining the likely number of immigrant children is the Language Census count of students whose native language is not English. A study by California Tomorrow, a public policy institution, estimated that 16 percent of California's public school-age children are foreign-born immigrants. California Tomorrow modified the language census count to exclude citizen children who were not fluent in English.¹ The Governor's Office in California derived a similar estimate, 17 percent.²

Further utilizing the language census, California Tomorrow derived the following estimates for the number of immigrant children in the following school districts:

Los Angeles	145,209
San Francisco	19,828
Santa Ana	17,947
San Diego	14,687
Long Beach	13,691
Oakland	10,358
Fresno	8,684

¹Laurie Olsen, *Crossing the Schoolhouse Border: Immigrant Students and the California Public Schools*, A California Tomorrow Policy Research Report, 1988.

²Rebecca LaValley, *Californians Together: Defining the State's Role in Immigration*, Senate Office of Research, July 1993.

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Montebello	8,184
Stockton	8,040
Compton	6,824

A recent study prepared for the Los Angeles County Board of Supervisors estimated that 183,599 immigrant children were in county schools; this number is larger than the L.A. number cited above which does not cover the entire county. Using census and other data, the report also estimated the legal status of the foreign-born students: approximately 74,000 were recent legal immigrants; 27,500 were children granted legal status under IRCA; and 82,121 were illegal aliens. The study further estimated that almost 150,000 citizen children of illegal aliens were enrolled in L.A. county schools.³ The Governor's office estimate of state-wide enrollment of children illegally residing in the state is 255,000.⁴

The advent of a sizeable foreign-born student population in California is a relatively recent phenomenon. California Tomorrow estimates that the number of immigrant children has increased two and a half times in the past decade and is expected to continue to grow at a rate of five to seven percent each year over the next decade. The most immediate impact is on language. According to the California Department of Education, in 1992, there were 1,078,705 Limited English Proficient (LEP) students in California's K-12 program; 77% were of a Spanish-speaking background. This overall statistic masks some of the complexity of the situation, however, because it does not reflect the actual variety of ethnic and language groups entering these communities through immigration. For example, Los Angeles Unified School District estimates that its students represent 80 different language groups. The number of LEP students in Los Angeles County schools in 1991 was 433,681, or approximately 40% of the State's LEP students.

The Los Angeles County Office of Education argues that even with this level of increase in the foreign-born and LEP populations, birth rates, not immigration, are primary contributors to the overall growth in the school age population in Los Angeles. During the 1980s, enrollment grew 21 percent in California and 15 percent in Los Angeles. Enrollment in 2000-01 is projected to be about 40-50 percent higher than the 1990-91 level. This growing enrollment has led to larger classes. The County

³Manuel Moreno-Evans, et.al., *Impact of Undocumented Persons and Other Immigrants on Costs, Revenues and Services in Los Angeles County*, A Report Prepared for the Los Angeles County Board of Supervisors, November 1992.

⁴*California's Overwhelming Illegal Immigration Burden*, obtained from Governor's Office, California, September 1993.

Office of Education holds: "Contrary to some public misperceptions about immigration and the use of public services, migration -- foreign or domestic -- has not been the primary factor in enrollment changes in California public schools in the last two years. Enrollment changes have been largely driven by the state's births. In the last ten years births have surged, and, coupled with the much smaller number of births of the early and mid 1970's, has led to a substantial birth effect: large entering kindergarten classes minus much smaller (and declining) graduating classes."⁵

Nevertheless, the increased number of immigrant and English-deficient pupils has created challenges for the State's lawmakers and educators. The policies to address these challenges are affected by laws and court rulings, the availability of funding for special programs, and the lack of trained, competent teachers.

Laws and Court Rulings Affecting Immigrant Students and the Schools

Federal and state laws require that all children between the ages of 6 and 16, regardless of legal status, attend school in California. These same laws also require schools to ensure access to education for all children.

Civil Rights Act of 1964

The Federal Act states in Title VI that "no person shall be subjected to discrimination on the basis of race, color or national origin," and it calls for school districts to take "affirmative steps" to rectify language deficiency which would prohibit children from effective learning in schools.⁶ Several complaints regarding noncompliance with the law brought the federal Office of Civil Rights to advise, in 1970, that school districts had the responsibility, by law, to enforce the "affirmative steps" in four main areas: by rectifying the English language deficiency of a student; by assuring that the programs helping English language deficient children do so as quickly as possible, without operating as a permanent fixture in the system; by providing access to college preparatory classes; and by notifying parents of school activities in their home language.

⁵"Cultural Diversity and Growth in California's Schools," *Trends: Policy Issues Facing Los Angeles County Public Schools*, Los Angeles County Office of Education, vol.5, no.1, July 1992.

⁶Olsen, p.43.

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Lau vs. Nichols

The U.S. Supreme Court decision of 1974 ruled that all students must have equal access to education and that the access may not be denied to LEP students. The decision stemmed from a lawsuit by Chinese parents against the San Francisco Unified School District in which the court found that by merely providing the LEP students with the same teachers, curriculum and tests as English speaking students, the district was not providing equal educational opportunity. The court then ordered San Francisco to offer special programs to make the education system in that district linguistically acceptable to those that were LEP. The decision affected the entire country, calling for the Office of Civil Rights to establish the "Lau Remedies".

The Remedies were broad guidelines for instructional programs and the integration of students that belonged to minority groups of either ethnic or language origin. The Office introduced transitional bilingual, bilingual/bicultural, and bilingual/multicultural programs for elementary schools and deemed that English as a Second Language would be allowed in the secondary level of schooling. The Lau Remedies were not given the weight of the law. Regulations have not been issued by the federal government for their enforcement, although the court ordered this action.

In response to the Lau decision, California developed the Bilingual Education Program, which was recognized as one of the most comprehensive language programs in the country. It sought to teach students English and to encourage them to achieve academically at a level equivalent to the English speaking students. A decade later, the politically controversial program, with its many legislative revisions, was vetoed.

Plyer vs. Doe

The 1982 U.S. Supreme Court case established that a child should not be denied access to an elementary or secondary education because of immigrant status. The ruling states that undocumented children and young adults have the same right to attend a public school in the United States as U.S. citizens and permanent residents. According to the National Coalition of Advocates for Students, Plyer vs. Doe prohibits public schools from denying undocumented students admission to school based on their undocumented status; treating undocumented students disparately on the basis of their undocumented status; engaging in practices which may discourage the right of access to public schools; requiring students or parents to disclose or document their immigration status; making inquiries of students or parents which may expose their undocumented status; and requiring social security numbers of all students, as it may

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expose the undocumented status of students or parents.⁷ The Family Educational Rights and Privacy Act further prohibits schools from disclosing to any agency, including the Immigration and Naturalization Service, any immigration-related information that it does obtain.⁸

Funding Education Programs

Education in California is the single largest expenditure in the state's budget, and, with rising enrollment, will continue to be sizeable. Some analysts complain that funding, from all government levels, is not sufficient to provide for the rising numbers of students and their special needs. Others point out that California ranks 45th in the country when comparing the revenues of public schools to citizenry income. It also ranks 23rd among states in the Average Daily Attendance (ADA) expenditure per student.

The Governor's office estimates that more than \$1 billion goes toward the education of children residing illegally in the state. According to the Los Angeles County study compiled for the Los Angeles County Board of Supervisors in 1992, educational expenditures in L.A. County for undocumented children and the citizen children of undocumented persons totaled about \$1 billion. The county spent an additional \$450 million on the education of recent legal immigrant children and children legalized under IRCA. The total cost for all LA County students was \$6,457,500,000.

Funding for school expenditures derives from a variety of sources. With passage of Proposition 98 in 1988, state schools are guaranteed approximately 40% of the California budget. These funds account for about 61 percent of school expenditures. Other sources of funding include 1.8 percent from the lottery, 20.8

⁷As described below, some federal programs require schools to document the eligibility of students receiving these services. The regulations for these programs generally caution that alien registration numbers are neither required nor should they be solicited, documentation of immigration status is neither required nor solicited, and an individual may use an array of documents, aside from INS documents, to establish country of origin and the period when an immigrant student first entered the school.

⁸As reprinted in testimony presented by Gilberto Anzaldua, Assistant Superintendent, Educational Services, Los Angeles County Office of Education, before the California State Assembly Select Committee, Los Angeles, California, September 22, 1993.

percent from local property tax levies, 7.7 percent from federal funds, and 8.7 percent from other local sources.⁹

State Programs

The state provides money to school districts in relation to Average Daily Attendance (ADA). In 1992, the California Office of Fiscal Policy reported that schools spent an average of \$4,572 per ADA in the FY 1991-92 at the local district level. In L.A. specifically, the L.A. school districts received about \$3,000 to \$3,200 per ADA from the state. Revenue from state allocations is dispersed at the discretion of the local district and do not go towards specific immigrant education programs.

Since 1991, state funding for programs that address the needs of immigrants has mainly been frozen, although the immigrant student population has increased. The main program which supports education for the poor and minorities, and therefore many immigrant children, has been Economic Impact Aid (EIA). EIA provides for nearly 80 percent of programs helping immigrant children, which include the School Improvement Program, Demonstration Programs in Math and Reading, Urban Impact Aid, and the Miller Unruh Reading Program. EIA combines two different sources of revenue, bilingual education funds and compensatory education, both of which are dispersed at the discretion of the local district. The money is based on ethnicity, which does not always measure immigrant status or language need because of the prospect of second or third generation students qualifying for programs that are structured for special immigrant students. EIA has been subject to a no-growth policy, which in effect has meant an erosion of support as additional students qualify for aid.

Federal Programs

The Bilingual Education Act, Title VII of the 1968 Elementary and Secondary Education Act, established a program which would provide support and resources for education programs for LEP. Other federal programs have been aimed particularly at immigrant and refugee educational needs. There are four main federal education programs which are short-term variable funds that are based on a competitive application process. These programs include the: Emergency Immigrant Education Program, Transitional Program for Refugee Children (TPRC), Migrant Education Program, and ESEA Title VII funds. The Migrant Education Program and ESEA title funds provide not only funding for LEP services, but also services to other student populations.

⁹California Legislative Analyst's Office, as quoted in Moreno-Evans.

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California also receives Chapter 1 funding -- Program for Educationally Disadvantaged Children. The purpose of Chapter 1, developed as part of the war against poverty, is to overcome poor children's disadvantages by providing them with supplemental remedial services. Currently one in nine school age children nationally receives instruction under Chapter 1. A recent Urban Institute report found that jurisdictions vary greatly in their use of Chapter 1 funds for LEP children. Approximately 35 percent of LEP children nationally are served by Chapter 1 funds. Over 50 percent of these children are served under Chapter 1 in California. By contrast, 12 state education agencies reported that no LEP children eligible for Chapter 1 programs were served. In part, the difference in usage can be explained by confusion over the requirements of Chapter 1. Apparently, some states erroneously believe that bilingual education is a substitute for Chapter 1 and/or that Chapter 1 services must be provided in English.

The Emergency Immigrant Education Act (EIEA) of 1984 provides funds to states based on the ratio of EIEA students (immigrant students who have been in U.S. schools for fewer than three complete academic years) in qualifying school districts in each state to the total number of EIEA students in the nation. To qualify for funding, a school district must have at least 500 immigrant students or these students must represent at least three percent of their enrollment. School districts may use the funds for remedial instructional programs, training for personnel working with immigrant students, ESL or bilingual instruction services, requisition of classroom space, and overhead costs. GAO did a study that estimated that 700,000 immigrant students met EIEA program eligibility requirements in the 1989-1990 school year. About 85 percent were in school districts receiving EIEA funds. Funding has remained at roughly \$30 million since the program's inception. Since 1989, however, the number of students receiving EIEA services has increased 47 percent. L.A. County received \$3.9 million in EIEA funds in 1989-1990. According to the GAO study, 61,648 students qualified for EIEA. An estimated 12,000 were being served. About 82 percent of the funds were used for instructional services, nine percent for transportation, three percent for psychological and health education services, and the remaining funds for administrative costs and space rental.

The Transitional Program for Refugee Children supports programs that provide supplemental education programs and services to refugee children who have been in the country no more than two years in grades K-6 and no more than three years in grades 7-12. The program provides native language support, teacher training and development of materials which have been centered towards mostly the Southeast Asian pupils. The program has been in the process of termination for several years now, with the districts seeking to find new sources for funding.

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The Migrant Education Program provided close to \$80 million in 1988 for educational and community support services for migrant children, yet the monies are restricted to only children whose parents are employed in the fishing or agriculture industries in California, which accounts for approximately three percent of the immigrant student population. The program, like EIEA, requires a thorough identification process.

The ESEA Title VII provide funds for LEP students, model literacy programs for families and transitional bilingual programs. In 1988, \$21 million was allocated to California, funds which are relied upon for the pilot and support programs of immigrant and teacher training. The money is also relied upon by the State Department of Education Bilingual Unit.

A further source of funding, particularly for adult education services, comes from the State Legalization Impact Assistance Grants (SLIAG). The Immigration Reform and Control Act of 1986 (IRCA) initially authorized \$1 billion in funding across the states per year for four years after 1988. Ten percent of the money was earmarked for education each year. Because of delays in committing funds, states are still receiving reimbursements.

The GAO study of the EIEA program ascertained whether eligible students were being served by other federal funding sources. According to L.A. officials, relatively few of its 61,000 EIEA students participated in other federally-funded programs, except for Chapter 1. Between 80-100 percent participated in Chapter 1. By contrast, fewer than 1,000 EIEA students participated in the Transition Program for Refugee Children, and fewer than 12,000 participated in programs funded under the Bilingual Education Act.

Education Programs for Immigrant Students

Immigrant children and citizen children of recent immigrants often have special needs which present difficult educational challenges for a school district. Many of the schools which are trying to adjust to the growing number of immigrants (in terms of scope and concentration) are currently trying to develop new, specialized programs for the students, with many of the programs centered around language.

The majority of the immigrant children, in terms of grade placement, are concentrated in the lower grades of the K - 12 system. Older immigrant children, particularly those who are over the age of 16 and no longer required to attend school, may never enter the system. Immigrant students in higher grades find that it is more difficult to overcome the handicaps they face when entering the schools.

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Language is the greatest barrier to success for immigrant students. Besides language, there are several other obstacles and reasons that prohibit easy entry into the system. Foreign-born students often have a history of interrupted schooling because of their family's moves. The schools they attended in their native country may have been without adequate resources. Additionally, primary education may have been available. Refugee children often enter with emotional and mental health problems resulting from their experiences fleeing their home country. These problems may be exacerbated by adjustment to a new school environment. Finally, illegal children may fear apprehension by the immigration service.

The programs available to immigrant students today are focused mainly around language. Programs are structured on two levels; those that address the needs of primary-school pupils (K-6), and those that are developed for students in secondary education (7-12).

In Los Angeles County today, according to the Los Angeles County Office of Education, a majority of children in public schools speak a language other than English at home. There is also great language diversity in Los Angeles county (more than ninety languages are spoken). Many California school districts are challenged by the transitions that have taken place in terms of student population and in finding efficient, successful programs that address current needs.

Almost all immigrant children are LEP when they enter school. Along ethnicity lines, the single largest foreign language group in California is comprised of Spanish speakers, which represents 73% of the LEP population. The second largest, the Vietnamese represent 5.4%, with the other groups Cantonese (3.5%), Cambodian (2.5%), Filipino\Tagalog (2.4%), accounting for the remainder, along with the smaller percentages of many other languages included. These ethnic backgrounds provide an insight on the various languages that are being offered in the state's programs.

Student Assessment for Entry into Programs

A student is identified as LEP when the family fills out the Home Language Survey at the time of public school registration. The survey and evaluations are usually limited, and they do not always provide an accurate depiction of the child's needs in language development. The state's Bilingual Education Program requires that children be more thoroughly assessed in their native language within the first 90 days of their enrollment; yet, this assessment is the greatest area of non-compliance for the program. The children are then to be placed in a school program that will specifically address their needs.

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In the Los Angeles Unified School District (LAUSD), there are two programs that focus on student assessment and integration in the public schools. The Student Guidance, Assessment and Placement Center, which opened in 1988, has assessed thousands of students in several areas which include completion of enrollment process, assessment of academic ability and language proficiency, assessment of the physical and mental health needs of the children and the immunizations that are necessary for enrollment, identification of eligibility for ESL or bilingual programs; also they provide an orientation of the school programs. The Center allows for families to spend three days moving through different stations which include the areas of assessment listed above. As part of LAUSD's Emergency Immigrant Assistance Program, a Newcomer Orientation Class is also offered to the students. The class provides a basic overview of the immigrants' new community and the schools. The class is offered to more than 50,000 immigrant students who were born outside of the U.S. and have been enrolled in a U.S. school for less than three years.

Program Options for Children at the K-6 Level

The three options for students that are LEP at the primary level include bilingual classrooms, Individual Learning Programs (ILPs), and Planned Variation Classes. The bilingual classroom program is taught by a trained bilingual teacher, and LEP children are mixed with fluent English speaking children. The program's aim is to offer a core curriculum to the students and to promote bilingualism for all of the students. The program is required when there are more than 10 students of a single language group in the same grade at a school. According to a 1988 California Tomorrow study, two out of every five LEP students in California were being served in one form of designated bilingual program or another. The majority of the bilingual classrooms are geared around Spanish speaking students. One of the main problems with the program is the lack of certified bilingual teachers, and bilingual counselors and aides.

Individual Learning Plans, (ILPs), allow children to receive a minimum of twenty minutes a day of assistance in a student's native language. The plan may be either part of the regular classroom or a "pull-out" (taking a child out of class to tutor). The instructor for the plan may be a bilingual teacher, aide, or a language development specialist.

Planned Variation Classes offer alternatives to a district's other programs by providing classroom models that address the needs of an LEP student other than the existing bilingual classroom or ILPs. Examples of such models include the "sheltered English approach," which groups students who are LEP and has teachers instruct in English, using limited, "watered down" English and non-verbal communication and

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other immersion programs. Planned Variation Classes are beneficial in aiding students who do not have bilingual teachers and are not fluent in English.

Programs for Students at the Secondary Level (Grades 7-12)

The two main programs that address the needs of immigrant students at the secondary level (grades 7-12) are ILPs and English as a Second Language (ESL) programs. ILPs serve more than half of California's LEP students. ILPs at the secondary level provide for tutoring and primary language support from aides that are untrained. The success of the program depends on the district, and in many cases the program could be developed much more extensively.

ESL programs offer specialized English language classes to students whose primary language is one other than English. The child enrolled in the program does not use his or her native language, and learning is drawn around English communication and literacy. Students who are involved in the program and are of secondary level (7-12 grade), usually take ESL classes for one to two classes a day. The program is effective in that it teaches English, but some argue that it does not integrate core academic classes which could aid in the transition of the student in other classes.

Adult Education and Community Colleges

Adult education programs operate through the state's K-12 and community college systems. IRCA-mandated amnesty education has increased the entire adult education enrollment by one-third and doubled ESL/civics classes (pre-'82 legalization program requirement). Between 1987 and 1991, K-12 adult schools enrolled nearly 816,000 IRCA immigrants and California Community Colleges enrolled about 250,000 IRCA immigrants.

According to Census data, 24.2% of all college enrollment in California is foreign-born. L.A. County ranked third in 1985 for foreign-born enrollment in community colleges in California, according to the CA Department of Education, with 13.2% enrollment. Often immigrants in the public education system in L.A. express an interest in furthering their educations but are not informed on the process for college entrance. For instance, immigrant students may not be enrolled in college preparatory programs, or they do may not be receiving proper academic counseling. Ethnic groups are not proportionally represented in community colleges. Asian groups tend to have higher participation rates in community college programs than any other immigrant ethnic group. Mexican and Southeast Asians, however, are proportionally under-represented in higher education programs, with their representation on the

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decline. Of the 15% of Mexican high-school seniors that are eligible for college admissions, only 2.9% actually apply.

Training Programs and Recruitment for Teachers

One of the biggest problems cited in the California education program is the lack of trained, competent teachers. The L.A. County public school system recommends that multicultural sensitivity training for those now teaching is a "must." Multicultural sensitivity is not the only area that the state education program needs to address in examining immigrant student needs. The increase in immigrant enrollment has caught the system at a loss for qualified teachers and programs with the economic cutbacks and fragmentation hindering development. There are several reasons why teachers are at a loss in the education system today, including a changing environment of student representation in the schools, existing programs that must be altered to meet immigrant needs, lack of properly trained bilingual teachers, lack of a substantial career ladder, and teacher "burn-out."

Class curriculum has been under modification over the last few years to meet the needs of immigrants and those that are language deficient. In the 1970's and 1980's, classes were centered around African American education rather than other ethnic groups or minorities. Today, the Latino population in L.A. County is larger than the African American population; therefore, different strategies are needed to attend to their needs. The teachers have not had a chance to catch up with these new needs.

Demand for bilingual teachers grows. Without trained teachers, the Bilingual Education Program cannot work to its fullest potential. Only half of the bilingual classrooms are staffed by an actual certified bilingual teacher. In the 1986-87 school year, more than 7,000 elementary school bilingual teacher waivers were applied for and granted. The waivers are given by those districts that need to staff the classrooms that make up LEP education programs. Part of the problem in hiring certified teachers is due to the certification process taking several supplemental years of training. There is also a demand for certified bilingual teachers in the private sector, where a teacher can generate a higher salary.

Other reasons why there is a shortage of teachers who can best teach immigrant students is due mainly to teacher "burn-out". Stresses from working in overcrowded classrooms with students from different educational backgrounds and the lack of proper materials and support put a toll on the teachers. Pay, when compared to level of training, is low for the teachers, aides, and counselors, and there is not much chance for career advancement.

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For the program to be more effective and efficient, course materials need to be upgraded, as well as the teachers becoming more competent in certain particular areas, which the research group California Tomorrow has recently outlined; competency in language development, competency in building and teaching and inclusive curriculum, competency of creating an environment that is supportive of culture diversity, and the teachers' knowledge of cultures and their pupils' backgrounds. Schools need adequate funding and support for better recruitment and treatment of their teachers.

Conclusion

The impact of immigration on California school systems has received considerable policy attention in recent years. Recommendations generated by various groups fall into two categories: those that seek to decrease the state's fiscal liability for educating immigrant children, and those that seek improvements in the way in which the children are taught.

Many of the legislative proposals focus on the education of illegal alien children. The Governor's office has sought federal reimbursement of the costs associated with educating illegal aliens and the citizen children of illegal aliens. Governor Wilson has also asked for Congressional action to repeal the eligibility of illegal alien children for educational benefits; this proposal would require a Constitutional amendment, given the case of Plyer vs. Doe. The state Assembly considered, but voted against, a bill to prohibit the allocation of state funds to school districts and public post-secondary institutions for the education of "undocumented alien" students. Still under consideration is a bill that would prohibit any student "who is not lawfully residing in the U.S." from enrolling in any public post-secondary educational institution.

On the more pedagogical level, the following recommendations were suggested by the Los Angeles County Office of Education:

- Comprehensive review and evaluation of educational programs and services currently provided to immigrant students
- Extensive recruitment efforts to identify, recruit, train and employ professionals, including teachers and administrators, from the varied immigrant groups present in California
- Re-examination of credential requirements with special emphasis on training courses to better prepare educators for an ethnically diverse student population

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- Greater state funding for school-linked service projects which provide health, mental health and other services to low income students at school sites
- Reauthorizing and appropriating funding for school crime reports which would include documenting of hate crimes against groups of individuals

The California Policy Seminar, in a report on state policy regarding immigrants, argued for universal access to bilingual education and ESL programs as a major state policy priority. The report found that language acquisition programs varied considerably in their effectiveness.

California Tomorrow concluded that an educational system responsive to the needs of immigrant children should include the following elements: a high-quality core of school programs designed to address the needs of a diverse population; approaches which assure access and equal participation for all children in that common program; instruction delivered in a linguistically and culturally comprehensible manner; comprehensive assessment approaches linked to appropriate placement options in supplemental and instructional programs; instruction and counseling support delivered by appropriately trained staff; intensive and high-quality English language instruction; a safe and positive integrated school experience with a social climate respectful of diversity; active counseling and support focused on the transitional phase of immigration; appropriate language and counseling support until the student is fully able to participate in the core school program without such support; and close communication and collaboration between home and school.

Rand Corporation, in a report on newcomers in American schools, concluded that the greatest barrier to immigrant education is the poor quality overall of education in urban centers. Arguing that immigrant children constitute a key segment of the future labor force, the report holds that it is in the national interest to ensure that immigrant children receive education. The report argues that "the most effective way to improve schooling for immigrant students is to enhance the overall capacity of urban school systems. Not only does attacking the broader issue of comprehensive school reform make sense educationally, but it is also more likely to have wider political appeal. Rather than being seen as a California or a Florida problem, systemic reform of urban education can be viewed as a policy in which large numbers of people throughout the country have a stake."¹⁰

¹⁰Lorrain McDonnell & Paul Hill, *Newcomers in American Schools: Meeting the Educational Needs of Immigrant Youth*, Rand Program for Research on Immigration Policy, 1993.

SCORR

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February 14, 1997

Steve Warnath
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Dear Steve,

Thank you for the generous share of your time on February 11. Sandra Fried and I appreciated your openness and attention. Needless to say, the Refugee Program involves a rather complex network of relations, all of which can and should lead to effective services addressing the holistic needs of refugees.

Two issues command major consideration at this time. First, should efforts be devoted to straight reauthorization of the Refugee Act, minor revision, or major revision? To pursue major revision in the current budget balancing environment, shaded by residual anti-immigrant sentiment, seems precarious at best. Even though the Refugee Program traditionally has received bi-partisan support in Congress, major revision could lead to controversy and conflict, and open the door for unfriendly voices to hold sway.

In this regard, the imminent report of the U.S. Commission on Immigration Reform (due in April) should be given most careful evaluation before securing unqualified Presidential support. Moreover, the legislative implications of Lavinia Limon's "reverse Fish-Wilson" privatization "idea" should be weighed heavily.

Second, the Refugee Program has successfully rescued and resettled two million people. What is broke that needs fixing? Is it wise to pursue major restructuring at this time? Any program can be enhanced. Both private and public agencies in the Refugee Program, on the front wave of human service reform for 16 years, have consistently reached for improvement out of concern for the refugees and their needs.

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It should be emphasized that the Refugee Program is dynamic, has changed, and is changing. Approximately ten years ago, Florida, Maryland, Georgia, Massachusetts, and Colorado were state-operated programs. Today services are heavily invested in the private sector. Our sister states have inclined toward the Illinois model of public-private partnership, which begins in the conviction that community-based services are administered better by state government than Washington D.C., and that one national model cannot fit all states and communities.

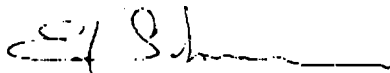
Undoubtedly change will continue as admissions rise and fall, and ethnicities become diversified. Change is possible within the flexible framework of the Refugee Act and the ORR regulations. The recent effort by SCORR and the national volags to strengthen communications and, hopefully, the results of the current ORR Academy on Placement Policy will promote further programmatic improvements where they are needed.

Attached is a summary response to Lavinia Limon's "Reverse Fish-Wilson" proposal. As we discussed, her presentation on February 10 did not include a written explanation. Most important, it did not provide a budget and budget assumptions. Consequently, there were a number of questions raised that went unanswered.

Under separate cover I have sent several studies: "Tax Contributions of Illinois Immigrants", "The Impact of Managed Care on Refugees and Immigrants", and the 1995 Annual Report of the Illinois Refugee Social Services Consortium (prepared by the Jewish Federation of Metropolitan Chicago).

It was good meeting you. I hope it is true that you will continue your role in these next four years, and thereby provide continuity and understanding to the deliberations on immigrant/immigration issues. My colleagues and I stand ready to provide whatever help that we can.

Sincerely,



Edwin B. Silverman
President

RESPONSE TO PROPOSED PRIVATIZATION INITIATIVE

FEBRUARY 1997

- ORR has not shared the budget projection or budget assumptions. Thus it is not clear if the initiative is viable, or what cost transfer to the states will take place, or if the projections are adequate.
- ORR hypothesizes a swap, state TANF dollars to be absorbed by ORR for Refugee Medical Assistance dollars to be absorbed by states. Not all states use TANF, or at the same rates. Thus the swap at the national level would have disproportionate impact on various states.

The initiative is contrary to NGA policy, because it eliminates states' prerogative for a population that will be their long-term responsibility.

- In the past, unanticipated arrivals and cash costs generated a deficit absorbed by the states. If such a deficit occurred, could volags absorb the cost - i.e., wait one or two years for reimbursement?
- It appears as though there would be duplicated administrative costs. Currently one process determines cash, medical, and FS eligibility, and provides benefits as appropriate. Under the proposal there would be private cash and public medical and FS.
- How will FS case management and volag case management be coordinated?
- Currently AFDC refugees receive some JOBS services. If refugees are not in TANF (cash), would they be eligible for TANF services?
- What impact will this model have on small national and local volags?
- Not all local volags have the capacity to administer (a) cash assistance, (b) a full range of ESL and social services.
- Will privatization drive an urban concentration of arrivals - sending all refugees to the inner cities? - i.e. through large cost-effective volag operation?
- The initiative does not make clear provision for asylees and entrants (Cubans) or secondary migrants.

**SCORR Board Meeting
May 9-10, 1996**

The SCORR Board convened a meeting in Chicago on May 9 and 10 in preparation for meetings with ORR/DHHS on May 20-21 and the Commission on Immigration Reform on May 22.

Participants were Frank Bien (MD), Edwin Silverman (IL), Laurie Bagan (CO), John Wilkens (IA), Ron Kirby (PA), Juan Flores (TX), and Pam Seubert (as administrator of the Illinois Refugee Social Services Consortium), with Ellen Witman as facilitator and Carol Rech (IDPA) as recorder.

The wide ranging discussion reflected the complexity of refugee resettlement, the multiplicity of agencies involved from the international level down to the local, as well as the comprehensive service needs of refugees. In many ways the meeting was informed by the past three periods of resettlement history - 1975-1982 was predominantly devoted to Southeast Asian arrivals; 1983-1987 saw increased diversity and smaller numbers; 1988-1995 was heavily devoted to arrivals from the former Soviet Union. We are now entering a fourth period which will presumably resemble the second in its increased ethnic diversity and smaller number of arrivals.

Within the context of complexity on one hand, and historical experience on the other, as seen through the eyes of large, medium, and small resettlement states, the discussion established some commonly agreed to principles and observations. In addition, it led to several inter-related recommendations on the process leading to strengthened refugee resettlement.

The Common Ground

- The Refugee Act provides substantive and sufficient legislative authorization to conduct humane and effective resettlement. It does not require major revision.
- The group reaffirmed the importance of all the major players: ORR, DOS, national volags, states, and local volags.
- Admissions criteria should be formulated to more clearly establish humanitarian principles for resettlement, at the same time recognizing the importance of American foreign policy considerations.
- A renewed effort should be made to enhance coordination, cooperation, and communication between all components of the resettlement process. Toward that end, a national coordinating committee should be established with ORR, DOS, national volags, states, and local service providers represented.

- The strength of the Refugee Program is its maximized flexibility to configure public and private resources at the local level.
- Maintaining a "national" program does not mean that all states must participate, or that all states that do participate should have the same administrative and service configurations. As long as a significant number of states and communities are participants, it will remain a national program.

Placement Planning

- As we enter the new period of resettlement there is a critical need to better coordinate placements through substantive consultation.
- Informed resettlement planning involves both top down and bottom up activity.
 - Top-down
 - There is a need by states to receive more timely information from DOS/volags on ethnicities and anticipated numbers.
 - There is a need to distinguish between family reunification and free cases in the planning process. Even if free case numbers are small, in overview their distribution can have a significant impact on states and local volags. (Why do free cases continue to be placed in California?)
 - There is a need for DOS/volags to consider a range of macro-state factors in the planning process, such as the availability of federal funding and welfare reform initiatives.
 - It is recommended that as a first charge the National Coordinating Committee (NCC) provide/provide for the development of a consultation instrument to be used at the local level, which will lend substance to the required consultation process and provide the basis for annual review of planning results.
 - There is a need for a Domestic Emergency Resettlement Fund (DERF) to provide for unforeseen circumstances.
 - Bottom-up
 - There is a need to begin planning with improved local-state consultation guided by the consultation instrument.

- The consultation should include three factors: arrivals estimate, resource estimate, and absorption capacity.
 - The consultation should be prospective and precede DOS/national volag completion of the Cooperative Agreement, as well as major funding and policy decisions made by ORR.
- Synchronization: the timelines in the planning processes should be improved.
 - E.g. OMB/DOS/DHHS have begun their fiscal plans for FY'98; the states have just learned what RSS resources are available for FY'96.
 - Admissions consultation between the Executive Branch, Congressional leadership, states, and volags should occur before OMB/DOS establish numbers.
 - Ideally, RSS appropriations should be established in advance, comparable to the Department of Education. That is, FY'98 appropriations would be spent in FY'99. To "catch up", in FY'97 a double appropriation would be required (FY'98 and FY'99 dollars). In this way states would know what base resources are available before entering service contracts, instead of midway through the contract year. The process would provide better coordination of resettlement planning and available resources.
 - The coordination of placement planning and available resources is especially critical in the next transitional phase, in which the national volags are looking at "downsizing" at the same time that we need to maintain the capacity to expand rapidly in meeting emergent situations.
 - The NCC should review operative placement criteria. The Wells Klein letter of 1982, the favorable sites survey conducted by SCORR in 1989, and the ORR Preferred Communities RFP provide a substantial basis for discussion.
 - The Amerasian resettlement process served as an effective model for thorough communication, cooperative planning, and appropriate resource allocation. The NCC should discuss the ways in which this model could be replicated in the overall planning process.
 - Placement policy should aim at what is best for the refugee, with an eye to both short and long term goals taking into consideration the infrastructure requirements of the volags and the states as best as possible.

SCORR

State Coordinators of Refugee Resettlement

Illinois Department of Public Aid

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February 14, 1997

Steve Warnath
White House
Old Executive Office Building #224
Washington, D.C. 20502

Dear Steve,

Thank you for the generous share of your time on February 11. Sandra Fried and I appreciated your openness and attention. Needless to say, the Refugee Program involves a rather complex network of relations, all of which can and should lead to effective services addressing the holistic needs of refugees.

Two issues command major consideration at this time. First, should efforts be devoted to straight reauthorization of the Refugee Act, minor revision, or major revision? To pursue major revision in the current budget balancing environment, shaded by residual anti-immigrant sentiment, seems precarious at best. Even though the Refugee Program traditionally has received bi-partisan support in Congress, major revision could lead to controversy and conflict, and open the door for unfriendly voices to hold sway.

In this regard, the imminent report of the U.S. Commission on Immigration Reform (due in April) should be given most careful evaluation before securing unqualified Presidential support. Moreover, the legislative implications of Lavinia Limon's "reverse Fish-Wilson" privatization "idea" should be weighed heavily.

Second, the Refugee Program has successfully rescued and resettled two million people. What is broke that needs fixing? Is it wise to pursue major restructuring at this time? Any program can be enhanced. Both private and public agencies in the Refugee Program, on the front wave of human service reform for 16 years, have consistently reached for improvement out of concern for the refugees and their needs.

It should be emphasized that the Refugee Program is dynamic, has changed, and is changing. Approximately ten years ago, Florida, Maryland, Georgia, Massachusetts, and Colorado were state-operated programs. Today services are heavily invested in the private sector. Our sister states have inclined toward the Illinois model of public-private partnership, which begins in the conviction that community-based services are administered better by state government than Washington D.C., and that one national model cannot fit all states and communities.

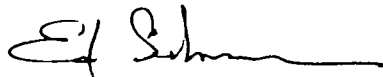
Undoubtedly change will continue as admissions rise and fall, and ethnicities become diversified. Change is possible within the flexible framework of the Refugee Act and the ORR regulations. The recent effort by SCORR and the national volags to strengthen communications and, hopefully, the results of the current ORR Academy on Placement Policy will promote further programmatic improvements where they are needed.

Attached is a summary response to Lavinia Limon's "Reverse Fish-Wilson" proposal. As we discussed, her presentation on February 10 did not include a written explanation. Most important, it did not provide a budget and budget assumptions. Consequently, there were a number of questions raised that went unanswered.

Under separate cover I have sent several studies: "Tax Contributions of Illinois Immigrants", "The Impact of Managed Care on Refugees and Immigrants", and the 1995 Annual Report of the Illinois Refugee Social Services Consortium (prepared by the Jewish Federation of Metropolitan Chicago).

It was good meeting you. I hope it is true that you will continue your role in these next four years, and thereby provide continuity and understanding to the deliberations on immigrant/immigration issues. My colleagues and I stand ready to provide whatever help that we can.

Sincerely,

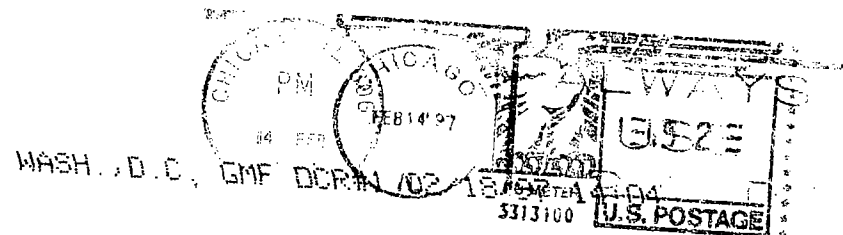
A handwritten signature in dark ink, appearing to read 'Ed Silverman', with a stylized, flowing script.

Edwin B. Silverman
President

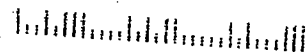


**Illinois Department of
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TAXES PAID BY ILLINOIS IMMIGRANTS



A technical paper
produced for the
Illinois Immigrant
Policy Project

by The Urban Institute

May 1996
Illinois Immigrant
Policy Project

This technical paper was commissioned by the Illinois Immigrant Policy Project (IIPP), a partnership of the Jewish Federation of Metropolitan Chicago and the Latino Institute. The IIPP is publishing a series of analyses of the impact of immigration on the state of Illinois.

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The Latino Institute and the Jewish Federation of Metropolitan Chicago are members of the United Way of Chicago.

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Taxes Paid by Immigrants in Illinois

A Technical Paper Produced for the Illinois Immigrant Policy Project

by

Jeffrey S. Passel and Rebecca L. Clark

with the assistance of

Nolan L. Malone

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Taxes Paid by Immigrants in Illinois

A Technical Paper Produced for the Illinois Immigrant Policy Project

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Taxes Paid by Immigrants in Illinois

A Technical Paper Produced for the Illinois Immigrant Policy Project

By Jeffrey S. Passel and Rebecca L. Clark

With Nolan J. Malone

I. INTRODUCTION AND SUMMARY

This study estimates taxes paid by immigrants in Illinois in 1994 by combining data from the March 1994 Current Population Survey (CPS), the 1990 Census, administrative records from the State of Illinois, and data from the Immigration and Naturalization Service (INS) on legal and illegal immigration. We produce estimates for the following taxes:

- Federal income tax,
- Illinois state income tax,
- FICA and Railroad Retirement,
- State and local sales tax,
- Residential property tax, and
- Unemployment insurance payments.

We apportion our estimates of taxes paid among the following groups:

- Refugees entering the United States in 1980 or later,
- Other legal immigrants entering the United States in 1980 or later,
- Undocumented immigrants,
- Legal immigrants entering the United States before 1980, and
- Natives.

Whether immigrants take more out of government coffers than they contribute is a much debated, but under researched, issue. Most of the debate has focused on estimating how much immigrants use in government services, while the amount immigrants pay in taxes is either ignored or given cursory examination. Yet, without adequate estimates of taxes paid, analysis of fiscal impacts of immigrants is incomplete and biased toward showing that immigrants are a fiscal burden.

In this research, we avoid two pitfalls that affect many other studies of fiscal impacts. First, we include both long-term immigrants and more recent entrants. Since the economic position of immigrants improves as their time in the United States increases, ignoring long-term immigrants leads to underestimates of immigrants' tax contributions. Second, among recent immigrants we distinguish among broad categories of immigrant admissions, because tax contributions and use of government services vary significantly according to legal status at entry. To develop intelligent policies toward immigrants, it is necessary to acknowledge and understand how various immigrant groups differ in their contributions to and demands on government coffers.

Summary of Results

Table 1 summarizes estimates of taxes paid by immigrants and natives in Illinois. We estimate that immigrants in Illinois paid **\$7.2 billion** in taxes for 1994, accounting for

10.6 percent of these taxes collected, or slightly more than the 10.2 percent of the total population represented by immigrants.

**Table 1. Taxes Collected from Immigrants in Illinois,
by Type of Tax: 1994**

(Taxes in millions of dollars)

Tax or Population	Paid by Immigrants	Total Collected	Pct. from Immigrants
Total of 7 taxes	7,196	67,635	10.6
Federal income	2,745	26,227	10.5
State income	535	4,911	10.9
State sales	487	4,817	10.1
Local sales	291	2,303	12.6
Residential property	614	6,024	10.2
Social Security	2,325	21,703	10.7
Unemployment	199	1,650	12.1
Population	1,210	11,868	10.2

Source: Urban Institute estimates. Table 4.

For federal and state income taxes, state sales tax, residential property tax, and Social Security taxes, immigrants pay roughly the same proportion of tax as they represent in the population. They pay a higher percentage of unemployment taxes (12.1 percent) than they represent of the population because they are overrepresented in covered employment (e.g., private, nongovernmental employment) and this tax is regressive in that income above a certain level is not taxed. The higher percentage of local sales tax from immigrants (12.6 percent) is a consequence of their concentration in the Chicago area, which has a higher local tax rate than most Illinois localities.

The largest two of the taxes by far, the federal income tax and Social Security tax, are collected by the federal government, so that about 70 percent of these revenues flow to the federal government. For natives, 71 percent of these revenues flow to the federal government. Thus, although the revenue flows are not balanced, there is little difference between the situation of immigrants and that of natives.

The bulk of taxes collected from immigrants is from long-term (i.e., pre-1980) legal immigrants. This group is the largest group of immigrants and has by far the highest *per capita* income. In fact, long-term immigrants have substantially higher *per capita* incomes than natives, in part because of differences in educational attainment and other characteristics, but mainly because of age structure differences. The long-term population has very few children and a much higher concentration of prime earning age individuals than does the native population. The collections by population group, together with incomes, are shown in Table 2.

Table 2. Taxes Collected by Immigrant Type in Illinois, 1994

(Taxes in millions of dollars)

Population Group	Taxes Paid	Percent of Total		Per Capita Income (\$)
		Taxes	Population	
Total of 7 taxes	6,370	100.0	100.0	16,819
Natives	2,745	89.4	89.8	16,790
Immigrants	487	10.6	10.2	17,076
Long-term legal	614	6.8	4.2	25,747
Legal, 1980-1994	2,325	2.7	3.6	13,020
Refugees, 1980-1994	199	0.3	0.4	13,437
Undocumented	1,210	0.8	2.1	7,327

Source: Urban Institute estimates. Table 4.

Overview of Methods

The taxes collected from each demographic group were estimated as the product of *per capita* taxes paid by group members and the estimated population in each group. Because it is not possible to determine the legal status of individual immigrants in either the CPS or the Census, we used a variation of the methodology previously used in our Office of Management and Budget (OMB) report and other research (Clark 1994; Clark et al. 1994; Fix and Passel 1994) to create "proxy populations" for the three recent immigrant groups. The proxy populations are the major country-of-birth/period-of-entry cohorts within each immigrant type living in Illinois, chosen so that most of the members of the proxy populations are either members of or have characteristics similar to the immigrant group in question.

For each tax, we estimated the amount paid by each immigrant group by multiplying the estimated number of immigrants in the group by the estimated *per capita* tax paid by the proxy population.

We used three principal data sources to estimate taxes paid. The March 1994 Current Population Survey provided the basic data for our initial estimates. The CPS is a monthly survey of approximately 57,000 households designed primarily to gather data on employment, unemployment, and demographic characteristics (U.S. Bureau of the Census 1990:2-1). The survey includes occasional special purpose supplements. For the tax estimation procedures we used the annual March CPS Social and Economic Characteristics Supplement. For this project, we used only the approximately 2,500 households from Illinois. For estimates of taxes paid by the foreign-born population, we also employed the 5-percent Public Use Microdata Sample (PUMS) from the 1990 Census, which includes more than a half million individuals drawn from the 1990 Census for Illinois; we used only those households containing one or more foreign-born individuals. For some of the estimates for natives, we also used the entire 1-percent PUMS consisting of approximately 110,000 individuals from the 1990 Census.

Tax Estimates

Our initial estimates of taxes paid by each household were made by using the Urban Institute's TRIM2 (the TRansfer Income Model, Version 2), a microsimulation program that estimates tax liabilities by applying extremely detailed tax rules to individuals and families in the March supplement to the CPS. For example, to estimate federal income tax, TRIM2 fills out a tax form for each tax filing unit in the CPS sample. TRIM2 was used to estimate federal and state income taxes, FICA payments, and unemployment insurance payments (Giannarelli 1992). Local property taxes drew principally on data from the 1990 Census, while state and local sales taxes were based on a simple household expenditure model.

Although the CPS is a large survey, the number of sample cases in Illinois is limited — only 6,152 individuals, of whom only 674 are foreign-born — so that there are not enough households containing recent immigrants to yield stable estimates. We therefore combined the TRIM2 estimates with 1990 Census data for the proxy populations in a two-step process. We started by developing multivariate models of tax obligations using data from the 1994 CPS and TRIM2. These models are scaled-back versions of the TRIM2 tax simulations that use only variables available in both the 1994 CPS and the 1990 Census.

The TRIM2-based models were applied to individual households from the 1990 Census with incomes updated to 1994. We used immigrants from selected countries to model taxes paid by each recent immigrant group. For example, for refugees, we selected individuals in the 1990 Census from the major countries of origin that contribute refugees to Illinois. We reweighted these individuals so that the number of refugees from each major refugee-sending country in the proxy population exactly matches the number of refugees from that country among refugees in Illinois. The estimates for each population group were combined to yield an estimate of total taxes for the state. This estimate was compared with an administrative total. Any necessary adjustments (usually small) were made to bring the CPS-Census estimate in line with the total taxes collected.

The same proxy population procedure was followed for property and sales taxes, but these estimates were developed principally from the 1990 Census, with appropriate adjustments to update the income and tax estimates to 1994. Specifically, the Census data on property taxes paid by owners and rent paid by renters provided the raw material for property tax estimates. For sales taxes, the total income of the household was reduced first by the income, property, and FICA taxes paid by the household. Then housing costs (including mortgage, rent, and utilities), as reported in the Census, were subtracted, as was an allowance for food and other non-taxable items. The estimate of state and local sales taxes paid was calculated on the basis of the remaining amount of disposable income. The household estimates were combined into the proxy populations, as above, and then further adjusted to agree with administrative totals.

Population Estimates

Estimates of the number of natives and long-term immigrants (i.e., those who entered the United States before 1980) were derived directly from the March 1994 CPS tabulations for the state of Illinois. For the post-1980 immigrant populations, we developed analytic estimates from various sources, principally from INS data. Refugees include all persons admitted as refugees during 1980–1994 who subsequently adjusted their status to legal permanent resident (LPR) and

who reported Illinois as their intended state of residence. An allowance was made for those who had not adjusted by March 1994. The estimates relied on tabulations by age, sex, country of birth, date of entry, and entry status from public-use microdata records of the INS. The estimates included allowances for mortality, emigration, and internal migration (to and from other states). We estimate that in March 1994, 49,500 persons admitted as refugees in 1980 or later lived in Illinois (Table 3).¹

Table 3. Estimate of Proxy Populations for Legal Immigrants, Refugees, and Undocumented Immigrants, by Period of Entry: Illinois, March 1994

(Populations in thousands)

Legal Immigrants, 1980-1994				Refugees, 1980-1994				Undocumented Immigrants			
Country of Birth	Estimate		Proxy Pct.	Country of Birth	Estimate		Proxy Pct.	Country of Birth	Estimate		Proxy Pct.
	Number	Pct.			Number	Pct.			Number	Pct.	
Total	423.0	100.0	100.0	Total	49.5	100.0	100.0	Total	244.1	100.0	100.0
Mexico	143.3	33.9	39.5	Cuba	1.2	2.3	(x)	Mexico	138.8	56.9	69.2
Other Central America	16.7	4.0	(x)	Cambodia	2.5	5.0	6.2	Other Central America	14.8	6.1	7.4
India	37.2	8.8	10.3	Laos	5.3	10.8	13.3	Philippines	5.4	2.2	(x)
Philippines	29.1	6.9	8.0	Vietnam	8.1	16.4	20.4	Other Asia	4.6	1.9	(x)
Asia & Mid. East	84.6	20.0	23.3	Iran	1.1	2.2	(x)	Middle East	3.3	1.3	(x)
Korea	17.9	4.2	—	Iraq	2.4	4.8	(x)	Poland	47.0	19.3	23.4
Other Asia	50.7	12.0	—	Poland	6.4	12.9	15.9	Other Europe	11.8	4.8	(x)
Middle East	16.0	3.8	—	Romania	5.5	11.1	13.8	All Other	18.4	7.5	(x)
Poland	45.8	10.8	12.6	U.S.S.R.	12.2	24.6	30.4				
Other Europe	22.3	5.3	6.2	All Other	4.9	10.0	(x)				
All Other	43.9	10.4	(x)								

(x) dropped from calculation of proxy populations.

— included in total for region.

For all other legal immigrants entering after 1980, three principal categories of admissions of persons living in Illinois were initially included (by age, sex, country of birth, and period of entry): (1) LPRs other than refugees; (2) aliens legalizing under the 1986 Immigration Reform and Control Act (IRCA) who reported living in the country since 1982; and (3) IRCA legalizations of Special Agricultural Workers (SAWs). These initial populations were adjusted for mortality, emigration, and internal migration, and small additions were made for foreign students and other nonimmigrants living in Illinois. An estimated 423,000 legal immigrants who came to the United States between 1980 and 1994 lived in Illinois in March 1994.

For undocumented immigration, we initially used Warren's (1994) estimate for 1992 extrapolated to 1994. However, comparison with the March 1994 CPS suggested that Warren's estimate for undocumented Mexicans living in Illinois was too low. Accordingly, we averaged Warren's estimate for undocumented Mexicans with the CPS-based estimate. Our final estimate is that 244,100 undocumented immigrants were living in Illinois as of March 1994.

We estimate that there were 1,209,500 immigrants in Illinois in March 1994, comprising 10.2 percent of the total state population of 11,867,600. There were 10,658,000 natives. Taken

¹ The Refugee and Immigrant Services section of the Illinois Department of Public Aid estimates that the number of refugees in Illinois is higher than indicated by the INS annual data tapes. They estimate that approximately 75,000 refugees who entered the United States between 1980 and 1994 reside in Illinois (Silver, 1996).

together, the three groups of recent immigrants (post-1980 legal, post-1980 refugees, and undocumented immigrants) account for 716,600 persons — 59 percent of all immigrants, but only 6 percent of the total population.

Proxy Populations

The proxy populations are estimates within each of the three recent immigrant populations. Initially, we chose the countries accounting for the largest numbers of immigrants of each type. After producing the population estimates described above, we limited the proxy countries to those accounting for 5 percent or more of the population group. The final sets of proxy countries are:

<u>Post-1980 Legal</u> <u>Immigrants</u>	<u>Refugees</u>	<u>Undocumented</u> <u>Immigrants</u>
Mexico	U.S.S.R.	Mexico
Poland	Vietnam	Poland
India	Poland	Central America
Philippines	Romania	
Other Asia	Laos	
Western Europe	Cambodia	

Per capita incomes and taxes were estimated for each of these countries of birth and weighted according to the population estimates to yield estimates for the different population groups. Because only the proxy countries were used in the weighting process, the weights had to be adjusted slightly to give the proper aggregate total populations.²

Report Outline

The next two sections of the report describe in detail the estimation methods and results. Although the population estimates would logically be the first to be described, they are delayed until Section III because the tax methods in Section II are substantively more interesting. For readers who wish to understand the population estimation methodology before reading about the tax methods, the sections may be read in reverse order. The tax estimation section of the report summarizes the various estimates and comparisons with administrative figures, and investigates the key underlying assumptions and the sensitivity of the estimates.

² For example, for post-1980 legal immigrants, immigrants from the proxy countries — Mexico, Poland, India, the Philippines, Other Asia, and Western Europe — make up 85.7 percent of the immigrant group. To make the number of individuals in the proxy population equal the actual total number of post-1980 legal immigrants, the weight for each individual in the proxy population must be inflated by 16.7 percent ($1 - (100 / 85.7)$).

II. ESTIMATES OF TAXES PAID

Overview of Estimation Strategy

Estimates of federal and state income taxes, unemployment insurance payments, and FICA (Social Security) taxes are based on estimates from the TRIM2, the *TRansfer Income Model Version 2*, a microsimulation computer program. TRIM2 determines tax liability by applying the federal and state tax codes to individuals, families, and households in the March 1994 CPS (Giannarelli 1992).³

Estimates for natives and for immigrants who entered the United States before 1980 can be taken directly from TRIM2. Developing estimates for immigrants who entered since 1980 was more difficult because the number of such immigrants in Illinois in the CPS is relatively small. The small sample size — only 674 foreign-born individuals — means that CPS estimates of the post-1980 immigrant population and their incomes for specific countries of birth, as well as the TRIM2 estimates of tax obligations, are subject to substantial sampling variability and may be unreliable. To overcome the limitations of small sample size, we developed simplified models of tax obligations using variables available in *both* the 1994 CPS and the 1990 Census. These models were applied to data from the 1990 Census, which contains much larger samples of recent immigrants to Illinois.

To overcome the small sample size limitations, for the three post-1980 immigrant groups (refugees, other legal immigrants, and undocumented aliens), our estimates are based on both the TRIM2 estimates and 1990 Census data. For comparability, we also developed estimates for natives and long-term immigrants (i.e., pre-1980) using the models and 1990 Census data. The differences between the CPS- and Census-based estimates are negligible for natives and long-term immigrants. Property and sales tax models use data available only from the 1990 Census. The final estimates using 1990 Census data and CPS-based models are shown in detail in Tables 4a and 4b.

Mapping the March 1994 CPS into the 1990 Census

To use the 1990 Census data for estimating tax liability as would be derived from the March 1994 CPS, some transformations had to be made in the 1990 data. The answers to two major questions were needed:

- (1) Which 1990 Census populations correspond to the different immigrant groups defined in 1994?
- (2) What is the relationship between the incomes reported in the 1990 Census (actually 1989 incomes) and those reported in the March 1994 CPS (actually 1993) incomes?

³ TRIM2 can also estimate eligibility for various benefit programs. The eligibility rules used by TRIM2 do not take into account nativity, citizenship, or whether an individual is legally residing in the United States. Consequently, we are unable to use TRIM2 to estimate expenditures on social programs for immigrants.

Table 4a. Aggregate and Per Capita Taxes Paid by Nativity, Type of Immigrant, and Type of Tax, for Illinois: 1994

Tax or Category	Total Population	Natives	Foreign-born Population				Legal, Pre-1980
			Total	Legal, 1980-94	Refugees 1980-94	Undocu- mented	
Aggregate Taxes Paid (millions of dollars)							
Total Taxes	\$ 67,635	60,439	7,196	1,851	222	547	4,577
Taxes Paid by Individuals	\$ 55,770	49,868	5,902	1,435	174	385	3,908
Federal Income Tax	\$ 26,227	23,482	2,745	558	68	98	2,020
State Income Tax	\$ 4,911	4,375	535	140	17	42	338
FICA (Employee)	\$ 10,215	9,119	1,095	346	41	127	582
FICA (Self-Empl.)	\$ 1,274	1,139	134	39	5	10	81
State Sales Tax	\$ 4,817	4,330	487	132	16	47	292
Local Sales Tax	\$ 2,303	2,012	291	79	10	28	174
Property Tax	\$ 8,024	5,411	614	141	18	33	422
Taxes Paid for Individuals	\$ 11,865	10,570	1,295	416	48	162	669
FICA (Employer)	\$ 10,215	9,119	1,095	346	41	127	582
Unemployment	\$ 1,650	1,451	199	70	8	34	87
Social Security (Total)	\$ 21,703	19,378	2,325	730	86	265	1,244
Sales Tax (Total)	\$ 7,120	6,341	779	211	26	75	466
Population (000's)	11,868	10,658	1,210	423	50	244	493
Per Capita Taxes Paid							
Total Taxes	\$ 5,699	\$ 5,671	\$ 5,950	\$ 4,376	\$ 4,480	\$ 2,241	\$ 9,284
Taxes Paid by Individuals	\$ 4,699	4,679	4,880	3,393	3,505	1,579	7,927
Federal Income Tax	\$ 2,210	2,203	2,269	1,320	1,373	402	4,098
State Income Tax	\$ 414	411	443	330	336	171	685
FICA (Employee)	\$ 861	856	906	817	821	521	1,180
FICA (Self-Empl.)	\$ 107	107	111	92	98	42	163
State Sales Tax	\$ 406	406	403	313	326	193	592
Local Sales Tax	\$ 194	189	241	187	195	115	354
Property Tax	\$ 508	508	507	334	356	135	855
Taxes Paid for Individuals	\$ 1,000	992	1,070	983	975	662	1,357
FICA (Employer)	\$ 861	856	906	817	821	521	1,180
Unemployment	\$ 139	136	165	166	154	141	177
Social Security (Total)	\$ 1,829	1,818	1,922	1,726	1,740	1,085	2,524
Sales Tax (Total)	\$ 600	595	644	499	522	308	946
Per Capita Income (PCI)	\$ 16,819	\$ 16,790	\$ 17,076	\$ 13,020	\$ 13,437	\$ 7,327	\$ 25,747

Source: Urban Institute estimates.

The population mapping is rather straightforward, using the same countries but slightly different duration of residence categories. For incomes, a more complex transformation method was developed.

Table 4b. Percent of Taxes Collected and Percent of Income Paid in Taxes, by Nativity, Type of Immigrant, and Type of Tax, for Illinois: 1994

Tax or Category	Total Population	Natives	Foreign-born Population				Legal, Pre-1980
			Total	Legal, 1980-94	Refugees 1980-94	Undocu- mented	
Percent of Tax Collected							
Total Taxes	100.0	89.4	10.6	2.7	0.3	0.8	6.8
Taxes Paid by Individuals	100.0	89.4	10.6	2.6	0.3	0.7	7.0
Federal Income Tax	100.0	89.5	10.5	2.1	0.3	0.4	7.7
State Income Tax	100.0	89.1	10.9	2.8	0.3	0.8	6.9
FICA (Employee)	100.0	89.3	10.7	3.4	0.4	1.2	5.7
FICA (Self-Empl.)	100.0	89.4	10.6	3.1	0.4	0.8	6.3
State Sales Tax	100.0	89.9	10.1	2.7	0.3	1.0	6.1
Local Sales Tax	100.0	87.4	12.6	3.4	0.4	1.2	7.6
Property Tax	100.0	89.8	10.2	2.3	0.3	0.5	7.0
Taxes Paid for Individuals	100.0	89.1	10.9	3.5	0.4	1.4	5.6
FICA (Employer)	100.0	89.3	10.7	3.4	0.4	1.2	5.7
Unemployment	100.0	87.9	12.1	4.3	0.5	2.1	5.3
Social Security (Total)	100.0	89.3	10.7	3.4	0.4	1.2	5.7
Sales Tax (Total)	100.0	89.1	10.9	3.0	0.4	1.1	6.5
Percent of Population	100.0	89.8	10.2	3.6	0.4	2.1	4.2
Percent of Income Paid in Taxes							
Total Taxes	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Taxes Paid by Individuals	27.9	27.9	28.6	26.1	26.1	21.6	30.8
Federal Income Tax	13.1	13.1	13.3	10.1	10.2	5.5	15.9
State Income Tax	2.5	2.4	2.6	2.5	2.5	2.3	2.7
FICA (Employee)	5.1	5.1	5.3	6.3	6.1	7.1	4.6
FICA (Self-Empl.)	0.6	0.6	0.7	0.7	0.7	0.6	0.6
State Sales Tax	2.4	2.4	2.4	2.4	2.4	2.6	2.3
Local Sales Tax	1.2	1.1	1.4	1.4	1.5	1.6	1.4
Property Tax	3.0	3.0	3.0	2.6	2.7	1.8	3.3
Relative PCI (Total=100)	100	100	102	77	80	44	153

Source: Urban Institute estimates. Table 4a.

Proxy Populations in the 1990 Census. The principal variable determining taxes paid is income. Within country-of-birth groups, the income of immigrants tends to increase with additional time in the United States (Fix and Passel 1994). Thus, we would expect the average income for post-1980 immigrants from a specific proxy country as measured in the March 1994 CPS to be higher (in constant dollars) than the average income for post-1980 immigrants from the same country as measured in the 1990 Census. The 1994 population includes immigrants with

0–14 years of residence in the United States, whereas the 1990 population includes only immigrants with 0–10 years of residence.

To make the characteristics of 1990 Census proxy populations better correspond to the actual March 1994 populations, we defined the proxy groupings by duration of residence *and* country of birth. For the proxy countries of legal (i.e., non-refugee) immigrants, the 1994 populations were defined as those persons having lived in the United States for 14 years or less. Thus, the corresponding proxy groups in the 1990 Census are persons entering the United States between 1975 and 1990 from each of the following country groups: Mexico, Poland, Other Western Europe, India, Philippines, and Other Asia.

The refugee proxy populations for 1994 also include persons with up to 14 years of residence in the United States. Accordingly, the proxy groups from the 1990 Census are also persons entering the United States between 1975 and 1990 from each of the following countries: Vietnam, Cambodia, Laos, U.S.S.R. (including the three Baltic republics), Poland, and Romania.⁴

For the undocumented immigrant proxy populations, some other considerations entered into the choice of 1990 Census groupings. As a result of the passage of IRCA in 1986, a very large percentage of immigrants living illegally in the United States acquired the legal right to live in the United States (Gonzalez Baker 1990). Thus, by 1994 the undocumented population consisted principally of persons who had entered the United States after 1986, that is, persons who had lived in the United States for 8 years or less (see also Warren 1994). To take into account this widespread legalization, our proxy population for undocumented aliens only included Mexicans, Central Americans, and Poles who entered the United States between 1982 and 1990. Particularly for the Mexicans and Central Americans, these entry cohorts actually contain a large majority of persons who entered the United States illegally, even though by 1990 many had become legal residents (Fix and Passel 1994).

Income Transformations from the March 1994 CPS to the 1990 Census. The 1990 Census includes data on eight different types of income, while the March 1994 CPS includes much more detailed income categories. For modeling income taxes, the finer CPS categorization is not really necessary, since most of the income is subject to the same tax rate. For other taxes, the tax is based either on wage and salary income, which is available from both sources, or on total income (in the case of sales taxes). Thus, the CPS income categories can be combined into the eight Census income categories, as follows:

⁴ We also adjusted the income distribution for immigrants from Poland in the 1990 Census. These adjustments were minor and are described below in the section on incomes. Similar adjustments were made for the proxy populations representing undocumented immigrants in the 1990 Census.

<u>Census Category</u>	<u>CPS/TRIM2 Category</u>
1. Wage and salary	Wage and salary
2. Non-farm self-employment	Non-farm self-employment
3. Farm self-employment	Farm self-employment
4. Interest, dividends, rent	Interest; Dividends; Rent
5. Social Security or Railroad Retirement	Social Security; Railroad Retirement
6. Public Assistance (AFDC, SSI, or other public welfare payments)	Supplemental Security Income; Public Assistance
7. Retirement or disability pensions	Private Pensions; Government Pensions
8. All other	Unemployment Compensation; Workman's Compensation; Veteran's Benefits; Other Income, such as Child Support

After combining the CPS income categories into those consistent with the 1990 Census, we were left with the problem of how to update income from 1989, the year reported in the Census, to 1993, the year reported in the 1994 March CPS. One simple method would be to apply an inflation or cost of living correction to the Census income figures. However, this type of adjustment fails to reflect the fact that, on average, some types of income grew faster than inflation while some types grew slower. Furthermore, within an income type, not all recipients experienced the same level of income growth. In general, those receiving high levels of a given type of income in 1989 experienced a greater percentage increase in the amount of income received than those receiving a lower level of that type of income in 1989.

To avoid the problems of uniform adjustments across different categories of income or within a single type of income, we chose to map the full distribution of individual income by type in 1990 into the 1994 distribution. The first step involved developing percentile distributions of *individual incomes in Illinois* for each of the eight types of income for the 1990 Census and the March 1994 CPS, including only non-zero values. Then, at each percentile, we took the difference of the dollar value in 1994 and in 1990. This difference could be added to an income figure from the 1990 Census to give an estimated 1994 income value. The initial differences in the percentile distributions were not particularly smooth, principally because of the relatively small CPS samples for some of the income types. Accordingly, we smoothed the distribution of differences using moving averages (9 point). The final step in the process involved further smoothing at the low and high ends of the income distribution. In particular, because of different procedures for top-coding the CPS, it was necessary to extrapolate some of the distributions.

Figure 1 shows the percentile distributions and the smoothed differences for each of the eight types of income.⁵ The differences in wage and salary income start very small, up through about \$20,000, and get progressively larger. This pattern suggests little wage growth at the low end of the distribution, but very large gains at the high end — a pattern noted by many commentators elsewhere. Non-farm self-employment showed a similar but less exaggerated pattern. For farm self-employment, virtually all gains were concentrated among farmers making

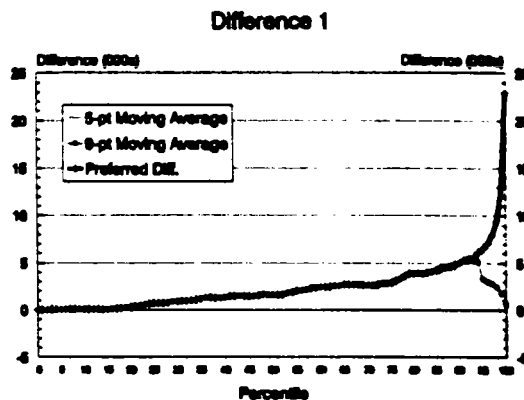
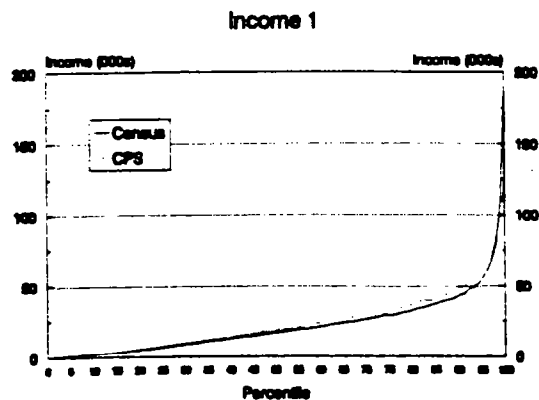
⁵ Note: these figures are in nominal, not constant dollars.

\$70,000 to \$95,000 per year. Individuals with large interest and dividend income actually had lower earnings in 1994 than in 1990, reflecting accurately the falling rates of return during this period. Social Security income showed roughly constant increases across almost the entire income spectrum, again reflecting the shifts in payments. Likewise, public assistance showed relatively small, uniform increases. Virtually all increases in pension income occurred above the 60th percentile or \$7,000 per year. For the last income type — other income — there was little difference in 1990 and 1994 income below the 90th percentile, where only a small decline occurred.

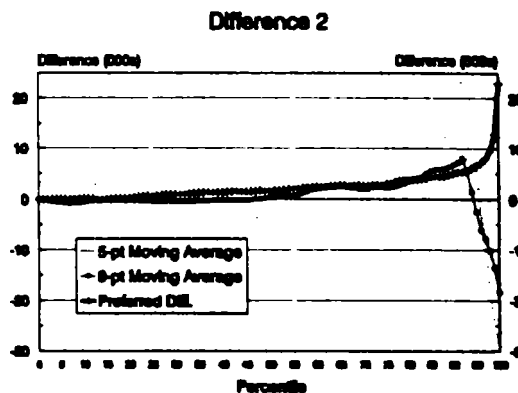
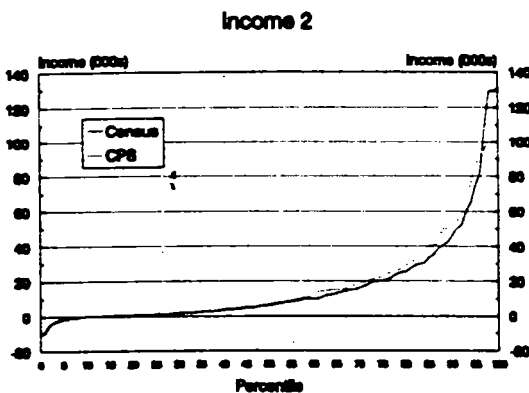
To implement the income adjustment, each of the eight income measures for each individual in the 1990 Census PUMS was transformed into an estimate for 1994. If the 1990 reported income was zero, then the 1994 income was also zero. For non-zero incomes in 1990, the exact percentile in the distribution was obtained by interpolation. The corresponding percentile value in the distribution of differences was calculated and added to the 1990 income to give the 1994 income. The transformed incomes were used in all estimates of revenue.

Figure 1. Percentile Distribution and Distributional Differences (in Nominal Dollars) of March 1994 CPS and 1990 Census Incomes, by Type, for Illinois

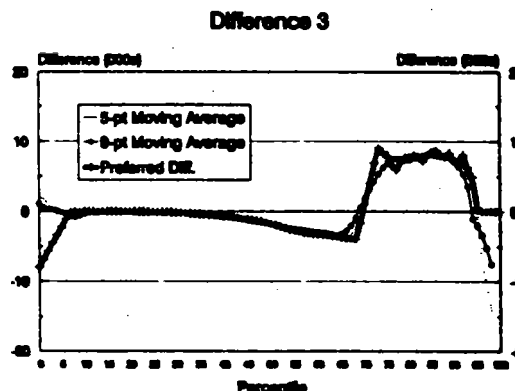
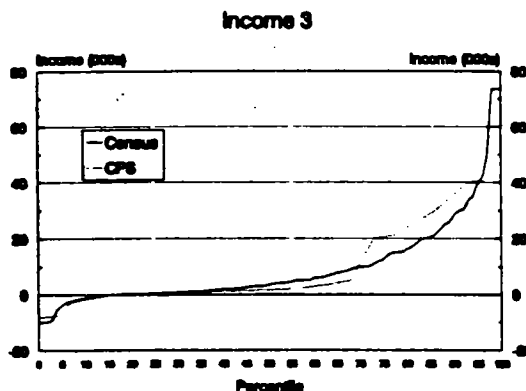
Income 1 — Wages and Salaries



Income 2 — Non-Farm Self-Employment



Income 3 — Farm Self-Employment



Income 4 — Interest, Dividends, and Rent

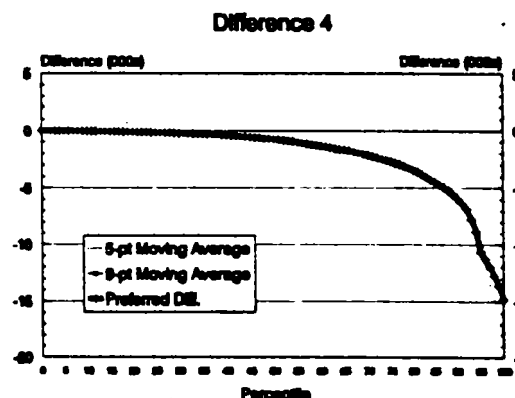
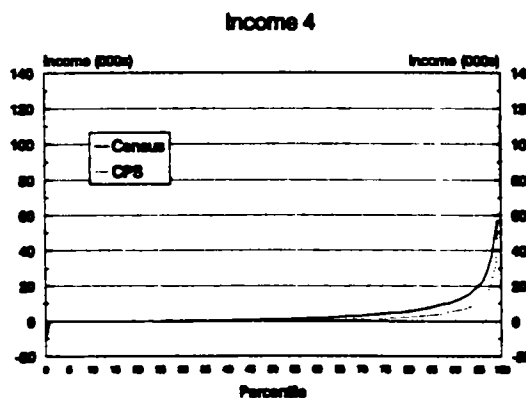
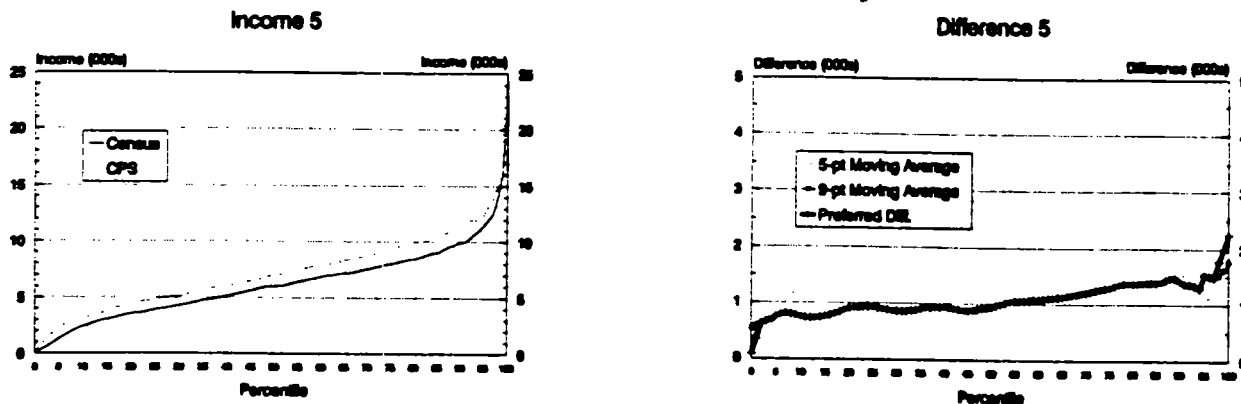
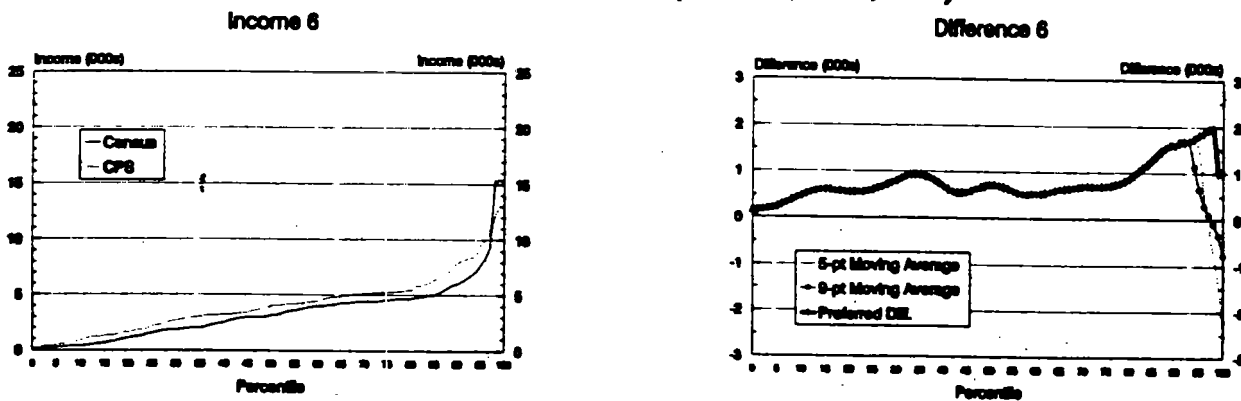


Figure 1. Percentile Distribution and Distributional Differences (in Nominal Dollars) of March 1994 CPS and 1990 Census Incomes, by Type, for Illinois (Continued)

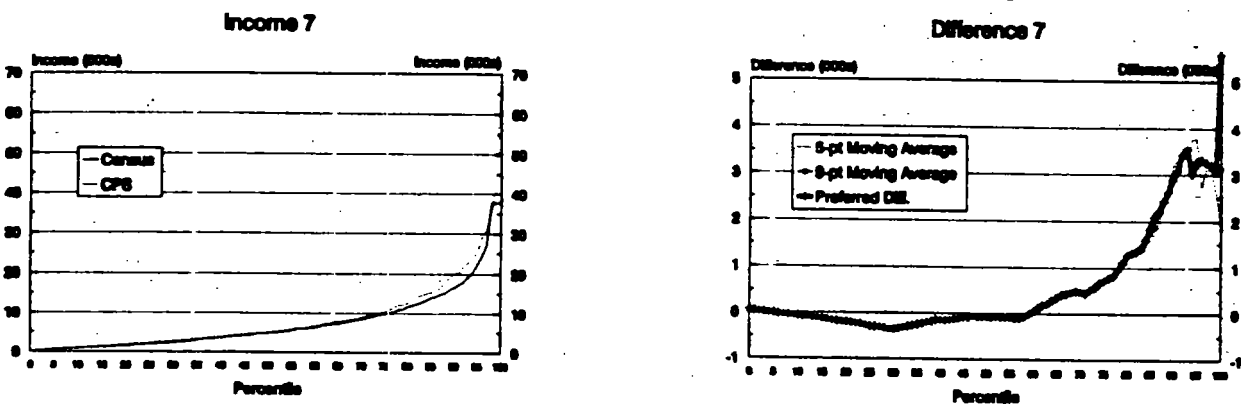
Income 5 — Social Security



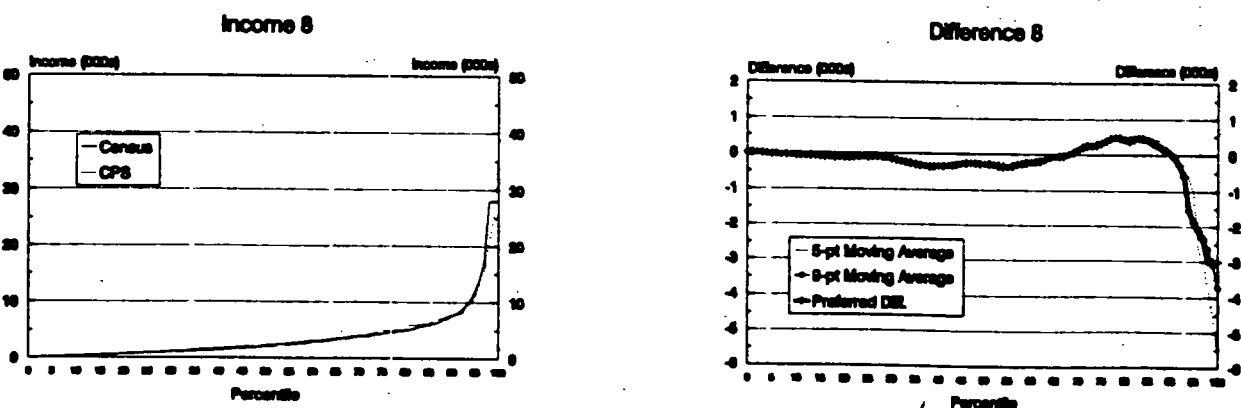
Income 6 — Welfare (AFDC, SSI, GA)



Income 7 — Retirement and Pension Income



Income 8 — All Other Income



Per Capita Income Estimates

There are large difference in *per capita* income across the different population groups. Some of the differences reflect earnings and income differentials, but some reflect age structure and compositional differences in the populations.

Per capita income is defined as the aggregate income attributable to the members of a group divided by the size of the group. This definition refers not to households, however, but to individuals. Thus, the income in a household may be split among different population groups. For example, a household with a native-born husband and a foreign-born wife, both of whom work, will contribute income to both native and immigrant *per capita* income calculations. There are even more extreme cases. If an immigrant husband and wife (who earn all of the household's income) have minor children born in the United States, then the household will contribute two people and all its income to the immigrant population, but will contribute two people and *no* income to the native population. In other words, the native population has a higher percentage of children with little or no income than the various immigrant groups. The long-term immigrant population is particularly extreme in this regard since, by definition, it includes no children under age 15.

In part reflecting these age structure differences, immigrants have a slightly higher *per capita* income (\$17,076) than natives (\$16,790), as shown in Table 5. The long-term immigrants, at \$25,747, have a *per capita* income 53 percent higher than that of the native population. The undocumented group (\$7,327) earn only 28 percent as much as long-term immigrants and 44 percent as much as natives. The remaining two immigrant groups — recent legal immigrants (\$13,020) and refugees (\$13,437) — have incomes roughly half that of long-term legal immigrants and 80 percent that of natives. It may seem somewhat surprising that refugees have higher *per capita* incomes than recent legal immigrants given that refugees are thought to have substantially fewer assets on arrival in the United States. However, the legal immigrant population in Illinois contains a significant fraction (40 percent) of relatively low-income Mexican immigrants (*per capita* income \$8,632), whereas the state's largest groups

Table 5. Per Capita Income (Transformed) for Nativity Groups and "Proxy" Populations in Illinois: 1993
(Populations in thousands)

Nativity Group or Proxy Population	Estimated Population	Pct. of Group	Per Capita Income
Total	11,868	(x)	16,819
Native	10,658	(x)	16,790
Foreign-Born	1,210	(x)	17,076
Legal, 1980-94	423	100.0	13,020
Mexico	167	39.5	8,632
India	43	10.3	17,329
Philippines	34	8.0	16,603
Other Asia	99	23.3	14,148
Poland	53	12.6	14,197
Western Europe	26	6.2	22,621
Refugees, 1980-94	50	100.0	13,437
Cambodia	3	6.2	8,120
Laos	7	13.3	11,293
Vietnam	10	20.4	11,170
Poland	8	15.9	13,760
Romania	7	13.8	15,058
U.S.S.R.	15	30.4	16,078
Undocumented	244	100.0	7,327
Mexico	169	69.2	6,224
Other Central Am	18	7.4	7,164
Poland	57	23.4	10,633
Legal, Pre-1980	493	(x)	25,747

Source: Urban Institute estimates.

of refugees from the U.S.S.R. (30 percent) have a *per capita* income (\$16,078) exceeding 75 percent of the legal immigrant proxy populations.

Specific Tax Estimation Models

Apportioning Credit for Taxes among Household Members

Not all members of a tax filing unit or residents of a house or apartment have the same immigrant status as the unit head. Thus, for taxes that are estimated for a household or family unit, it is necessary to apportion the tax paid among household members. Within each household, we estimated each tax for every individual in the household with rules specific to each tax.

For state and federal income tax filing units, we assumed that tax liability attributable to each person was proportional to his or her taxable income. The type of income used to determine individual tax liability — total income or earnings — has little effect on estimates, but we did exclude nontaxable income such as welfare. For tax filing units with a negative tax liability, the tax liability is among all the adults in the unit on the basis of any reported income.

Social Security and unemployment taxes are calculated separately for each individual.

Residential property tax was allocated differently for homeowners and renters. For homeowners, we assumed that the head and spouse each pay half of the property tax if the spouse has sufficient income to pay one-half; if not, the tax was allocated in proportion to the head's and spouse's income. Where there is no spouse, we assume that the household head paid the entire property tax. For renters, we assumed that all adults in the household share the rent, and therefore the property tax, equally. Sales tax was allocated within the household across all individuals with income, in proportion to total income.

Federal Income Tax

TRIM2 estimates federal income tax liability for tax filing units. The program divides households into tax units, each consisting of an individual or married couple, and determines who is required to file a tax return. Tax liability estimates are based on wages and salary, self-employment income, farm income, interest, rents, government and private pensions, dividends, capital gains, Social Security income, and unemployment insurance; a detailed description of TRIM2's estimation methods can be found in Giannarelli (1992:153–171).

The TRIM2 programs apply the detailed federal tax rules to each family on the microdata file. In effect, the computer program fills out the tax forms for each family. TRIM2 counts dependents, adds up income, subtracts adjustments to income, subtracts the larger of itemized or standardized deductions, subtracts personal exemptions, computes taxes on taxable income, and computes and subtracts tax credits to arrive at final tax liability (Giannarelli 1992:4). It should be noted that TRIM2 calculates tax liability, not taxes paid. The difference represents the degree of compliance with the tax code.

Modeling Federal Tax Obligations. As the first step in our tax estimation process, we used TRIM2 to estimate tax liability for the households in Illinois in the March 1994 CPS. Because of the small number of foreign-born households, we had to use different data sources to estimate tax liability for immigrants in the various proxy populations — the 1990 Census for

Illinois, the 5-percent PUMS for immigrants, and the 1-percent for natives. To do this, we had to model the relationship between individual and household characteristics, especially income, and the TRIM2 estimate of taxes paid.

Our model regressed taxable income and other individual and household characteristics on the federal tax obligations calculated by TRIM2. Because of the limited data available in the 1990 Census, we were not able to take into account all of the extremely detailed tax rules that TRIM2 follows. The variables included in the model are discussed below.

We fit three separate models to reflect three filing statuses: (1) married filing jointly; (2) single; and (3) head of household. We assumed that households containing a husband and a wife filed jointly, that all units containing a single individual filed singly, and that all other units filed using the head of household filing status. In most cases the tax filing unit comprised the entire household. In complex households, all individuals related to the head of household were considered part of one tax filing unit and all individuals not related to the head of household were considered a second filing unit.⁶ Only individuals with positive non-welfare income were included in the models. Following TRIM2, individuals with negative or zero non-welfare income were assigned tax obligations of 0. The sample included 794 tax units filing with single status (40 units excluded), 354 tax units filing with head of household status (44 units excluded), and 1,230 filing with married filing jointly status (6 units excluded).

TRIM2 processes the CPS data to make it suitable to simulate federal tax obligations. For instance, adjustments are made to offset under reporting of certain types of income (such as interest and dividends), imputations are made for certain types of income not available in the CPS (such as capital gains), and simulations are run to estimate whether certain types of income (such as dividends and capital gains) are fully taxable, to calculate adjustments to income (such as IRA contributions), and to determine eligibility for tax credits. With the more limited data available in the Census, we could not replicate these extremely detailed adjustments. For our simplified tax models, we assumed that the adjustments that could not be taken into account were related to income level — for instance, that adjustments concerning dividends and capital gains will be more common for the higher tax brackets. For each tax bracket, our model simultaneously applies the effective tax rate and makes an adjustment that takes into account excluded income, exemptions, and tax credits not explicitly included in the model. The same adjustment is applied for all families in a tax bracket.

In the simplified model, taxable income was calculated by subtracting two amounts from non-welfare income⁷: the standard deduction (\$3,700 for single filing status, \$5,450 for head of household filing status, and \$6,200 for married filing jointly filing status); and the regular exemption (\$2,350 multiplied by the number of persons in the filing unit). Our model takes into

⁶ Combining all individuals not related to the head of household into a single filing unit is a simplifying assumption made by TRIM2.

⁷ Non-welfare income includes income from the following sources: wages and salary, self-employment (farm and non-farm), social security and railroad retirement, dividends, interest, rent, veterans' benefits, unemployment compensation, workers' compensation, government and private pensions, and other income such as child support payments.

account the fact that the percentage of income owed in taxes varies by the level of income.⁸ Tax brackets differ by filing status. The upper bounds of the tax brackets for each of the three filing statuses used in this analysis are shown in Table 6. How tax brackets were coded requires some explanation. If a single individual had taxable income of \$100,000, for example, his income variables took on the following values:

Total taxable income:	100,000
Taxable income > \$22,100:	100,000 - 22,100 = 77,900
Taxable income > \$53,500:	100,000 - 53,500 = 46,500
Taxable income > \$115,000:	0
Taxable income > \$250,000:	0

**Table 6. Models for Estimating Household Federal Income Tax in Illinois, by Filing Status:
Tax Year 1993**

Variable	Filing Status					
	Single		Head of household		Joint	
	Range	Coefficient	Range	Coefficient	Range	Coefficient
Intercept	(x)	-32.4813	(x)	-854.7579 ****	(x)	-83.3351
Total taxable income	(x)	0.1383 ****	(x)	0.1385 ****	(x)	0.1385 ****
Tax bracket variables:						
1st bracket	> \$22,100	0.0900 ****	> \$29,600	0.0160	> \$38,900	0.0680 ****
2nd bracket	> \$53,500	0.0332 *	> \$76,400	0.0607 *	> \$89,150	0.0816 ****
3rd bracket	> \$115,000	-	> \$127,500	-	> \$140,000	0.0993 ****
4th bracket	> \$250,000	-	> \$250,000	-	> \$250,000	-
Own home/unit	(x)	-518.2081 ****	(x)	-	(x)	-735.2353 ****
Adjusted R-square		0.8924		0.8854		0.9091

* $p \leq 0.05$; **** $p \leq 0.0001$ (x) Not applicable.

- Variable not significant in preliminary runs; not included in model.

Note: Includes only tax filing units with positive non-welfare income. Units with non-welfare income of zero or less were assigned a tax obligation of \$0. See text for more details.

In preliminary models, besides the income variables, we also included three other variables. To model the impact of the mortgage interest deduction for homeowners, we included whether someone in the tax unit owned the dwelling. This variable was significant for those filing singly and jointly, but not for those filing as head of household, so we dropped this variable from the head of household models. We also examined (1) whether being in the primary family (versus a secondary family)⁹ affected tax obligations and (2) whether being an immigrant affected the

⁸ "Tax brackets" indicate the percentage of income that must be paid in federal taxes. As a tax unit's income increases, the percentage of income that must be paid in federal income tax also increases. For example, in 1993, for a single person, income up to \$22,100 is taxed at 15 percent, while income between \$22,100 and \$53,000 is taxed at 28 percent.

⁹ If there are two tax units in a household, the unit containing the individual designated as "head of household" by the CPS or Census is considered the primary family.

TRIM2 estimate of tax obligations. Neither of these variables was significant, so they were excluded from the final models.

The final federal income tax obligation models are shown in Table 6. For each of the three models, the adjusted R-squared statistic is about 90 percent. (Note that this underestimates how well we predict federal tax obligations because it does not include the 90 cases with zero non-welfare income who have zero tax obligations.) In all three models, having income in the high tax brackets did not significantly affect tax obligations, presumably because the increases in the marginal tax rates were offset by tax adjustments that were not explicitly included in the model. In general, we dropped the variables reflecting the non-significant tax brackets from our models. However, for the head of household models we included the variable for income above \$29,600 because the variable for the next tax bracket — above \$76,400 — was significant.

Implementing the Federal Tax Models. The first step in producing the tax estimates involved applying the regression models (described above) to 1990 Census data from the 5-percent PUMS (for immigrants) and the 1-percent PUMS (for natives). In each household, all reported 1989 income was transformed into 1993 income with the percentile models already described. The models updating income were applied separately to each individual and for each type of income; zero reported 1989 income was always transformed into zero 1994 income. Then, the household was divided into tax-filing units using the same rules as TRIM2 to determine joint, single, and head of household filing status. Next, all non-welfare income in each tax filing unit was aggregated. Taxable income was calculated from this total by subtracting the standard deduction for the filing status and the appropriate number of exemptions. The federal income tax obligation was then calculated for the filing unit from the regression model. Finally, the tax obligation was allocated to individuals in the household according to the distribution of non-welfare income.¹⁰

The next step involved aggregating federal income tax estimates for households into estimates for the proxy populations — e.g., aggregate federal income taxes paid by households headed by immigrants from India who entered the United States in 1975–1990 (a recent legal immigrant proxy) or headed by immigrants from Mexico who entered in 1982–1990 (an undocumented proxy). The aggregate tax estimate for each proxy population was then reweighted to yield the population estimated for that group. The weight is the ratio of the estimated proxy population size (in 1994) to the number of people in Census households in the proxy group. For example, the 1990 Census had 30,930 people in households headed by people born in the Philippines living in Illinois who entered the U.S. between 1975 and 1990. The estimated *proxy*¹¹ population in 1994 of persons born in the Philippines who entered in 1980–1994 was 34,000. The ratio of these is 1.099 (34,000/30,930), the adjustment factor used for this proxy group.

¹⁰ For example, in a husband-wife household where one spouse has non-welfare income of \$75,000 and the other non-welfare income of \$25,000, three-quarters of the tax obligation is allocated to the first spouse and one-quarter to the second.

¹¹ The population figure used here for the *proxy weight* is not the same as the population estimate shown in Table 3. Rather, it is the population estimate adjusted upward so that the total of the proxy populations equals the total population in the immigrant category.

Table 7. Alternative Estimates and I.R.S. Administrative Totals of Federal Income Taxes Collected, Returns, and Exemptions, by Household Adjusted Gross Income (AGI) Category, for Illinois: Tax Year 1993

(Taxes in millions of dollars; returns and exemptions in thousands)

Measure and AGI Category	Adjusted U.I. Estimate	Initial TRIM2 Estimate	I.R.S. Total	Difference -- Adjusted - I.R.S.		Difference -- TRIM2 - I.R.S.	
				Amount	Pct.	Amount	Pct.
Tax Collected	\$26,227	\$19,554	\$27,906	-\$1,679	-6.0	-\$8,352	-29.9
<\$15,000	\$ 100	107	83	17	20.0	24	28.7
\$15-30,000	\$ 1,386	2,105	2,231	-845	-37.9	-126	-5.6
\$30-50,000	\$ 3,734	4,289	4,544	-811	-17.8	-255	-5.6
\$50-100,000	\$ 7,684	7,857	8,231	-547	-6.6	-374	-4.5
\$100-200,000	\$ 4,682	5,195 *	4,245	437	10.3	-7,622	-59.5 *
\$200,000+	\$ 8,641	(x)	8,571	70	0.8	(x)	(x)
Returns	4,389	4,399	5,309	-920	-17.3	-909	-17.1
<\$15,000	930	1,037	1,936	-1,006	-51.9	-899	-46.4
\$15-30,000	1,071	1,179	1,272	-201	-15.8	-93	-7.3
\$30-50,000	1,094	1,047	1,021	73	7.1	26	2.5
\$50-100,000	1,043	908	861	182	21.1	47	5.4
\$100-200,000	196	229 *	162	34	21.0	10	4.8 *
\$200,000+	56	(x)	57	-1	-2.4	(x)	(x)
Exemptions	11,945	9,722	11,704	240	2.1	-1,983	-16.9
<\$15,000	1,737	1,698	2,911	-1,174	-40.3	-1,213	-41.7
\$15-30,000	2,667	2,122	2,786	-119	-4.3	-664	-23.8
\$30-50,000	3,204	2,552	2,655	549	20.7	-103	-3.9
\$50-100,000	3,473	2,623	1,945	1,528	78.5	678	34.8
\$100-200,000	674	727 *	1,223	-549	-44.9	-681	-48.4 *
\$200,000+	189	(x)	184	5	2.7	(x)	(x)

* For AGI of \$100,000 or greater.

Source: Internal Revenue Service (1995), Table 2, p. 158.

Adjustments to Income. The final step in the estimation process involved aggregating the estimates for the proxy countries into estimates of federal income taxes paid for each of the immigrant status groups. As an aid in evaluating the estimates, we also aggregated similar estimates for the number of tax returns filed by each immigrant status group and the total number of exemptions claimed on the returns filed. Compared with IRS administrative data for tax year 1993 (i.e., for returns filed in April 1994), TRIM2 underestimated taxes paid, returns filed, and exemptions claimed. According to the last column of Table 7, the unadjusted TRIM2 estimates underestimated the actual \$28 billion federal income taxes paid by \$8.3 billion or about 30 percent, returns by 17 percent, and exemptions by almost 17 percent.

More detailed examination of the TRIM2 estimates shortfall showed that \$7.6 billion of the underestimate (or over 90 percent) occurred in the highest household income category, \$100,000 or over. There was also a significant shortfall in the number of exemptions claimed on high-income returns, but a smaller shortage of returns. Much has been written about coverage

problems in the Census and CPS, with an emphasis on omissions of low-income populations. However, the CPS and Census clearly suffer from understatement of incomes and omissions among very high income populations, as well. For the purposes of estimating taxes paid, missing low-income households is clearly insignificant since they pay little in taxes; the lowest category of tax returns (adjusted gross income or AGI of \$15,000 or less) accounted for 36 percent of returns filed, but paid only 0.3 percent of the federal income taxes collected. On the other hand, the omission of high-income households is crucial; units with AGIs over \$200,000 or more account for only 1 percent of returns filed but pay 31 percent of the taxes.

Neither the 1990 Census nor the March 1994 CPS contains enough income in the very high income households, yet it is necessary to account for this income in estimating taxes paid. Further, there is almost no information available to model the distribution of income across households in Illinois. Accordingly, we calculated the average shortfall in taxes, returns, and exemptions per high-income household. For every Census household with AGI exceeding \$200,000 (based on transformed income), the weight was increased by 18 percent and AGI by \$220,000. This additional income figured in the calculation of federal income tax, state income tax, and sales tax. No households with AGI above \$200,000 occurred in the 1990 Census for the proxy populations from Mexico, Cambodia, Laos, or Vietnam. There were a few very high-income households from Central America (3) and Poland (4) in the 5-percent PUMS for Illinois from the 1990 Census. These high-income households were excluded from the proxy populations for undocumented immigrants and refugees.

Federal Tax Estimates. The estimates of federal taxes for Illinois's 1993 tax year compare very favorably with the published IRS statistics (IRS 1995) once the adjustments for high-income omissions are included (see Table 7). At \$26.2 billion, the combined Census-TRIM2 estimate of federal income taxes is only 6 percent, or \$1.6 billion below the published figures. There remains a shortage of 920,000 returns filed as a result of a serious understatement of returns in the lowest income category. This shortfall in returns is not reflected in the estimate of exemptions, which are within 2 percent of the IRS total of 11.7 million exemptions. The shortage of estimated returns is probably a result of TRIM2's method of allocating a maximum of only two returns per housing unit. This method understates the actual number of returns filed in households where children file separate returns, households with more than two unrelated adults (roommates), and households with more than two family or subfamily units.

Immigrants living in Illinois are estimated to contribute \$2.7 billion in federal income taxes, accounting for 10.5 percent of the total or roughly the same as their 10.2 percent in the population (Table 4). Natives contribute \$23.5 billion. The \$2.7 billion contributed by immigrants represents their largest tax contribution, or 38 percent of the taxes from immigrants. On a *per capita* basis, each group pays roughly the same amount — natives pay \$2,203 and immigrants pay \$2,269. The various immigrant groups however, contribute hugely different amounts. Pre-1980 legal immigrants contribute almost \$4,100 *per capita*, whereas the undocumented group contributes \$400 *per capita*. Recent legal immigrants and refugees pay an intermediate amount — about \$1,300 *per capita*. These differences reflect how income levels differ for different immigrant groups and for natives, and reflect the progressive nature of the federal income tax, whereby those with lower incomes pay a smaller share of their incomes in federal taxes than those with higher incomes (Table 4).

Since there is no data from TRIM2 or the Census measuring compliance, these tax estimates represent tax liability rather than tax payments. However, there are two offsetting

factors that could have been incorporated into the estimation process but were not. If people do not comply with tax laws, the amount owed in taxes will be more than the amount of taxes actually collected. On the other hand, if people understate their incomes, our estimates of taxes owed will be lower than the amount actually collected. Because our estimates understate actual collections, it seemed inappropriate to reduce the estimates of noncompliance without introducing a correction for income understatement at incomes below an AGI of \$100,000. In effect, we have assumed that compliance and income understatement offset one another in our data set.

State Income Tax

TRIM2 simulates income taxes for tax filing units for all states that tax personal income. The process of calculating state taxes is similar to the process for federal taxes, except that TRIM2 uses state tax rules (Giannarelli 1992:179–190). The simulations for this research were based on the Illinois Individual Income Tax and Use Tax Returns, with Instructions—1993 Form IL-1040 (Illinois Department of Revenue 1993).

Modeling State Tax Obligations. Like the federal income taxes, we modeled state income tax obligations by regressing income and other characteristics of tax filing units on the tax obligations calculated by TRIM2. We used modeling, rather than directly applying the tax rate, because Census data do not allow us to precisely measure taxable income, the number of exemptions, the homeowners' property tax credit, or other adjustments. Unlike the federal income tax rate, which changes with the level of income, Illinois's 3 percent state income tax rate applies to income at all levels. The income subject to state tax differs somewhat from the income subject to federal tax, and the number of exemptions is calculated differently.

Income subject to state income taxes was based on adjusted gross income from the federal income tax returns. To arrive at "base income," two major adjustments were made to adjusted gross income. First, types of income not subject to federal tax were added. An example is federally tax-exempt interest income. Second, types of income subject to federal income tax but not subject to state income tax were subtracted. Examples are federally taxed retirement and Social Security income, some military pay, state income tax refunds, and U.S. government obligations. We could not exactly duplicate base income with Census data, but we approximated it using the following types of income: wages and salary, self-employment (farm and non-farm), dividends, interest, rent, military, unemployment compensation, and other income such as child support payments.

To arrive at "net income," to which the 3 percent tax rate is applied, Illinois residents can subtract \$1,000 for each exemption. There are two types of exemptions. The first is simply the number of exemptions from the federal tax return, which we operationalized as the number of individuals in the tax filing unit. The second is based on the number of elderly or blind individuals in the tax unit. Illinois allows an additional exemption for each of the following that is true: the head of the filing unit is 65 or older, the head is legally blind, the head's spouse is 65 or older, the head's spouse is legally blind. We had no information on whether individuals in the Census or the CPS were blind, so we could not include this type of exemption. However, we did take into

account whether the head or the head's spouse (or both) were 65 or older.¹² If net income was negative, we set it equal to zero.

Since Illinois allows some credit for property tax paid on homeowners' principal residence, our models took into account whether someone in the tax unit owned the dwelling. Our preliminary models included net income, homeownership, whether there was an immigrant in the filing unit, and whether the filing unit was the primary family (i.e., related to the head of household; see the explanation of federal tax calculations for more detailed description). As for federal income tax, we developed separate models for each of three filing statuses: married filing jointly (n=1,236); single (n=834); and head of household (n=398). Homeownership was significant only for tax units with married filing jointly status, so for the final models this variable was dropped for the other two filing statuses. Neither the presence of an immigrant nor being in a primary versus a secondary family significantly affected tax obligations, so these variables were dropped from the final models.

For all three models (see Table 8), the coefficient on the "net taxable income" variable is slightly under 3 percent, suggesting that we slightly overestimated taxable income. This was the expected result, because we were unable to exclude certain types of income that are not subject to state taxes (some military pay, state income tax refunds, and U.S. government obligations) and because we were not able to take into account tax exemptions for the blind. The models fit the data very well; the adjusted R-squared statistics for all three filing statuses were above 96 percent.

Table 8. Models for Estimating Household State Income Tax in Illinois, by Filing Status: Tax Year 1993

Variable	Coefficients by Filing Status		
	Single	Head of household	Joint
Intercept	-5.4186	-2.6534	3.8324
Net taxable income	0.0294 ****	0.0284 ****	0.0294 ****
Own home/unit	-	-	-30.3225 +
Adjusted R-square	0.9670	0.9773	0.9609

+ 0.10 < p < 0.05; **** p <= 0.0001

- Variable not significant in preliminary runs; not included in model.

Note: See text for more details.

Illinois State Tax Estimates. The estimates of state income taxes for Illinois's 1993 tax year, \$4.9 billion, differ by only \$26 million or 0.5 percent from the state's figures on tax collections (Table 9). The close agreement occurs in large part because of the additional income included for high-income households; the original TRIM2 estimates are almost \$0.5 billion, or 10 percent, below the state's administrative figures.

¹² For tax filing units in which no individuals were related to the head of household, we could not determine who was the head of the unit or the head's spouse. We therefore simply counted the number of individuals aged 65 and older. If there were more than two, we still only allowed two additional exemptions.

Immigrants contribute \$535 million in state income taxes, or about 11 percent, of the total collections for this tax. Their share slightly exceeds their representation in the population, as *per capita* contributions for immigrants are \$443 and for natives, \$411 (Table 4). This small overrepresentation for immigrants is driven entirely by the long-term immigrants who pay \$685 per person. Recent legal immigrants and refugees pay about 20 percent less per person than natives, while undocumented immigrants contribute only about 40 percent as much as natives. Again, these differences reflect income differences across different groups. In addition, because the state income tax is not as progressive as the federal income tax, the variation across groups is not as great. For federal income taxes, long-term legal immigrants pay 10 times as much as undocumented immigrants on a *per capita* basis; for the state tax, the differential is only 4 times as much. State income taxes account for only 7.4 percent of the \$7.2 billion collected from immigrants.

Table 9. Urban Institute Estimates and Administrative Totals for Illinois State Income Tax, OASDHI, and Unemployment Insurance for Illinois: Tax Year 1993

(In millions of dollars)

Tax and Category	Adjusted U.I. Estimate	Initial TRIM2 Estimate	Administrative Total	Difference -- Adjusted - Admin.		Difference -- TRIM2 - Admin.	
				Amount	Pct.	Amount	Pct.
State Income Tax	\$ 4,911	\$ 4,387	\$ 4,885	\$26	0.5	-\$498	-10.2
OASDHI Tax	\$ 21,703	\$ 21,130	\$ 21,416 *	\$287	1.3	-\$286	-1.3
Employee	\$ 10,215	9,927	10,187	28	0.3	-260	-2.6
Employer	\$ 10,215	10,032	10,187	28	0.3	-155	-1.5
Self-Employed	\$ 1,274	1,172	1,042	232	22.2	130	12.5
Unemployment Insurance	\$ 1,650	\$ 1,600	\$ 1,440 **	\$211	14.6	\$160	11.1

* Extrapolated from 1991 and 1992 figures. Social Security Administration (1995), Table 4.B.10

** State of Illinois figures for state collections, adjusted to include Federal Insurance, by TRIM2 percentages.

Unemployment Insurance

Unemployment insurance payments are calculated for each individual, although the taxes are paid by the individual's employer. In calculating unemployment insurance, TRIM2 takes into account an individual's wages, industry, state of residence, and whether he or she is self-employed or employed by the federal government (Giannarelli 1992:142-147). We transformed 1990 Census reported income to 1994 and applied a simplified version of the TRIM2 model. Three different tax rates were applied. The first rate is for federal government unemployment insurance (UI) taxes: the rate is 0.8 percent and applies to the first \$7,000 of income, or a maximum tax of \$56. The other two tax rates are industry-specific rates for state unemployment. One rate of 3.02 percent, up to a maximum tax of \$271.80, applies to extractive industries, construction, and manufacturing; the other rate of 2.7 percent, up to a maximum of \$262.88, applies to other industries. Finally, we made two adjustments for undercoverage. Since only 10 percent of

private household workers and 40 percent of farmworkers are covered by unemployment insurance, we reduced all payments by workers in these industries by the appropriate percentage.¹³

Our aggregate estimate for unemployment insurance payments in Illinois is \$1.65 billion (Table 9). This figure differs by only a tiny amount from the initial TRIM2 estimate of \$1.60 billion. Both estimates are substantially higher than the administrative-based total of \$1.44 billion;¹⁴ our estimate is \$211 million or almost 15 percent too high. The difference probably results from assumptions about unemployment coverage and its applicability to various types of employment. However, the impact of this overestimation of total unemployment insurance on the overall estimates of taxes paid by various groups is negligible. The \$1.65 billion of total payments accounts for only 2.4 percent of total taxes paid (Table 1) and the overestimate of \$211 million accounts for only 0.3 percent.

Immigrants contribute about \$199 million, or 12.1 percent, of unemployment insurance collections. Their contribution exceeds the 10.2 percent of immigrants in the population largely because of the severely regressive nature of the tax — no tax is paid on individual income above \$10,000. Unemployment insurance collections represent only a very small share of the taxes immigrants pay, amounting to only 2.8 percent of the \$7.2 billion attributable to immigrants.

Per capita payments of unemployment insurance vary little across the different populations (\$136 to \$177 in Table 4). The differences that do exist are largely the effect of age structures and coverage. The payments for undocumented immigrants are low because their incomes are very low and many work in the occupations with low UI participation. Native *per capita* payments are low because of the high proportion of children in this population.¹⁵ The payments of long-term legal immigrants are the highest because their incomes are the highest and there are very few children in this population.¹⁶

Social Security Tax

Federal Insurance Contribution Act (FICA) Taxes, commonly known as the Social Security tax, include two components: the old age, survivor, and disability portion (OASDI), and the health insurance (HI), or Medicare, portion. Equal amounts are contributed by employees and employers. For self-employment income, the total of the two contributions is reduced by a tax credit. OASDI taxes are equal to 6.4 percent of wages up to \$57,600 (i.e., the wage base); they

¹³ An alternative would be to select at random 10 and 40 percent of private household workers and farmworkers, respectively. In the aggregate, the two methods would give the same results, but estimates for some small populations might be affected by random variation. Thus, we chose to apply the coverage factor to all appropriate workers.

¹⁴ State unemployment collections are \$1.180 billion in 1993 according to Illinois records (Williams 1995). Since state collections are 81.9 percent of total unemployment insurance collections according to TRIM2, we increased the administrative estimate by a factor of 1.220 (=1/0.819) to give the total in the text.

¹⁵ The *per capita* calculation includes the entire population, not just those of working age, in the denominator. Furthermore, the native population as defined here includes the U.S.-born children of immigrants.

¹⁶ In fact, by definition, there are no children below age 15 because all persons in the long-term population had to have been born before 1980 in order to enter the United States then.

are not paid by federal workers. HI taxes are 1.25 percent of wages up to \$125,000; they are paid by federal workers. The employer's contribution is equal to the same amount.¹⁷ For self-employment income, the wage base is reduced by any wages earned so that no OASDI tax is paid on combined wage, salary, and self-employment income exceeding \$57,600. Finally, the combined OASDHI tax on self-employment income is reduced by 25 percent to represent the effect of tax credits.

We estimate that a combined total of \$21.7 billion in Social Security tax was collected from employers, employees, and self-employed persons (Table 9). This figure exceeds by \$287 million, or only 1.3 percent, the administrative-based figure from the Social Security Administration (SSA).¹⁸ Virtually all of this overstatement is for self-employment income. The estimates for employee and employer contributions differ by only 0.3 percent from the SSA figure. The large overstatement of self-employed contributions is most likely the result of unreported income. Again, the overall impact on the estimate of total taxes collected is very small, amounting to only 0.3 percent of the total.

The \$2.3 billion in Social Security taxes collected from immigrants in Illinois (Table 1) is the second largest tax collection, trailing only federal income taxes. Social Security taxes account for about 32 percent of those collected from immigrants. Natives pay \$1,819 *per capita* in Social Security taxes (employee, employer, and self-employed contributions); immigrants pay somewhat more, \$1,923 (Table 4). Again, this small difference (6 percent) masks considerable variation across the different immigrant groups. For long-term immigrants, the contribution is substantially higher than any other group at \$2,523 *per capita*. Undocumented immigrants are the lowest, at \$1,084 *per capita*, reflecting their low incomes and low self-employment rates. The other groups fall in between: \$1,726 for recent legal immigrants and \$1,740 for refugees.

Residential Property Tax

TRIM2 does not estimate property tax because the CPS contains little information on housing costs. Thus, our property tax estimates draw more directly from the 1990 Census, which includes a great deal of information on housing costs. In fact, for homeowners, the 1990 Census includes a direct question on property taxes. While renters generally do not pay property tax directly, some portion of their rental payments goes to pay the property taxes of their landlords. Initially, we generated three different estimates of property taxes paid by renters: 10 percent, 12.5 percent, and 15 percent of the rent (as reported in the Census). The Census figures are for 1989, so it was necessary to make some adjustment for inflation. Given the generally soft housing markets and low inflation rates of the early 1990s, we used preliminary adjustment figures of 5 percent and 10 percent to inflate the estimates of property taxes. The final step involved

¹⁷ The Railroad Retirement Tax has a similar system of wage bases, employee rates, and employer rates. The effective rate is roughly the same as the total FICA rate, but is more heavily weighted toward employers. Because the total Railroad Retirement collections amount to only a small fraction of FICA collections, we simplified our simulation and used only the FICA rules. This assumption has only a negligible impact on the final estimates.

¹⁸ The figure of \$21.4 billion in Social Security taxes attributed to the Social Security Administration shown in Table 9 is an extrapolation from the official figures for 1991 and 1992. These two years are the most recent available as of this writing.

comparing the various estimates with administrative figures and making a final adjustment to those figures. Our final estimates assume that 10 percent of rent goes toward residential property taxes and that overall inflation since 1990 amounted to 5 percent; assumptions of higher rates led to overestimates of taxes collected. (See Table 10 for initial and adjusted estimates of property tax.)

Table 10. State and Local Sales and Property Tax, by Nativity, Type of Immigrant, and Type of Tax, for Illinois: 1993

(Populations in thousands. Aggregate incomes in millions of dollars.)

(Populations in thousands. Aggregate incomes in billions of dollars.)

Nativity and Type of Immigrant	Population		Aggregate Income	Type of Tax					
	Number	Pct.		State Sales Tax	Local Sales Tax	Owner's Property	Renter's @ 10%	Renter's @ 12.5%	Renter's @ 15%
Initial Estimates, without Adjustment to Administrative Totals									
Total Population	11,867.6	100.0	199,802.5	5,050.7	2,448.8	5,225.8	836.6	1,045.8	1,254.9
Administrative Total	(x)	(x)	(x)	4,817.0	2,303.0	(x)	6,024.4	6,024.4	6,024.4
Ratio of Estimate to Administrative Total (x100)	(x)	(x)	(x)	95.37	94.12	(x)	99.37	96.06	92.96
Natives	10,658.0	89.8	178,949.1	4,539.8	2,137.4	4,725.2	719.7	899.6	1,079.6
Foreign-Born	1,209.5	10.2	20,853.3	510.9	309.5	500.5	116.9	146.1	175.4
Legal, 1980-94	423.0	3.6	5,507.1	138.6	84.0	93.4	48.9	61.1	73.4
Refugees, 1980-94	49.5	0.4	685.1	16.9	10.3	12.4	5.3	6.6	7.9
Undocumented	244.1	2.1	1,788.2	49.4	29.9	10.2	22.9	28.7	34.4
Legal, Pre-1980 - Total	493.0	4.2	12,692.9	305.9	185.3	384.5	39.8	49.7	59.7

Group and Period	Population Estimate		Aggregate Income	Total Sales Property Tax	State Sales Tax	Type of Tax			
	Number	Pct.				Local Sales Tax	Property Tax		
							Total	Owner	Rent--10%
Final Estimates, with Adjustment to Administrative Totals									
Total Population	11,867.6	100.0	199,802	13,144.4	4,817.0	2,303.0	6,024.4	5,193.0	831.4
Administrative Total	(x)	(x)	(x)	13,144.4	4,817.0	2,303.0	6,024.4	(x)	(x)
Ratio of Estimate to Administrative Total (x100)	(x)	(x)	(x)	100.000	100.000	100.000	100.000	(x)	(x)
Natives	10,658.0	89.8	178,949	11,752.4	4,329.8	2,011.7	5,410.9	4,696.8	715.2
Foreign-Born	1,209.5	10.2	20,853	1,392.1	487.2	291.3	813.6	497.4	116.2
Legal, 1980-94	423.0	3.6	5,507	352.6	132.2	79.0	141.4	92.8	48.6
Refugees, 1980-94	49.5	0.4	685	43.4	16.2	9.7	17.6	12.4	5.3
Undocumented	244.1	2.1	1,788	106.2	47.1	25.2	32.9	10.1	22.9
Legal, Pre-1980 - Total	493.0	4.2	12,693	567.8	291.8	174.4	421.6	382.1	39.5

Sales tax rates equal 5% and 2.33%, with geographic allowance. Property tax and housing costs inflated by 5%; non-taxable allowance of 1

Adjustment to State Sales Tax	0.9637	=>	Effective Non-Tax Allowance	=	18.93%
Adjustment to Local Sales Tax	0.9412	=>	Effective Non-Tax Allowance	=	20.00%
Adjustment to Property Tax	0.9937	=>	Effective Inflation Allowance	=	4.97%

Residential property taxes collected from immigrants amount to \$602 million, or 10.2 percent of total collections of 6.1 billion. The property tax payments account for 8.5 percent of collections from immigrants and exceed collections from state income tax and unemployment insurance. The rates of payment vary substantially across population groups. Overall, the *per capita* payments of natives (\$508) and immigrants (\$507) are virtually identical. However, only the long-term immigrants (\$855 *per capita*) pay more than natives. Contributions for undocumented immigrants are very low (\$135 *per capita*), reflecting low rates of homeownership, low incomes, and low rents. Recent legal immigrants (\$334) and refugees (\$356) also make *per capita* payments well below those of natives.

Sales Tax

The estimates of state and local sales taxes were based on a simple household consumption model. The total household income was first calculated by aggregating all types of income across all individuals in the household. The next step involved subtracting other taxes

paid (i.e., the federal and state income taxes calculated above plus employee and self-employed Social Security taxes). Housing costs were then computed and subtracted from household income. Housing costs included rent, mortgage payments, direct payments of property taxes (for owners), utility costs, and condominium/mobile home fees. Since the income figures and tax payments were adjusted for inflation, we adjusted the housing costs for inflation (by 5 percent, as noted above) before subtracting them. The result of these subtractions is each household's *spendable income*.

Only a portion of the household's spendable income is spent on taxable purchases. For example, food is generally not taxed in Illinois. As a first approximation, we assumed that only 85 percent of a household's income was spent on taxable items. Further comparisons with administrative data resulted in reduction of this percentage to roughly 80 percent. That is, 80 percent of spendable income is income subject to sales tax, or *taxable income*.

The state sales tax paid by a household was initially estimated by multiplying the state sales tax rate of 5 percent by the household's taxable income. Local sales tax is the average local sales tax rate of 2.33 percent times the household's taxable income. Many jurisdictions in Illinois have an add-on to the local sales tax. We modeled this by increasing the local sales tax rate by 30 percent for the Chicago metropolitan area. The initial estimate of total sales taxes collected came from this model (Table 10). This model overestimated collections by about 5 percent, and led to the reduction in the percentage of *spendable income* spent on taxable purchases to 81 percent for the state sales tax and 80 percent for the local sales tax (see Table 10).

Immigrants contributed \$778 million in state and local sales taxes (\$487 million to the state and \$291 million to local governments), or 10.8 percent of taxes paid by immigrants. The sales taxes account for larger collections than any of the other state and local taxes (state income tax, residential property tax, and unemployment insurance). Immigrants account for 10.1 percent of state sales tax collections or almost exactly their share of the state's population. However, the 12.6 percent of local taxes contributed by immigrants exceeds their population share, largely because of their concentration in the Chicago metropolitan area, with its high tax rate (Table 1).

As with the other taxes, there are significant variations in sales tax payments by different populations. On a *per capita* basis natives pay a combined total of \$595 and immigrants, \$644 (Table 4). Differences among the immigrant groups can be attributed largely to income differences. Long-term immigrants pay by far the largest *per capita* amount at \$946, whereas the undocumented pay the least, \$308. The other two groups pay an intermediate amount — \$405 for recent legal immigrants and \$424 for refugees.

III. POPULATION ESTIMATES

For this project, we estimated the size of three groups of immigrants living in Illinois in March 1994:

- Non-refugee legal immigrants, including:
 - All immigrants admitted as legal permanent residents (LPRs), *except those* who were converting status from various refugee categories;
 - Immigrants legalizing under IRCA, both the 1-687, pre-1982 legalizations (LAWs), and Special Agricultural Workers (SAWs);
 - Selected groups of non-immigrants who were treated as residents by the Census and the CPS such as students, scholars, and dependents of both groups;
- Refugees; and
- Undocumented immigrants.

We constructed estimates for legal immigrants and refugees entering the United States during 1980–1994. (For some purposes, the estimates are broken down into those entering during 1980–1989 and 1990–1994.) The undocumented immigrants could have entered the United States at any time.

Non-Refugee Legal Immigrants, 1980–1994

The estimates of non-refugee legal immigrants were produced for the following countries or groups of countries: Mexico, Central America, India, Korea, Philippines, Middle East, Other Asia, Poland, Western Europe, and All Other Countries (mainly Africa, Oceania, and South America). The estimation process proceeded by demographic logic. The incoming immigrants enter the United States and are subject to decrement from mortality and emigration (i.e., migration out of the United States). In addition, since these estimates are for the state of Illinois only, the surviving immigrants experience internal migration (i.e., migration to and from other states) that may lead to increases or decreases in the initial immigrant cohort.

Incoming Immigrants

Counts of the number of LPRs (except refugees, as noted above and below) were obtained by tabulating public-use microdata files from the Immigration and Naturalization Service for fiscal years 1980–1993. The immigrants included in the tabulation are those whose state of intended residence was Illinois and whose date of entry was 1980 or later.¹⁹ The tabulations are for age at entry, by sex, by country of birth, and by year of arrival for each year of admission. Immigrants entering after fiscal 1993 (i.e., October 1993–March 1994) were estimated by age, sex, and country as half of the fiscal 1993 figures.

¹⁹ For the group INS calls “new arrivals,” the date of entry is the year the immigrant is processed. For persons “adjusting status,” that is, changing status to LPR from a nonimmigrant category, the date of arrival is defined by the date that the nonimmigrant visa was obtained; the data item is called “Nonimmigrant year of arrival.”

Mortality

The incoming immigrants were survived forward (by age and sex) to 1994 using the immigrants' year of admission, not the year of arrival, as the base year. Because the fiscal years are centered on April 1 and the reference date for the March 1994 CPS is the third week of March, full-year survival rates were applied. The survival rates were calculated from the life tables (by sex and race-ethnicity) that the Census Bureau used for its most recent population projections.²⁰

Emigration

Emigration rates (by age and sex) were next applied to the surviving immigrant population. The basic set of rates for each sex-country-of-birth group was based on the rates calculated by Ahmed and Robinson (1994) using 1980 and 1990 Census data. The rates estimated by Ahmed and Robinson are for a ten-year period for five-year age groups.

Our estimation process required both longer and shorter exposure periods and different age groups for each year. Iterative fitting was used to provide rates by single years of age for single years of time that are consistent with the ten-year rates for five-year age groups. For example, five single-year age cohorts passing through the single-year of age, single-year of time rates would experience the rates estimated by Ahmed and Robinson. Ahmed and Robinson calculated both full and half exposure rates for the 1980s. Lower exposure (i.e., lower emigration rates) are used for Hispanic countries in our estimates, consistent with the estimates and observations of Ahmed and Robinson.

Internal Migration

Country-specific rates of internal migration were first estimated from 1990 Census data with information on residence in 1985 for immigrants in Illinois who entered the U.S. before 1985. These five-year rates were converted to one-year rates for each country and then applied, for the appropriate number of years, to the surviving, non-emigrating immigrants from the previous step.

Legalized Aliens (LAWs and SAWs), 1980-1994

With a few exceptions, the estimation procedures for legalized aliens follow those described above for non-refugee legal immigrants. The initial populations came from tabulations of INS public-use microdata files on LAW and SAW applicants. Applicants were only included if: (a) their applications had been granted or were pending; (b) they entered the U.S. in 1980 or later; and (c) they resided in Illinois. For survival, emigration, and internal migration calculations

²⁰ The reference date for the life tables is 1992 (U.S. Bureau of the Census 1995). If a bias is introduced by this choice, it is likely to understate mortality and lead to more survivors. The life tables apply to the entire resident population, not just new immigrants. Any bias here is likely to work in the opposite direction. Neither bias is likely to be great, since the majority of immigrants are in a low mortality age range, between 5 and 40.

we employed a six-year exposure period for 1988 (the average date of application) to 1994. Emigration calculations are based on the same rates as for non-refugee legal immigrants.

Foreign Students (and Other Nonimmigrants), 1994

Basic data on foreign students were developed from Open Doors, 1991–1992, an annual publication produced by the Institute for International Education Exchange (IIEE). National totals of foreign students for 1993–1994 were initially estimated by extrapolation from the 1980–1992 period using the average rate of growth over the interval. Data for students in Illinois for 1990–1991 and 1991–1992 show a constant percentage in the state (4.37 percent). National IIEE data by country of birth and 1990 Census data on the percentage of students from each country living in Illinois provided an initial estimate of students by country in Illinois for 1991–1992. The next step was projecting these country-specific estimates for Illinois to 1993–1994 using national rates of growth by country for 1989–1990/1991–1992. A small pro-rata adjustment was then applied to bring the estimates in line with the projected state total. Analysis by Word (1995) shows that dependents of students, foreign scholars, and dependents of foreign scholars are about half as numerous as foreign students. This adjustment was applied to our estimates for 1994 and the results distributed to the 1980–1989 and 1990–1994 periods using the estimates by Passel (1994) in the report to OMB. Approximately 29,000 students and dependents were added to the estimated legal foreign-born population using this procedure.

Refugees, 1980–1994

Estimates were produced for the following countries: Cuba, Cambodia, Laos, Vietnam, Iran, Iraq, Poland, Romania, U.S.S.R., and All Other Countries. The initial populations were obtained from the INS microdata tapes for admissions in 1980–1993. As above, estimates for October 1993–March 1994 were obtained as half of fiscal 1993. Persons (and their dependents) adjusting from refugee status were included in the initial populations. Survival, emigration, and internal migration calculations followed those described above. For all countries, we used low exposure emigration rates.

Undocumented Immigrants

Initial, Analytic Estimates for Mexico and Final Estimates for All Other Countries

Estimates for undocumented immigrants in Illinois were based on Warren's (1994) estimate for October 1992 and rates of growth for 1988–1992. Country-specific estimates for Illinois in 1992 were projected forward for 1.5 years using the national country-specific rates of growth for the 1988–1992 period. Estimates were produced for the following countries and categories: Mexico, Other Central America, Philippines, Middle East, Other Asia, Poland, Other Europe, and All Other Countries.

The estimates by country were subdivided into three periods of entry (1990–1994, 1980–1989, and pre-1980) using Warren's underlying estimates and data. For the pre-1980 period, Warren's estimate of pre-1982 immigrants (as of 1988) was divided by two to allow for the somewhat earlier period and subsequent survival to 1994. Warren's estimate of the

percentage of the 1992 estimate accounted for by 1988–1992 additions was used to estimate the percentage of the 1994 undocumented population entering in 1990–1994 for all countries other than Mexico. For Mexico, the percentage was obtained from Passel's (1994) estimate based on the 1990 Census.

Implied CPS Estimates for Mexico

Analysis of the March 1994 CPS data suggests that the initial estimate for undocumented immigration from Mexico (87,900) may be understated. We estimated the foreign-born population for Illinois in 1994 as the sum of legal immigrants, refugees, and undocumented aliens. For the two groups of non-Mexicans — Poland and All Other Countries — the estimated immigrant population exceeded the CPS estimate for the 1980–1989 and 1990–1994 periods.²¹ However, for Mexico the estimate was substantially *less* than the CPS figure, and significantly so in the case of the 1980–1989 entrants.

With this analysis we can derive an alternative estimate of undocumented immigrants from Mexico for Illinois by subtracting the estimated legal immigrant population from the CPS figure for 1980–1994 entrants. This estimate *implied* by the CPS is 177,000, a figure substantially larger than Warren's *analytic* estimate for the same period of 75,000. This large difference between the analytic and implied estimates is, in part, a result of much larger than expected figures for Mexican-born persons nationally. In fact, the March 1994 CPS figure for persons born in Mexico who came to the U.S. before 1990 is more than half a million greater than the 1990 Census counts for persons born in Mexico (Passel 1995). This pattern is logically impossible and implies improved coverage in the CPS, re-immigration by emigrating immigrants, misreporting of year of immigration, or some combination of these factors. In addition, the post-1990 cohort of Mexicans in the CPS implies much larger undocumented immigration than Warren's estimates.

Final, Average Estimates for Mexico

In the absence of definitive information on the size of the undocumented Mexican population of Illinois, we averaged the analytic estimate based on Warren's data with the estimate implied by the CPS (Table 11). Thus, the estimate for undocumented Mexicans is 139,000, with 65,000 entering between 1990–1994, 61,000 between 1980–1989, and 13,000 before 1980.

²¹ For 1990–1994 entrants from Poland and for entrants in both periods from All Other Countries, the estimate fell above the 90-percent confidence interval. For 1980–1989 entrants from Poland, the estimate was greater than the CPS figure, but not significantly higher.

Table 11. Alternative March 1994 Population Estimates for *Illinois*, by Nativity, Country of Birth, and Period of Entry, Based on Different Assumptions Regarding the Number of Undocumented Immigrants from Mexico

(Populations in thousands)

Nativity Country of Birth, and Period of Entry	March 1994 Population Analytic Estimate of Undocumented Immigrants				March '94 Pop. Based on Implied Undocumented		March '94 Pop. Based on Average Undocumented		March 1994 CPS			1990 Census
	Total	Legal	Refug.	Undoc.	Total	Undoc.	Total	Undoc.	CPS Pop.	Std. Error	90%	
											Confidence Interval	
Total	11,816.7	916.0	49.5	193.2	11,918.5	295.0	11,867.8	244.1	11,742.5	(x)	(x)	11,430.6
Native-born	10,858.0	(x)	(x)	(x)	10,858.0	(x)	10,858.0	(x)	10,858.0	225.6	(See below)	10,478.3
Foreign-born	1,158.6	916.0	49.5	193.2	1,260.4	295.0	1,209.5	244.1	1,084.5	50.4	1,002 - 1,167	952.3
1990-94	300.2	163.2	20.1	117.0	325.0	141.8	312.6	129.4	216.5	22.5	180 - 254	(x)
1980-89	345.5	259.8	29.4	56.3	422.5	133.2	384.0	94.8	355.0	28.8	308 - 402	371.1
1970-79	252.1	232.2	(x)	19.9	252.1	19.9	252.1	19.9	252.1	24.3	212 - 292	266.7
Before 1970	260.8	260.8	(x)	(x)	260.8	(x)	260.8	(x)	260.8	24.7	220 - 301	314.4
Mexico	405.7	317.8	(x)	87.9	507.5	189.7	456.6	138.8	507.5	69.5	393 to 622	281.7
1990-94	79.8	27.3	(x)	52.5	104.6	77.4	82.2	64.9	104.6	31.5	53 to 157	(x)
1980-89	138.4	116.0	(x)	22.5	215.4	99.4	176.9	60.9	215.4	45.3	141 to 290	133.6
1970-79	130.1	117.2	(x)	12.9	130.1	12.9	130.1	12.9	130.1	35.2	72 to 188	98.1
Before 1970	57.3	57.3	(x)	(x)	57.3	(x)	57.3	(x)	57.3	23.3	19 to 96	49.9
Poland	151.9	98.6	6.4	47.0	151.9	47.0	151.9	47.0	90.2	22.2	54 to 127	80.8
1990-94	62.7	30.7	2.4	29.6	62.7	29.6	62.7	29.6	8.2	6.7	-3 to 19	(x)
1980-89	33.8	15.1	3.9	14.8	33.8	14.8	33.8	14.8	26.6	12.0	7 to 46	38.4
1970-79	23.8	21.1	(x)	2.6	23.8	2.6	23.8	2.6	23.8	11.4	5 to 43	13.5
Before 1970	31.6	31.6	(x)	(x)	31.6	(x)	31.6	(x)	31.6	13.1	10 to 53	28.7
All Other	601.0	499.6	43.1	58.3	601.0	58.3	601.0	58.3	486.8	59.1	390 to 584	500.0
1990-94	157.7	105.2	17.7	34.9	157.7	34.9	157.7	34.9	103.7	30.4	54 to 154	(x)
1980-89	173.2	126.7	25.5	19.0	173.2	19.0	173.2	19.0	113.0	31.7	61 to 165	199.1
1970-79	98.2	93.8	(x)	4.4	98.2	4.4	98.2	4.4	98.2	29.6	50 to 147	155.1
Before 1970	171.8	171.8	(x)	(x)	171.8	(x)	171.8	(x)	171.8	30.8	121 to 222	235.8

10,267 to 11,029 - 90% Interval for Native-Born Population

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