

Are Immigrants a Drain on the Public Fisc? State and Local Impacts in New Jersey*

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Objective. Accumulating research suggests that state expenditures on immigrant households modestly exceed revenues returned to state governments, while immigrants pose significant net fiscal burdens on local governments. This article examines the extent to which immigrant-native differences in household public service use and tax remittances are attributable to nativity status rather than to socioeconomic and demographic characteristics. *Methods.* The analysis uses 1990 census data for New Jersey and OLS regression to identify the effect of nativity on household public benefit receipt and tax payments. Nativity status is parameterized along several dimensions. *Results.* Differences in households' economic and demographic characteristics account for most of the differential fiscal impact of immigrant households on state and local governments. Immigrant households generally pay higher state and local taxes and receive fewer state government services than statistically equivalent native households. *Conclusions.* Little of the immigrant-native difference in net fiscal burdens is attributable to nativity status *per se*, but is primarily due to household characteristics that are closely correlated with government expenditures on households.

Introduction

As the nation debates the direction of immigration policy, the number of immigrants¹ residing in the United States grew to a record 28.4 million in

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¹The term "immigrant" is used synonymously with "foreign born."

2000, an increase of nearly 44 percent over the 1990 census. The immigrant population share, at 10.4 percent, is at its highest since 1930 (Gibson and Lennon, 1999; Lollock, 2001).

The growing waves of postwar immigrants and their changing source-country composition have spurred extensive research on the economic consequences of immigration. Most attention has focused on quantifying potential adverse impacts on natives' labor market outcomes (Borjas, Freeman, and Katz, 1996) and immigrants' assimilation into the U.S. labor market (Borjas, 1999).

By contrast, there has been relatively little study of the fiscal effects of immigration. Voter frustration with perceived burdens of immigration culminated in the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which eliminated most immigrants' eligibility for federal public assistance programs. Political controversy, coupled with a lack of objective data on immigrant service use and tax remittances, has fueled interest in research on immigrants' fiscal impacts. Because immigrants are highly concentrated geographically (over 70 percent reside in California, New York, Florida, Texas, New Jersey, and Illinois), it is imperative to conduct such research at a subnational level. Our study contributes to this larger agenda by focusing on the fiscal effects of immigration to one high-immigration-impact state, New Jersey.

New Jersey serves as a useful case for examining the fiscal impacts of immigration on state and local governments for several reasons. First, the state has been a key immigrant destination in the postwar period. It ranks fifth among major immigration states in the size of its foreign-born population (1.2 million in 1997). Immigrants comprised 15.4 percent of the state's population in 1997, a share smaller only than that of New York and California (Schmidley and Gibson, 1999). Second, the composition of the state's foreign-born population resembles that of the United States along several important dimensions. Reflecting the national experience, New Jersey's immigrant flow increasingly originates outside of Europe. By 1990, Asia accounted for roughly one-quarter of all foreign born in both the United States and New Jersey, while Latin American immigrants comprised over 33 percent of the state's immigrants and about 44 percent nationally. Length of residence and fraction naturalized within immigrant region-of-origin groups were also very similar to national patterns at the 1990 census (Western and Kelly, 1997). Third, New Jersey's tax structure and public service provision are representative of the nation overall (ACIR, 1992). Finally, New Jersey's racial and ethnic composition more closely mirrors the U.S. population than any other state. Thus, a study of the fiscal impacts of immigration to New Jersey yields conclusions that are illustrative of the nation as a whole.

While New Jersey is clearly not an outlier for the study of immigrants' fiscal impacts, our findings are not generalizable to other high-immigration states. New Jersey's immigrants are indeed different. Unlike California,

Texas, and Illinois, whose immigrant populations have become more concentrated around one or two national groups, New Jersey's foreign born hail from a diverse set of source countries. The state's immigrants also have higher education levels than the typical immigrant to the United States (Western and Kelly, 1997).

This article adopts a household-level annual budgetary perspective to analyze the short-term fiscal effects of immigration. A household's current annual fiscal impact is the difference between its benefits from government expenditures on public goods, services, and transfer payments, and its tax remittances to government entities, calculated at each jurisdictional level during a single fiscal year. If the figure is positive (fiscal costs exceed revenues), the household is a net fiscal burden, or drain, on other taxpayers. If the difference is negative, the household is a net fiscal asset, or gain, to remaining taxpayers.

This study extends previous work by placing fiscal impacts in an econometric framework. We want to know how much of the immigrant-native difference in observed average fiscal impacts is due to something inherent to whether a person is native born or foreign born, and how much is due to other differences between immigrant and native households. Nativity status may capture systematic behavioral differences that are not reflected in other socioeconomic and demographic variables. Such differences arise if, for example, foreign-born households make differential use of government services for which they are eligible, or if immigrants have different preferences for taxable consumption such as housing.

We find that the higher fiscal deficits of immigrant households are almost entirely due to differences in household characteristics. In fact, immigrant households generally pay higher taxes and receive significantly fewer state government services than statistically equivalent native households. Little of the immigrant-native difference in net fiscal burdens is attributable to nativity status *per se*.

We present a framework for assessing the fiscal consequences of immigration in the following section. The third section describes models of household tax remittances and benefit receipt; results are presented in the fourth section of this article. Implications of our findings for immigration policy conclude the article.

Research Context

Initial research on immigrants' fiscal impacts focused on a controversial subset of government expenditures: public assistance. Studies showed that while immigrants have higher observed welfare participation rates than natives, immigrants are generally *less* likely to receive welfare than demographically comparable natives (Blau, 1984; Borjas, 1995; Tienda and Jensen, 1986).

Analyses of fiscal impacts have moved away from a narrow focus on public assistance receipt to a broader consideration of households' overall impact on government finances. With the exception of a few recent case studies (Clune, 1998; Garvey and Espenshade, 1998), fiscal-impact studies typically suffer from three methodological shortcomings: they do not use individual-level survey data to determine actual public benefit receipt and tax payments; most are limited in the scope of fiscal costs and benefits considered; and few compare immigrants' budgetary impacts to those of natives (MaCurdy, Nechyba, and Bhattacharya, 1998).

The microdata approach of Garvey and Espenshade (1998) addresses the deficiencies of previous research. They adopt a household-level annual budgetary perspective to calculate current annual fiscal impacts.² The authors use the 1990 census 5 percent Public Use Microdata Sample (PUMS) for New Jersey, which contains detailed socioeconomic and demographic data for a representative sample of approximately 145,000 randomly selected households and the nearly 397,000 individuals who resided in them on April 1, 1990. Households are labeled "immigrant" if the householder is a naturalized citizen or is not a citizen of the United States and "native" otherwise. Since census questions pertain to economic activity in 1989, PUMS data are supplemented with FY 1989–1990 program eligibility criteria, state and local government budget information, and tax rules. Tax remittances and public benefit receipt are measured for individuals or households using one of three census-based methods (see Garvey and Espenshade, 1998, for details).

Accumulating research suggests that while *both* immigrant and native households are net fiscal burdens on state and local governments, immigrant households impose significantly larger fiscal costs than natives, particularly at the local level (MaCurdy, Nechyba, and Bhattacharya, 1998). Table 1, which summarizes measured annual state and local fiscal impacts of New Jersey households in FY 1989–1990, confirms previous findings. Before adjusting for the fiscal activities of the nonhousehold sector, the typical New Jersey household incurs a net fiscal deficit: it consumes more public services than it pays for with taxes.³ The average net fiscal drain is \$1,384 and \$1,404 at the state and local levels, respectively. Immigrants have disproportionate negative impacts: the average immigrant household incurs a 37

²A number of methodological and conceptual assumptions underlie this approach (Garvey, Espenshade, and Scully, 2000).

³A household-level analysis ignores the fiscal activities of governments, business, and non-residents. By excluding the nonhousehold sector, we overstate households' fiscal burdens. Under certain assumptions (Garvey, Espenshade, and Scully, 2000), the nonhousehold sector can be accounted for in fiscal-impact estimates. The adjusted figures, reported in Table 1 as "average fiscal balance," show that fiscal redistributions occur within the household sector. If this figure is positive (negative), the typical household poses a fiscal burden (asset) on government. The average native household pays 4 percent higher taxes—\$69 in state taxes and \$110 in local taxes—to subsidize immigrants' state and local fiscal burdens.

TABLE 1
State and Local Fiscal Impacts of Immigrant and Native Households
in New Jersey, FY 1989–1990
(Household-Weighted Averages. Standard Errors in Parentheses)

	Households			Foreign-Born Households by Region of Origin			
	All	Native Born	Foreign Born	Europe	Asia	Latin America	Other
State							
Government							
Expenditures/	\$3,394	\$3,342	\$3,705	\$3,011	\$4,005	\$4,497	\$3,868
HH benefits	(3,712)	(3,709)	(3,713)	(2,937)	(3,643)	(4,462)	(4,008)
Revenues/	2,010	2,027	1,906	1,847	2,488	1,623	1,815
HH taxes paid	(1,678)	(1,685)	(1,631)	(1,684)	(1,836)	(1,278)	(1,603)
Average fiscal deficit	1,384	1,315	1,799	1,164	1,517	2,874	2,053
	(4,131)	(4,142)	(4,037)	(3,291)	(4,023)	(4,726)	(4,219)
Average fiscal balance ^a	≡ 0	-69	415	-220	133	1,490	669
Local							
Government							
Expenditures/	\$3,916	\$3,785	\$4,699	\$3,962	\$5,836	\$4,973	\$4,995
HH benefits	(3,787)	(3,668)	(4,349)	(3,868)	(5,453)	(3,948)	(4,468)
Revenues/	2,512	2,491	2,639	2,823	2,881	2,238	2,476 ^{NS}
HH taxes paid	(1,579)	(1,554)	(1,719)	(1,749)	(1,768)	(1,573)	(1,663)
Average fiscal deficit	1,404	1,294	2,060	1,139	2,955	2,735	2,519
	(3,939)	(3,829)	(4,487)	(4,008)	(5,439)	(4,180)	(4,549)
Average fiscal balance ^a	≡ 0	-110	656	-265	1,551	1,331	1,115
Weighted N	2788450	2388496	399954	176957	79757	119794	23446
Foreign-Born Households by Entry Cohort							
	1985– 1990	1980– 1984	1975– 1979	1970– 1974	1965– 1969	1960– 1964	< 1960
State							
Government							
Expenditures/	\$3,861	\$3,972	\$4,574	\$4,597	\$4,175	\$3,542	\$2,591
HH benefits	(3,857)	(3,944)	(4,411)	(4,117)	(4,020)	(3,545)	(2,455)
Revenues/	1,609	1,795	2,078 ^{NS}	2,117	2,244	2,363	1,674
HH taxes paid	(1,272)	(1,411)	(1,501)	(1,650)	(1,716)	(1,761)	(1,774)
Average fiscal deficit	2,252	2,177	2,496	2,480	1,931	1,179^{NS}	917
	(4,120)	(4,280)	(4,831)	(4,460)	(4,380)	(3,950)	(2,844)
Average fiscal balance ^a	868	793	1,112	1,096	547	-205	-467
Local							
Government							
Expenditures/	\$5,157	\$4,898	\$5,769	5,986	5,343	4,571	3,140
HH benefits	(4,534)	(4,091)	(4,814)	(5,128)	(4,820)	(4,227)	(2,959)

TABLE 1—continued

Revenues/ HH taxes paid	1,923 (1,106)	2,263 (1,458)	2,702 (1,769)	2,863 (1,843)	2,949 (1,899)	3,057 (1,824)	2,797 (1,762)
Average fiscal deficit	3,234 (4,579)	2,635 (4,215)	3,067 (4,961)	3,123 (5,198)	2,394 (4,875)	1,514 (4,356)	343 (3,172)
Average fiscal balance ^a	1,830	1,231	1,663	1,719	990	110	-1,061
Weighted N	52577	59532	43065	53877	46384	30908	113611

NOTES: Native- and foreign-born means are different at the 5 percent level except where indicated by "NS."

^aSee text for explanation.

percent higher state fiscal deficit than natives but a 59 percent greater local burden.

Average immigrant-native differences in fiscal impacts mask substantial variation in economic behavior across immigrant groups. There is greater variation in fiscal deficits *within* the foreign-born population, disaggregated by region of origin⁴ or entry cohort of the household head, than *between* immigrants and natives overall, which suggests that socioeconomic characteristics, rather than nativity status itself, play a key role in explaining immigrant-native differentials. For example, European households experience the smallest state and local fiscal deficits of all origin groups, while Latin American households incur a 60 percent higher state deficit than the average immigrant household. Fiscal impacts also vary greatly across entry cohorts. Pre-1960 immigrants experience the smallest local fiscal deficit of all immigrant groups at \$343 or 17 percent of the foreign-born average. At the opposite extreme lie the 1970s immigrant cohorts, which impose a nearly 50 percent higher net local burden than the typical foreign household.

Descriptive statistics also hint that differences in household characteristics are important determinants of government expenditures on households (Table 2). While the typical immigrant-headed household is no more likely to receive cash transfers than its native counterpart, welfare receipt propensities vary greatly across immigrant arrival and origin groups. Immigrants typically have more children enrolled in public school and are more concentrated in urban centers with high public service costs than native households. Once again, however, there is significant variation within the foreign-born population.

⁴Immigrant household heads from Europe and North America, excluding Mexico, are classified as "Europe"; "Asia" covers east and south Asia, Asia Minor, and the Middle East; "Latin America" refers to Mexico, Central and South America, and the Caribbean; and "other" includes immigrant heads from Africa, Oceania, or an unspecified country of origin.

TABLE 2
Socioeconomic Profile of New Jersey Households, 1989
(Household-Weighted Means)

	Households			Foreign-Born Households by Region of Origin			
	All	Native Born	Foreign Born	Europe	Asia	Latin America	Other
Percent of households receiving public assistance	5.63%	5.61	5.75 ^{NS}	4.17	4.28	9.18	5.26 ^{NS}
AFDC	2.78%	2.80	2.60 ^{NS}	0.98	2.91 ^{NS}	4.75	2.75 ^{NS}
SSI	1.73%	1.71	1.89 ^{NS}	2.07	0.87	2.44	1.16 ^{NS}
General assistance	1.12%	1.10	1.27	1.12 ^{NS}	0.50	1.99	1.35 ^{NS}
Public assistance income of recipient households	\$4,381	4,414	4,190 ^{NS}	4,494 ^{NS}	4,088 ^{NS}	4,049	3,918 ^{NS}
Children enrolled in public school	0.34	0.33	0.41	0.29	0.59	0.48	0.44
Percent of households in central cities ^a	17.59%	15.47	30.24	17.65	17.56	55.50	39.26
	Foreign-Born Households by Entry Cohort						
	1985–1990	1980–1984	1975–1979	1970–1974	1965–1969	1960–1964	< 1960
Percent of households receiving public assistance	3.76	5.99 ^{NS}	6.28 ^{NS}	7.39	8.16	5.79 ^{NS}	4.58
AFDC	2.53 ^{NS}	3.84	4.05	4.04	3.54	1.84	0.56
SSI	0.30	1.03	1.42 ^{NS}	1.85 ^{NS}	2.88	2.44	2.71
General assistance	0.94 ^{NS}	1.12 ^{NS}	0.81 ^{NS}	1.50	1.74	1.51 ^{NS}	1.30 ^{NS}
Public assistance income of recipient households	4,117 ^{NS}	3,828	4,082 ^{NS}	3,906 ^{NS}	4,065 ^{NS}	4,238 ^{NS}	4,815 ^{NS}
Children enrolled in public school	0.47	0.44	0.62	0.64	0.51	0.40	0.15

TABLE 2—continued

Percent of households in central cities ^a	35.05	41.96	35.09	38.00	35.59	27.28	14.97 ^{NS}
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NOTES: Native- and foreign-born means are different at the 5 percent level except where indicated by “NS.”

^aIncludes Camden, Elizabeth, Jersey City, Newark, Orange, Paterson, Trenton, and Union.

Empirical Methodology

The dispersion in measured fiscal impacts across immigrant groups leads us to ask how much nativity really matters. The influence of nativity status is not detectable in previous fiscal-impact studies because they lack micro-level data on household tax remittances and public service use. Our data, by contrast, permit us to tease out nativity status effects.

Simple ordinary least squares (OLS) regression models describe the determinants of current government expenditures on (or revenues from) households at a particular jurisdictional level, yielding four equations.⁵ Expenditures on household *i* in jurisdiction *k*, E_{ik} , are modeled as a function of the household head’s nativity status, $X_{1j(i)}$, his or her socioeconomic characteristics, $X_{2j(i)}$, a vector of household demographic variables, H_j , and a random error term:

$$E_{ik} = \alpha_0 + \alpha_1 X_{1j(i)} + \alpha_2 X_{2j(i)} + \gamma H_j + \epsilon_{ik}. \tag{1}$$

Similarly, taxes remitted by household *i* to jurisdiction *k*, R_{ik} , are also a function of the head’s nativity status and socioeconomic characteristics, a slightly different set of household variables, Z_j , and a random error term:

$$R_{ik} = \beta_0 + \beta_1 X_{1j(i)} + \beta_2 X_{2j(i)} + \delta Z_j + v_{ik}. \tag{2}$$

Equations (1) and (2) answer the following question: After controlling for household demographic and socioeconomic characteristics that also affect taxes paid and public service receipt, what is the *independent* effect of nativity status? Nativity status effects will be observed if immigrants systematically differ from natives in their economic behavior. However, if nativity status simply proxies for socioeconomic and demographic characteristics that are correlated with household benefit receipt and tax payments, then controlling for these factors will eliminate the nativity effect. We hypothesize that most fiscal disparities are due to differences in characteristics that influence household public service consumption and tax payments and that very little is intrinsic to nativity status.

⁵ The dependent variables are not adjusted for the fiscal effects of the nonhousehold sector. Use of the unadjusted figures has no effect on the parameter estimates.

TABLE 3

State Government Expenditures on New Jersey Households, FY 1989–1990
(All Figures in Dollars. Standard Errors in Parentheses)

OLS Model	I	II	III	IV	V
Nativity Status Indicators	Foreign Born	Region of Origin	Entry Cohort	Origin/Entry Cohort	
				Levels	Interactions
Foreign-Born Head	-365.8 (60.1)				
Head from Europe		-240.1 (60.8)		-1029.3 (83.9)	
1975–1990 entry cohort					-802.4 (83.3)
1970–1974 entry cohort					-588.1 (93.3)
< 1970 entry cohort					-335.1 (61.6)
Head from Asia		-417.5 (86.4)		-1056.8 (99.0)	
1985–1990 entry cohort					-961.6 (108.2)
1975–1984 entry cohort					-686.0 (96.8)
< 1975 entry cohort					-507.0 (93.5)
Head from Latin America		-731.0 (66.0)		-1372.9 (82.0)	
1985–1990 entry cohort					-1501.5 (93.4)
1980–1984 entry cohort					-1109.3 (85.3)
1975–1979 entry cohort					-885.5 (94.1)
< 1975 entry cohort					-747.3 (69.6)
Head from Other Country		-500.4 (83.8)		-1143.4 (97.1)	
1985–1990 entry cohort					-1037.6 (155.5)
< 1985 entry cohort					-680.5 (88.1)
1985–1990 entry cohort			-1225.0 (80.1)	—	
1980–1984 entry cohort			-949.1 (76.6)	289.6 (51.1)	
1975–1979 entry cohort			-885.8 (77.7)	333.8 (55.7)	
1970–1974 entry cohort			-749.9 (73.2)	471.9 (53.3)	

TABLE 3—Continued

1965–1969 entry cohort	–570.1 (72.4)	642.2 (56.2)
1960–1964 entry cohort	–630.8 (74.8)	553.6 (64.2)
< 1960 entry cohort	–400.0 (62.0)	692.1 (53.9)

NOTES: Parameter estimates are significant at the 5 percent level except where indicated by "NS." Adjusted R^2 is 0.73 for all models.

Nativity status of the household head is modeled five ways for each dependent variable. The first model includes a single indicator of whether the household head is foreign born. We then allow nativity status effects to differ by region of origin (Europe, Asia, Latin America, and other) and by entry cohort. We next permit an additional year of U.S. residency to have the same effect on government benefit receipt and tax payments for all origin groups. Finally, origin and entry cohort terms are interacted to permit the effects of length of stay in the United States to differ by region of origin.

Other demographic characteristics of the head hypothesized to affect household tax remittances and consumption of public services include English-language proficiency, age, age at migration, race, gender, marital status, and educational attainment. Controls for household characteristics include age structure, place of residence, tenancy status, the number of children enrolled in public school, and socioeconomic status (see Garvey, Espenshade, and Scully, 2000, for further discussion).

Results

Nativity parameter estimates are presented in Tables 3 to 6 for state expenditure, state revenue, local expenditure, and local revenue models, respectively. All other regression coefficients are reported in Garvey, Espenshade, and Scully (2001).

Fiscal Impacts on State Government

State government expenditure models (Table 3) show that immigrant-native differentials in state benefit receipt are due to differences in observable characteristics rather than nativity status *per se*. In fact, we consistently find that foreign-headed households consume fewer government services than statistically similar native households—about \$366 less on average (Model I), a sharp contrast with immigrants' observed higher benefit receipt of \$363 (Table 1). The foreign-born average masks a great deal of variation across national origin and entry cohort groups. For example, the typical Latin American household consumes \$731 less than its otherwise compar-

TABLE 4

State Revenues from New Jersey Households, FY 1989–1990
(All Figures in Dollars. Standard Errors in Parentheses)

OLS Model	I	II	III	IV	V
Nativity Status Indicators	Foreign Born	Region of Origin	Entry Cohort	Origin/Entry Cohort	
				Levels	Interactions
Foreign-Born Head	382.7 (38.6)				
Head from Europe		391.4 (39.1)		-195.1 (54.0)	
1985–1990 entry cohort					-8.8 ^N (68.1)
1980–1984 entry cohort					346.1 (71.1)
1970–1979 entry cohort					111.8 (53.3)
1960–1969 cohort					207.2 (48.5)
< 1960 entry cohort					283.2 (40.7)
Head from Asia		266.6 (55.6)		-205.8 (63.7)	
1985–1990 entry cohort					-316.7 (70.2)
1980–1984 entry cohort					-158.8 (68.3)
1975–1979 entry cohort					32.0 ^N (71.8)
1970–1974 entry cohort					256.5 (71.9)
< 1970 entry cohort					467.6 (65.6)
Head from Latin America		355.0 (42.5)		-122.6 (52.8)	
1985–1990 entry cohort					-148.4 (60.3)
1980–1984 entry cohort					45.3 ^N (55.1)
1970–1979 entry cohort					172.6 (49.7)
1965–1969 entry cohort					339.8 (55.1)
< 1965 entry cohort					495.5 (54.5)
Head from Other Country		226.1 (53.9)		-247.4 (62.5)	
1985–1990 entry cohort					-44.8 ^N (100.2)

TABLE 4—continued

1980–1984 entry cohort					-219.0 (84.0)
1960–1979 entry cohort					54.6 ^{NS} (67.4)
< 1960 entry cohort					530.0 (102.2)
1985–1990 entry cohort	-159.8 (51.6)			—	
1980–1984 entry cohort	11.6 ^{NS} (49.3)	170.6 (32.8)			
1975–1979 entry cohort	110.7 (50.0)	272.6 (35.8)			
1970–1974 entry cohort	165.0 (47.1)	324.7 (34.2)			
1965–1969 entry cohort	306.9 (46.5)	466.3 (36.1)			
1960–1964 entry cohort	334.3 (48.1)	498.0 (41.3)			
< 1960 entry cohort	309.6 (39.9)	491.8 (34.6)			
Adjusted R ²	0.45	0.45	0.46	0.46	0.46

NOTES: Parameter estimates are significant at the 5 percent level except where indicated by "NS."

ble native counterpart, as compared to \$240 less for the average European household (Model II).

Turning to the revenue side of the fiscal equation, we find that controlling for sociodemographic characteristics reduces and often eliminates observed immigrant-native differences in state revenues (Table 4). For example, the typical foreign-born household contributes \$383 more to state coffers than demographically similar native households (Model I). Small nativity effects remain for groups with large relative revenue differences. For example, Asian households still remit \$267 more in state taxes than their native statistical twins; demographic characteristics account for roughly half of Asian households' higher contributions of \$461 (Table 1).

In sum, when controls are introduced for household socioeconomic characteristics, immigrant households consume fewer government services than comparable native households. Poverty status, the number of children enrolled in public school, and school district of residence are key determinants of the observed immigrant-native gap in state benefit receipt. Household characteristics, especially the head's educational attainment, explain moderate unadjusted immigrant-native differences in tax payments. However, nativity status still accounts for a substantial portion of large immigrant-native revenue gaps. Simply put, nativity status *per se* has much less to do with observed immigrant-native differences in net fiscal burdens than appears to be the case from the raw differences of Table 1.

TABLE 5

Local Government Expenditures on New Jersey Households, FY 1989–1990
(All Figures in Dollars; Standard Errors in Parentheses)

OLS Model	I	II	III	IV	V
Nativity Status Indicators	Foreign Born	Region of Origin	Entry Cohort	Origin/Entry Cohort	
				Levels	Interactions
Foreign-Born Head	14.8 ^{NS} (9.6)				
Head from Europe		55.5 (11.0)		150.7 (21.6)	
1975–1990 entry cohort					171.5 (22.3)
1970–1974 entry cohort					178.1 (31.3)
< 1970 entry cohort					21.5 ^{NS} (11.9)
Head from Asia		27.2 ^{NS} (26.9)		66.8 (30.9)	
1985–1990 entry cohort					99.4 (36.7)
1975–1984 entry cohort					54.8 ^{NS} (31.4)
< 1975 entry cohort					-5.2 ^{NS} (31.2)
Head from Latin America		-90.8 (14.5)		-55.8 (21.3)	
1985–1990 entry cohort					-91.3 (29.2)
1980–1984 entry cohort					-93.2 (25.1)
1975–1979 entry cohort					-80.2 (30.9)
< 1975 entry cohort					-73.5 (17.9)
Head from Other Country		101.0 (25.5)		142.3 (30.0)	
1985–1990 entry cohort					50.3 ^{NS} (60.3)
< 1985 entry cohort					123.6 (27.5)
1985–1990 entry cohort			52.0 (19.4)	—	54.6 ^{NS} (67.4)
1980–1984 entry cohort			24.5 ^{NS} (18.0)	-19.7 ^{NS} (21.9)	530.0 (102.2)
1975–1979 entry cohort			69.6 (20.0)	15.6 ^{NS} (23.8)	
1970–1974 entry cohort			42.9 (18.1)	-9.9 ^{NS} (22.6)	

TABLE 5—continued

1965–1969 entry cohort	46.2 (18.9)	-11.2 ^{NS} (23.7)
1960–1964 entry cohort	-33.7 ^{NS} (22.3)	-106.5 (26.9)
< 1960 entry cohort	-9.6 ^{NS} (12.4)	-138.9 (22.1)

NOTES: Parameter estimates are significant at the 5 percent level except where indicated by "NS." Adjusted R^2 is 0.95 for all models.

Fiscal Impacts on Local Government

Confirming our findings at the state level, we find that nativity status has almost no independent effect on local benefit receipt (Table 5). After controlling for household characteristics, an immigrant household consumes no more public services than its statistical native twin (Model I).

Including controls for household demographic characteristics reveals that foreign-headed households, irrespective of nativity parameterization, pay higher local taxes than statistically equivalent native households (Table 6). For example, the average foreign household pays \$516 more in local taxes than a comparable native household (Model I).

In brief, controlling for socioeconomic and demographic characteristics eliminates most of the observed immigrant-native gap in households' local benefit receipt. With nearly half of local budgets devoted to public education, it is not surprising that the number of public school pupils in a household and geographic location are the most important determinants of local government expenditures. Household income and home ownership status primarily influence a household's local tax remittances. Indeed, immigrant households would pay significantly higher taxes than natives if they possessed the latter's average characteristics.

Discussion

This article goes beyond previous work by examining whether nativity differences in observed net fiscal impacts are attributable to nativity status *per se* or to differences in household characteristics. We demonstrate that immigrant households do not pose greater net fiscal burdens on state and local governments than their statistically equivalent native counterparts. After controlling for socioeconomic and demographic characteristics, nativity differences disappear entirely for the average immigrant household and for most immigrant origin and entry groups. We find that differences in observed net fiscal burdens are primarily due to household characteristics most closely correlated with government expenditures on households. If immigrant households possessed the average characteristics of native house-

TABLE 6

Local Revenues from New Jersey Households, FY 1989–1990
(All Figures in Dollars; Standard Errors in Parentheses)

OLS Model	I	II	III	IV	V
Nativity Status Indicators	Foreign Born	Region of Origin	Entry Cohort	Origin/Entry Cohort	
				Levels	Interactions
Foreign-Born Head	516.1 (26.6)				
Head from Europe		520.8 (27.2)		500.3 (38.8)	
1985–1990 entry cohort					395.4 (57.8)
1970–1984 entry cohort					589.5 (39.7)
1965–1969 entry cohort					710.1 (47.3)
1960–1964 entry cohort					567.0 (48.1)
< 1960 entry cohort					453.4 (28.4)
Head from Asia		629.4 (45.1)		593.3 (49.4)	
1975–1990 entry cohort					524.2 (49.7)
< 1975 entry cohort					752.7 (49.7)
Head from Latin America		495.7 (31.3)		446.9 (37.3)	
1960–1990 entry cohort					473.3 (32.9)
< 1960 entry cohort					651.3 (64.0)
Head from Other Country		562.9 (43.1)		528.7 (47.5)	
1980–1990 entry cohort					523.8 (60.4)
1975–1979 entry cohort					697.8 (87.4)
< 1975 entry cohort					518.6 (56.7)
1985–1990 entry cohort			483.1 (40.5)	—	
1980–1984 entry cohort			480.0 (37.4)	—	
1975–1979 entry cohort			547.3 (38.7)	63.6 (28.8)	
1970–1974 entry cohort			556.6 (35.9)	76.2 (27.0)	

TABLE 6—continued

1965–1969 entry cohort	592.1 (35.8)	113.4 (29.0)
1960–1964 entry cohort	567.6 (38.3)	87.1 (34.3)
< 1960 entry cohort	476.7 (27.8)	-16.0 ^{NS} (27.3)

NOTES: Parameter estimates are significant at the 5 percent level except where indicated by "NS." Adjusted R^2 is 0.47 for all models.

holds, they would consume significantly fewer state services and no higher local services than natives.

The finding that immigrants' socioeconomic characteristics matter for fiscal impacts implies that, in theory, policymakers can select immigrants so as to minimize their short-run fiscal burdens on state and local governments. Passage of the American Competitiveness in the 21st Century Act in October 2000 was a deliberate attempt to increase the skill mix of the U.S. foreign-born population. The Act raised the number of temporary H1-B visas for highly skilled foreign workers and exempted foreign-born graduates of American graduate schools from the annual visa cap (Espenshade and Shin, 2001). Other proposals have surfaced to select legal immigrants with favorable socioeconomic characteristics by implementing a point system similar to that used in Canada and Australia.

Efforts to select immigrants with "desirable" characteristics must proceed with caution. Recent research suggests that it is difficult to identify *which* demographic and socioeconomic characteristics have the greatest influence on immigrants' observed fiscal impacts. Garvey, Espenshade, and Scully (2000) find that the relative importance of a given household characteristic for explaining observed immigrant-native fiscal gaps varies dramatically across immigrant groups.

Understanding the interaction between immigrant characteristics and legal status is also vital to informing the debate surrounding the fiscal consequences of current immigration policy. Previous research suggests that public benefit receipt and tax remittances vary significantly across legal status groups (Borjas, 1995; Borjas and Hilton, 1996; McCarthy and Vernez, 1997). Future fiscal-impact research clearly needs to distinguish immigrants by legal status. An important further extension of this work is to replicate our analysis for other states with large foreign-born populations.

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