

Economic Cost of Ohio House Bill 169

Employers across the state of Ohio are struggling to find workers in key industries ranging from agriculture to healthcare. At the same time, a bill being considered in the State House threatens to exacerbate workforce shortages and cost the state economy millions in tax revenue and GDP. If passed, House Bill 169 would punish local government entities who limit cooperation and information sharing with federal authorities on immigration matters, effectively forcing local law enforcement to act as immigration enforcement agents. In doing so, Ohio would be following a similar path as Arizona, which lost an estimated 10 percent of its undocumented population¹ after the similarly restrictive Senate Bill 1070 was enacted in 2010. Their departure led to a large decline in tax revenue and significant struggles for several key industries, especially those with hard to fill jobs in construction and hospitality.

SB 1070 should be a cautionary tale. Like in Arizona, undocumented immigrants in Ohio are overwhelmingly employed. According to [new data](#) from New American Economy, 86.8 percent of undocumented immigrants in Ohio are of working age (ages 16 to 64). They pay more than **\$363 million each year in taxes**, including **more than \$127 billion in state and local taxes**, and hold **more than \$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 Ohio's economy.

Undocumented immigrants in Ohio of working age:

86.8%

Annual spending power held by undocumented immigrants:

\$2.3B

This brief models what the economic costs would be if HB 169 were signed into law, creating a hostile environment and causing 10 percent of the state's undocumented population to leave as a result. The research found that **the state would risk losing millions of dollars in taxes and more than \$698 million in gross domestic product in just one year**.

If 10 percent of undocumented immigrants leave Ohio, the state will lose:

\$6.4M

in federal taxes
and

\$4.2M

in state & local taxes

5,300

employed workers
whose departure
will reflect

\$183.9M

in lost wage
earnings*

3,182

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

\$166.5M

in additional lost
wage earnings

\$698.4M

in Gross Domestic
Product (GDP)

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

Note: The economic loss as it relates to jobs, earnings, taxes, and GDP is proportional to the number of undocumented immigrant workers that would leave the state. For instance, if 20 percent of undocumented immigrants leave Ohio, the economic cost will be twice the above numbers.

The losses in Ohio are significant.

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

METHODOLOGY FOR ESTIMATING POTENTIAL ECONOMIC COST OF OHIO HOUSE BILL 169

To estimate the potential economic cost of the passage of HB 169, we first obtained 2017 American Community Survey (ACS) one-year data using the Integrated Public Use Microdata Series (IPUMS) portal. We then applied the methodological approach outlined by Harvard University economist George Borjas to arrive at an estimate of the undocumented immigrant population in Ohio.³ We identified the top five industries in which undocumented immigrants worked, and created a new category that lumps all undocumented workers working in industries other than the top five.

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

Our model for the economic impact on Ohio if 10 percent of undocumented immigrants leave the state is based on a study by Gonzalo Sanchez of Texas A&M University.⁵ His research on Arizona SB 1070, a similarly controversial legislation requiring state law enforcement to enforce federal immigration law in Arizona, found that noncitizen Hispanics—a proxy used to estimate the state's undocumented population—decreased by 10 to 15 percent after the bill passed. We argue that, although the passage of HB 169 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 Ohio.

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

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

About NAE

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

Learn more at www.NewAmericanEconomy.org.



ENDNOTES

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