New American Economy | State & Local

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Economic Cost of Oklahoma Senate Bill 1459 and House Bill 1407

Oklahoma is currently set to experience a labor shortage of nearly 20,000 workers over the next decade due, in large part, to workers aging out of the workforce. At the same time, two bills being considered in the State House and Senate threaten to further limit the state's labor pool and cost the state economy millions in tax revenue and GDP. If passed, Senate Bill 1459 and House Bill 1407 would effectively force local law enforcement agents to become federal immigration agents. These bills would also punish local government entities that formally or informally limit cooperation and information sharing with federal authorities on immigration matters by withholding state funds.

In doing so, Oklahoma would be following a similar path as Arizona, which lost an estimated 10 percent of its undocumented population[1] 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, including hard to fill jobs in construction and hospitality.

Undocumented immigrants of working age: **89.7%**

Annual spending power held by undocumented immigrants: **$1.4B**

The SB 1070 experience should be a cautionary tale. Like in Arizona, undocumented immigrants in Oklahoma are overwhelmingly employed. According to **new data** from New American Economy, more than 89 percent of undocumented immigrants in Oklahoma are of working age (ages 16 to 64). They pay **nearly $169 million each year in taxes**, including **more than $77 million in state and local taxes**, and hold **more than $1 billion in spending power** that bolsters the local economy. **The costs of losing a significant portion of these workers could be substantial for Oklahoma's economy.**

If 10% of undocumented immigrants leave Oklahoma, the state stands to lose:

$3.3M **in federal taxes** and **$4.3M** **in state & local taxes**

5,775 **employed workers** whose departure will reflect **$159.0M** **in lost wage earnings***

3,376 **additional jobs** that were dependent on undocumented immigrant consumers, resulting in **$111.9 M** **in additional lost wage earnings**

$395.3M **in Gross Domestic Product (GDP)**

* State-wide, business owners in industries including construction, restaurants and food service, meat production and processing, 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 Kentucky, the economic cost will be twice the above numbers.

The losses in Oklahoma are significant.

Because of the role undocumented immigrants play in Oklahoma's 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

To estimate the potential economic cost of the passage of Senate Bill 1459 and House Bill 1407, we first obtained 2018 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 Oklahoma.[3] The foreign-born population is adjusted for misreporting in two ways. Foreign-born individuals who reported naturalization are reclassified as non- naturalized if the individual had resided in the United States for less than six years or, if married to a U.S. citizen, for less than three years.

Having identified the undocumented population in the state, we then identified the top industries in which undocumented immigrants worked, and created a new category that lumps all undocumented workers working in other industries.

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 Oklahoma if 10 percent of the undocumented immigrants leave the state as a result of the proposed bill.[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 Oklahoma 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 SB 1459 and HB 1407 may not have the same legal implications as Arizona SB 1070, they would create a similarly hostile political climate that would encourage undocumented immigrants to leave Oklahoma.

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 Oklahoma's undocumented immigrants, we randomly selected 10 percent of the undocumented immigrant population in Oklahoma, 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 2015 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.

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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 March 6, 2020. 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. 2018. "Who Pays? A Distributional Analysis of the Tax Systems in All Fifty States." https://itep.org/whopays/

8 Congressional Budget Office. 2018."The Distribution of Household Income and Federal Taxes, 2015." https://www.cbo.gov/publication/54646