

BILL # SB 1215

TITLE: prospective employees; eligibility; verification

SPONSOR: Brotherton

STATUS: As Introduced

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FISCAL ANALYSIS

Description

The bill requires all employers in the state of Arizona to verify employment eligibility before hiring prospective employees or pay a civil penalty of up to \$5,000 per violation. The bill requires the Attorney General to enforce this requirement and establishes the Verified Employee Enforcement Fund, which will receive an initial appropriation of \$500,000 from the General Fund in FY 2007 and any penalties collected from employers in FY 2007 and beyond. The Attorney General will administer and use this fund for the purpose of providing enforcement for the provisions of this bill.

Estimated Impact

The bill's fiscal impact on state government cannot be determined with certainty. The bill's most direct impact is the \$500,000 FY 2007 General Fund appropriation to the Attorney General for enforcement.

The bill could have broader consequences on both state revenues and expenditures. To the extent that increased verification procedures reduce employment opportunities, the level of illegal immigration would likely decline. Lower levels of immigration would reduce participation in state-funded programs, which would then affect spending.

Reduced immigration levels would also impact state revenues. The growth in general tax collections would decline with a reduced immigrant population. This reduction may be offset somewhat if wages increase to remaining residents in an attempt to offset the overall decline in the labor supply.

The magnitude of these broader revenue and spending impacts will depend on how much the bill affects the level of immigration, which cannot be determined in advance.

Analysis

State Government Costs

The bill could generate both costs and savings for state and local governments. The bill would generate costs to the extent that it adds new responsibilities to state and local governments. Specifically, the bill requires all employers, both public and private, to verify prospective employees' employment eligibility through 1 of 2 existing verification programs, either the Social Security Number Verification (SSNV) program or the Basic Pilot Employment Verification Program, or an alternative future verification source. The SSNV Program does not charge employers a fee for participation. The Basic Pilot Employment Verification Program is free for private employers, but has a minimum \$25 monthly usage fee, or an average of \$0.27 per verification request if monthly volume exceeds \$25, for government agencies. While the SSNV Program only requires the employer to submit a name and social security number to verify employment status, the Basic Pilot Employment Verification Program requires more detailed information. The state currently verifies the status of its employees through the SSNV Program.

The bill also establishes the Verified Employee Enforcement Fund and appropriates to it \$500,000 from the General Fund in FY 2007. The Attorney General estimates that at least 2 attorneys, 3 or 4 investigators, and 1 support staff would be required to adequately enforce the bill. The \$500,000 amount appropriated in the bill would be sufficient to support these positions.

State Government Savings

The bill could generate state and local government savings to the extent it reduces costs associated with the unauthorized population. Federal law mandates that individuals who are not lawfully present in the United States are eligible to receive

some benefits such as emergency medical care and elementary and high school public education. Some state share of the cost for these benefits may be reduced if the bill results in a reduction in this population or serves to discourage future unauthorized immigration.

Two recent studies have examined the cost of services provided to immigrants in Arizona. Based in part on a 1994 study by the Urban Institute, a 2004 report by the Federation for American Immigration Reform (FAIR) estimated that those individuals not lawfully present in the United States and their US born children annually receive approximately \$1.3 billion in certain public funding and private hospital care. This cost estimate consists primarily of the federally mandated benefits of elementary and secondary education and uncompensated public and private health care. The FAIR study estimated the cost impact of elementary and secondary education at \$480 million for unauthorized immigrants' US born children and \$330 million for non-US born children. The report estimated the cost for uncompensated public and private health care at \$400 million. The FAIR report also included \$80 million in spending on incarcerated individuals.

A second report, by the Thunderbird American Graduate School of International Management in 2003, was not limited to the unauthorized population only. The report estimated that immigrants from Mexico to Arizona annually receive approximately \$250 million in public benefits. These numbers, however, are extrapolations of data from national studies, which may include the cost of federal programs. In addition, these national studies appear to estimate the net cost impact after adjusting for any taxes paid. It is unclear whether the Thunderbird estimates have adjusted the federal numbers to produce a gross pretax spending impact. The JLBC Staff has not attempted to reconcile the FAIR and Thunderbird estimates.

State Government Revenues

The Verified Employee Enforcement Fund established by the bill will receive fines imposed on employers that do not verify employee eligibility before hiring prospective employees. The total amount of fines collected by the fund, however, is difficult to predict because it is subject to 2 factors. First, fund deposits will depend on the number of times the Attorney General successfully prosecutes employers for failing to verify employee eligibility in each fiscal year. This will depend on caseload and the length of time needed to complete a case. Second, the bill allows for a fine of up to \$5,000 for each employer violation. The actual fine assessed may vary depending on the case.

The bill may also affect state and local government revenue collections as unauthorized immigrants contribute to the state's economy and labor market. The estimate of tax collections received from this population varies. The FAIR report estimated that these individuals generated about \$257 million annually (about \$268 million in 2006 dollars) in state and local sales, income and property tax revenues. The Thunderbird report estimated that Mexican immigrants paid approximately \$293 million in sales taxes (about \$321 million in 2006 dollars). The Thunderbird study did not estimate the amount of state income or property taxes paid by unauthorized individuals. The direct state revenue impact will depend on how the bill affects the state's overall level of immigration.

In addition to affecting tax collections, the level of immigration affects the labor market. Based on the Census Bureau's March 2002 Current Population Survey, the Urban Institute estimated that about 5% of all U.S. workers are not lawfully present. Arizona's labor force included approximately 300,000 of these workers, or about 11.5% of total employment in the state. According to the Thunderbird study, these individuals earned \$11,170 per year in 2000, (\$12,680 in 2006 dollars), about 39% of the average for all workers. The annual wages earned by this group are estimated to be about \$3.8 billion. This population tends to fill lower paying jobs. A decrease in this population may increase job opportunities for the remaining population or result in an increase in wages for these jobs if the overall labor supply declines. These secondary labor market impacts could also affect state revenue collections.

Local Government Impact

Because the bill could impact local agencies that administer benefits and all agencies during the hiring process, any potential costs and savings identified above also apply to local governments. Similarly, any of the economic costs and benefits described above would have effects both at the state and local levels.