

Remembering Proposition 187

By EDWIN S. RUBENSTEIN

Change is in the air. States from Arizona to Virginia have enacted laws cracking down on illegal immigration. Some target the immigrants; some target their employers. Some rely on local police to do the job; others require that employers use the federal e-Verify system to check the immigration status of employees. Many of these statutes have been challenged in court. Some have been put on hold while others — including an Alabama statute regarded as the most stringent of all — have been endorsed by federal appeals judges.

These initiatives share a common goal: enforcement of federal immigration laws, something neither political party has been willing to do in Washington.

To young activists, this burst of state involvement seems like a new trend. It is, in fact, merely the latest round in a fight that started in California nearly twenty years ago. Then, as now, the state was in dire economic straights. Over the 1991–94 period state government revenues declined by over 25 percent while social program caseloads rose dramatically. At its worst, the state deficit equaled one-third of California's general fund budget.

While the 1990s recession was short lived, social program outlays and caseloads continued rising even after it ended. Gov. Pete Wilson blamed illegal immigration. In his view, the chronic fiscal crisis was caused by a jurisdictional dysfunction: the federal government required California to provide services to illegal aliens, who were state residents only because that same federal government failed to prevent them from crossing the border.

In 1993, Gov. Wilson sued in federal court, arguing that Washington was responsible for reimbursing California for the cost of state services to illegal aliens.

Edwin S. Rubenstein, a regular contributor to The Social Contract, is president of ESR Research, economic consultants. As a journalist, Mr. Rubenstein was a contributing editor at Forbes and economics editor at National Review, where his "Right Data" column was featured for more than a decade.

Mr. Wilson urged state officials to enforce federal laws restricting welfare eligibility.

On November 8, 1994, California voters approved Proposition 187, a state initiative prohibiting illegal aliens from receiving tax-funded health care, public education, and other social services. The initiative created a state-run system to verify the legal status of *every* person seeking benefits for which illegals were ineligible. Law enforcement agents were instructed to investigate the immigration status of all arrested persons, and report violations to the attorney general of California and to the federal Immigration and Naturalization Service (INS). <http://www.jstor.org/pss/2547004>

Proposition 187 made its intentions abundantly clear to voters.

The People of California find and declare as follows: That they have suffered and are suffering economic hardship caused by the presence of illegal aliens in this state. That they have suffered and are suffering personal injury and damage caused by the criminal conduct of illegal aliens in this state. That they have a right to the protection of their government from any person or persons entering this country unlawfully. [Proposition 187, Section 1]

The initiative passed by a 59 to 41 margin.

Besides calling Wilson and other Prop. 187 supporters racist and anti-Latino, immigrant rights groups claimed that the Governor exaggerated the fiscal burden of illegal immigrants on state taxpayers. They implied that the taxes paid by illegals more than covered the services they received.

Subsequent research has since confirmed Gov. Wilson's claims to the contrary.

The Immigration Deficit

How does immigration impact California's budget? The most comprehensive analysis is still the National Research Council (NRC)'s 1997 study commissioned by the distinguished Congresswoman Barbara Jordan (D-Texas), who chaired the U.S. Commission on

Immigration Reform until her death in 1996.

The report estimates the dollar value of state services received by immigrant and native households in California, including Medi-Cal, cash welfare, state aid to K-12 and higher education, state police, corrections, infrastructure, government administration, transportation subsidies, and property tax relief.

Tax payments are also estimated. The gap between state spending received and state taxes paid represents the “fiscal balance” attributable to each group.

The findings confirmed what many of us suspected.

As seen in the table, native households paid, on average, \$3,405 in state taxes and received \$2,510 in state spending — i.e., they generated a fiscal surplus of \$895. By contrast, the average immigrant household received \$4,973 worth of expenditures while paying \$2,341 in state tax. They generated a deficit of \$2,632.

In today’s (2011) dollars, the figures in the table imply a household deficit of \$3,806 for immigrants and a \$1,294 surplus for natives. There are currently about 3 million illegal aliens in California and — using the national average of 3.1 persons per immigrant household — 968,000 illegal immigrant households.

We can thus safely estimate California’s 2011 illegal alien deficit to be \$3.7 billion (\$3,806 times 968,000).

The NRC attributes the native/immigrant fiscal divide to different income levels and family structures:

Comparing services received and revenues paid across native and immigrant households reveals that immigrant-headed households are larger consumers of K-12 education (due to relatively larger family size) and receive more state transfers to households (due to relatively lower incomes). Native and immigrant households pay nearly the same in local taxes, but the richer native households pay more in state income and sales taxes. Within

immigrant groups, families from Europe/Canada are actually net fiscal contributors, even more so than natives, and households from Asia, Latin America, and other (Africa and Oceania) receive net transfers from California’s state and local treasuries.

Our 2011 deficit estimates, while adjusted for inflation and population growth since the NRC study, undoubtedly understate the current problem. Illegal aliens have far easier access to state services today than they did in 1996 when the NRC study was done. Back then, for example, Medi-Cal benefits were restricted to individuals who could certify their legal status. Today the

health program is often made available to individuals who merely “self-declare” themselves to be legal. Keep this in mind when you read articles <http://mail-lists.uci.edu/mailman/public/calaaem/2006-July/000651.html> claiming that Medi-Cal spending for undocumented aliens is increasing more slowly than total Medi-Cal spending.

Medi-Cal covers well-baby maternity care, delivery expenses, and long-term care costs for children born to illegal immigrants. A California study put the number of these anchor baby deliveries

at 74,987 in 1994, at a cost of \$215 million. At that time those births constituted 36 percent of all Medi-Cal births. Today they account for more than 43 percent of all Medi-Cal-funded deliveries. <http://archive.newsmax.com/archives/articles/2005/12/26/170334.shtml>

Today emergency medical care for California’s undocumented costs nearly \$1 billion a year, by one federal estimate. They receive about 30 percent of all Medi-Cal payments and 31 percent of welfare payments, often because their children were born here, and are therefore American citizens. [Wells]

K-12 education is the largest state expenditure, accounting for 40 percent of the budget. Enrollments have increased dramatically since 1996, swelled pri-

California state expenditures, revenues, and average fiscal balance for native and immigrant households, 1996
(1996 dollars per household)

	Natives	Immigrants
EXPENDITURES:		
K-12 education	1,212	2,496
Transfer payments (a)	594	1,474
All other (b)	704	1,003
TOTAL EXPENDITURES	2,510	4,973
REVENUES		
Income tax	1,964	1,070
Sales tax	727	570
All other	714	701
TOTAL REVENUES	\$3,405	\$2,341
FISCAL (DEFICIT)/SURPLUS	\$895	(\$2,632)

a. Includes the state’s share of Medi-Cal, welfare, SSI, and other transfers.
b. Mainly higher education, municipal assistance, and property tax relief.
Data source: National Research Council, *The New Americans*, 1997.
Table 6.3, page 281.

marily by Hispanic immigrants and their U.S. born children. Consider this: between 1994 and 2005 California K-12 enrollment grew by 1,054,806; Hispanic student enrollment rose by 1,009,489, accounting for 96 percent of the total increase. White enrollment *declined* by 246,220 students over the same period. http://www.vdare.com/asp/printPage.asp?url=http://www.vdare.com/thom/060914_schools.htm

California’s illegal immigrants are also poorer now, relative to the state’s natives, than they were in 1996. Consequently they pay less tax per dollar of state services. Today’s illegal immigrant is estimated to receive about ten dollars in state services for every dollar paid in state taxes, roughly twice the disparity found in 1996. http://www.thesocialcontract.com/artman2/publish/tsc_17_4/tsc_17_4_romero.shtml

The immigration deficit does not include the \$3 billion to \$7 billion a year the state estimates it lost due to under-the-table, cash-only transactions involving illegals. Billions of dollars earned in California are sent back home, usually to Mexico.

Proposition 187 and Immigration Growth

Proposition 187 was nicknamed the “Save Our State” initiative for good reason. In the years prior to its passage California had become Ground Zero for mass immigration. By the mid-1990s one in four state residents was foreign born; one-third of them were illegal aliens. With native-born residents having fewer children or moving to other states, virtually all of state population growth was due to immigration.

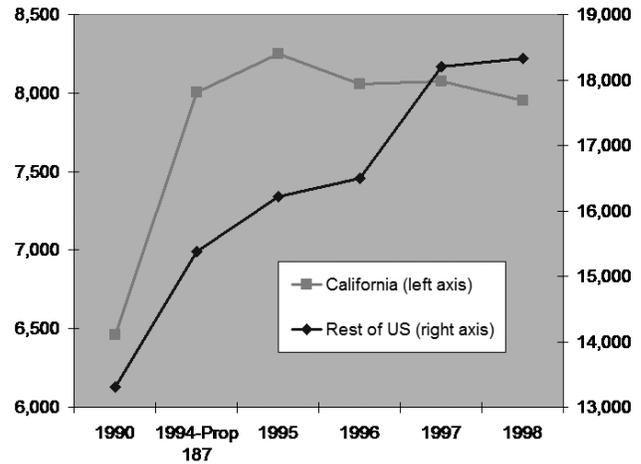
Economic and social adversity followed. The influx of unskilled illegals lowered wages and increased unemployment for many native workers — with minorities particularly hard hit. All native-born Californians paid higher taxes to fund public services for illegals. Rapid demographic shifts triggered by mass immigration raised the spectre of a bifurcated society where English-speaking Anglo-Americans would forever be caretakers for Spanish-speaking Latinos. To counter this threat, the state did what the nation was unwilling to do: limit illegal immigrant rights and access to public services. In other words: enforce federal immigration laws.

Population control was not an explicit goal of Proposition 187. However, if the availability of state welfare, unemployment, and health care was the “magnet” attracting immigrants to California, a reduction in foreign-born population growth would not be surprising. This, in fact, is exactly what we see in the years immediately following passage of Proposition 187.

Prior to 1994 California’s foreign-born population

was growing faster than that of the rest of the nation. The trend reversed dramatically following Proposition 187:

Immigrant population before/after Prop. 187
(Population in 1,000s; Data source: Urban Institute)



In the four years prior to Proposition 187 (1990 to 1994) California’s foreign-born population rose from 6.5 million to 8.0 million, up a whopping 25 percent. During the next four years (1994 to 1998) the trend reversed: the state’s immigrant headcount fell by 51,000 — a 0.6 percent decline.

Meanwhile, in the rest of the country immigrant population growth accelerated throughout the period. It rose by 2.1 million from 1990 to 1994, and by another 2.5 million between 1994 and 1998.

It is particularly significant that Arizona and Texas, states that, like California, share a long border with Mexico, experienced accelerated immigration growth following passage of 187. In Arizona, for example, the immigrant population rose by 41 percent from 1990 to 1994, and by another 62 percent from 1994 to 1998. Texas’ foreign-born population rose 21 percent in the four years prior, and 25 percent in the four years following Proposition 187.

Proposition 187 undoubtedly changed the destination of many illegal border crossers. It also induced illegals already in California to relocate to neighboring states. The historical significance of this change is clear when you take the long view of immigration to California. An Urban Institute study http://www.urban.org/uploadedpdf/are_immigrants_leaving_ca.pdf explains:

But, while the share of all immigrants living in California grew steadily from 1900 to 1995 (from about 4 percent to 35 percent), during the latter half of the 1990s its share of the immigrant population dropped to 30 percent. More striking even than this drop in Califor-

nia's share of the foreign-born population is the fact that the number of immigrants living in the state has not changed in the last five years, stabilizing at roughly 8 million between 1995 and 1999. Further, this reduction in share is due to both fewer immigrants coming to live in California and increased internal migration of the foreign-born — especially Mexicans — out of California to the rapidly growing non-traditional immigrant receiving states....

This new pattern of dramatically reduced growth of the foreign-born population in California (or no growth at all) raises questions about the extent to which the lessened growth can be accounted for by lower levels of immigration, both from abroad and from other states, versus increased amounts of out-migration. Changes in California's political climate, as evidenced by its anti-immigrant legislation and rhetoric, may have played a role, but this factor is not the subject of our research.

The availability of welfare, health care, and other taxpayer-funded benefits is but one of many factors that attract immigrants to particular states and localities. Careful statistical analysis is necessary to prove that the dramatic reduction in California's immigrant population growth after Proposition 187 was not caused by other things. One such study caught our eye.

In *State Immigration and Immigrant Flows: An Analysis*, Bryan J. Balin of the Johns Hopkins University School of Advanced International Studies "... seeks to fill this gap in the literature on the effects of anti-immigrant legislation." Using detailed data on state immigration flows, he accounts for all variables that might influence immigrant inflows. They include the number of immigrants already living in a state (new immigrants will choose to settle in states where their compatriots are already living), state unemployment rates, per capita income growth, and a state's proximity to Mexico. <http://www.policyarchive.org/handle/10207/bitstreams/11500.pdf>

After controlling for all the non-political variables, or "inputs" as Balin calls them, he reports:

The primary finding of the study is this: after controlling for the major "inputs" behind immigration flows to individual U.S. states... there is some evidence to show that Proposition 187-style legislation did decrease the number of Mexicans immigrating legally into a state in 2000, but thereafter, this type of

legislation also became ineffective in slowing Mexican immigration flows. This result for Mexican immigrants may be primarily due to a waning of the "fear factor" of such initiatives over time.

Translation: As late as 2000 California's Prop. 187 deterred Mexican immigrants from entering the state. (California was the only state that had enacted legislation to deny illegal immigrants services prior to that year.) But in subsequent years the "fear" factor associated with Prop. 187 diminished. That is hardly surprising, given that in 1999 Pete Wilson's successor — Democratic Governor Gray Davis — effectively killed Prop. 187 by withdrawing the state's court challenge to the federal government's attempt to emasculate the initiative.

Prop. 187 was never fully implemented. California's immigrant population declined after 1994 mainly because illegal immigrants "self deported" rather than face the threat — idle though it proved to be — of apprehension and incarceration.

The same syndrome appears to be at work today. Hispanic students have reportedly vanished from many public schools in Arizona despite the federal injunction barring implementation of many parts of the state's tough law. Similarly, education officials in Alabama say scores of immigrant families have withdrawn their children from classes or kept them home following passage of that state's immigration law — a law that faces legal challenges. <http://theamericanjingoist.net/index.php/2011/10/04/attribution-through-enforcement-immigration-policy-works-in-alabama/>

But, as the Hopkins study shows, the fear factor wanes over time. Only permanent legislation barring illegal aliens from receiving benefits will stem the tide.

Prop 187's Impact on Welfare Reciprocity

In the mid-1990s, when implementation of Proposition 187 was being blocked in court, President Clinton responded with a new federal welfare law. The Personal Responsibility and Work Opportunity Reconciliation Act (PRA) of 1996 was designed to lower welfare use among both immigrants and natives. Because welfare usage was significantly higher among immigrants, a key provision of the law prohibited new immigrants from receiving public assistance. The ban is lifted when the immigrant becomes a naturalized citizen.

In practical terms, PRA created a five-year "waiting period" before immigrants entering after enactment of the law are eligible for assistance. After five years, residency the immigrant can apply for naturalization, and if the application is successful (as it usually is) the ban is lifted.

Prop. 187 and PRA were both motivated by the fear that immigrant welfare usage was rising rapidly and threatened the fiscal stability of state and local governments. Hard data confirm this perception. Although early studies of welfare programs found that households headed by immigrants had a lower probability of receiving benefits than households headed by U.S.-born citizens, studies conducted in the 1990s found the opposite — immigrant households had become more likely to receive benefits. By 1996 George Borjas reported that nearly 21 percent of immigrants received some sort of assistance compared to only 14 percent of natives. [George J. Borjas and Lynette Hilton, “Immigration and the Welfare State: Immigrant Participation in Means-Tested Entitlement Programs,” *Quarterly Journal of Economics*, May 1996, pages 575-604.]

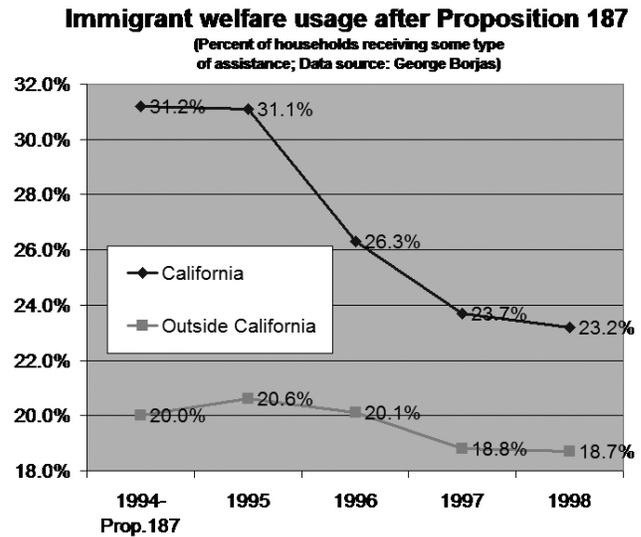
Two factors explain the shift. First, the country of origin of incoming immigrants shifted dramatically. Before 1965 immigration was guided by the national origins quota system, which granted visas mainly to persons living in European countries, particularly the U.K. and Germany. The 1965 Immigration Act repealed those quotas. Since then 95 percent of new arrivals have come from Mexico, Latin America, and other Third World countries. Post-1965 immigrants increasingly lagged natives in education, skills, and incomes.

Second, the generosity and availability of welfare benefits to both natives and immigrants increased significantly after 1965. The prospect of receiving a welfare check that, in many cases, exceeded the income immigrants would have earned in their home country could easily have become the decisive factor in their decision to come here. Welfare was a magnet. It attracted immigrants who otherwise would not have come here, and discouraged them from going home if they should fail to find gainful employment. The huge interstate disparity in benefits also influenced where immigrants live in the U.S., and places a heavy fiscal burden on relatively generous states.

From a distance, PRA seems to have achieved its goal. Immigrant welfare dependency declined significantly relative to that of natives after 1996. It turns out, however, that the national trend is attributable *entirely* to the welfare trend in California.

The fraction of immigrant households receiving some type of assistance in California fell precipitously, from 31.2 percent in 1994 (the year Proposition 187 was passed) to 23.2 percent in 1998. Outside of California, where the Clinton welfare law PRA was the only new restraint on immigrant welfare usage during this period,

the fraction of immigrant households receiving benefits dropped by only 1.3 percentage points.



Outside of California, natives and immigrants were on the same trajectory as far as welfare rates are concerned. Participation rates fell by about 2.2 points for natives and less than 2 points for immigrants. “In short,” Borjas writes, “the raw data do not provide any evidence whatever that PRA had any ‘chilling effect’ on the welfare participation of immigrant households that reside outside of California.”

Put differently, Prop. 187 appears to have cut immigrant welfare usage while PRA did not. Why? The answer is obvious. The California initiative provided an enforcement mechanism. State and local welfare officials were required to ascertain the immigration status of the individuals applying for benefits; illegal aliens were to be reported to federal authorities. By contrast, PRA prohibited aid for illegal aliens but it did not allow state officials to check the status of new applicants. Federal lawmakers made sure that the local bureaucrats who deal with immigrants could not ask meaningful questions.

Conclusion

Proposition 187 was never fully implemented, yet it had a profound impact on spending, population growth, and welfare dependency in the state of California. Many illegals voted with their feet and left the state. Others avoided state welfare offices for fear of deportation. For them the overwhelming voter support for Proposition 187 had a “chilling effect” that persisted long after the initiative was abandoned. Proposition 187 showed state and local lawmakers that restrictionist legislation can work even when emasculated by federal opposition. ■