

Economic Cost of Oregon’s Measure 105

In 2010, Arizona’s legislature enacted Senate Bill 1070, a law that gave broad authority to local law enforcement to act as immigration agents and target potential undocumented immigrants. Subsequent studies have shown that Arizona’s law, which allowed for racial profiling and raised concerns about due process, led to a large decline in tax revenue and significant struggles for several key industries in the state due to the estimated 10 percent of its undocumented population that left the state after the law was passed.¹ Many of these immigrants had been working in hard-to-fill jobs in construction, hospitality, and other key industries.

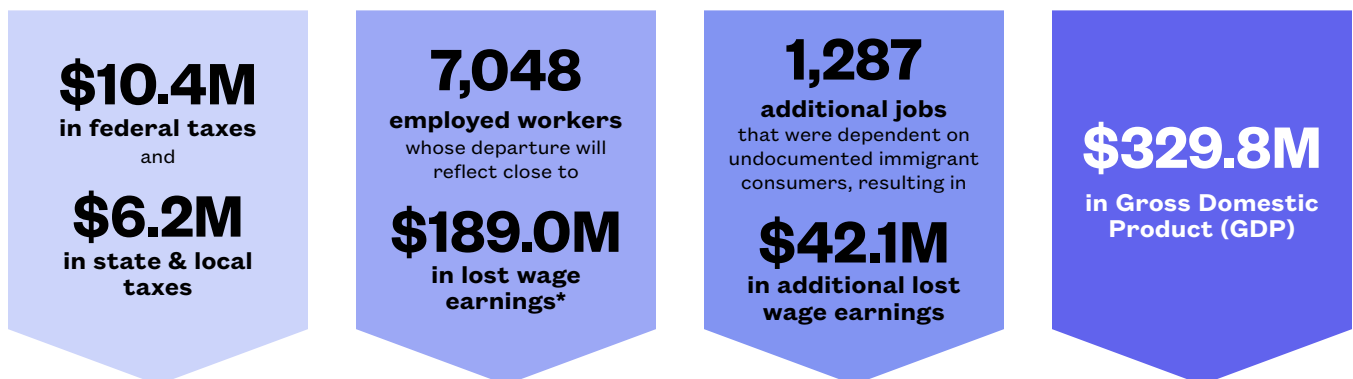
Oregon is now poised to potentially follow a similar path. Measure 105, on the ballot next month, would repeal Oregon Revised Statute 181A.820, in effect since 1987, which prohibits state agencies including law enforcement from using state resources or personnel to detect or apprehend individuals whose only violation of the law is that of federal immigration law. Passage of this measure would, similar to Arizona, allow local law enforcement to effectively become immigration enforcement agents.

The Arizona experience should be a cautionary tale. Like in Arizona, undocumented immigrants in Oregon are overwhelmingly employed. According to [new data](#) from New American Economy, more than 91 percent of undocumented immigrants in Oregon are of prime working age (ages 16 to 64). They pay \$260 million each year in taxes, including more than \$80 million in state and local taxes, and hold almost \$2 billion a year in spending power to inject into the local economy. The costs of losing a significant portion of these workers could be substantial for Oregon’s economy.

This brief models what the economic costs would be in several industries and in the Oregon economy as a whole if Measure 105 were passed by the voters and 10 percent of the state’s undocumented population were to leave. To be conservative, it also models the impact if Oregon experienced just half of that immigrant exodus—five percent. To show the economic impact to Oregon’s diverse communities, the estimated economic loss is broken out for metropolitan and non-metropolitan areas in each of their top five industries, respectively.

In either of the two cases modeled—the Arizona-style 10 percent immigrant exodus or the more conservative five percent exodus—the state would lose millions of dollars in taxes and at least \$150 million in state gross domestic product over a one-year period.

If 10% of undocumented immigrants leave Oregon as a result of the measure, the state would lose...



* State-wide, business owners in industries such as restaurants and food services, agricultural production, and construction will be greatly affected.

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

If 10% of undocumented immigrants leave Oregon as a result of the measure, the following areas would lose...

METRO AREAS

- **\$286.1 million** in GDP
- **6,012 employed workers**, including those in the top five industries in Oregon's metro areas, such as restaurant and food services, construction, and agricultural production workers. Their departure would reflect **\$163.7 million** in lost wage earnings
- **1,117 additional jobs** dependent on undocumented immigrant consumers, representing a loss of **\$36.3 million** in additional lost wage earnings

NON-METRO AREAS

- **\$50.8 million** in GDP
- **1,035 employed workers**, including those in the top five industries in Oregon's non-metro areas, such as agricultural and animal production, groceries, and seafood workers. Their departure would reflect **\$25.2 million** in lost wage earnings
- **185 additional jobs** dependent on undocumented immigrant consumers, representing a loss of **\$6.7 million** in additional lost wage earnings

We also estimated the economic loss as it relates to jobs, earnings, taxes, and GDP over a one-year period in an alternative scenario where **five percent of undocumented immigrants were to leave Oregon**. The five percent estimate is based on the assumption that a repeal of ORS 181A.820 may have a lesser impact compared to Arizona's SB 1070 law (see detailed methodology below).

If 5% of undocumented immigrants leave Oregon as a result of the measure, the state would lose...

\$4.5M

in federal taxes
and

\$2.7M

in state & local
taxes

3,524

employed workers
whose departure will
reflect close to

\$94.5M

in lost wage
earnings*

644

additional jobs
that were dependent on
undocumented immigrant
consumers, resulting in

\$21.1M

in additional lost
wage earnings

\$164.9M

in Gross Domestic
Product (GDP)

METRO AREAS

- **\$143.1 million** in GDP
- **3,006 employed workers**, including those in the top five industries in Oregon's metro areas, such as restaurant and food services, construction, and agricultural production workers. Their departure would reflect **\$81.9 million** in lost wage earnings
- **558 additional jobs** dependent on undocumented immigrant consumers, representing a loss of **\$18.2 million** in additional lost wage earnings

NON-METRO AREAS

- **\$25.4 million** in GDP
- **518 employed workers**, including those in the top five industries in Oregon's non-metro areas, including agricultural and animal production, groceries, and seafood workers. Their departure would reflect **\$12.6 million** in lost wage earnings
- **93 additional jobs** dependent on undocumented immigrant consumers, representing a loss of **\$3.4 million** in additional lost wage earnings

* State-wide, business owners in industries such as restaurants and food services, agricultural production, and construction will be greatly affected.

In either scenario, these losses are significant.

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

About NAE

New American Economy (NAE) brings together more than 500 Republican, Democratic and Independent mayors and business leaders who support immigration reforms that will help create jobs for Americans today. Coalition members include mayors of more than 35 million people nationwide and business leaders of companies that generate more than \$1.5 trillion and employ more than 4 million people across all sectors of the economy, from Agriculture to Aerospace, Hospitality to High Tech and Media to Manufacturing.

Learn more at www.NewAmericanEconomy.org.



METHODOLOGY

To estimate the potential economic cost of the proposed measure, we first obtained 2016 American Community Survey (ACS) five-year data using the Integrated Public Use Microdata Series (IPUMS) portal. We then applied the methodological approach outlined by Harvard University economist George Borjas to arrive at an estimate of the undocumented immigrant population in Oregon.³ We identified the top five industries that undocumented immigrants worked in, and created a new category that lumps all undocumented workers working in industries other than the top five. To show the economic impact to Oregon's diverse communities, we also broke out the estimated economic loss for metropolitan and non-metropolitan areas in each of their top five industries, respectively. The metropolitan break includes metropolitan areas as defined by the U.S. Census.⁴ The Non-metropolitan break includes areas that do not fit the U.S. Census definition of a metropolitan area. The full definition of a metropolitan area can be found on the U.S. Census Bureau's website. See a list of the metropolitan areas studied below.

By using the above data and industry multipliers from the Regional Input-Output Modeling System (RIMS II), we estimated the total loss in jobs, worker earnings, and Gross Domestic Product (GDP) over a one-year period in Oregon if five percent or if 10 percent of the undocumented immigrants leave the state as a result of the proposed measure.⁵ RIMS II is a standard economic impact tool developed by the Bureau of Economic Analysis and is widely used in economic impact studies by government agencies, corporations, and researchers.

Our model for the economic impact on Oregon if 10 percent of undocumented immigrants leave the state is based on a study by Gonzalo E. Sánchez of Escuela Superior Politécnica del Litoral (ESPOL) in Guayaquil, Ecuador.⁶ His research on Arizona SB 1070, a similarly controversial legislation requiring state law enforcement to enforce federal immigration law in Arizona, found that noncitizen Hispanics—a proxy used to estimate the state's undocumented population—decreased by 10 to 15 percent after the bill passed. We argue that, although the repeal of ORS 181A.820 may not have the same legal implications as Arizona SB 1070, it would create a similarly hostile political climate that would encourage undocumented immigrants to leave Oregon.

However, we understand the likelihood that the impact of the repeal on the undocumented immigrant population may be smaller than what Sánchez found for Arizona SB 1070, so we also modeled the economic impact if five percent of undocumented immigrants leave Oregon.

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

Aside from the loss of jobs, worker earnings, and GDP, we also calculated the potential loss in federal and in state and local tax revenues over a single year if five percent or if 10 percent of undocumented immigrant workers leave the state. To estimate the tax contributions of five percent of Oregon's undocumented immigrants, we randomly selected five percent of the undocumented immigrant population in Oregon, then estimated tax contributions for that random five percent sample.⁷ We repeated this estimation process 100 times, then took the minimum tax estimation out of the 100 iterations for a conservative estimate. We used the same process to estimate tax contributions for 10 percent of Oregon's undocumented immigrants, and we estimated federal taxes and state and local taxes separately. We estimated state and local taxes using the tax rates estimates produced by the Institute on Taxation and Economic Policy (ITEP).⁸ For federal tax estimates, we used data released by the Congressional Budget Office in 2014 and calculated federal taxes based on the federal household income tax brackets.⁹

The metropolitan areas studied are: Deschutes County; Columbia, Lincoln, Clatsop & Tillamook Counties; Linn & Benton Counties; Lane County (West Central)--Eugene City (West & South); Lane County (East Central)--Eugene (Northeast) & Springfield Cities; Lane County (Outside Eugene & Springfield Cities); Jackson County (Central)--Medford & Central Point Cities; Jackson County (Outside Medford & Central Point Cities)--Ashland City; Marion County (West Central)--Salem (North), Keizer Cities & Hayesville; Marion County (West Central)--Salem City (South) & Four Corners; Marion County (Outside Salem & Keizer Cities)--Woodburn & Silverton Cities; Yamhill & Polk Counties; Portland City (North & Northeast); Portland City (East); Portland City (Southeast); Portland City (Central East); Portland City (Northwest & Southwest); Multnomah County (East)--Gresham & Troutdale Cities; Clackamas County (South & East)--Damascus City; Clackamas County (Northwest)--Oregon City, Milwaukie & Happy Valley Cities; Clackamas County (Northwest)--Lake Oswego, West Linn, Wilsonville & Canby Cities; Washington County (Southeast)--Tigard, Tualatin & Sherwood Cities; Washington County (West)--Forest Grove, Cornelius Cities, Bethany & Oak Hills; Washington County (Central)--Hillsboro City; Washington County (Central)--Beaverton City (West) & Aloha; Washington County (Northeast)--Beaverton City (East & Central) & Cedar Mill.

ENDNOTES

- 1 The study referenced used Arizona's Hispanic noncitizen population as a proxy to estimate the state's undocumented population. New American Economy uses its own methodology to estimate the undocumented population.
 - 2 Ottaviano, Gianmarco I. P. and Giovanni Peri. 2012. "Rethinking the Effect of Immigration on Wages." *Journal of the European Economic Association* 10 (1): 152-07. <https://doi.org/10.1111/j.1542-4774.2011.01052.x>.
 - 3 Borjas, George J. 2017. "The Labor Supply of Undocumented Immigrants." *Labour Economics* 46:1-13. <https://sites.hks.harvard.edu/fs/gborjas/publications/journal/LE2017.pdf>.
 - 4 U.S. Census Bureau. "2010 Geographic Terms and Concepts - Core Based Statistical Areas and Related Statistical Areas." Accessed September 27, 2018, https://www.census.gov/geo/reference/gtc/gtc_cbsa.html.
 - 5 Bureau of Economic Analysis. "RIMS II Multipliers." Accessed August 3, 2018. <https://www.bea.gov/regional/rims/rimsii/>.
 - 6 Sánchez, Gonzalo E. 2017. "The Short-Term Response of the Hispanic Noncitizen Population to Anti-Illegal Immigration Legislation: The Case of Arizona SB 1070." *Journal of Economics, Finance and Administrative Science* 22 (42): 25-36. <https://doi.org/10.1108/JEFAS-02-2017-0034>.
 - 7 Gee, Lisa Christensen, Matthew Gardener, and Meg Wiehe, 2016. "Undocumented Immigrants' State and Local Tax Contributions." Institute on Taxation and Economic Policy. <https://itep.org/immigration/>.
 - 8 Institute on Taxation and Economic Policy. 2015. "Who Pays? A Distributional Analysis of the Tax Systems in All Fifty States." <https://itep.org/whopays/>.
 - 9 Congressional Budget Office. 2014. "The Distribution of Household Income and Federal Taxes, 2011." 17 (4): 695.
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