

# Gone to Texas



Immigration and the Transformation of the Texas Economy

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The United States welcomes more immigrants than any other country, and Texas welcomes more migrants—foreign and domestic—than any other state. Nearly half of all new arrivals to the state are foreign born. With a population of over 4 million immigrants, Texas is one of the top three states in terms of the number of foreign born living within its borders.

Immigration to Texas has been both a cause and consequence of rapid regional growth. The strong economy and the Texas business model—low taxes, few regulations and a low cost of labor—have attracted many businesses and workers in recent decades. This influx has, in turn, stimulated more growth.

Texas' large, diverse immigrant population today is a relatively recent phenomenon. Early in Texas' history, migration flows were mostly composed of settlers from other states. Mexicans dominated immigrant inflows, although most did not settle permanently in the state until late in the 20th century.

Texas' foreign-born population share did not surpass the nation's until the 1980s, when mostly low-skilled workers flowed into the state's booming oil and agricultural sectors. The 1986 oil bust and ensuing recession provided the impetus for subsequent economic diversification away from a commodities-based economy, and Texas began attracting a broader range of immigrants, both from abroad and from other states. New arrivals provided the "brawn" and the "brains" crucial to rapid growth and economic development. The state's employment has grown twice as fast as the nation's since 1990.

Despite a surge of high-skilled immigration since the 1990s, large shares of immigrants in Texas still are poor and depend on welfare programs. That said, labor market outcomes are better than one would predict given many Texas immigrants' low education levels. Readers may be surprised to learn that low-skilled immigrants earn as much or more in Texas as they do in the rest of the nation. In addition, more Texas immigrants participate in the labor force and fewer are unemployed than among their counterparts elsewhere in the U.S.

The rise in Texas' immigrant population has occurred despite federal immigration policies that limit entry by both high- and low-skilled workers. Many low-skilled immigrants are unauthorized since immigration policy severely restricts low-skilled labor migration. Meanwhile, relatively high wages and a low cost of living attract low-skilled workers, and the state's limited safety net matters little to unauthorized immigrants.

While Texas benefits from having a large, diversified immigrant population, it faces several challenges to ensure their continued economic advancement. Sustaining prosperity requires making public and private investments in education, English fluency, health care and infrastructure. While costly, such investments will help the state continue to attract the businesses and workers that have been central to its growth and transformation.

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# Gone to Texas

## Immigration and the Transformation of the Texas Economy

Texas is one of the nation's top destinations for immigrants. The number of foreign born living in Texas has increased by an average of 125,000 people a year since 1990, rising from 1.5 million to 4.3 million.<sup>1</sup> Texas has more immigrants than Oklahoma and New Mexico have people. Among states, only California has more immigrants than Texas; New York has a similar number.

One in six people living in Texas is an immigrant. A similar proportion is second generation—people born in the United States with an immigrant parent. Despite the large number of immigrants in Texas, the state ranks lower than several other states in terms of foreign-born population share. California, Florida, Nevada, New Jersey and New York all have a larger proportion of immigrants, some close to 20 percent and a few even higher. But among large states, none has experienced a surge like Texas has, with immigrants rising from 9 percent of the population in 1990 to 16.4 percent in 2012.

As has been true since Texas joined the Union, the state's foreign born hail primarily from Mexico.<sup>2</sup> Nonetheless, immigrants to Texas are increasingly diverse and high skilled. The changing composition of inflows has been key to broadening the state's economic base. Surges of Asians and Europeans, along with swelling domestic migration, in the 1990s and 2000s increased the number of computer programmers, scientists, engineers, medical professionals and educators. This influx was crucial to the growth of the high-tech industry in Austin, the telecom corridor in Dallas, and the health and energy sectors in Houston, in addition to expansion of the state's colleges and universities.

Not all immigrants living in Texas are new arrivals to the U.S. Some find their way to Texas after first going elsewhere in the country. In recent years, net flows of domestic migrants, which include U.S. natives and immigrants, have dwarfed inflows from abroad. As migration from abroad slowed during the Great Recession

and its aftermath, domestic migration assumed a bigger role in the state's growth.

Texas' distinction as a premier destination is a relatively recent development. Throughout the 20th century, migrants—U.S.- and foreign-born alike—flowed overwhelmingly to California. Texas' population grew quickly, but from a small base and due mostly to births outnumbering deaths. For the state to become a top destination, many things had to change while a few had to remain the same.

Rapid economic growth for most of the past four decades has been the key factor attracting people to Texas. Diversification of the state's economy in the 1990s following the 1986 oil bust provided a powerful jobs magnet, creating economic opportunities for millions. The state's relatively low cost of living, low taxes and minimal regulatory burden in concert with abundant land provide a welcoming environment for people and businesses alike.

In 2012, Texas was the nation's second-fastest-growing economy, behind only North Dakota. The state's diversified economic base and ongoing oil and gas boom portend a bright future. Challenges remain, however. The state faces a tension between keeping taxes low and providing necessary public services. Rapid population growth requires investment in public schools, public health and infrastructure. Although immigration flows to Texas have been increasingly high skilled, Texas immigrants overall have low levels of education, high poverty rates and low rates of health insurance coverage. Despite these challenges, low-skilled immigrants in Texas do well economically relative to their counterparts elsewhere in the nation.

Still, Texas has more low-skilled immigrants than other states, which raises questions for the state's future. What level and type of services should the state provide to ensure that the second generation has opportunities to reach the middle class? A thriving economy helps, but investment in human capital is needed as well.



## Texas Immigration Through Three Transformative Decades

Texas has always beckoned migrants, although not necessarily from abroad. For most of its history, Texas has attracted settlers from the rest of the nation—domestic migrants—rather than from other countries. It wasn't until the late 1980s that Texas' immigrant share of the population surpassed that of the nation as a whole (*Chart 1*).<sup>3</sup> This shift was the result of rising immigration beginning in the 1970s, a decade when Texas thrived on high oil prices but the national economy stagnated. Back then, Texas was still mostly about cotton, cattle and oil. By 1980, high oil prices—above \$100 per barrel in today's dollars—pushed state income per capita above U.S. levels for the first time. The glamour of the Texas oil boom was captured for a worldwide audience in the television series *Dallas*, which premiered in 1978.

During the 1980s, immigration to Texas was dominated by low-skilled workers, mostly from Mexico. The foreign-born share of the state's low-skilled labor force vaulted from 8 percent to 26 percent during the 1980s.<sup>4</sup> Mexicans had come to Texas for a century, but they tended not to settle permanently and worked

predominantly in agriculture. Circular migration was the norm, with most migrants returning to Mexico at the end of the growing season. The late 1970s and the 1980s marked a shift from traditional seasonal migration to permanent settlement.<sup>5</sup> The 1986 Immigration Reform and Control Act (IRCA) both reflected and reinforced this trend. Nearly 2.7 million unauthorized immigrants, 85 percent of them from Mexico, received legal permanent residence under IRCA. Less than one-fifth of them lived in Texas, while the majority resided in California.<sup>6</sup> IRCA also increased border enforcement, making it more difficult for unauthorized immigrants to reenter the U.S. after returning home, further promoting permanent settlement here.

The long economic expansion in Texas spawned booms in housing and lending, which both ended with the collapse of oil prices in 1986 and the ensuing banking crisis. A deep recession followed, and 425 state banks failed from 1986 through 1989.<sup>7</sup> Texas employment fell 3.4 percent, and nominal output contracted 3.7 percent from peak to trough.<sup>8</sup> It wasn't until 1988 that the state recaptured the level of economic activity it enjoyed before the 1986 recession. In an abrupt break with historical trends, the Census Bureau documented net migration outflows from Texas during 1986–88, a result of the weak economy.<sup>9</sup>

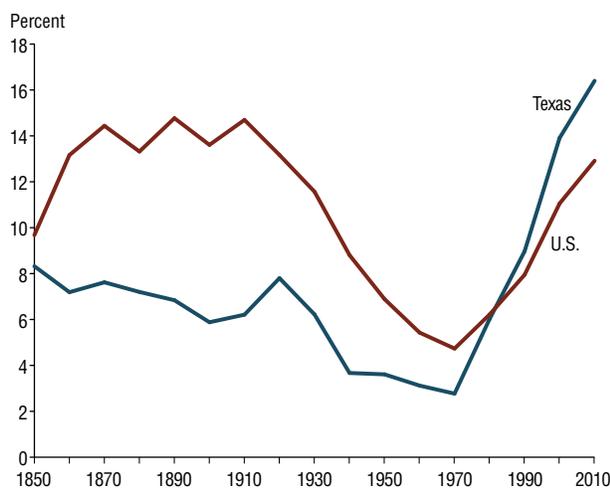
Few Texans saw any good coming out of the wreckage of the late 1980s recession and banking crisis, but the downturn and the low oil prices that prevailed during the 1990s were a catalyst for the modernization of the Texas economy, setting the stage for future broad-based growth. Diversifying from commodities in agriculture and energy to high-value-added manufacturing, information services, and professional and business services required transforming the workforce. Domestic and international migration were crucial to the development of the high-tech, financial services, insurance, transportation and export sectors as oil prices fell below \$20 per barrel and the rig count scraped historic lows.

Not only did people move to Texas, but businesses did as well. Companies such as Samsung, Nortel and Intel expanded operations, while homegrown high-tech enterprises such as EDS, Texas Instruments and

**Chart 1**

### Large-Scale Immigration to Texas Is a Recent Phenomenon

(Foreign-Born Population Share by Decade)



SOURCES: "Historical Census Statistics on the Foreign-Born Population of the United States: 1850–2000," by Campbell Gibson and Kay Jung, U.S. Census Bureau, Population Division Working Paper no. 81, February 2006; 2010 American Community Survey.

Dell blossomed.<sup>10</sup> Meanwhile, the oil industry consolidated far-flung operations to Texas, and Exxon Mobil and Marathon Oil moved their headquarters to the state.

Immigrant workers—some coming directly from abroad, others relocating from other states—were an essential part of this transformation. They provided raw manpower as well as niche skills. Overall, immigrants made up 42 percent of the state’s labor force growth in the 1990s and 41 percent in the 2000s. The share of foreign workers in the high-skilled labor force rose from 8 percent in 1990 to 12 percent in 2000 and reached 16.6 percent in 2011. Occupations in emerging fields such as computer programming and telecommunications could not meet rapidly growing demand with just homegrown professionals but required foreign expertise also. Between 1990 and 2000, as Austin emerged as a high-tech center, the city’s immigrant population nearly tripled, rising from 49,000 to 149,000. In north Texas, the telecom industry boomed and the foreign-born population in Dallas–Fort Worth soared to 779,000 in 2000—more than twice its 1990 level. Immigrant populations continued growing in the 2000s, albeit at a lower rate (*Chart 2*).

International trade also boomed in the 1990s, and Texas export activity would continue to outperform the nation in the 2000s. Reforms in Mexico following the 1994 peso crisis and implementation of the North American Free Trade Agreement (NAFTA) produced surging intra-industry trade. Although this benefited most of the state, increased competition from Mexican manufacturers initially hurt some Texas border cities, such as El Paso. In the 2000s, immigrant shares in El Paso declined.

### A Portrait of Texas Immigrants Today

Texans have historically attained lower levels of education than the national average, reflecting the state’s past as a commodity-based economy and other factors. With the education deficit came lower average earnings, higher poverty and fewer professionals to meet growing demand at the high-skill end of the labor market, a trend that accelerated in the 1970s. But today there is little difference between the educational

distributions of U.S. natives living in Texas and in the rest of the nation. Domestic migration and rising education levels in Texas have largely erased education differences among U.S. natives.

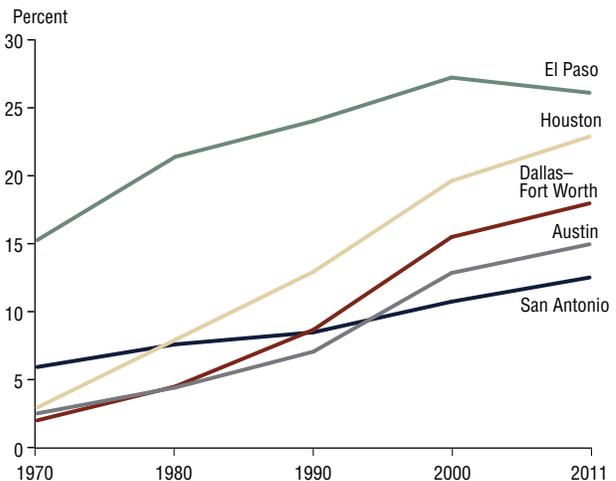
Among immigrants, however, education gaps persist. Despite rising high-skilled inflows, the Texas foreign-born population is still disproportionately low skilled. Much of this is explained by the state’s proximity to Mexico. Among all immigrants from Latin America, Mexicans have the least educational attainment. Interestingly, despite lower education levels and less English fluency, low-skilled immigrants tend to do better in the Texas labor market than elsewhere in the U.S.

### Origins

Although the foreign-born population in Texas is more diverse than ever, it is less diverse than in the rest of the country. The majority of Texas immigrants—60 percent—are from Mexico, followed by immigrants from Asia and the rest of Latin America (*Chart 3*). For the rest of the country, Asia is the most common region of origin, followed by Mexico.

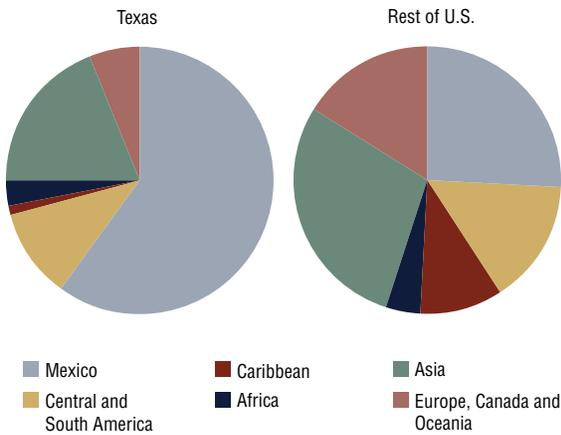
This pattern reflects Texas’ shared border with Mexico and the two regions’ deep historical ties. Within the rest of Latin America, El Salvador (4.2 percent of Texas immigrants) and Honduras (2 percent) are the

**Chart 2**  
Texas Metros Become Global Destinations  
(Foreign-Born Population Share)



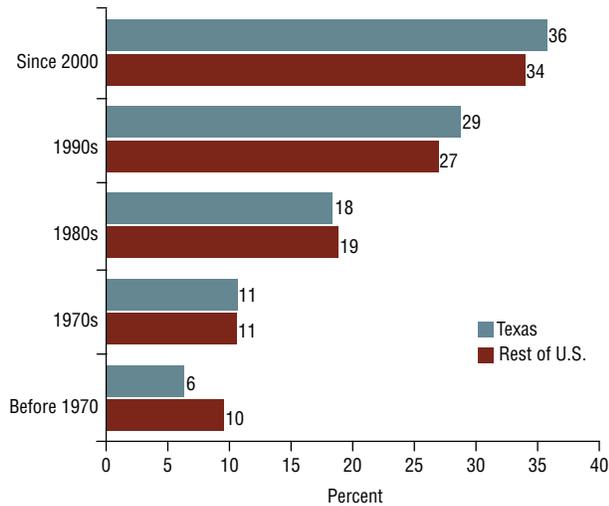
SOURCES: 1970–2000 census; 2011 American Community Survey.

**Chart 3**  
**Where Are They From?**  
 (Origins of Texas and U.S. Immigrants)



SOURCE: 2009–11 American Community Survey three-year estimates.

**Chart 4**  
**Immigration to Texas Got a Late Start**  
 (Arrival Dates of Immigrants)



SOURCE: 2009–11 American Community Survey three-year estimates.

most common countries of origin. Asian immigrants in Texas are most commonly from India (4 percent), Vietnam (3.7 percent) and the Philippines (2 percent).

What about immigrant origins within the major Texas metropolitan areas? South Texas and the border cities have very high shares of immigrants from Mexico: 92 percent of immigrants in El Paso and 67 percent of immigrants in San Antonio are from that country.

Austin has a higher share of immigrants from Asia, Europe, Canada and Australia than the other Texas metro areas. Houston has more diverse Latin American immigration, with 20 percent of immigrants originating from Latin American countries other than Mexico, compared with around 10 percent in Dallas-Fort Worth and Austin.

Immigrants in Texas came to the U.S. more recently than immigrants in the rest of the country. Only 6 percent of Texas arrivals were in the U.S. before 1970, versus 10 percent in the rest of the country. A quarter of immigrants in Texas and in the rest of the U.S. arrived during the 1990s; more than one-third of immigrants in Texas and in the rest of the U.S. arrived after 2000 (*Chart 4*). Assimilation typically increases with time spent in the U.S. Immigrants learn more English, become more accustomed to American ways and create bigger networks that foster economic success.

### Destinations

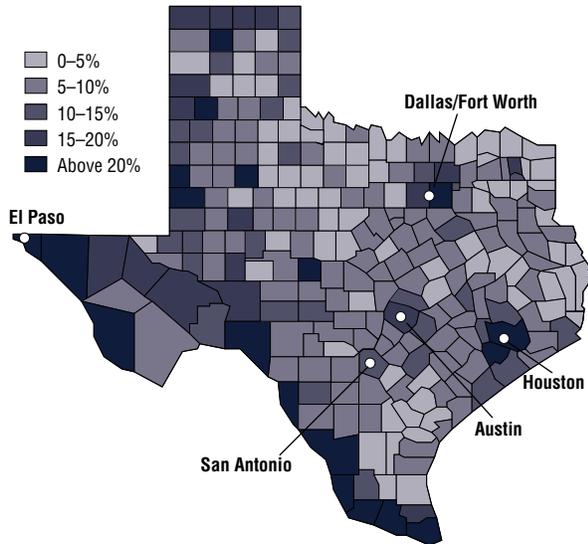
The Austin, Dallas-Fort Worth and Houston metropolitan areas have experienced the most rapid foreign-born population growth in the state. The foreign-born population share in Austin is 15 percent, and it reaches 18 percent in Dallas-Fort Worth and almost 23 percent in Houston.<sup>11</sup> Foreign-born population shares have always been higher in the border cities because of their proximity to Mexico, and growth in immigrant populations there has been slower.

In Texas and across the country, immigrants are more likely than U.S. natives to live in urban areas. Looking across the state, the foreign-born population share tends to be relatively low in rural areas and higher in urban areas (*Chart 5*). Not surprisingly, the U.S.-Mexico border is an important exception to this pattern.

### Education

In Texas, as in the U.S. as a whole, immigrants are concentrated at the top and especially at the bottom of the education distribution.<sup>12</sup> In the U.S., immigrants are three times more likely than natives to not have completed high school; they are slightly more likely than U.S. natives to have a master's, PhD or other graduate degree. Immigrants are underrepresented in the mid-

**Chart 5**  
**Texas Immigrants Are Concentrated**  
**in Urban Areas and Along Border**  
 (Foreign-Born Population Share, by County)

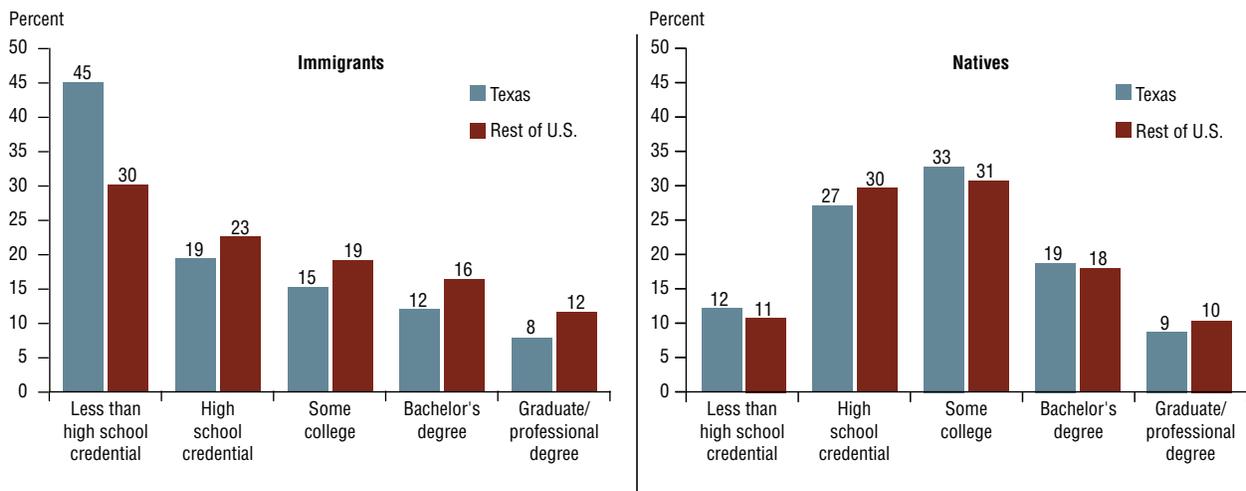


SOURCE: 2007–11 American Community Survey five-year estimates.

dle of the education distribution—among high school graduates, people with some college education and college graduates without a graduate degree.

Immigrants in Texas are less educated than U.S. natives in the state. And Texas immigrants trail their immigrant counterparts elsewhere in the country (*Chart 6*).

**Chart 6**  
**Educational Attainment of Immigrants and Natives Inside and Outside Texas**



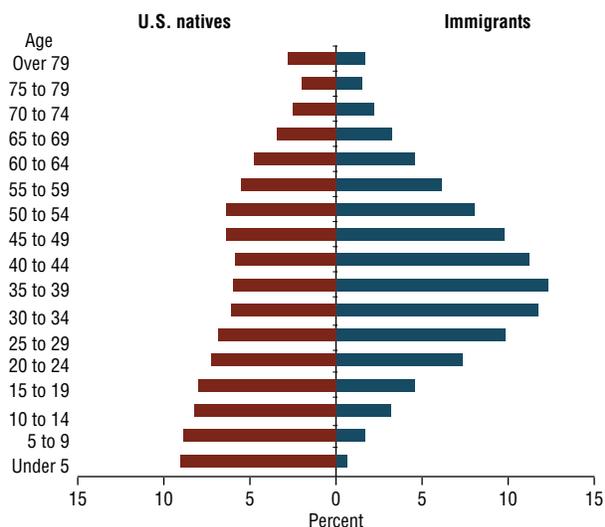
NOTE: Calculations include individuals over age 24.  
 SOURCE: 2009–11 American Community Survey three-year estimates.

Almost half of adult immigrants in Texas have not finished high school, versus less than one-third in the rest of the country. Only 12 percent of adult immigrants in Texas have a bachelor's degree (versus 16 percent elsewhere in the country) and 8 percent a graduate degree (versus 12 percent elsewhere).

The education distribution of Texas immigrants reflects the dominance in the state's immigrant population of Mexico and other origin countries with low average levels of education. Almost 60 percent of adult Mexican immigrants living in the U.S. have not finished high school, and only 1 percent have an advanced degree, a factor mirrored in the Texas data. Only 11 percent of adult immigrants from Europe and 12 percent of those from Asia have not finished high school, by comparison, while 16 percent of European arrivals and 21 percent from Asia have an advanced degree.<sup>13</sup>

Although Texas immigrants lag the nation's immigrants in schooling, U.S. natives in Texas are near parity with U.S.-born adults in the rest of the nation. Among natives, 12 percent lack a high school credential in Texas, compared with 11 percent of natives in the rest of the U.S., and 27 percent of natives in Texas have a high school credential but no college, compared with almost 30 percent in the rest of the nation. Among natives, 33 percent have some college education and 19 percent have a bachelor's degree in Texas, compared

**Chart 7**  
**Immigrants Tend to Be of Working Age**  
 (Age Profile of Immigrants vs. Natives in Texas)



SOURCE: 2009–11 American Community Survey three-year estimates.

with 31 and 18 percent in the rest of the U.S., respectively. Nine percent of natives in Texas have a graduate or professional degree, compared with 10 percent in the rest of the U.S.

### Age

An important benefit of immigration is the immigrant population’s relative youth. In Texas and the rest of the country, immigrants are much more likely than U.S. natives to be in their prime working years. The age distribution of U.S. natives is fairly uniform until mortality rates begin rising after people reach their late 50s. The age distribution of immigrants looks like a bell curve—few young people, few old people and lots of people in the middle (*Chart 7*).

The difference in the age distributions arises because relatively few people become immigrants when they are very young. Typically, immigrants enter the U.S. in their middle to late 20s. The similarly smaller share of older immigrants arises because many migrants used to go back to their origin country to work or retire. This return migration has become less typical over time. More immigrants now set down roots and are joined by their families here. This will push the immigrant age distribution closer to that of U.S. natives in coming decades.

The age distribution affects the benefits and costs

of immigration. Working-age immigrants contribute the most to the economy and to tax revenues. Younger immigrants are expensive as they move through the U.S. education system but will eventually enter the workforce. Older immigrants are a fiscal drain, particularly if they participate in Medicare and Medicaid, the government health insurance programs for eligible elderly and the poor. Of course, the same pattern of fiscal impact over the life cycle is true of U.S. natives, with the very young and very old contributing less to the economy and to tax revenues than middle-aged workers.

### Labor Market Outcomes

Whether looking at the share of the population that is employed, the unemployment rate or the proportion of the population in the labor force, immigrants and U.S. natives in Texas outperform their counterparts with the same level of education living elsewhere in the U.S. (*Table 1*).

Texas exceptionalism is most notable among immigrants at the top and bottom of the education distribution. Texas immigrants with a graduate/professional degree are more likely to participate in the labor market and more likely to work than their counterparts elsewhere—and half as likely to be unemployed. Among immigrants who have not completed high school, Texas immigrants are also more likely to be in the labor force and to be working and one-third less likely to be unemployed than those elsewhere.

In Texas, immigrants who have not completed high school also do better in the labor market than comparable U.S. natives. Immigrants are one-third more likely to be in the labor force and working and almost one-half as likely to be unemployed as U.S. natives in Texas who have not completed high school.

Because even the least-skilled Texas immigrants do well in the labor market, their relatively low education levels don’t lead to worse labor market outcomes among immigrants as a whole when one compares Texas with the rest of the U.S. The share of immigrants in the labor force and the share employed were higher—and the share unemployed lower—in Texas than elsewhere in the U.S. during 2012. Additionally, immigrants were slightly more likely to

**Table 1**

## Texas Immigrants Do Well in the Labor Market

	Texas		Rest of U.S.	
	Immigrants (percent)	U.S. natives (percent)	Immigrants (percent)	U.S. natives (percent)
<b>Labor force participation rate</b>				
Less than high school credential	64.8	43.2	59.2	35.6
High school credential	67.2	64.1	65.9	58.0
Some college	75.4	69.8	71.0	68.5
Bachelor's degree	72.5	77.4	72.5	76.1
Graduate/professional degree	84.3	77.1	78.8	75.7
<b>Employment-to-population rate</b>				
Less than high school credential	60.4	37.9	53.4	30.1
High school credential	62.6	60.3	60.8	53.2
Some college	71.9	66.0	65.3	63.7
Bachelor's degree	68.4	75.0	68.0	72.9
Graduate/professional degree	82.6	75.7	75.6	73.4
<b>Unemployment rate</b>				
Less than high school credential	6.8	12.3	9.8	15.2
High school credential	6.9	6.0	7.7	8.2
Some college	4.5	5.5	8.0	7.0
Bachelor's degree	5.6	3.0	6.3	4.2
Graduate/professional degree	2.1	1.9	4.1	3.0

NOTE: Calculated for the population over age 24.

SOURCE: 2012 Current Population Survey Outgoing Rotations Group data.

be in the labor force and to be working, and less likely to be unemployed, than U.S. natives in Texas during 2012.

The difference between Texas and the rest of the country in 2012 shows the relative strength of the Texas economy in the aftermath of the Great Recession. Since the onset of the recession, labor force participation and employment rates have fallen considerably and unemployment rates have risen in the U.S. The country finished 2012 with 3.3 million fewer jobs than when the

downturn began, in December 2007.<sup>14</sup> Texas, by comparison, finished 2012 with half a million more jobs than it had five years earlier.

## Earnings

Immigrants' earnings tend to fall short of those of natives, whether in Texas or not, since immigrants have less education than natives and English is not their first language (*Table 2*). As can be seen in the last row

**Table 2**

## Low- and High-Skilled Immigrants Earn as Much or More in Texas

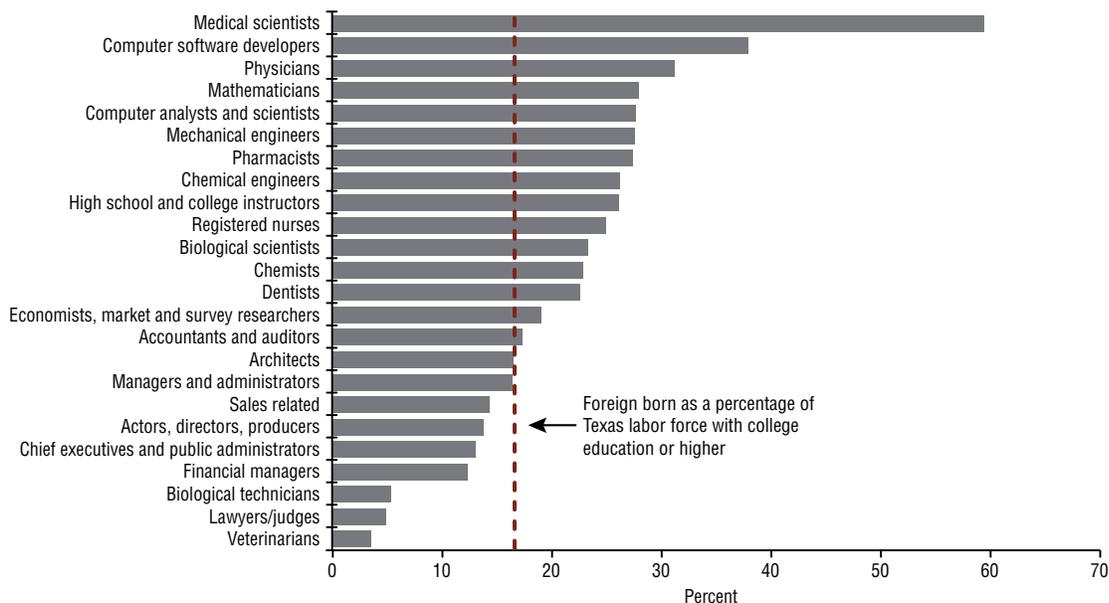
(Median weekly earnings)

	Texas		Rest of U.S.	
	Immigrants	U.S. natives	Immigrants	U.S. natives
Less than high school credential	\$401	\$423	\$399	\$439
High school credential	\$460	\$600	\$499	\$599
Some college	\$514	\$685	\$601	\$682
Bachelor's degree	\$857	\$997	\$942	\$997
Graduate/professional degree	\$1,435	\$1,180	\$1,342	\$1,265
All groups	\$496	\$757	\$597	\$767
All groups (including ages 16–24)	\$481	\$677	\$567	\$678

NOTE: Median weekly earnings are deflated using the monthly CPI-W (December 2012 = 100) and are conditional on being employed, over age 24, with positive earnings.

SOURCE: 2012 Current Population Survey Outgoing Rotations Group data.

**Chart 8**  
High-Skilled Immigrants Fill STEM and Health Care Jobs



NOTE: Percentage foreign born among Texas workers over age 24 with college education or higher in selected occupations.  
SOURCE: 2009–11 American Community Survey three-year estimates.

of Table 2, median weekly earnings among Texas immigrants in 2012 were \$481, while immigrants elsewhere in the U.S. earned \$567. U.S. natives’ \$677 pay in Texas was similar to natives’ earnings nationwide, \$678.

Since educational attainment is such a strong determinant of earnings, it is instructive to hold education constant and compare earnings for a given education group. Interesting patterns emerge. Despite massive low-skilled immigration to Texas, Texas immigrants who have not completed high school actually earn as much as their counterparts in the rest of the country (*see Table 2*). Texas immigrants with graduate degrees outearned their counterparts in the rest of the country and similarly educated U.S. natives. In the middle of the education distribution, however, Texas immigrants’ earnings trailed those of immigrants elsewhere and U.S. natives.

Comparing earnings or incomes across different parts of the country is complicated by cost-of-living differences. Texas tends to have a low cost of living compared with other big states. Texas is 9 percent less expensive than the national average and 12 percent

less expensive than the other nine biggest states.<sup>15</sup> Accounting for the lower cost of living lifts the relative earnings of Texans vis-à-vis workers in the rest of the U.S.

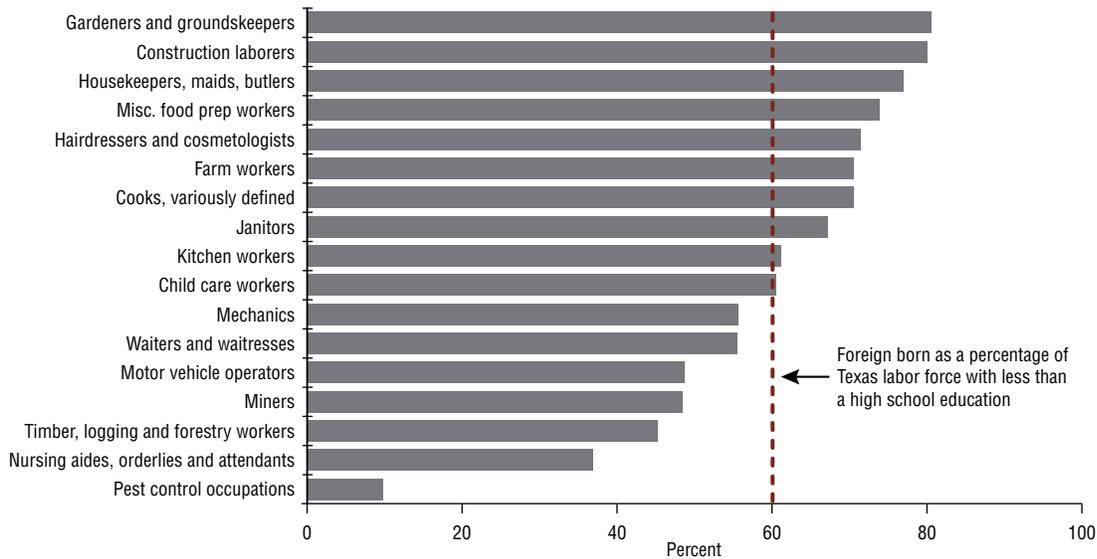
### Occupations

Texas immigrants are disproportionately well represented at the ends of the skill spectrum in occupations as well as in educational attainment. Among occupations that typically require a bachelor’s or graduate degree, immigrants are especially concentrated in science, technology, engineering and mathematics, or “STEM,” occupations. The foreign born make up just over 16 percent of the state’s high-skilled labor force—defined as workers over the age of 24 with a college education or higher—but make up a much larger percentage of the labor force working as computer software developers, mathematicians, computer scientists, and mechanical and chemical engineers, among others (*Chart 8*).

Immigrants make up 61 percent of the Texas labor force with less than a high school education and are even more concentrated in labor-intensive occupations

## Chart 9

### Low-Skilled Immigrants Concentrated in Services, Construction and Ag Jobs



NOTE: Percentage foreign born among Texas workers over age 24 with less than a high school education in selected occupations.  
SOURCE: 2009–11 American Community Survey three-year estimates.

such as gardening and groundskeeping, construction, food preparation and farm work (*Chart 9*). Immigrant workers in these occupations are much more likely to be unauthorized than their peers in high-skilled occupations.

## Illegal Immigration to Texas

Texas has a long, interesting history of unauthorized immigration, and how it is told depends on whom you ask. Some say when Texas was still part of Mexico in the early 1830s, Mexican border troops were incapable of stopping a large-scale influx of illegal Anglo immigrants entering from the east (over the Sabine River) and the north (over the Red River).<sup>16</sup> Others say the Mexicans welcomed the Anglos in hopes that they would help subdue the Indians.<sup>17</sup> Fast forward to the early 20th century, and many illegal border crossers were Chinese and Europeans blocked from entering legally by national origins quotas or because they couldn't pass the federal literacy test.<sup>18</sup> Mexicans meanwhile were exempt from national origins quotas and the literacy test, driving up demand for their labor. Texas farmers sent recruiters to Mexico to entice workers northward.<sup>19</sup>

The Great Depression put immigration on hold for about a decade, but flows from Mexico rebounded with heightened labor demand during World War II. In 1942, the U.S. and Mexico governments crafted the Bracero Program, which allowed Mexican workers to take temporary agricultural jobs in the U.S. The program initially left out Texas at the insistence of Mexican authorities who cited Texas growers' past abuses of workers.

This exclusion laid the groundwork for illegal immigration into the state. The Bracero Program's terms and conditions also were onerous to many farmers, who preferred hiring unauthorized workers rather than dealing with the hassles of complying with the program's rules. Finding workers wasn't difficult since many more Mexicans wanted to work in the U.S. than the program allowed. Additionally, there was no law barring employment of unauthorized workers. On the contrary, the 1952 Immigration and Nationality Act included the so-called Texas Proviso, which specifically permitted the employment of illegal immigrants, a condition that didn't change until the Immigration Reform and Control Act in 1986.<sup>20</sup>

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This combination of robust supply and demand, together with migrant networks formed during the Bracero Program (which ended in 1964), set the stage for waves of unauthorized immigration from Mexico during the ensuing decades. Other countries followed later.

Almost 1.8 million unauthorized immigrants live in Texas—43 percent of the state’s foreign-born population and 7 percent of its total population.<sup>21</sup> By these estimates, almost one in six unauthorized immigrants lives in Texas. Only California—home to one in four unauthorized immigrants—has more. Of the top 10 states in terms of unauthorized immigrant populations, Texas posted the second-highest growth rate of that group during 2000–11, 64 percent; only Georgia experienced faster growth, 95 percent.

Although controversial, unauthorized immigration has economic benefits. Unauthorized immigrants are more likely to work than both U.S. natives and legal immigrants. Unauthorized inflows are highly correlated with changes in labor demand. Most undocumented workers come to the U.S. to earn money, often to send home to help their families.<sup>22</sup> They work hard in part because they have no choice since they lack access to virtually all of the safety net—they are ineligible for almost all government transfer programs, including cash welfare and unemployment insurance. They’re more likely to be men, to be of prime working age (25–54) and to have little education. Unauthorized immigrants, particularly those living in Texas, are disproportionately from Mexico.

Public and political attitudes toward unauthorized immigrants are notably more moderate in Texas than in other states with growing unauthorized populations, such as Arizona, Georgia and Alabama, which have adopted anti-illegal immigration laws in recent years.<sup>23</sup> Texas Gov. Rick Perry stated that Arizona’s 2010 anti-illegal immigrant law (known as SB1070) was “not the right direction for Texas.”<sup>24</sup> In 2001, Texas became the first state to pass a law allowing certain undocumented students to pay in-state tuition at Texas’ public colleges and universities.<sup>25</sup>

Despite the state’s role as both a destination and transit region for unauthorized immigration, state and local participation in certain federal enforce-

ment programs has been limited. Only three local law enforcement agencies entered into agreements with Immigration and Customs Enforcement (ICE) that allowed them to act on behalf of federal immigration officials, while at least 15 cities have passed “sanctuary city” resolutions.<sup>26</sup> Participation in Secure Communities, a program that checks the immigration status of individuals who are already in police custody, has been more widespread, however.

In the 2009 and 2011 Texas legislative sessions, less than half of the 18 anti-illegal immigration bills passed.<sup>27</sup> Most measures never made it out of committee. The state’s more moderate stance likely reflects the better economic opportunities in Texas as well as the state’s large population of Hispanic voters. Texas has a much larger adult population share of U.S.-born Hispanics, 19 percent, than the rest of the nation, 6 percent. Alabama, Georgia and other states that have passed laws targeting unauthorized immigrants, such as Utah and Indiana, tend to have below-average population shares of Hispanic natives. Native-born Hispanics make up nearly 15 percent of Arizona’s adult population, however.

## Economic Effects of Immigration

Immigrants help power and grease the economy’s engines. First, immigration increases the labor force, enlarging the economy. Although immigrants make up only 21 percent of the Texas workforce, they account for a much larger share of its growth. Migration of foreign workers from international and domestic sources was responsible for more than 40 percent of Texas workforce growth between 1990 and 2010. U.S.-born workers’ role in workforce growth in the country as a whole is diminishing due to several factors, including declining labor force participation rates. As the native-born population continues to age and baby boomers retire, the foreign-born contribution to labor force growth is expected to stay high or even increase.<sup>28</sup>

When immigrants flow into the labor force, it is not just a matter of adding more workers. As long as immigrants differ from natives—which they do to varying degrees—specialization occurs. U.S.- and foreign-born workers move into the jobs and tasks that they do relatively well. For example, one re-

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cent study shows that less-educated U.S. natives have a comparative advantage in communications-intensive jobs, and less-educated immigrants in manual labor jobs.<sup>29</sup> Highly educated U.S. natives have a comparative advantage in interactive and communications-intensive jobs, and highly educated immigrants in quantitative and analytical jobs.<sup>30</sup> Specialization increases efficiency, which allows more output to be produced with fewer resources. This boosts labor productivity, raising economic output as measured by gross domestic product (GDP).

Although the bulk of GDP gains go to the immigrants in the form of their earnings, the native-born population benefits through the lower prices of immigrant-produced goods and services. The effect of immigration on the GDP accruing to natives has been termed the “immigration surplus.”<sup>31</sup> Nationally, estimates suggest the gain to natives’ incomes is in the range of \$38 billion–\$75 billion per year—not insignificant even though it represents less than 0.5 percent of the \$16 trillion U.S. economy. In Texas, the equivalent native income gain would be \$3.4 billion–\$6.6 billion per year (between 0.25 and 0.5 percent of state GDP). In addition to lower prices for goods and services, investors, business owners and landowners obtain higher returns on capital and land. In cases where immigrants and U.S. natives are complements, lower prices can have far-reaching effects. For example, research shows the immigration-induced decrease in the cost of child care and housekeeping has significantly increased the labor supply of highly educated native women.<sup>32</sup>

Have jobs for Texas immigrants come at the expense of opportunities for U.S.-born workers? It doesn’t appear so. However, a thorough answer would require an in-depth study. Meanwhile, a quick look at the aggregate data does not point to any large or long-lasting adverse effects. Immigrants accounted for slightly less than half of state employment growth between 2000 and 2012.<sup>33</sup> During that period, the number of employed U.S. natives living in Texas increased by almost 1 million. The number of employed immigrants living in the state increased by a slightly smaller number. In other words, immi-

grants and U.S. natives alike gained jobs in Texas. Meanwhile, the Texas unemployment rate fell below the national rate and has remained there despite continuing migrant inflows to the state.

It also doesn’t appear that wages have been depressed by the influx of immigrants. In fact, wages for the lowest-skilled workers, as shown in Table 2, are as high in Texas as elsewhere among immigrants despite the disproportionately high volume of low-skilled migration to the state and a state minimum wage that is simply set at the federal rate (the minimum wage in most other large states exceeds the federal minimum wage). Research on the labor market impacts of immigration tends to find a small but significant adverse wage effect on low-skilled natives who compete directly with foreign workers. However, if there are bottlenecks that constrain growth in a region, such as a lack of workers in rapidly growing industries, then worker inflows can actually speed up growth.

## Challenges Posed by Immigration

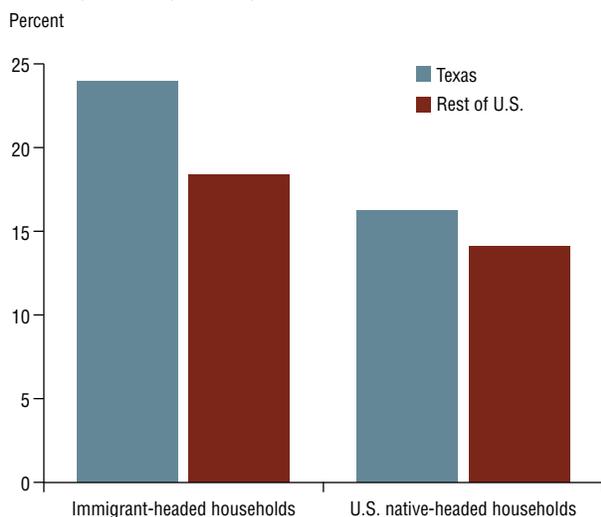
Texas immigrants do well in the labor market and have been an important driver in Texas’ economic transformation. However, Texas immigrants lag the nation along a number of socioeconomic dimensions, including high rates of poverty and welfare participation and low rates of health coverage. Texas faces several challenges in providing services and a safety net for its immigrant population, given the state’s traditional low-tax, low-services model of government.

### Poverty

Immigrants are more likely than U.S. natives to be poor. During 2009–11, almost one out of four Texas immigrants was in poverty, versus 17 percent of U.S. natives in Texas (*Chart 10*).<sup>34</sup> Poverty rates are higher in Texas than elsewhere in the country, and the immigrant-native gap is bigger in Texas than elsewhere.

As with earnings comparisons, poverty comparisons across areas are imperfect because they don’t take into account differences in the cost of living. The federal government sets the same income threshold across the entire country for determining whether a household lives in poverty; the threshold chang-

**Chart 10**  
Immigrant Poverty Rates Higher in Texas  
(Poverty Rates by Nativity)



SOURCE: Current Population Surveys for March 2010–12.

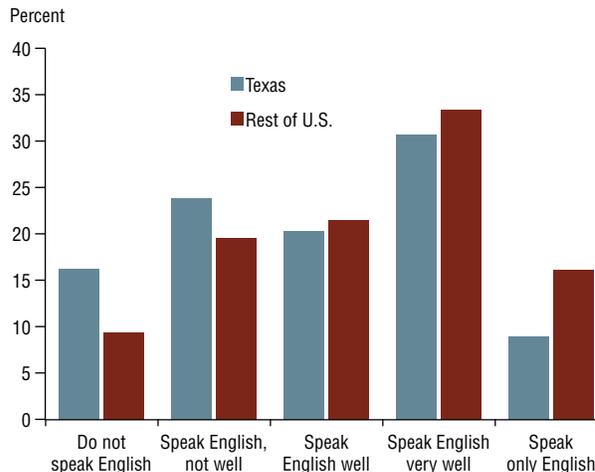
es with family size and age composition. Poverty is determined based on pretax money income, which includes cash welfare but not noncash government transfers, such as food stamps and the value of Medicaid. Since the cost of living is lower in Texas than in other big states, poverty rates may be overstated in Texas relative to other big states. On the other hand, cash welfare benefits are lower in Texas than in other big states.

The relatively high poverty rate of immigrants in Texas reflects several characteristics discussed earlier: Texas immigrants as a whole have lower wages because they are less educated than U.S. natives in Texas and than immigrants in the rest of the country. It also reflects many Texas immigrants' poor English skills.

### English

One in six immigrants living in Texas report having no English-speaking skills, and another quarter say they do not speak English well (*Chart 11*). These fractions are higher than among immigrants in the rest of the country. Correspondingly, fewer immigrants in Texas report speaking English very well or speaking only English than do their counterparts elsewhere in the U.S.

**Chart 11**  
Immigrants' English Proficiency  
Lower in Texas



SOURCE: 2009–11 American Community Survey three-year estimates.

This pattern reflects cross-state differences in immigrants' countries of origin—immigrants to Texas are less likely to be from countries where English is spoken or taught in school. Additionally, because of the large Spanish-speaking population along the U.S.–Mexico border, there is less need to learn English to get jobs, open businesses and simply conduct daily life. Still, the ability to speak English plays an important role in economic success for the majority of immigrants, even in Texas.

How well an immigrant speaks English is the single most important factor determining whether he or she is poor.<sup>35</sup> Expanding English-learning programs is thus an important initiative for Texas institutions, including employers.

### Fiscal Effects

State and local governments bear the lion's share of the fiscal costs associated with low-skilled immigration. Some of these costs apply to high-skilled immigration as well, such as educating immigrants' children. After all, funding public education is the largest single expenditure in state and local budgets. But high-skilled immigrants typically pay more in taxes than they receive in public services, even in a low-tax state such as Texas. Regardless, providing

publicly funded education is important for increasing the earnings potential and, hence, future tax payments of immigrants' descendants.

The structure of the Texas tax system reduces the state and local fiscal costs of low-skilled immigrants compared with other destinations of large, low-skilled immigrant populations, such as California. Texas relies heavily on consumption taxes—taxes on retail sales and on property—instead of on a state income tax. This eliminates concerns about workers being paid “off the books” and not having taxes withheld, although such concerns still apply at the federal level. Immigrants buy or rent homes and purchase goods and services just like U.S. natives and, hence, pay taxes in Texas. Lower average incomes among immigrants mean that these tax collections are smaller, however.

A 2006 report by the Texas comptroller analyzed the special case of the fiscal impact of undocumented immigrants in Texas, noting that they boosted state revenue by more than they cost the state in education, health and other expenses.<sup>36</sup> The study did not include expenses that fund education and health care for the U.S. citizen children of undocumented immigrants. Similar studies that do a yearly accounting and include all children tend to find significant negative fiscal effects of low-skilled immigration. Studies that do generational accounting, which takes into account the fiscal contributions made later in life and those of one's descendants, tend to find much smaller negative effects.<sup>37</sup>

## Welfare Participation

Immigration's fiscal effect depends in part on immigrants' participation in means-tested government programs—programs where eligibility depends on income (and other criteria)—such as cash welfare, food stamps and Medicaid. Because immigrants tend to be poorer than U.S. natives, a greater share of them is eligible for means-tested programs.

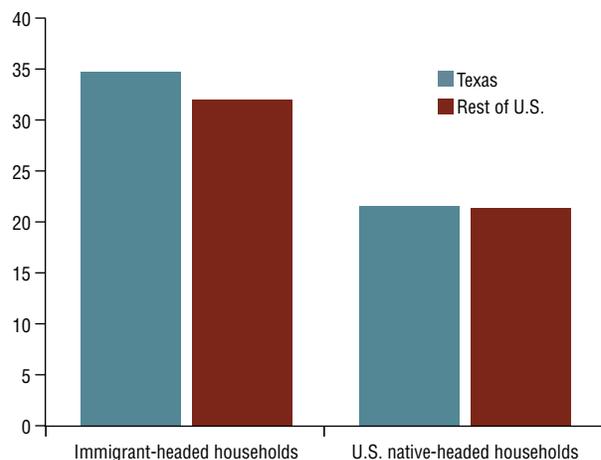
About 35 percent of households headed by an immigrant in Texas participate in at least one of the following means-tested programs: Temporary Assistance for Needy Families (TANF, or cash welfare); Supplemental Nutrition Assistance Program (SNAP,

or food stamps); Supplemental Security Income (SSI, or low-income disability benefits); public housing or a housing subsidy; and Medicaid.<sup>38</sup> This rate is about 13 percentage points higher than welfare participation among households headed by a U.S. citizen in Texas (Chart 12). It also is about 3 percentage points higher than welfare participation among immigrant-headed households in the rest of the country.

Because they have lower incomes, immigrant-headed households in Texas are more likely to participate in means-tested programs than both U.S. natives in Texas and immigrants elsewhere. However, this difference is far less than might be expected, given the low education levels and correspondingly low incomes and high eligibility for means-tested programs of many Texas immigrants.

Because unauthorized immigrants are ineligible for almost all means-tested programs,<sup>39</sup> their significant presence in Texas likely lowers the participation in means-tested programs among immigrants in the state. The U.S.-born children of unauthorized immigrants are eligible if they meet the same income and other eligibility requirements that all U.S. citizens face. However, U.S.-born children of unauthorized immigrant parents are less likely to enroll in means-tested programs for which they are eligible because of fears of revealing their family's unauthorized status.<sup>40</sup>

**Chart 12**  
Immigrant Welfare Participation  
Slightly Higher in Texas  
Percent



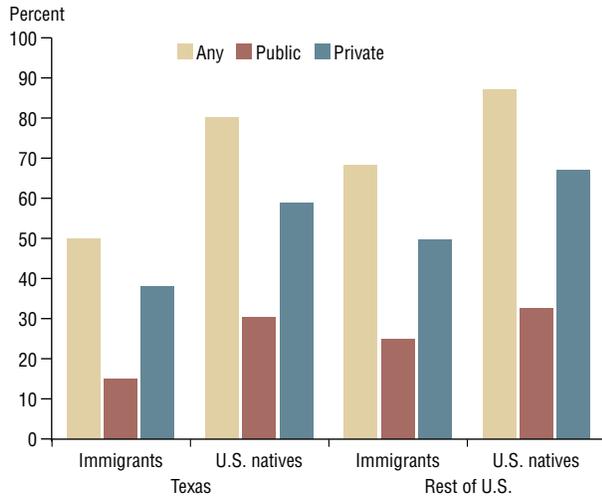
SOURCE: Current Population Surveys for March 2010–12.

## Health Insurance

Immigrants in Texas are much less likely to have health insurance than U.S. natives living in Texas and than immigrants elsewhere in the country. During 2009–11, only half of immigrants living in Texas reported having health insurance (*Chart 13*).<sup>41</sup> Four out

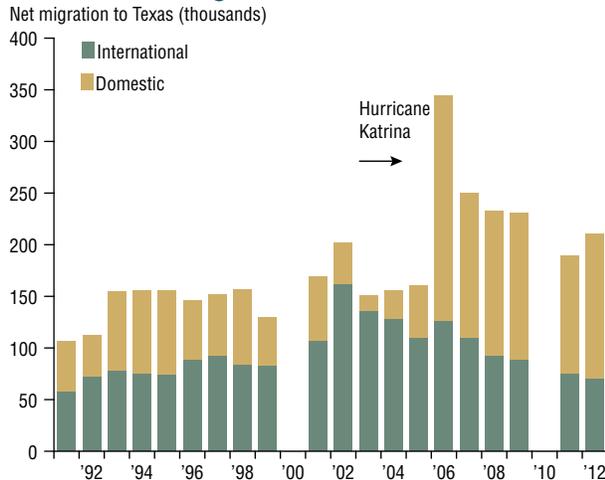
of five U.S. natives living in Texas had health insurance; by comparison, more than two out of three immigrants living in the rest of the country were insured. The immigrant–native gap in health insurance was 30 percentage points in Texas versus 19 percentage points for the rest of the country.

**Chart 13**  
Immigrants' Health Insurance Coverage  
Much Lower in Texas



SOURCE: Current Population Surveys for March 2010–12.

**Chart 14**  
Texas Is Top Destination  
for Domestic Migrants Since 2006



NOTES: Census Bureau population estimates approximate the population on July 1 of the year indicated and thus capture changes from the previous year. Data are not available for decennial census years.  
SOURCE: U.S. Census Bureau.

The immigrant–native gap in health insurance coverage applies to both private and public health insurance. Private health insurance is typically employer sponsored but includes some individual policies during this period. Public health insurance includes Medicaid, Medicare, military health care and the Children’s Health Insurance Program. The immigrant–native gap in private insurance coverage was 21 percentage points in Texas in 2009–11 and 17 percentage points for the rest of the country. The immigrant–native gap in public insurance coverage was 15 percentage points in Texas and 8 percentage points for the rest of the country. The relatively larger magnitude of the immigrant–native gap in public health insurance in Texas is likely principally due to the large share of unauthorized immigrants, who are ineligible for almost all public health insurance programs.<sup>42</sup>

The Affordable Care Act (ACA) will require almost everyone—with the notable exception of unauthorized immigrants—to have health insurance starting in 2014 or pay a penalty. Texas has thus far not opted to expand Medicaid under the ACA. The state also has opted out of running a state-based health insurance exchange. Texas residents, with the exception of unauthorized immigrants, will be able to participate in a federally facilitated exchange.

## Domestic Migration

Texas has been the No. 1 destination for domestic migrants since 2006. Domestic migration is made up of a mix of U.S. natives and immigrants who live in other states but decide to make their way to Texas, often for economic reasons. In 2011, 13 percent of domestic migrants who had moved to Texas in the past year were foreign born.<sup>43</sup> Domestic migration to Texas increased dramatically in the wake of Hurricane Katrina and continued to swell throughout the years of the Great Recession and subsequent weak national recovery. Net domestic migration to Texas averaged

around 54,000 people annually during the 1990s and early 2000s, below the number of net international migrants, but increased to more than 150,000 people annually during the period 2006 to 2012 (excluding 2010, when data are unavailable), exceeding the falling number of international migrants (*Chart 14*).

Domestic migration is skewed to high-skilled labor and, hence, is an incredibly important source of educated workers for the state economy. Arrivals from elsewhere in the U.S. have nearly one more year of schooling than the average Texan. Adults who moved to Texas from another state, like those coming from abroad, are more likely than the average Texan to have a bachelor's or graduate or professional degree. Nearly 15 percent of these recent domestic migrants have a graduate or professional degree, compared with 9 percent in the population as a whole. They are also much less likely to lack a high school credential (*Chart 15*).

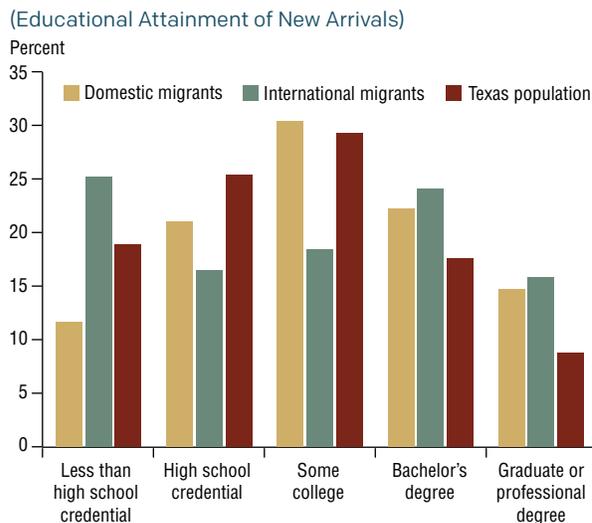
Many of these high-skilled migrants were drawn to the high-tech, health care, professional and business services, and energy sectors in the fast-growing "Texas Triangle" cities—Austin, Houston and Dallas-Fort Worth. Internal Revenue Service tax records suggest that over 80 percent of taxpayers who moved into Texas during 2000–10 flowed into these three metropolitan areas, which also experienced significant inflows from other parts of Texas. While there is significant movement within Texas, native Texans are slightly more likely to remain in their state of birth than are residents of other states. More than 60 percent of Texas residents were born in Texas.

Domestic migration is a brain and human-resource drain from sending states. Since 2004, California has been the largest sending state by far—nearly one quarter of net domestic migration to Texas between 2006 and 2012 came from California (*Chart 16*). In fact, so many Californians have been moving to Texas in recent years that the price of a one-way, 26-foot U-Haul rental truck from San Francisco to San Antonio was over twice the price for the same truck traveling in the opposite direction in May 2012.<sup>44</sup>

An additional 9 percent of domestic migrants to Texas during 2006–12 came from Florida. Other

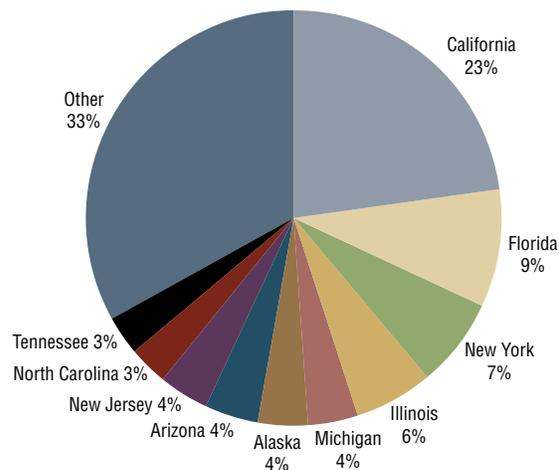
major sending states included New York, Illinois and Michigan—all with higher tax and regulatory burdens. Texas lost more residents than it gained from only 10 states during the same period, mostly states with growing energy sectors, such as North Dakota, Utah, Colorado and Oklahoma.

**Chart 15**  
New Arrivals Are a Key Source  
of Skilled Workers for Texas  
(Educational Attainment of New Arrivals)



NOTE: Population over age 24.  
SOURCE: 2010–12 American Community Survey three-year estimates.

**Chart 16**  
California Is Top Sending State  
for Migration to Texas



SOURCE: 2006–12 American Community Survey.

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## What Texas Has Learned

Texas has evolved from an oil, cattle and cotton economy to an economic powerhouse. This transformation would not have been possible without inflows of capital and labor that provide the investment, brawn and brains required for economic growth and change. Much of this labor has been foreign born and much of it arrived despite federal government barriers.

Over the past 30 years, Texas experienced massive low-skilled immigration while also attracting a disproportionate share of high-skilled workers. Low-skilled immigrants, many of them unauthorized, chose Texas for its geographic proximity to Mexico, low cost of living and plentiful job opportunities. High-skilled workers traveled longer distances, but they came for many of the same reasons.

The Texas economy has inherent strengths that set it apart from other states and have boosted economic growth. Natural resources have been a tremendous source of economic activity, innovation and prosperity. Texas provides oil, gas and petrochemicals as well as oilfield services to the rest of the country and to the world. However, the exhaustible nature of those energy resources and the energy industry's dramatic booms and busts made economic diversification an imperative for Texas. In fact, one of the most remarkable transformations of the Texas economy came during a time when oil prices were relatively low, the 1990s.

Texas geography has also been key to its economic development and economic diversification. The long border with Mexico and the thriving Gulf of Mexico ports positioned Texas to take advantage of globalization, the rise of trade and Mexico's trade liberalization, trends that have accelerated since the 1980s. The long frontier also made Texas a gateway for immigrants from Mexico and Central America.

It is one thing to be a gateway and quite another to be a destination. How has Texas kept its workers here while attracting more? The state's business environment—relatively low taxes and few regulations—has been crucial to luring and retaining talent. People have relocated to Texas because of abundant job opportunities, a low cost of living, affordable homes and a relatively low tax burden. Ready availability of

workers stimulates more business, creating a virtuous circle for the state.

What's most puzzling perhaps is not why high-skilled immigrants—and U.S. natives—have moved to Texas, but why so many low-skilled people have as well. With a skimpy safety net and lower levels of publicly provided services than other large states and historically lower wages for less-educated workers (although not recently, as shown in Table 2), Texas should have been relatively unattractive to the less skilled. Much of this puzzle involves unauthorized immigrants, who don't qualify for social assistance anywhere and so aren't affected by cross-state differences in welfare generosity but are attracted by abundant job opportunities and rising wages. The state has also remained relatively immigrant-friendly, rejecting laws other states have passed that target illegal immigrants. Suffice it to say, this group has overwhelmingly chosen to live in Texas. Without unauthorized immigration, Texas' education distribution would more resemble the nation as a whole.

The Texas experience offers some lessons for the nation. First, rapid economic growth and development require the inflow of factors of production. This report has focused on labor, particularly foreign labor, which along with capital was necessary for the diversification of the Texas economy and subsequent sustained growth. Second, market forces are the best guide for what types of labor best meet businesses' demands. Immigration policy that admits the workers that employers want to hire will have the greatest economic benefits. Third, policy that does not take into consideration both supply and demand factors may well become irrelevant, as the U.S.—and Texas in particular—has seen with illegal immigration. Fourth, there is a trade-off between low-skilled immigration and the provision of publicly provided services, particularly if the tax burden is low. Texas, for example, stands in stark contrast to California, where taxes have increased substantially in an attempt to keep pace with public services. Last, high-skilled migration is crucial for economic development. Texas has benefited from high-skilled migration not only of immigrants coming from abroad but also of domestic migrants in search of better opportunities and a better quality of life.

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## Notes

<sup>1</sup> This report uses the terms “immigrant” and “foreign born” interchangeably to mean people who are not U.S. citizens at birth, regardless of their visa type, legal status or naturalized U.S. citizenship unless otherwise indicated. Population numbers (1990 and 2012) from the U.S. Bureau of the Census.

<sup>2</sup> The Republic of Texas included Mexican residents as citizens when it declared its independence from Mexico in 1836. When Texas joined the Union in 1845, Congress recognized all Texas citizens as citizens of the United States. See *Impossible Subjects: Illegal Aliens and the Making of Modern America*, by Mae M. Ngai, Princeton, N.J.: Princeton University Press, 2004.

<sup>3</sup> “Historical Census Statistics on the Foreign-Born Population of the United States: 1850–2000,” by Campbell Gibson and Kay Jung, U.S. Census Bureau, Population Division Working Paper no. 81, February 2006.

<sup>4</sup> Calculations based on decennial census data. Low-skilled workers are defined as those who do not have a high school credential (a traditional high school diploma, a GED certificate or an equivalent credential from abroad).

<sup>5</sup> *Beyond Smoke and Mirrors: Mexican Immigration in an Era of Economic Integration*, by Douglas S. Massey, Jorge Durand and Nolan J. Malone, New York: Russell Sage Foundation, 2002.

<sup>6</sup> The exact share of IRCA beneficiaries living in Texas is uncertain. According to the Legalized Population Survey (LPS), a survey of legalized aliens conducted in 1989 and 1992, 17.4 percent were from Texas. However, workers who legalized under the special agricultural worker (SAW) program were not captured in the LPS, and it was likely that Texas had a disproportionate share of SAW beneficiaries (*Immigration Reform and Control Act: Report on the Legalized Alien Population*, by U.S. Department of Justice, Washington, D.C.: U.S. Government Printing Office, 1992).

<sup>7</sup> From FDIC Failures and Assistance Transactions in Texas, 1980–2000, Table BF02, Federal Deposit Insurance Corp.

<sup>8</sup> Based on monthly payroll employment data from Bureau of Labor Statistics and annual gross state product data from Bureau of Economic Analysis.

<sup>9</sup> From Census Bureau state population estimates at [www.census.gov/popest/data/historical/1980s/index.html](http://www.census.gov/popest/data/historical/1980s/index.html). Prior to 1990, net migration is a residual component of population change that includes net international migration; net domestic migration; temporary movement of military personnel, civilian federal employees and their dependents; and a statistical residual.

<sup>10</sup> “Silicon Prairie: How High Tech Is Redefining Texas’ Economy,” by D’Ann Petersen and Michelle Burchfiel, Federal Reserve Bank of Dallas *Southwest Economy*, May/June 1997.

<sup>11</sup> Calculations based on 2011 American Community Survey data.

<sup>12</sup> Education distributions are based on adults over age 24. This ensures that most education, particularly high school and college, is complete. Calculations based on American Community Survey data for 2009–11.

<sup>13</sup> From Current Population Survey, March 2010, Table 3.5 at [www.census.gov/population/foreign/data/cps2010.html](http://www.census.gov/population/foreign/data/cps2010.html).

<sup>14</sup> Comparison of seasonally adjusted nonfarm payroll employment for December 2012 with December 2007, based on data from the Bureau of Labor Statistics.

<sup>15</sup> Based on the ACCRA Cost of Living Index 2010 annual averages. Figures are simple averages of all urban areas reported within each state.

<sup>16</sup> “A Century and a Half of Ethnic Change in Texas, 1836–1986,” Terry G. Jordan, *Southwestern Historical Quarterly*, vol. 89, no. 4, 1986, pp. 385–422.

<sup>17</sup> *Texas Got It Right*, by Sam Wyly and Andrew Wyly, New York: Melcher Media, 2012.

<sup>18</sup> *Options for Estimating Illegal Entries at the U.S.–Mexico Border*, National Research Council, Alicia Carriquiry and Malay Majmundar, eds., Washington, D.C.: National Academies Press, 2013.

<sup>19</sup> “Illegal Migration From Mexico to the United States,” by Gordon Hanson, *Journal of Economic Literature*, vol. 44, no. 4, 2006, pp. 869–924.

<sup>20</sup> See note 18.

<sup>21</sup> Estimates of the number of unauthorized immigrants from “Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2011,” by Michael Hoefer, Nancy Rytina and Bryan Baker, Department of Homeland Security, March 2012.

<sup>22</sup> “What’s Driving Mexico–U.S. Migration? A Theoretical, Empirical and Policy Analysis,” by Douglas S. Massey and Kristin E. Espinosa, *American Journal of Sociology*, vol. 102, no. 4, 1997, pp. 939–99.

<sup>23</sup> California adopted one of the first state initiatives intended to combat illegal immigration, Proposition 187, in 1994. Many of the provisions of recent laws, such as Arizona’s SB1070, and past laws, such as Proposition 187, were ultimately ruled unconstitutional and not implemented.

<sup>24</sup> Press release issued by Texas governor’s office, April 29, 2010, <http://governor.state.tx.us/news/press-release/14574/>.

<sup>25</sup> California passed a similar law in 2001, although its measure took effect more slowly.

<sup>26</sup> The Illegal Immigration Reform and Immigrant Responsibility Act of 1996 created the 287(g) program, which essentially deputizes local law enforcement officers to enforce immigration laws. In Texas, only Farmers Branch, Carrollton and Harris County (where county sheriff deputies mostly patrol suburban Houston) entered into such agreements. Sanctuary city resolutions vary across cities but typically prevent city employees from reporting on the immigration status of people they come into contact with to federal authorities (see “The Immigration Debate in Texas,” by Tony Payan, Latin America Initiative Immigration Research Project Working Paper, Baker Institute, Rice University, April 2013).

<sup>27</sup> One provision that passed in 2011, tucked into a school financing bill, required proof of legal status to obtain or renew driver’s licenses. Proposed legislation that didn’t pass included mandated employment verification, enforcement of federal immigration law, information sharing, etc. For details, see note 26, Payan.

<sup>28</sup> “Annual Performance Plan for Fiscal Year 2012 and Revised Final Performance Plan for Fiscal Year 2011,” Social Security Administration, February 2011.

<sup>29</sup> “Task Specialization, Immigration and Wages,” by Giovanni Peri and Chad Sparber, *American Economic Journal: Applied Economics*, vol. 1, no. 3, 2009, pp. 135–69.

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<sup>30</sup> “Assessing Inherent Model Bias: An Application to Native Displacement in Response to Immigration,” by Giovanni Peri and Chad Sparber, *Journal of Urban Economics*, vol. 69, no. 1, 2011, pp. 82–91.

<sup>31</sup> “The Economic Benefits From Immigration,” by George J. Borjas, *Journal of Economic Perspectives*, vol. 9, no. 2, 1995, pp. 3–22.

<sup>32</sup> “Low-Skilled Immigration and the Labor Supply of Highly Skilled Women,” by Patricia Cortés and José Tessada, *American Economic Journal: Applied Economics*, vol. 3, no. 3, 2011, pp. 88–123.

<sup>33</sup> Calculations based on Current Population Survey Outgoing Rotations Group data for 2000 and 2012.

<sup>34</sup> Poverty rate calculations are based on the 2010–12 March Current Population Surveys, which ask about income during the previous calendar year. Poverty is measured at the family level because families are likely to share resources; all individuals in a family have the same poverty status in the Current Population Survey.

<sup>35</sup> See “Limited English Skills, Relative Youth Contribute to Hispanic Poverty Rates,” by Yingda Bi, Pia M. Orrenius and Madeline Zavodny, Federal Reserve Bank of Dallas *Southwest Economy*, First Quarter, 2012; and “Trends in Poverty and Inequality Among Hispanics,” by Pia M. Orrenius and Madeline Zavodny, in *The Economics of Inequality, Poverty and Discrimination in the 21st Century*, vol. 1, Robert S. Rycroft, ed., Santa Barbara, Calif.: Praeger, 2013, pp. 217–35.

<sup>36</sup> “Undocumented Immigrants in Texas: A Financial Analysis of the Impact to the State Budget and Economy,” by Carole Keeton Strayhorn, Special Report, Texas Comptroller of Public Accounts, December 2006.

<sup>37</sup> *The New Americans: Economic, Demographic and Fiscal Effects of Immigration*, National Research Council, James P. Smith and Barry Edmonston, eds., Washington, D.C.: National Academies Press, 1997.

<sup>38</sup> Welfare program participation calculations are based on the 2010–12 March Current Population Surveys, which ask about benefits received during the previous calendar year. Households are participants if anyone living in the household participated in one of the indicated programs at any point during the previous year.

<sup>39</sup> School lunch and breakfast programs are an exception, as is emergency Medicaid.

<sup>40</sup> “Inside the Refrigerator: Immigration Enforcement and Chilling Effects in Medicaid Participation,” by Tara Watson, National Bureau of Economic Research, NBER Working Paper no. 16278, August 2010.

<sup>41</sup> Health insurance calculations are based on the 2010–12 March Current Population Surveys, which ask about coverage during the previous calendar year. People are considered covered by health insurance if they had coverage at any point during the year, not necessarily all year. The Current Population Survey is known to underreport health insurance coverage and better approximates insurance coverage at a specific point in time during the year than coverage for the entire year.

<sup>42</sup> Costs that health care providers incur as a result of providing emergency health care to unauthorized immigrants may be covered by Medicaid; health care providers cannot refuse to provide emergency care. Medicaid covers prenatal care and delivery costs for eligible low-income pregnant women regardless of their legal status because the children will be U.S. citizens by birth.

<sup>43</sup> American Community Survey 2011.

<sup>44</sup> “U-Haul Rates Confirm the Great California Exodus,” by Mark J. Perry, American Enterprise Institute, *Carpe Diem* (blog) April 21, 2012, [www.aei-ideas.org/2012/04/u-haul-rates-confirm-the-great-california-exodus/](http://www.aei-ideas.org/2012/04/u-haul-rates-confirm-the-great-california-exodus/).

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## Gone to Texas

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Published November 2013

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