

# THE CASE FOR CAUTION

Case Studies on the  
Economic Impact of  
State and Local Immigration  
Reforms



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## Introduction

### **Background**

Twice in the past two years, Congress has attempted unsuccessfully to pass comprehensive legislation to reform federal immigration law. This failure has led many state and local governments to press forward with their own legislation aimed at curbing unauthorized immigration and its associated problems (i.e. identity theft, increased burden on local infrastructure, etc.)

While there is widespread agreement on the need for immigration reform, there is equally widespread controversy over the impact (both positive and negative) of undocumented immigrants and the appropriate policy solutions for addressing the issue. To a large degree, this controversy has resulted in political paralysis at the federal level and further increased the pressure on state policy makers to take action.

This report does not attempt to evaluate the public or economic costs and benefits of illegal immigration, nor does it attempt to recommend specific solutions to the challenges of unauthorized immigration. Rather, it presents several case studies of state and local immigration reforms passed in the past two years and considers the certain economic impacts of these recently enacted policies, as well as the impact of recent high-profile worksite enforcement raids conducted by the National Immigration and Customs Enforcement Agency (ICE). These collected case studies are based on news reports and anecdotal information. Further study is necessary to analyze the impact of the policies on traditional economic indicators.

## Executive Summary

Since 2006 three states and two counties have passed comprehensive immigration legislation. In both Arizona and Colorado, the state legislatures have passed legislation that prohibits employers from knowingly hiring undocumented workers and requires an employer to verify an employee's legal status. Each of these states has also passed additional legislation requiring proof of legal status before an individual may receive certain public benefits.

Most recently, Oklahoma passed HB 1804, The Oklahoma Citizen and Taxpayer Protection Act. This legislation is one of the most comprehensive pieces of state immigration legislation. HB 1804 makes it a felony offense to harbor, transport, or conceal undocumented immigrants. The bill also requires proof of legal status to obtain a driver's license and certain forms of public benefits. Private and public employers are also held to higher degrees of accountability and must use the E-Verify system to verify the legal status of all employees. State and local law enforcement officials are also required to enforce federal immigration law. HB 1804 took effect on November 1, 2007. In this short time both public and private sectors have begun to report the effects.

Although several states have enacted immigration legislation, they are not alone. Local governments have also felt frustration with the federal government and passed measures that try to address the growing problem with our immigration system. In 2006, the town of Hazelton, Pennsylvania passed the Immigration Relief Act. This imposes a \$1,000 per day fine on any landlord who knowingly rents to an undocumented immigrant, revokes the business license of any employer who hires an undocumented immigrant, and declares English as the city's official language. Prince William, Virginia also enacted several ordinances including requiring law enforcement officials to check the residency of any person in violation of the law, a denial of public benefits to undocumented immigrants, and denial of a business license to undocumented immigrants.

Each of the policies aims to address the problem of our immigration system at the state level. However, many states and local governments are just now beginning to report the full effects of such legislation. Many of these policies have far reaching effects and unintended consequences. Perhaps most surprising is that often those consequences (i.e. labor shortages, business impacts, and economic problems) occur even before the legislation is implemented.

### Implementation Costs

Much of the immigration legislation enacted in the past two years requires state and local employers to verify the legal status of those individuals applying for a public benefit. In addition many law enforcement officials are required to either verify legal status or enforce federal immigration law. However, there can be high costs associated with implementing these policies.

In Prince William, Virginia, police officers are required to check the residency of any person in violation of the law. To accomplish this, the county is establishing a criminal alien unit. The criminal alien unit will require additional police officers and the county is also responsible for paying the costs of at least some of the incarcerated individuals. It is estimated that this measure will cost the county approximately \$2.8 million in the first year (Silverberg, 2007).

Colorado also requires state employees to verify the legal status of individuals applying for public benefits, a measure aimed at reducing state costs. To assess the costs of enforcement versus state savings the Colorado General Assembly Joint Budget Committee commissioned a report. The report found that eighteen state departments reported a cumulative of \$2 million in costs but had yet to report a savings (Couch, 2007).

### **Litigation Costs**

Although the federal government has failed to pass comprehensive immigration legislation, federal law still pre-empts state and local law. This has created legal difficulties and associated court costs for those states seeking to address the failures of our current immigration system.

In Hazelton, Pennsylvania, the Immigration Relief Act was challenged in federal court shortly after its passage. The suit successfully prevented implementation of the ordinance and cost the town \$2.4 million in legal fees (Associated Press, 2007). Prince William, Virginia has also faced a legal challenge of its ordinance and the county has incurred \$14.2 million in legal fees (Miroff & Mack, 2007).

### **Economic Impact**

State and local governments that have passed comprehensive immigration legislation have sought to address the failures of our current system. Yet, because these measures tend to be very far-reaching, there are unintended consequences for the states and local governments. Because many of these policies seek to reform our immigration system through employment provisions there have been economic impacts in those regions where such legislation has passed, and often those consequences occur even before the legislation is implemented.

Prior to the passage of HB 1804, The Oklahoma Citizen and Taxpayer Protection Act, a study by the Oklahoma House of Representatives found that undocumented immigrants contributed approximately \$11 million a year in income tax and \$10 million in sales tax (Newman, 2007). Recently, the Oklahoma state treasurer, Scott Meacham, has reported a \$6 million (or 4.6%) drop in sales tax revenue for 2007 (McNutt, 2007). The state treasurer has also reported that agriculture, energy, and construction sectors are facing labor shortages due to the estimated 20,000 – 50,000 immigrants, both documented and undocumented, who have left the state since the law took effect.

Construction companies in particular have faced difficulties. The president of the Homebuilders' Association of Tulsa estimates that immigrants supplied approximately 40% of the labor involved in homebuilding (KOTV, 2007). The recent shortage of workers has created project delays, making it difficult for companies to bid for new jobs and, in turn, this has increased business costs (McNutt, 2007). Arizona has also experienced similar shortages in the construction and agriculture sectors. The Bureau of Labor and Statistics reported that Arizona has seen the largest decrease in construction employment in the nation at 9.7% (2008).

In Prince William, Virginia, the unemployment rate was at 2.4% as of October 2007, indicating a tight labor market. Due to the loss of immigrant workers, the county has reported labor shortages in the construction, landscape, and services sectors. Due to this shortage of workers, many employers have chosen to relocate. Between 2006 and 2007, Prince William reported a loss of 3,235 full-time equivalent jobs (US Census Bureau).

While many states have felt the need to take action because of the federal government's inability to pass comprehensive legislation, it is clear that these policies have unintended consequences that affect the broader population and the economy.

## Key Facts

### States with the highest levels of immigration are associated with<sup>1</sup>:

- Higher Gross State Product: 7% higher growth from 1999-2006
- Higher Per Capita Personal Incomes: \$2,328 in 2006
- Higher Median Household Incomes: about 4% higher growth from 1999-2006
- Lower unemployment rates: 1.1% from 1999-2006
- Lower growth levels of poverty: 1.14% less from 1999-2006
- Lower levels of crime: 6.5% greater decrease in crime from 1999-2006
- Lower levels of violent crime: 13.8% greater decrease in violent crime

### Immigrants provide vital labor in many industries:

- Construction: 25.3% in 2007, and comprised 63.7% of new hires<sup>2</sup>
- Agriculture: 78% of crop workers were foreign-born from 2001-2002<sup>3</sup>
- Services: 17% in cleaning, 12% in food preparation in 2005<sup>4</sup>

### Immigration is associated with positive labor market outcomes:

- Higher output: In Arizona, in 2004, the estimated output of undocumented workers was \$44 billion<sup>5</sup>
- Higher levels of employment growth: From 1996-2003, 58% of the net increase of total employment of 11 million in the U.S. was from foreign born workers<sup>6</sup>
- Higher wages for native workers: From 1990-2004 a 0.5-1.5% increase in wages for native born workers with a college degree<sup>7</sup>

### Besides labor, immigrants provide additional support to economies with:

- Tax revenues: \$50 billion in federal taxes from 1996-2003
- In Iowa, undocumented immigrants pay \$40-62 million in state taxes annually<sup>8</sup>
- In Texas, undocumented immigrants paid an estimated \$1.58 billion in state taxes in 2005<sup>9</sup>

<sup>1</sup> Nadler, "Immigration and the Wealth of States," 2007, 6-9.

<sup>2</sup> National Association of Home Builders, "Key Statistics on Housing and the Immigrant Labor Market, 2007, p.1

<sup>3</sup> Emerson, Robert D. "Agricultural Labor Markets and Immigration," *Choices*, 1<sup>st</sup> Quarter, 2007.

<sup>4</sup> Passel, Jeffrey S. "The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the 2005 Current Population Survey," Pew Hispanic Center, 2006.

<sup>5</sup> Udall Center Study, 2006.

<sup>6</sup> Council of Economic Advisors, *Economic Report of the President, 2005*, 94.

<sup>7</sup> Udall Center Study, 2006.

<sup>8</sup> Iowa Policy Project, 2007.

<sup>9</sup> Texas Comptroller Study, 2006.

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- In Colorado, undocumented immigrants paid \$159-194 million in state and local taxes<sup>10</sup>
- In Iowa, undocumented workers have contributed approximately \$50-77.8 million in Social Security and Medicare that they'll never access<sup>11</sup>
- Consumption: In 2006, undocumented immigrants had an estimated total income of \$500 billion, of which 90% stayed in the United States and in local economies through consumption and taxes<sup>12</sup>

### **State and local immigration legislation has led to:**

- Labor shortages: Colorado's agricultural sector estimates \$59.9 million in losses from 2006-2009 due to labor shortages associated with immigration laws<sup>13</sup>
- Decreasing Employment: Arizona has seen the largest decrease in construction employment in the nation at 9.7%<sup>14</sup>
- Implementation costs of policies: Colorado has spent \$2.03 million on new legislation, with no savings, which was the goal of the legislation<sup>15</sup>
- Fiscal costs: Oklahoma has seen a decrease in sales tax revenues of \$6 million or 4.6% in 2007, which State Treasurer Meacham attributes to loss of immigrants<sup>16</sup>

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<sup>10</sup> Rich Jones and Robin Baker, *Costs of Federally Mandated Services to Undocumented Immigrants in Colorado* Bell Policy Center, June 2006.

<sup>11</sup> Iowa Policy Project, 2007.

<sup>12</sup> Inter-American Development Bank, 2007.

<sup>13</sup> Frazier, Deborah & Fernando Quintenero. "Farmers Harvest: Lack of Workers." *Rocky Mountain News*, 9/9/2006.

<sup>14</sup> Bureau of Labor Statistics, 2008.

<sup>15</sup> Couch, Mark. "Colorado immigration law falls short of goal." *The Denver Post*. 1/25/07.

<sup>16</sup> McNutt, Michael. "Fear may Cause Revenue Drop, Treasurer Says," *The Oklahoman*, 12/9/2007

## Oklahoma

### The Oklahoma Citizen and Taxpayer Protection Act, HB 1804 (Effective Nov. 1, 2007)

#### Summary

1. Restricts immigrant access to driver licenses, ID cards, and other licenses
2. Terminates several forms of public assistance available to immigrants
3. Requires state and local law enforcement to enforce federal immigration law
4. Makes it a felony offense to harbor, transport, conceal, or shelter immigrants
5. Assumes immigrants are flight risks with respect to bond determinations
6. Requires the verification of employment eligibility using electronic verification system
7. Provides a discrimination cause of action for the discharge of a US citizen

#### Case Study

Before the act was passed, Oklahoma's immigrant population had grown, becoming 5% of the state's 3.6 million residents in 2007 (Pew Hispanic Center, 2007). Immigrants were drawn to Oklahoma's growing economy and provided vital labor to certain industries, such as construction and farming.

The passage of HB 1804 has reportedly led to an exodus of Hispanic workers from the state. The Greater Tulsa Hispanic Chamber of Commerce has reported 15,000-25,000 immigrants have left Tulsa County (Bazar, 2008). Furthermore, not everyone leaving the state are illegal immigrants. Joe Geis, general manager of Edmond's Sleep Inn & Suites, has lost two out of twelve housekeepers. "They were here legally, (but) have family members who were not" (Bazar, 2008).

High levels of out-migration have immediate impacts on the economy, namely: decreased local commerce, loss of sales and property tax revenues, labor shortages, and a slowing housing market. These consequences fall particularly hard on consumers. A smaller pool of workers available for specific jobs leads to delays in completion of projects. These delays create intensified competition among employers, which results in increased wages and higher prices (Bazar, 2008).

HB 1804 appears to have had a negative impact on state revenue, as well. Before implementing the new legislation, an Oklahoma House study discovered that unauthorized immigrants contribute approximately \$21 million a year in tax collections-- \$11 million in income taxes, and \$10 million in sales tax (Newman, 2007). Oklahoma state Treasurer, Scott Meacham, has reported a recent \$6 million dollar (or 4.6%) drop in sales tax revenue for 2007, and attributes this to the departure of 20,000-50,000 Hispanics as a result of HB 1804 (McNutt, 2007).

Oklahoma's state treasurer has also reported that the state is experiencing labor supply shortages in its agriculture, energy, and construction sectors. Although the employer sanctions aren't effective until July 1, 2008, most immigrant laborers left the state long before other parts of the law were implemented, November 1. The anecdotal evidence suggests the worker shortage, thus far, has extended beyond those sectors, as well. The state's cotton gins, hotels, homebuilders, and others have scrambled to find adequate numbers of legal workers to remain in business, and many firms have seen their overtime costs soar.

Landscaping contractors, for example, have faced extreme difficulty hiring employees, even when offering jobs at \$15 an hour (Newman, 2007). At Greenleaf Nursery, forty employees suddenly disappeared from the 600-acre nursery late October 2007. Greenleaf's president, Randy Travis said, "Some went to Texas, some went to Arkansas. They just left." When asked why, he replied, "Those states don't have 1804" (Bazar, 2008).

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The lack of construction workers available has created delays for these companies, making it difficult for them to complete or bid for new jobs, increasing business costs (McNutt, 2007). Those companies that can bid for new contracts will be forced to raise their prices, in order to remain competitive, which leads to additional economic consequences. Since the investment property market usually sets prices based on income streams, any rise in operation costs can have particularly damaging consequences (Mize, 2007).

Tom Buchanan, cotton, cattle, and wheat farmer in Jackson County, said, “We have extremely low unemployment. The people in Southwest Oklahoma who want to work are working” (Bazar, 2008). Like the state’s farmers and landscapers, the construction industry has been impacted by labor shortages. Chris Ellison of Motley Gin, a cotton gin in Hollis, saw his labor force cut in half. He hasn’t had enough applicants to fill those positions, which has extended the work season by four weeks (Associated Press, 11/4/2007). This resulted in spikes in the price of cotton and other products in Oklahoma’s agricultural sector.

The economic impacts of HB 1804 have been experienced first hand by local business owners, such as Jack Gray. Gray is an Oklahoman contractor. He commented, “We will be in the worst depression Oklahoma’s ever seen if this bill stays in effect.” Although his company is currently offering well-paying jobs, he still cannot fill his labor requirements. If this continues, his firm cannot bid for future business (Newman, 2007).

Before the bill passed, Portillo Construction Company, which specialized in masonry and stone work in Tulsa, employed 15 workers, all of whom were immigrants. Nathaniel Portillo, the business’ co-owner reported, “On November 1 (the day HB 1804 was implemented) not one employee showed up for work” (Bazar, 2008). Oklahoma City homebuilder, Caleb McCaleb, said that his framer lost thirty of his eighty employees, his painter lost ten of thirty-one, and his landscaper lost fifteen of forty workers. This put his projects a month behind schedule. He commented, “If we continue to lose workers, we are going to have to raise prices” (Bazar, 2008).

The labor shortages in the construction sector have, in turn, contributed to the slowing of real estate and rental markets. This has lowered apartment values and home sales, and raising business costs. Local real estate brokers and apartment managers have reported that the loss of so many Hispanic workers, documented and undocumented, has resulted in labor shortages. The lack of workers available for roofing, homebuilding, and road repair has created delays for these companies, making it difficult for them to complete or bid for new jobs (McNutt, 2007).

## Arizona

HB 2779 Effective January 1, 2008

### Summary

1. Prohibits employers from knowingly or intentionally hiring undocumented workers.
2. Requires employers to use the "E-Verify" federal program to determine a worker's legal status and outlines penalties for violating these laws with respect to business licenses. A first time offense results in a ten-day suspension of an employer's business license. Any following offense results in the permanent loss of it.
3. Encourages individuals to contact the sheriff or county attorney's offices to report businesses suspected of employing illegal immigrants.
4. Immigration status can be used as a factor in sentencing.
5. Other legislation limits public services available to immigrants.

### Case Study

Arizona's HB 2779, implemented January 1, 2008, prohibits employers from knowingly or intentionally hiring undocumented workers, requires all employers to use "E-Verify," a federal program to determine a worker's legal status, and outlines penalties for violating these laws with respect to business licenses. First time offenders will face a ten-day suspension of their business licenses, and any additional offense means they will lose it (Gaynor, 2007).

The bill also encourages individuals to contact the county sheriff's or county attorney's offices to report businesses they suspect of employing illegal immigrants (Newman, pp. 1). Following an investigation, the county attorney can then suspend, or ultimately revoke, the business license of an employer who is found to knowingly hire undocumented workers (Jordan, 2007). Additionally, immigration status can be used as a factor in the sentencing of criminals; and other bills limit public benefits available to illegal immigrants. These new pieces of legislation passed by the state of Arizona are some of the strictest in the nation. Arizona's Governor, Janet Napolitano, signed the measure into law despite being concerned that the law was a business "death penalty" (Gaynor, 2007).

Arizona's undocumented workers are estimated at 350,000 or 14% of its total workforce (Pew Hispanic Center, 2007). The state has enjoyed one of the fastest growing economies in the nation with its 2007 unemployment rate of 3.3% (Jordan, 2007). However, this may no longer be the case. The Udall Center Study, conducted through the University of Arizona, concluded that economic output would drop 8.2% annually if non-citizen foreign-born workers (2/3 of which are illegal) were removed from the labor force (Udall Center Study, 2007). The author of the study, Judith Gans, was quoted saying, "Getting rid of these workers means we are deciding as a matter of policy to shrink our economy. They're filling vital gaps in our labor force" (Jordan, 2007).

Glenn Hamer, president of the Arizona Chamber of Commerce, who has challenged the law in federal court, said, "It's crystal clear that the employer sanctions will harm the state economy." (Jordan, 2007).

Even before HB 2779 took effect, businesses across the state began firing Hispanic immigrants, outsourcing production to Mexico, or freezing their expansion plans—fearing prosecution if they accidentally were to hire an illegal immigrant (Gaynor, 2007). Businesses have struggled to replace immigrant workers and to remain in business without their Hispanic clientele. These actions are a direct response to the law that will penalize employers who hire undocumented workers, and many businesses have expressed fear that Arizona's economic growth may be jeopardized (Jordan, 2007).

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Julie Pace, one of the lawyers fighting HB 2779 commented, "(Already) we have had businesses shut down. It is going to get worse before it gets better" She added, "Arizona will get bypassed economically. We will be known as tough but stupid from an economic perspective" (Gaynor, 2007). An estimated 150,000 Arizona businesses are scrambling to accommodate the law, although many business owners do not support it (Gaynor, 2007).

Sheridan Bailey, president of Ironco Enterprises, a steel-beam manufacturing firm, has had to lay off many of his employees, although his business is booming. Ironco has reportedly lost approximately 10% of its 100-strong workforce, in response to HB 2779 (Gaynor, 2007). "This law has the potential of sinking a business" (Jordan, 2007). Ironco has recently decided to outsource some of its production capabilities to a Mexican company. President Bailey was forced to do so because, "The labor market is tight, and I face fines if I don't meet my commitments." He asked, "Who will work here [where welders and fitters build steel columns] in 112-degree heat come the summer?" (Jordan, 2007).

The grandson of Carl's Jr. fast-food chain founder (Arizona's biggest franchisee), Jason Leveck, has delayed plans to open twenty additional stores throughout the state, saying, "That's \$30 million that could blow up in my face. The risk is too great" (Jordan, 2007). Due to this risk, Leveck has hired outside auditors on three separate occasions to ensure his 1,200 employees, at 57 establishments are documented workers. Following the audits, he was forced to let several of them go. He has also reported that some of his customers have begun to confront his Hispanic workers regarding their immigration status, oftentimes using insults (Jordan, 2007). He plans to expand in Texas instead (Jordan, 2007).

Many fear Arizona's future economic growth has been jeopardized. These fears are beginning to materialize in macroeconomic indicators. Between December 2006 and 2007, employment in construction declined by 9.7%, the highest decline of any state in the country (Bureau of Labor Statistics, 2008). While this bill did not go into effect until January 1st, businesses had to be prepared to meet the qualifications by that date, so this decline is not a surprise. Unemployment has increased by 0.6%, and business conditions are far below where they were a year ago (Bureau of Labor Statistics, 2008).

Research economist from the W.P. Carey School of Business, Dawn McLaren, reported, "This is a considerable falloff in economic activity in Arizona...Troubles in the housing market, accompanied by weakness in other areas, have expanded to worsen business conditions in Arizona" (McLaren & Kennedy, 2008). While these developments are not entirely attributable to anti-immigration legislation, based on the anecdotal evidence such legislation appears to have played a major role in changing employment conditions within the state.

Furthermore, it appears that HB 2779 is affecting the real estate and housing markets in Arizona, as well. The Winter 2008 US Housing Market Risk Index stated that Arizona is one of the states with the largest concentration of risk for a significant slowing of its housing market. Labor shortages increase business costs, competition and cause delays, translating into increased prices for consumers. This contributes to the already growing housing slump. Phoenix, the battleground of these policies, has experienced particularly significant increases in risk over the last year (Winter US Market Risk Index, 2008).

The law is currently facing court challenges filed by the Arizona Chamber of Commerce and other business groups. Lawyers who oppose the employer sanctions law believe it is unconstitutional, and wide open for abuse, since citizens are encouraged to make anonymous complaints (Gaynor, 2007). The precedents set by other similar lawsuits suggest that any statewide immigration policy will face similar legal hurdles.

## Colorado

HB 1017 (Effective January 1, 2007) and HB 1023 (Effective August 1, 2006)

### Summary

1. Prohibits employers from knowingly or intentionally hiring undocumented workers.
2. Requires employers to verify social security numbers and save proof of workers' legal status. First offense results in a \$5,000 fine. Additional offenses carry a \$25,000 fine.
3. Proof of residence required to receive certain government services.
4. Prohibits spending taxpayer dollars except where required by the federal government.

### Case Study

The foreign-born population in Colorado has grown to comprise 9.6% of the labor force (US Census, 2006) and provides critical labor for a number of industries. It appears that the increased employer enforcement has led to labor shortages, particularly within the agriculture and construction industries. Mike Gilsdorf, the head of Colorado Employer's for Immigration Reform (CEIR) reported, "There's already a terrible labor shortage. We just have to fight through it" (Kelley, 2007). Labor shortages lead to higher labor costs, as "Gilsdorf predicted overtime costs will rise sharply as businesses try to deal with a tight supply of people to fill certain jobs" (Kelley, 2007). Reports suggest that this is not only due to federal limits on guest workers, and the failure of the federal government to pass immigration reform, but also the statewide immigration legislation. Word of these laws has been broadcast across the country and many worry that undocumented workers are uneasy about coming to Colorado. The anecdotal evidence supports this as a report from the Rocky Mountain News reported severe worker shortages in the agricultural sector.

The head of the largest organic family farm in the state, Grant Family Farms, was interviewed saying, "It's been devastating. Farm workers in America are afraid to travel to Colorado" (Frazier and Quintenero, 2006). Their farm has struggled to maintain the same level of production, even after Grant actively pursued hiring workers with legal documentation. "Early in the year, I talked with workers in Florida and California who have worked for us before," Grant said. "They said they were afraid to travel here. We and a lot of farmers have lost up to 50 percent of our production because we didn't have workers" (Frazier and Quintenero, 2006).

The effects of employer sanctions for hiring undocumented workers has had an especially harsh effect as companies' fears of the hefty fines have compelled them to select from a smaller pool of workers. In a lot of cases, these have been jobs that native workers are not competing for and not interested in, such as those in agriculture or service industries, (Kelley, 2007). This has led to higher labor costs, as employers offer higher wages in an attempt to fill jobs, but even that hasn't solved the labor shortage problem. "Frank Eckhardt grows sugar beets, onions, feed corn and alfalfa near Greeley. He said he usually pays workers \$7 to \$7.50 an hour, but offered \$10 an hour this year and still couldn't find enough help" (Frazier and Quintenero, 2006).

A Colorado economist from The Adams Group, Tucker Hart Adams, has highlighted the negative effects of such legislation on the Colorado economy. After conducting an economic analysis of the issue, she reported, "Immigrants fill a vital role in our economy. They provide labor at competitive wages and keep the cost of goods and services down for all of us. They willingly fill jobs the rest of us don't want. We need sensible legislation that makes it possible to keep immigrant workers and to keep our economy growing and healthy. (Louis-Sanchez, 2007; Kelley, 2007) She also predicts that unless state

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legislation is changed or reform is seen on a federal level, that the state's tourism sector could be negatively affected (Kelley, 2007).

The head of the Colorado Farm Bureau estimates that \$59.9 million in revenue will be lost due to labor shortages associated with state-based immigration legislation in each of the next three years (Frazier and Quintenero, 2006). This could have serious repercussions for the state's economy due to the importance of agriculture within the state economy, and especially as corn production has been expanding so rapidly due to demand for its use in ethanol fuel production.

It appears that rather than saving tax dollars, this legislation has already cost the state \$2 million dollars. A report by the Joint Budget Committee assessed the costs of enforcement and savings to assess the legislation and found that "Eighteen departments reported adding \$2.03 million in costs while not saving any money. None of the departments could say how many, if any, illegal immigrants were being denied state-funded services." (Couch, 2007).

State Senator Abel Tapia, chairman of the Joint Budget Committee said, "I thought it was a waste of money when we were doing it, but I don't think the general public believed that the state wasn't spending money on illegal immigrants." Interestingly enough, when the bill was proposed and passed the estimated cost was \$6,600 (Couch, 2007).

The effects of this immigration legislation in Colorado are anecdotal, showing negative economic effects in labor shortages, rising labor costs, loss of revenues to agriculture, and increased state costs. Macroeconomic effects to the state have been harder to account for, due to both the recent nature of the legislation and the myriad of factors that contribute to economic performance. However, as a national recession seems more and more imminent, expect statewide vulnerabilities to be exacerbated as national conditions place pressure on state economies. Colorado may be faltering in its economic outlook and a dearth of immigrant labor will further hamper its economic performance.

## Riverside, New Jersey

### Riverside Township Illegal Immigration Relief Act, (Effective July 2006)

#### Summary

1. Illegal immigrants are prohibited from leasing, renting, or using property. Anyone in violation is subject to fines of \$1,000 per day. Non-profits in violation are subject to the loss of business permits, contracts and grants from the Township for no less than 5 years.
2. Employers who hire undocumented workers will lose their business licenses, and will be prevented from operating in Riverside for up to five years.

#### Case Study

Riverside was the first municipality in New Jersey to pass restrictive immigration policies. It was, in part, a response to the more than 3,000 Brazilian immigrants who poured into the community between 2000 and 2006. The immigrants were attracted to the area's booming construction industry and local Portuguese-speaking businesses in the community.

While many businesses were grateful for the extra money these newcomers brought to the local economy, some workers "disliked losing jobs to immigrants who accepted lower wages" (Associated Press, 9/26/2007). Racial tensions continued to build within the community; white residents avoided the parts of the community that attracted immigrant business. On September 25, 2005, the Township Committee passed a piece of legislation that punished any person who employed or rented to an illegal immigrant.

Although a lawsuit prevented the ordinance from being officially implemented, many long-term residents left the city due to the hostile atmosphere. Approximately 1,500 immigrants left Riverside within the first two weeks (a significant number for a community of 8,000) (Pararitis, 2007). Within months, several thousand recent Brazilian and other Latin American immigrants followed.

After the exodus of so many people, the local economy suffered. Local businesses that catered to these immigrants, such as hair salons, restaurants, and other corner shops, saw their sales figures plummet, and many were later forced to close. Downtown became characterized by boarded up businesses and vacant apartment buildings. The city lost revenue as the downtown district emptied. The departure of immigrants and other residents, and the subsequent labor shortage it caused, contributed to the slowing of the construction industry and the housing market (Associated Press, 9/26/2007).

Although the law was never actually implemented, the city has been involved in federal and state court challenges since the passage of the controversial ordinance. Almost immediately, several local business leaders and immigrants sued the city of Riverside for \$85,000 in legal fees (ACLU, 2006), since it violates New Jersey State Law (Pararitis, 2007). By August 2007, Riverside's Township Committee voted to rescind the ordinance (National Council La Raza 2007, pp. 1).

## Hazelton, Pennsylvania

### Immigration Relief Act (Effective July 13, 2006)

#### Summary

1. Imposes \$1,000 per day fine on any landlord who knowingly rents to an illegal immigrant.
2. Revokes business license, for five years, of any employer who hires undocumented workers.
3. Declares English as the city's official language.

#### Case Study

Between 2000 and 2007, Hazelton experienced a remarkable influx of population growth. In the small town of 30,000, the Hispanic portion of the population increased from 6% to 30%. On July 13, 2006 the town council of Hazelton, Pennsylvania, unanimously passed the Immigration Relief Act. This act imposes a \$1,000 dollar per day fine on any landlord who knowingly rents to an illegal immigrant, and revokes for five-years the business license of any employer who hires undocumented workers. Additionally, it declares English to be the city's official language, and employees are forbidden to translate any city documents into another language without explicit permission (The Mayor's Commission on Immigration, 2007).

In Hazelton, Pennsylvania, the Immigration Relief Act was immediately challenged in federal court, and the plaintiff's were successful. Now, the city must pay the \$2.4 million for the plaintiffs' legal fees. The city's insurance carrier has sued Hazelton, asserting that it is not responsible for these costs (Associated Press, 5/3/2007). The \$2.4 million dollar burden has fallen on the shoulders of Hazelton's taxpayers.

The ordinance, although never implemented, had immediate consequences for the community. Mayor Barletta reported seeing "illegal immigrants picking up and leaving and some Mexican restaurants saying business is off 75%. The message is out there" (Powell, 2006). The majority of Hazelton's immigrant and Hispanic community left the town immediately—causing labor shortages, severely reducing the local customer base, and raising the costs of doing business. There is a reported shortage of workers available in manufacturing, construction, landscaping, and agriculture.

Beyond these economic impacts, the passage of the ordinance has had other fiscal costs. The ACLU and the Puerto Rican Legal Defense and Education Fund immediately sued the city of Hazelton to block the implementation of the Ordinance (Powell, 2006). The plaintiffs were successful in this case, and Judge James Munley ruled that Hazelton's Immigration Relief Act was pre-empted by law and violated due process. He felt the law also contradicts the rights the Constitution provides each person in the US, despite their legal status (PBS News, 2007).

Additionally, there have been significant training costs associated with the measures that have been implemented. City personnel have had to be trained to check the residency status of each individual in the community seeking to rent housing (Kroft, 2006).

## Prince William County, Virginia

### Summary

1. Aims to deny all public services to illegal immigrants
2. Denies business licenses to illegal immigrants.
3. Requires police officers to check the residency of any person in violation of the law.

### Case Study

Thousands of migrants from Latin America, legal and illegal, arrived in Prince William during the last decade to fill a “voracious demand for jobs in construction and other services, drawn by the county’s building boom and relatively low housing costs” (Miroff, 2007). While the actual number of immigrants in Prince William, before the passage of its punitive policies, remains unknown--since 1996, the percentage of Hispanic students enrolled in the county’s school system increased from 6.6% to 24.2% (Miroff, 2007). Many of the county’s immigrants had assimilated successfully, establishing successful commercial enterprises.

In mid-2007, John T. Stirrup, representative of the Gainesville district (an affluent area with a scarce, if not invisible, immigrant population), introduced a resolution aiming to deny all public services to illegal immigrants, and requiring police officers to check the residency status of any person who violates the law, no matter how minor the offense. At the time of its passage, the resolution was the harshest in the state, and possibly the nation.

Stirrup claims that illegal immigration is responsible for “economic hardship and lawlessness” in the county, and “that county agencies may be encouraging illegal immigration by failing to verify immigration status as a condition of providing public services” (Miroff, 2007). The resolution originally included services, such as schools, libraries, and swimming pools. The names of those illegal immigrants would then be turned into ICE, which would initiate deportation proceedings.

On July 10, 2007, Prince William County supervisors unanimously passed a second resolution, targeting illegal immigrants through restricting access to public services to legal residents, and increasing immigration enforcement powers of local police (Prince William Board of County Supervisor’s, 2007). The first draft of this resolution was altered after county attorneys and others questioned its legality.

The resolution requires police officers to check the residency status of any suspected illegal residents in police custody, regardless of the person’s ethnicity, national origin, or race (Associated Press, 7/6/2007). The resolution cannot legally deny access to education and emergency medical services, but attempts to deny any public services to illegal immigrants within the parameters of federal law. Thus far, this includes senior citizen bus tours, leadership training programs for adults, rental and mortgage assistance, and denies business licenses to illegal immigrants (Miroff & Mack, 2007). Although the resolution has yet to be enforced, the actual impact of the resolution was felt immediately in “empty stores and slow sales” (Miroff, 2007).

Prince William’s unemployment rate, as of October 2007, was a mere 2.4%, which means the county has an extremely tight labor market. With the loss of so many Hispanic workers, documented and undocumented, the county has reported labor market shortages for construction, landscape, and service workers. Since employers were unable to fill their workforce requirements, many were forced to relocate elsewhere. Between 2006-2007, Prince William lost 3,235 full-time equivalent jobs (US Census Bureau). As a result of the labor market shortages in the county, construction costs have increased, which exacerbates the already acute slump in the housing market (Silverburg, 2007).

County Supervisors have yet to determine how they will pay for the enforcement of these new policies. Funding the enforcement of these policies will be difficult for a county that is already feeling the effects of the “housing

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slump” (Silverberg, 2007). Prince William County is facing tight budgetary constraints for 2008 due to the slowing real estate market, and a potential tax increase (Silverberg, 2007).

Enforcement costs are estimated at \$2.8 million in the first year alone (Silverberg, 2007). The county is responsible for paying the costs of incarceration of legal and illegal residents. As of December 2007, the county had already placed 450 illegal immigrants in its county jail, 240 of which have been turned over to federal authorities (Silverberg, 2007). Since ICE will only allow counties to turn over 40 individuals each month, the county has to bear the costs of incarcerating these individuals over the long-term (Flook, 2007). Prince William County’s Budget Summary for the FY 2007-2008, projects alarming deficits and increases in tax rates (Pr. William Budget Summary). The county will also have to figure out how to pay the \$14.2 million in legal fees it incurred defending its anti-immigration ordinance (Goodman, 2007).

## Immigration and Customs Enforcement (ICE)

### Increased Worksite Enforcement

The number of worksite raids conducted by ICE has led to a significant increase in the number of unauthorized workers arrested at their places of employment since 2002. Five hundred were arrested in 2002, which jumped to about 5,000 in 2007 (Pew Hispanic Center, pp. 6).

The recent actions of ICE have had serious consequences. ICE typically conducts worksite enforcement raids at manufacturing centers that attract immigrant labor, such as the meatpacking and textiles industries. The types of jobs that are offered in these plants involve unpleasant working conditions, long hours, and relatively decent pay. Immigrant labor represents relatively inexpensive, reliable, and non-unionized source of labor, and is vital to the success of these enterprises. Additionally, this kind of employment tends to encourage the stability, assimilation, and long-term residence of these immigrant workers (Engstrom, 2001, pp. 23).

On the local level, ICE raids have resulted in acute labor shortages, loss of local business, and contributed to slowing real estate markets. The firms involved in the raids were typically the only large employer in the area, and have struggled to fill their workforce requirements. Without immigrant labor, production costs have increased, output levels have fallen, and in the case of Swift & Co., they were forced to sell the multi-billion dollar company.

Beyond the strict economic impacts, the intensification of enforcement activities including: deportations, door-to-door operations to arrest immigrants with deportation orders, and worksite raids, have increasingly put the children of immigrants at risk of family separation, economic hardship, and psychological trauma (NCLR, 2007, pp. 1).

The processing and detention procedures of ICE make it difficult for children of the detained to find alternative forms of childcare. Many of those detained, sign voluntary deportation orders before they have the opportunity to inform their families. Others are held for periods of time, ranging from days, to months, in distant detention facilities.

In the days and weeks following the raids, extended family members and community volunteers are forced to take on the responsibilities of providing care-giving and economic support for the children. Teens were left to provide for their younger siblings for extended periods of time, and some younger children remained in the care of babysitters for months. The majority of the children affected are U.S. citizens and are “emotionally, financially, and developmentally dependent on parental care, protection, and earnings” (NCLR 2007, pp. 2). In three plants where raids took place, the 900 adults arrested were responsible for over 500 children (NCLR, pp. 4).

The following cases provide important examples of the local economic impacts of worksite enforcement raids, in an attempt to highlight the importance of immigrant labor in this country.

**Stillmore, Georgia**

Mexican migrant workers originally came to Stillmore, in the early 1990s, as seasonal agriculture workers. The growth of Georgia's poultry processing industry was aided greatly by the influx of immigrant laborers, which, in turn, helped these former agriculture workers assimilate, with the intent of making Georgia their permanent homes (Hamilton, pp. 23).

In James Engstrom's survey of nearby Dalton, Georgia, he found that immigrant labor is often preferred. "Employers... perceive immigrants to be hardworking and loyal, willing to work for lower wages, and less likely to complain about working conditions than native-born workers" (Engstrom, pp. 49).

After the construction of the Crider Poultry Processing Plant, once-seasonal farm laborers were attracted to Stillmore to gain steady employment. Before the raid, over half of Stillmore's working-aged population was employed by the plant. Crider largely attributed its success to immigration. It was fueled by a hardworking, largely immigrant, labor-force, who arrived between 2002-2006 (Johnson, 2006).

On September 1, 2006, Department of Homeland Security agents conducted a raid of the undocumented employees of the Crider Poultry Processing Plant in Stillmore, Georgia. Over the Labor Day weekend, federal agents armed with guns and vests converged on workers' homes after getting the addresses from Crider's files (Bynum, 2006). The raid resulted in the detention of 120 illegal immigrants, and at least 300 more fled or remained in hiding. Some families were afraid to leave their homes for several months. The one-day raid resulted in the loss of one-third of the city's population.

Antonio Lopez, who moved to Stillmore from Chiapas, Mexico in 2004, was one of Crider's 1,000-strong work force. During the raid, armed ICE agents kicked in his front door. Lopez and his 15-year old son were both handcuffed and bussed to Atlanta with thirty others. He was allowed to return to Stillmore, to await a distant court date, but "now there's no people here and I don't have any work" (Bynum, 2006). Although the city is facing tight labor market conditions, employers in Stillmore refuse to hire Hispanic workers, fearing future worksite enforcement action. As a result, Antonio and others like him cannot leave the jurisdiction, and have no way to earn a living (Ludden, 2007).

By August 2007, unintended economic consequences of the raid have illuminated how crucial immigrant labor was for the local economy. The mass exodus of immigrants has led to an acute labor shortage, and the loss of city commerce. Other than the Crider Plant, little remains in Stillmore, "Only four small stores: a coin laundry and a Baptist Church share downtown with City Hall, the Fire Department and a post office" (Bynum, 2006). The city has been described as little more than a ghost town, characterized by empty streets and abandoned homes. Crider, the only large employer in this poor community, lost over half of its workforce, shrinking from approximately 1,000 workers, to 450.

Business has literally vanished at establishments where, before the raid, immigrant laborers formed the majority of the clientele (Bynum, 2006). The B&S convenience store, owned by the mayor's grandson, has reportedly lost approximately 80% of its business.

Between 2000-2006, Julie Rodas made a profession out of providing child care for workers of the Crider Poultry plant, where the vast majority of employees were Mexican immigrants. She learned Spanish and considered many immigrants among her closest friends. She threw parties for their children's birthdays and baptisms. The only child in Rodas' care now, besides her own son, is Victor. Her clients and friends have disappeared, and she struggles to scratch out a living (Bynum, 2006).

**Swift & Company**

Swift & Co. was the world's third largest processor of fresh beef and pork products, with \$9.35 billion in annual sales, and a workforce of 20,000 workers nationwide. Swift & Co.'s meatpacking plants have an average annual turnover rate of 40%,

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which means that its site managers are constantly searching for new, reliable labor sources. The company's plants are located in rural regions with extremely tight labor markets, so immigrant labor became a necessity to fill the gaps.

In early 2006, due to a pending ICE investigation, Swift examined its own employment records, finding that 95% of the 450 suspected illegal workers were not eligible to work in this country. 400 employees quit or were fired between October and November 2006.

In December 2006, ICE conducted its largest worksite enforcement raid. ICE agents descended on Swift meatpacking plants in Colorado, Nebraska, Utah, Iowa, Minnesota, and Texas, in what was dubbed Operation Wagon Train. 247 workers were charged with identity theft and immigration fraud, 300 workers were deported to their countries and others are in the removal process. The total number of those detained is unknown.

The one-day raid resulted in \$20 million in lost production, and the loss of 40% of its workforce. The company was forced to suspend operations in all plants in December 2006. By June 2007, Swift reported a loss of \$130 million for the last year (Reddy, 2007). It's important to note that beef processors face extraordinarily thin margins (generally between 1-2%, in a good year), which makes any kind of disruption extremely costly. The raids on the Swift plants sent ripples through the entire cattle industry, causing supply-shocks and a spike in prices (Reddy, 2007). By July 27, 2007, JBS S.A. completed its acquisition of the company.

In each of the communities affected, the local Swift and Co. meatpacking plant was the largest employer in the area. Thus, in these rural communities, all economic activity was either working with, or complementary to, these large economic facilities.

### **Cactus, Texas**

Cactus, Texas is a tiny town of 5000, located on the Texas Panhandle. It is home to one of the largest cattle feed lots in Texas, which hosts a growing dairy industry that has the potential to bring new employment opportunities and revenue to rural Moore County. Cactus was heavily dependent on the Swift & Co. meatpacking plant that, when operating at full capacity, employed approximately 3,050 workers (Benson, 2007).

Since the raid, the streets of Cactus are abandoned, apartments are vacant, and local commerce has come to a stand still. It's hard to imagine that just one year ago, Cactus was a bustling, vibrant community of 5,000 residents. All of this changed December 12, 2006.

At 8 a.m., December 12, 2006, employees of the Cactus Swift Plant were shocked to watch as approximately 200 ICE agents surrounded the plant in unmarked vehicles. 295 workers were handcuffed and detained on charges of identity theft, or other immigration-related offenses. The raid took place without warning, leaving hundreds of children (many U.S. citizens) without parents, wives without husbands, fracturing families and the community at large (Solis, 2006). Most of these children remain in the care of siblings, extended family members, and volunteers. At least fifty-three of those detained were indicted, and others were sent back to their original countries after signing voluntary deportation orders (Morales, 2006).

With the loss of half the city's population, the local customer base has been decimated. Many of Cactus' Hispanic residents, traumatized by the raid, feared setting foot outside their homes, leaving the streets and retail stores empty. Elvia Vasquez, the town's midwife and Cactus resident for over thirty years, described the current state of the city as, "This looks like a ghost town...there are more dogs and cats than people" (Morales, 2007).

Most plant workers lived in former military barracks and trailers leased by Swift & Co. This arrangement no longer remains, and trailers and apartments sit vacant. Albertina Corral, the owner of a local four-plex, explained the state of the rental market in saying, "I don't even worry about renting apartments, because it's just too hard. The raid's affected everything" (Morales, 2007). The raid's impacts have not been confined within Cactus' city limits. The housing market in nearby Dumas, the county seat, has slowed due to the number of rentals, now vacant who were previously occupied by plant employees (Benson, 2007).

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The plant has continued to struggle to fill its positions, offering incentives for employees who refer good candidates: \$650 for an unskilled individual, and \$1,500 for those with experience. While recruitment efforts of Sudanese refugees have eased the crisis, this is also costly. These refugees speak little or no English, and the relocation and training process is expensive.

Currently, the plant has resumed its former strategy, actively targeting Hispanic (often undocumented) workers. Dagoberto Enriquez and his cousin, Noel Enriquez, of Zacatecas, Mexico, traveled from their current home in Liberal, Arkansas, to apply for jobs. They were hired the same day to bone cattle for \$11.85 per hour. The Enriquez cousins are a perfect example of what US Representative Mac Thornberry has called, “the cycle of need—for workers and for work—all but ensures that problems like Swift’s will come up again and again. The packing plants employ large numbers of people, and it’s hard work” (Reddy, 2007).

### **Hyrum, Utah**

Hyrum is located in Cache County, Utah. As of 2000, Hyrum’s foreign-born population was 9.2%. It’s a relatively small and poor community, with average median family income of \$32,000. Hyrum’s largest employers are concentrated in the service, manufacturing, and construction sectors--the precise sectors that attract immigrant labor within Utah. As of 2007, Hyrum’s unemployment rate was a slim 1.8% (US Census Bureau).

The county has successfully attracted a diverse mix of manufacturing, production, and customer service firms. Jobs in these industries tend to offer wages ranging between \$8 and \$11 dollars per hour. However, there is a surplus of these types of low-wage, low-to- semi-skilled jobs, and the county lacks adequate numbers of workers to fill them.

This region has an extremely tight labor market. The unemployment rate in the Logan metropolitan area, as of December 2006 (the time of the raid), was 1.9% (Archer, 2006). It has been a constant struggle for Swift and other employers to fill their workforce requirements, which has drawn undocumented workers to the region in order to fill the gaps.

Hyrum’s Miller Blue Ribbon meatpacking plant was one of the facilities raided by ICE agents December 12, 2006. One sheriff’s deputy described the scene as “a circus.” ICE arrived with three buses, several transport vans, unmarked cars, and 150 or so agents. Witnesses of the events reported seeing hundreds of ICE officers, in SWAT fatigues, carrying automatic weapons surrounding the perimeter of the plant.

145 workers were arrested out of a workforce of over 1,000 and many more were detained. Citizens and non-citizens alike were detained for hours, days, even months. Several hundred children were left without parents or guardians and were forced to find alternative housing, supervision, and economic support.

Three months after the raid, production was still lagging below normal production levels, at 75% of its normal capacity. Production costs have increased substantially, due to falling output and significant increases in the use of overtime hours (Geraci, 2007).

Even if there were enough applicants to replace the lost workers, the training process for production workers takes up to two months. This prolongs the negative impacts of the raid. The plant offers a service bonus of \$1,500 paid to new employees in three equal installments over their first 90 days. Current employees can also receive \$1,500 if they refer an applicant who completes the training process (Geraci, 2007). Following the raid, as in Cactus, Hispanics (documented and perhaps undocumented) remain the largest applicant group at the meatpacking plant (Geraci, 2007), restarting the cycle.

### **Greeley, Colorado**

Greeley is the largest community that was affected by the December 2006 ICE worksite raid with a population of 90,000. Greeley has been home to Swift & Co.’s headquarters since 1855.

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At the raid, agents were spread out at least every 25 yards along the railroad tracks behind the plant. Cars lined the streets leading to the facility, and about one hundred family members gathered at the front gates. Many were crying, fearing for their loved ones, who were being faced with deportation, detention, and other criminal charges. Some relatives were seen desperately trying to deliver documentation to their contacts inside. At least 800 workers at the Swift plant were identified as undocumented workers, 300 were deported within a week of the December 2006 ICE raid, and 261 were arrested (Immigration and Customs Enforcement Agency, 2007).

Fifteen months after the raids, Ricardo Romero is still assisting families of 32 workers who chose to contest their arrest. He and others have been helping them survive on donations of soap, toothpaste, clothing, diapers, and \$100 per month food cards. “The sad thing about this, they were arrested in December 2006 and they’ve been given court dates in September and October 2008. They can’t leave the jurisdiction of the court. And they can’t work because they’re undocumented” (Ollinger, 2008).

Since the raid, Greeley’s white residents have developed increasing animosity toward their “Mexican” neighbors. This has been extremely difficult for Latino residents, like Romero, who’ve lived in Greeley for generations. “All of us...the Mexican population in the United States –have relatives who are undocumented. They’re married to nieces, married to nephews, married to aunts” (Ollinger, 2008). This is prompting many Hispanic residents to leave the community and the state.

Senator Ken Salazar, when asked about the impacts of the raid on the city of Greeley wrote, “Today’s action at Swift will have a strong ripple effect on the rest of the livestock industry. Today’s move by ICE will greatly impact the economy [in Weld County].” While the communities around the Swift plant were greatly impacted, the wider community’s more diverse economic structure mitigated against as major a disruption as occurred elsewhere (Benson, 2007). Long-term economic impacts will emerge in the following years, and can be seen on the state level as well.

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