

Estimating the State/Local Fiscal Impact of DACA Recipients

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1 Introduction

Deferred Action for Childhood Arrivals (DACA) has been the most significant policy affecting undocumented immigrants that arrived in the U.S. as young children since the 1986 Immigration Reform and Control Act was passed almost 40 years ago. Enacted by President Obama via executive order in 2012, DACA provides temporary amnesty and work authorization for undocumented individuals that satisfy an array of criterion based around age of arrival, year of arrival, current age, and educational attainment. In the twelve years since its inception, DACA has been the subject of contentious debates, manifesting in its temporary rescission and eventual partial restoration. Currently, the program no longer accepts new applicants but maintains coverage for previously approved DACA individuals.

DACA's future remains highly uncertain. Important to the debates over the program is a clear understanding of its economic impacts. One dimension of this includes elucidating how DACA recipients impact local government budgets via their contributions to revenue and their consumption of public goods/services. As such, this paper estimates the net state and local fiscal impacts of DACA recipients.

Estimating the state/local fiscal impacts of DACA recipients incurs several challenges. As with most fiscal impact analysis, we lack detailed records on individual contributions to revenues and consumption of public goods/services at the state/local level. Hence, fiscal calculations must allocate aggregate revenues and spending to individuals based on highly simplified assumptions. To this end we closely follow the methodology used in Chapter 9 “State and Local Fiscal Effects of Immigration” of the 2017 National Academy of Sciences report “Economic and Fiscal Impact of Immigration” (Mackie and Blau, 2017), henceforth “NAS9”.

Our starting point is the 2021 Census of Government (COG) Annual Survey of State and Local Government Finances.¹ These data provide total state/local revenues and ex-

¹Data downloaded from <https://www2.census.gov/programs-surveys/gov-finances/tables/2021/21slsstab1.xlsx>.

penditures by category. We then use individuals from the 2022 American Community Survey and allocate these revenues and expenditures to each individual, based on allocation rules/assumptions that vary based on category. DACA recipients are identified in the ACS following Connor (2024), and then calculate the average revenues and expenditures of DACA recipients for each state. We differ from NAS9 in that we only estimate the effects for DACA recipients, and at times must use slightly different allocation rules due to differences in data sources, periods of coverage, and our sole focus on DACA recipients.

We find that overall DACA recipients provide positive net fiscal benefits at the state/local level in almost all states. Revenues generated from sources like individual income taxes, sales taxes and other taxes on average outweigh their costs. This remains true even when revenue and expenditures of dependent children are included in the calculations for independent DACA recipients. This contrasts with NAS9 which finds that the net fiscal benefit/cost of immigrants depends on their generation status. For example, 1st generation immigrants tend to use more state/local resources, primarily education costs, and hence may generate a net fiscal cost for many states. In contrast, DACA recipients tend to be predominantly of working age and earn positive income, thereby yielding larger contributions to state/local revenues. DACA recipients also tend to be younger in age, and thereby do not substantially generate expenditures related to retirement/pension spending. Given their undocumented status, they also are barred from many state/local welfare programs thereby reducing their expenditures.

The remainder of the paper is as follows. Section 2 discusses the general approach, the datasets used, and also the various procedures to measure DACA recipient, independent/dependent individuals. We also describe how expenditures and revenues are calculated for independent person units (IPUs), which represents the revenues and costs of independent individuals, plus either half or all of the revenues and costs assigned to their dependent children. We then describe how we measure independents and dependents. Section 3 then describes how we allocate COG revenues to individuals in the ACS, and Section 4 details

the allocation procedure for COG expenditures to individuals in the ACS. Section 5 provides the main findings on the net fiscal benefits/costs of DACA recipients at the state/local level. Section 6 concludes.

2 Measurement Methods

Accurately measuring the fiscal impacts of DACA recipients requires granular data that tracks the amount of state/local expenditures on each individual and also the amount of revenues each individual contributes to the state/local government. Lacking this, we follow conventional methods that take aggregate data on total state/local expenditures and revenues, and assign these to individuals based on weights reflecting assumptions about each individual’s share of each type of expenditure or revenue.

We focus on independent individuals as the unit of analysis as our goal is to track the revenues and expenditures of DACA recipients.² As in NAS9, we also calculate revenues and expenditures of dependent children and pass them through to their independent parent(s). Policies that affect DACA recipients may have complicated affects on the household, and thus adopting the independent individual as the unit of analysis simplifies estimation.

We utilize the 2022 American Community Survey (ACS) which is a 1% national random sample of the U.S. population.³ Because the many of the survey questions, particularly those about work and income, reflect respondents outcomes in the prior 12 months, it is likely to well align with the state/local revenues and expenditures reported by the COG in 2021. NAS9 differs in that they utilize the 2011-13 Current Population Surveys (CPS) to estimate the fiscal effects of immigration. We instead utilize the 2022 ACS in order to produce the most current estimates with a reasonably large sample. The difference in datasets manifests in minor differences in how various categories of revenues or expenditures are allocated to

²See NAS9 for a discussion of the differences between household and independent unit analysis.

³We extract 2022 ACS microdata from IPUMS USA: “Steven Ruggles, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. IPUMS USA: Version 15.0 [dataset]. Minneapolis, MN: IPUMS, 2024. <https://doi.org/10.18128/D010.V15.0>”

individuals relative to NAS9. In particular, the ACS and CPS differ in some of the variables contained that track individuals spending or revenue contribution to particular state/local categories.

2.1 Defining DACA Recipients

A first challenge is to identify DACA recipients in ACS data. Because there is no exact identifier in ACS survey data, we rely on the methodology from Connor (2024) to identify likely DACA recipients in ACS data. Identifying likely DACA recipients requires using a combination of the DACA eligibility (e.g. year of arrival, age of arrival, age in 2012, education, etc.) and other criterion that are measurable withing ACS microdata. Details of this methodology can be found in Connor (2024).

The 2022 ACS contains 4,000 survey individuals identified as DACA recipients (out of a total of 3.3 million surveyed individuals). Using population-representative weights, this accounts for over 500,000 individuals, roughly 0.15% of the U.S. population. DACA recipients have an average age of 28.6, are roughly 54% female, and have 0.8 children living in the same household. Almost 30% reside in California, with Texas (16.6%), Illinois (5.5%), Arizona (5%), and Georgia (3.4%) rounding out the top 5 states in terms of DACA recipients. Nearly 80% of DACA recipients are employed, with average annual total income around \$42,100.

2.2 Constructing Independent Person Units

We conduct our analysis of the state/local fiscal effects of DACA recipients at the level of independent persons. Specifically, we try to closely follow NAS9, where possible, by constructing “independent person” units (IPUs). IPUs consist of one independent adult and the assignment of any dependent children in whole or in part. Hence, we first must identify whether individuals are independents or dependents. We then assign dependents to their independent parents. The revenues and expenditures associated with dependent children are passed-through in part or in whole to their parents, thus allowing us to assess the revenues

and expenditures of independent person units (IPUs). We define these groups as follows:

- **Dependent:** We consider dependents to be anyone: (1) under age 18, (2) ages 18 through 21 and in high school full time, or (3) ages 18 through 23 and in school full time or part time with household income below half of the poverty level.

There are several exceptions to individuals satisfying the above 3 criterion. First, we consider individuals who are the only member in their household and are 16 or older to be independents. Second, married individuals, irrespective of age, are also considered to be independents. Finally, individuals that are identified as the household head are also labeled as independents rather than dependents.

Roughly 23% of the population in the 2022 ACS are labeled as dependents. Dependents persons are mostly young children, and are on average 9 years old, with a standard deviation of 5 years and a maximum age of 23.

- **Independent person:** Generally includes any person that is not a dependent. Roughly 77% of the population in the 2022 ACS data are measured to be independent persons. Independent persons are on average 48 years old, with a standard deviation of 18 years. 75% are of working age (between 18 and 64).
- **Independent person unit:** Comprises the independent person plus assigned dependent children. For calculation of expenditures and revenues, this typically includes either half of the expenditures and revenues of any dependent children (when both parents are present in the household) or all the expenditures and revenues of any dependent children (when only one parent is present).

3 Estimating State and Local Revenues

After constructing independent person units, we then assign revenues to each unit using the 2021 COG data on taxes and other forms of revenue. We allocate the \$5.7 trillion of

state/local government revenues in 2021 to individuals by category as follows.

1. **Property Taxes**: The COG reported a combined state/local property tax revenue of roughly \$630 billion. These are allocated to individual property owners, based on their reported property tax payments. We calculate each individual's property tax payments (*PROPTX99*) as a share of total property tax payments of all property owners. The total COG amount is then allocated to each individual based on these shares. Note that only property owners that are assigned a portion of COG revenues.
2. **General Sales Tax**: Total state/local revenue collected from general sales tax was \$477 billion. We allocate this to individuals based on their total income (*INCTOT*) as a share of aggregate total income. Hence, we only include individuals that report positive total income. General sales taxes are then allocated to individuals according to their share of aggregate income.
 - **Selective Sales Taxes**: We allocate a variety of selective sales tax revenues totalling \$212 billion in the COG survey. These include sales taxes from motor fuels, tobacco products, alcoholic beverage sales, public utilities, and other selective sales. We describe the allocation of each of these in turn.
 - **Motor Fuels Sales Taxes**: We allocate \$53 billion in motor fuels sales tax revenue equally to all individuals 18 and over.
 - **Tobacco Product Sales Taxes**: We allocate \$19.4 billion in tobacco sales tax revenue equally to all individuals 18 and over.
 - **Alcoholic Beverage Sales Taxes**: We allocate \$19.4 billion in alcoholic beverage sales tax revenue equally to all individuals 21 and over.
 - **Public Utilities**: We allocate \$27.3 billion in public utilities sales tax revenue equally to all individuals.
 - **Other Selective Sales Taxes**: We allocate \$104.6 billion in other selective sales tax revenue equally to all individuals.

3. **Individual Income Taxes**: We attempt to allocate individual income tax revenue in proportion to individual income and also relative to effective income tax rates in each state. From the Institute on Taxation and Economic Policy report “Who Pays, 7th Edition” we obtain the average state income tax rates for each state and for each of the following income percentile groups: 0-20, 21-40, 41-60, 61-80, 81-94, 95-99, and top 1 percentile.⁴ We then assign these tax rates to each individual in the ACS with positive total income (*INCTOT*) based on their state of residence and their position in the distribution of income taxes within their state. We then compute their estimate individual tax payment by multiplying their total annual income with the referenced tax rate associated with their state of residence a state income percentile.

We then allocate \$545 billion in individual income taxes based on each individual’s estimated individual income tax payment as a fraction of total national individual income tax payments. Hence, individual allocation income tax shares scale to the COG total. As stated earlier, individual income tax revenues are only allocated to individuals with positive annual total income (*INCTOT*).

4. **Corporate Income Taxes**: We allocate \$98.7 billion in corporate income tax revenues to business owners. We first obtain state/local corporate income tax rates from the Tax Policy Center. We then estimate corporate tax payments of each business owner by multiplying to corporate tax rate of the state of residence with their reported business income (*INCBUS00*).

We then apportion the COG total corporate income tax revenue according to each individual’s corporate income tax payment as a share of total national corporate income tax payments. As such, these shares sum to 1 to scale to the COG total.

5. **Other Taxes**: We allocate the \$106.8 billion in other tax revenue equally to all indi-

⁴These figures come from the Institute on Taxation and Economic Policy report “Who Pays, 7th Edition”, available for download from <https://sfo2.digitaloceanspaces.com/itep/ITEP-Who-Pays-7th-edition.pdf>

viduals.

6. **Education Charges**: We allocate components of education revenues as follows:

- **Higher Education Charges**: We allocate \$115.2 billion in higher education charges equally to individuals currently attending higher education.
- **School Lunch Sales**: Following NAS9, we do not allocate the \$1 billion in school lunch sales. Instead we take these out of K-12 expenditures. Details can be found in the section that discusses K-12 expenditures.
- **Other Education Charges**: We allocate \$7.7 billion in other education charges equally to all individuals.

7. **Motor Vehicle License Revenues**: We allocate the \$32.4 billion in motor vehicle license revenues equally to all individuals aged 18 and over.

8. **Liquor Store Revenues**: We allocate the \$12.7 billion in liquor store revenues equally to all individuals aged 21 and over.

9. **Other Current Charges**: We allocate the \$445 billion in other current charges equally to all individuals.

10. **Miscellaneous General Revenue**: We allocate the \$283 billion in utility revenues equally to all individuals.

11. **Utility Revenue**: We allocate the \$176 billion in utility revenues equally to all individuals.

12. **Insurance Trust Revenue**: We allocate \$1.5 trillion in insurance trust revenues equally to individuals with positive wage income.

13. **Intergovernmental Revenues**: We allocate the \$1.1 trillion in intergovernmental revenues equally to all individuals.

4 Estimating State and Local Expenditures

After allocating revenues, we then use the 2021 COG data to allocate aggregate state/local expenditures to individuals. We allocate the \$4.5 trillion of state/local government expenditures in 2021 to individuals by category as follows:

1. **Education Spending**: We allocate various categories of education spending, attempting to closely follow the methodology in NAS9, while also allowing for adjustments specific to DACA recipients.
 - **Higher Education**: We allocate the \$279 billion in higher education spending equally to individuals currently attending higher education. Several states have restrictive laws preventing DACA recipients from attending higher education or paying in-state tuition rates. For highly restrictive states that likely do not allow DACA recipients to enroll in public higher education institutions, we reduce the higher education spending of DACA recipients to 0.⁵
 - **Elementary & Secondary**: Elementary and secondary school spending totalled \$673 billion in 2021. Following NAS9 we net out revenue from school lunch sales of roughly \$1 billion from this amount. Hence, we allocate the roughly \$672 billion of school spending (net of school lunch sales) equally to all individuals currently attending in K-12 grade levels.
 - **Other Education, Libraries & Capital Outlays**: We allocate the \$204 billion on other education, library, and capital outlay expenditures equally to all individuals.
2. **Public Welfare**: We allocate \$862 billion in public welfare expenditures to individuals based on their reported welfare income. Specifically, for each individual we calculate

⁵These states are Indiana, Georgia, Tennessee, Wisconsin, South Carolina, North Carolina, Alabama, Montana, and New Hampshire. See <https://www.higheredimmigrationportal.org/states/> for a complete list of state policies.

their welfare income (*INCWELFR*) as a share of total reported welfare income. COG total public welfare expenditures are then allocated to individuals according to their share in total welfare income. For individuals where welfare income is not observed, we impute their value to be the mean welfare income of individuals in their state of residence. Welfare income is imposed to be 0 for nonimmigrants and likely undocumented immigrants, which include DACA recipients.

3. **Insurance Trust Expenditures**: We allocate various categories of insurance trust spending that altogether totalled \$556 billion as follows:

- **Unemployment Compensation**: We allocate the \$177 billion in unemployment compensation equally to all individuals that are unemployed.
- **Employee Retirement**: We allocate \$363 billion in spending on employee retirement and pension plans equally to all individuals aged 65 and above.
- **Workers' Compensation**: We allocate the \$7 billion in workers' compensation spending equally to all individuals earning positive wage income
- **Other Insurance Trust**: We allocate \$8 billion in other insurance trust spending equally to all individuals.

4. **Other Expenditures and Capital Outlays**: We allocate \$1.9 trillion in other expenditures and capital outlays equally to all individuals. This includes the following spending categories: *Hospitals, Health, Employment Security Administration, Veteran's Services, Transportation, Public Safety, Environment and Housing, Governmental Administration, Utility Expenditure, General Expenditure, n.e.c., and Interest on General Debt*.

5. **Liquor Store Expenditure**: We allocate \$10.5 billion in liquor store expenditures equally to individuals aged 21 and above.

6. **Intergovernmental Expenditure:** We allocate \$3.4 billion in intergovernmental spending equally to all individuals.

5 Net Fiscal Effects by State

After allocating COG revenues and expenditures to individuals in the ACS, we then perform two calculations. First, we simply calculate the net fiscal cost for DACA recipients as total revenues less total costs. Second, we calculate net fiscal costs for DACA Independent Person Units (IPUs). Here we pass through all (if single) or half (if married) of the costs of dependent children living in the same household to independent parents. We then calculate net fiscal costs as total revenues less total costs for IPUs. Finally, we average these net fiscal costs by state, weighted according to IPUMS person weights (*PERWT*).

Table 1 reports the net fiscal costs for each state. Column A presents average net fiscal costs for DACA recipients at the individual level, considering only independent persons. Column B presents average net fiscal costs for DACA recipients at the IPU level, considering independent persons plus their dependent children. At the individual level, DACA recipients provide a net fiscal benefit to all states, ranging from a low of roughly \$7,000 in New Mexico to a high of \$14,484 in Pennsylvania. These positive net benefit figures are primarily due to the large fraction of DACA recipients that work (80%) and earn income, as described earlier in Section 2.1. Because DACA recipients remain undocumented, they are also ineligible for state/local welfare programs and other categories of spending, thereby limiting their expenditures relative to other immigrant groups (e.g. 1st or 2nd generation immigrants as in NAS9).

Column B explores results when passing through revenues and costs of dependent children to their independent parents. For DACA recipient IPUs, most states exhibit a net fiscal benefit on average. Children, whom incur more state/local expenditures, primarily those associated with schooling, reduce the net fiscal benefit by a large degree. Nonetheless, these

remain positive for most of the states.

6 Conclusion

This paper estimates the state/local fiscal impacts of DACA recipients. Due to their high rate of employment and wages, they contribute substantial revenues to state/local governments. DACA recipients are mostly of working age and generally do not have high rates of school attendance, thereby limiting state/local spending on public education and other programs such as retirement/pension distributions. On net we show DACA recipients contribute positively to state/local government finances.

As policymakers continue to debate immigration reform, it is essential to consider the full spectrum of impacts, both fiscal and societal, that DACA recipients have on their communities. This paper presents a first set of estimates on the state/local fiscal impacts of DACA recipients. We follow popularly used methods, which incur several challenges and require many assumptions. Future work that more precisely characterizes the contributions of DACA recipients to particular types of revenue, and also the expenditures that DACA recipients incur, will improve the accuracy of fiscal impact estimation.

Tables

Table 1: Net State/Local Fiscal Effects of DACA Recipients

	A	B
	<i>current</i>	
State	DACA Recipients	DACA Independent Units (incl. dependent children expenditures & costs)
Pennsylvania	\$14,484	\$5,866
Indiana	\$12,973	\$5,817
Wisconsin	\$12,970	\$2,532
Illinois	\$11,841	\$5,380
Arkansas	\$11,584	\$6,419
New York	\$11,251	\$8,567
Oregon	\$10,903	\$1,813
Minnesota	\$10,877	\$5,383
California	\$10,722	\$2,741
Washington	\$10,702	-\$3,877
Colorado	\$10,538	\$18
Tennessee	\$10,427	\$1,590
Utah	\$10,404	-\$1,037
North Carolina	\$10,250	-\$1,537
South Carolina	\$10,075	-\$1,716
Massachusetts	\$9,995	\$7,870
Michigan	\$9,957	\$5,396
New Jersey	\$9,881	\$1,382
Arizona	\$9,583	-\$619
Maryland	\$9,572	\$4,030
Kansas	\$9,396	\$4,556
Florida	\$9,344	\$2,654
Oklahoma	\$9,328	\$3,958
Georgia	\$9,197	\$2,875
Texas	\$8,924	-\$202
Alabama	\$8,598	-\$12,659
Virginia	\$8,560	\$2,303
Nevada	\$8,364	\$174
New Mexico	\$7,087	-\$553

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