

# A Profile of Immigrants in Arkansas

*Economic and Fiscal  
Benefits and Costs*

VOLUME 2



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# Executive Summary

This report presents an analysis of immigrants' impact on the Arkansas economy and on state and local budgets. It is the second in a three-volume set commissioned by the Winthrop Rockefeller Foundation in Little Rock. Volume 1, *A Profile of Immigrants in Arkansas: Changing Workforce and Family Demographics*, provides a demographic and socioeconomic profile of immigrants and their children, including a description of immigrant workers. Volume 3, *A Profile of the Marshallese Community in Arkansas*, focuses on Marshall Islanders — a group that is important to Arkansas, but inadequately described in national Census Bureau surveys. (Marshallese individuals are admitted to the United States to live, work, and study as nonimmigrants, and generally do not have a path to permanent residency or citizenship. Since they are not considered "immigrants," we do not use this term to describe them in the reports' three volumes.) These volumes build upon a previous study of the Arkansas immigrant population commissioned and published by the Foundation in 2007.

*The total economic impact of immigrant consumer spending on the Arkansas economy was \$3.9 billion.*

*This was a substantial increase in immigrants' economic impact from \$2.9 billion in 2004.*

This newest research describes the current and future roles that immigrants and their children play in the Arkansas economy. Despite the fact that immigrants make up a small share of the total Arkansas population currently, they make up significant shares of workers in major industries such as manufacturing, construction, and agriculture, where they contribute to the state's economic competitiveness and tax base. The children of immigrants — who are overwhelmingly US-born — comprise a large share of the state's total child population and are thus important to future population growth. These mostly citizen children (over 80 percent were born in the United States) will age into the labor force in large numbers regardless of whether future immigration flows rise or decline. Investments in these, and indeed all, children represent an investment in the future of Arkansas.

Only a small fraction of the nation's 40 million immigrants — about 146,000 — lived in Arkansas as of 2010, representing just 5 percent of the state's total population. The demographic profile in Volume 1 provides an estimate of the state's immigrant population that is slightly (10 percent) lower: 133,000. Volume 1's population estimate is based on 2010 American Community Survey (ACS) data, which provide unique social, economic, and housing information about immigrants, while Volume 2's estimate derives from the 2010 Census, which provides sufficient samples to conduct economic impact analyses at the local level. But Arkansas's immigrant population is growing much faster than the national average, leading to significant questions about immigrants' impact on the state's economy and finances — questions that this research seeks to address.

This volume assesses the economic impact of immigrants on Arkansas through their purchasing power, business creation, business cost savings, spin-off jobs, and overall contribution to economic growth. It also provides a detailed accounting of Arkansas immigrants' direct and indirect tax contributions, along with fiscal costs associated with public education, health-care, and corrections.

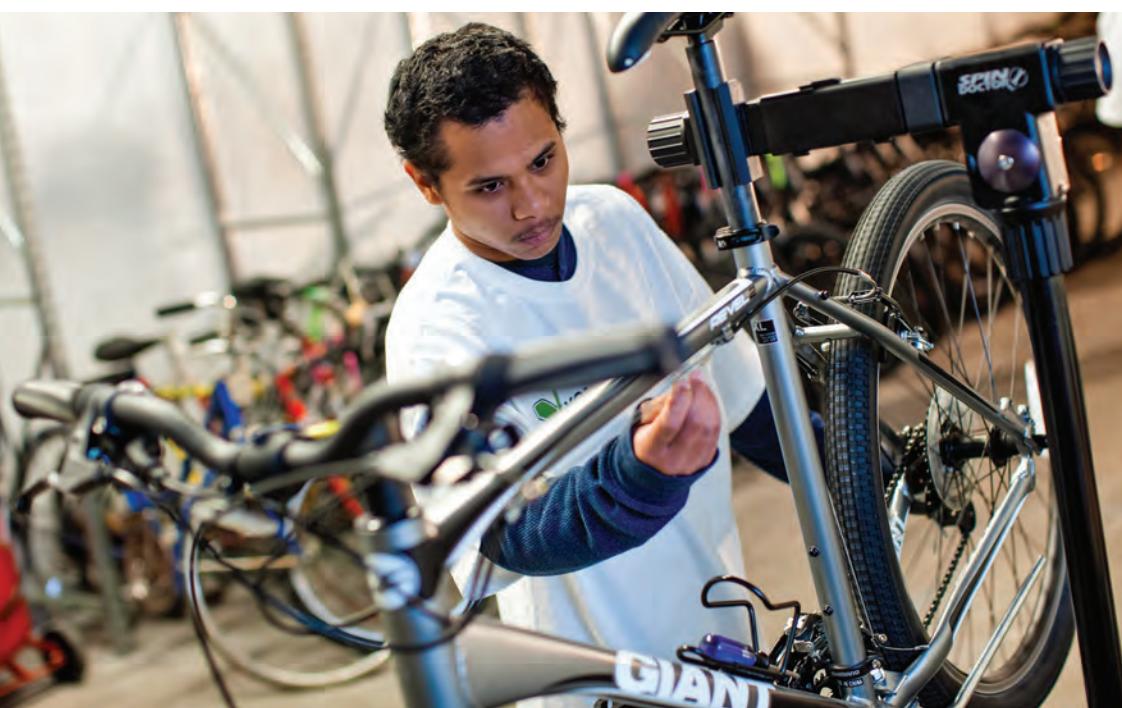
Following are key findings from the research:

- Immigrants comprised 5 percent and their minor children (overwhelmingly native-born) another 3 percent of the Arkansas population in 2010 and have been responsible for much of the recent population increase.<sup>1</sup>
- The growth of the immigrant population in Arkansas has been driven mostly by a need to replace workers who have retired or moved on to other sectors. For example, the manufacturing industry, which has been shedding employees since the mid-1990s, has grown to depend increasingly upon immigrant workers.
- Arkansas immigrants had an estimated total after-tax income of \$4.3 billion in 2010 (compared to the state's \$96 billion total in personal income and \$103 billion gross domestic product). Approximately 16 percent of this was sent home to families abroad, saved, or used for interest payments. The total economic impact of the remaining immigrant consumer spending on the Arkansas economy was \$3.9 billion. This was a substantial increase in immigrants' economic impact from \$2.9 billion in 2004.
- The indirect effects of immigrant spending in Arkansas included an estimated 36,100 spin-off jobs and \$1.3 billion in additional labor income in 2010. Immigrant spending was also responsible for \$237 million in additional state tax receipts and \$294 million in federal taxes.
- Immigrants are geographically concentrated in a handful of Arkansas counties. Ten counties (Pulaski, Benton, Washington, Sebastian, Saline, Faulkner, Garland, Craighead, Lonoke, and Pope) had immigrant populations with at least \$65 million in buying power, but much of this spending was concentrated in four counties (Pulaski, Benton, Washington, and Sebastian).
- Providing key essential services to Arkansas's immigrant households cost the state an estimated \$555 million in 2010. Immigrants' direct and indirect tax contributions of \$524 million largely offset the \$555 million cost of essential services provided to immigrant households, creating a small negative fiscal impact on the Arkansas state budget of \$31 million — approximately \$127 per immigrant household member.
- The statewide economic impact is different from the fiscal impact. Subtracting the cost of essential services (\$555 million) from immigrants' combined consumer expenditures and tax contributions (\$3.9 billion) yielded a net economic benefit to the state of \$3.4 billion in 2010. On a per capita basis, immigrants' contributions (\$16,300) exceeded the fiscal cost of essential services (\$2,300) by \$13,900. That is, the state received \$7 in immigrant business revenue and tax contributions for every \$1 it spent on services to immigrant households — K-12 education, health-care, and corrections — in 2010.
- The local benefits could have been greater had Arkansas communities with significant immigrant concentrations been able to forestall business revenue leakage — that is, capture

consumer spending that went elsewhere due to the unavailability of preferred goods and services. Across the state's four regions, immigrant business revenue leakage ranged from an estimated 4 percent of immigrant consumer purchasing power in central Arkansas/Little Rock to 2 percent in southern Arkansas in 2010.

- Without immigrant labor, the state's annual manufacturing wage bill could have been as much as \$52 million higher. Moreover, because much of that manufacturing employment is concentrated in poultry processing, the impact would have been felt by livestock producers, grain farmers, and rural communities throughout the state. These labor cost savings kept Arkansas's businesses competitive, while being passed on in the form of lower prices to US consumers.

As the nation emerges from the Great Recession, it is difficult to assess the future impact of the immigrant population on the Arkansas economy. The aging of Arkansas's native-born population implies that maximizing economic opportunities may depend critically on investing in the skills of the immigrant workforce.





# I. Introduction

In 2007, the Winthrop Rockefeller Foundation released a two-volume report discussing the key demographic and economic factors influenced by immigrants in Arkansas.<sup>2</sup> That report included a first volume that focused on the demographic characteristics of immigrants and their families, along with their contributions to the workforce and impacts on public schools in the state. The report's second volume described immigrants' contributions to the Arkansas economy, their purchasing power, tax contributions, and fiscal costs. The report was based on 2000 Census data, with updates where possible through 2005. It was recognized as an objective source of data and widely cited in policy deliberations around immigration and related issues at the state and local levels.

This report updates the previous study with 2010 data. As in the first report, Volume 1 addresses demographic changes and Volume 2 describes economic and fiscal impacts. A third volume describes the population of Marshall Islanders living in Northwest Arkansas and the issues they confront, based on a survey conducted as part of this project. The individual reports, as well as a report summary, can be downloaded at [www.wrfoundation.org](http://www.wrfoundation.org).

*The indirect effects of immigrant spending in Arkansas included an estimated 36,100 spin-off jobs and \$1.3 billion in additional labor income in 2010. Immigrant spending was also responsible for \$237 million in additional state tax receipts and \$294 million in federal taxes.*

This report is intended to provide a broad, data-driven description of the state's immigrant and Marshallese populations for a general audience and to lay the foundation for policy deliberations.

The first volume of the report addresses the following questions:

- How do immigration trends in Arkansas compare with other Southeastern states?
- How are immigrants contributing to population growth and demographic change in Arkansas?
- What are the characteristics of Arkansas immigrants in terms of their countries of origin, legal status, and length of US residence?
- Where do most immigrants live in Arkansas, and are their settlement patterns changing?
- How is immigration affecting public school enrollment in Arkansas?
- How do immigrants — and Latinos overall — fare economically compared to other major population groups in Arkansas?
- How are immigrants and Latinos faring in terms of health insurance coverage and health outcomes?
- How many immigrant workers are there, and what types of jobs do they hold?
- How much do immigrant workers earn, and what are their skill levels?

The second volume describes economic and fiscal impacts and addresses the following questions:

- What is the estimated impact of immigrant spending on the state, regional economies, and individual counties?
- What are the major public costs of immigrants to Arkansas?
- What are the direct and indirect immigrant tax contributions to the state?
- What is the net benefit or cost of immigrants on the state budget?
- How important are immigrants to Arkansas's overall economic output?
- What local business opportunities exist to serve immigrants?
- How will the economic impact of Arkansas immigrants evolve in the future?

And the third volume focuses on the employment, educational attainment, health-care access, and civic integration of the Marshallese community in Springdale, which is home to over 80 percent of the Marshallese population in Arkansas. This volume provides some comparisons with other foreign-born populations in Arkansas, particularly Latinos, and addresses questions such as:

- How well educated is the Marshallese population?
- How well are Marshallese individuals integrated politically?
- What types of jobs do Marshallese individuals hold, and how do they view the Arkansas economy?
- What are their patterns of health insurance and health-care access?

#### **HOW HAS LABOR DEMAND CHANGED IN THE ARKANSAS ECONOMY OVER THE PAST SEVERAL DECADES?**

Immigrants began arriving in Arkansas many decades ago, but the influx has accelerated over the past two decades. The immigrant influx has coincided with a dramatic restructuring of the Arkansas economy, which is driven by economic globalization, the growth of international trade, and technological change. Paralleling national economic and employment trends, this restructuring includes the decline in primary production and manufacturing employment, on the one hand, and the growth of employment in business services and health-care services, on the other.

Two labor supply problems have arisen as a consequence of this restructuring of the Arkansas economy. First, the supply of highly educated Arkansans has not kept pace with employment demand in business services and health-care, leading to an influx of generally well-educated

immigrants, some from elsewhere in the United States and others from abroad. Second, the number of Arkansas natives employed in low-skill occupations in some areas of manufacturing (e.g., animal slaughtering), construction, and selected services declined more quickly than labor demand in these industries. Native Arkansans, in essence, left shrinking economic sectors for emergent growth sectors of the Arkansas economy, creating demand for low-skilled immigrant labor in declining or slow-growing industries where the impacts of technological improvement on productivity have been limited.

This combination of labor shortages at both the high and low ends of the employment spectrum often produces an “hourglass” pattern of immigration. Immigrants complement native skills by filling jobs at the high and low ends of the skills spectrum. Natives tend to be unresponsive to wage increases in selected occupations either because of the long training and investment needed at the high end of the skills spectrum or because the work is “difficult, dirty, dangerous, and/or demeaning” at the bottom end of the spectrum. This is what has happened in Arkansas over the past several decades.

Arkansas residents — native and foreign-born alike — impose costs and offer benefits to the state. In what follows, we investigate the economic impact of the foreign-born or immigrant population on the Arkansas economy, concentrating our analysis on the 2000–10 period.





## II. Methods

### A. HOW DID WE DEFINE THE IMMIGRANT POPULATION?

We use the term “immigrant households” to refer to the foreign-born and their co-resident minor children. The “foreign-born” are those who were not US citizens at birth. These include naturalized US citizens, lawful permanent residents, temporary immigrants (such as students), humanitarian immigrants (such as refugees), and the unauthorized (that is, people illegally present in the United States). Natives are those who were born in one of the following areas — the United States, Puerto Rico, Guam, American Samoa, the US Virgin Islands, or the Northern Mariana Islands — or who were born abroad to at least one US citizen parent.<sup>3</sup>

*The state received \$7 in immigrant business revenue and tax contributions for every \$1 it spent on services to immigrant households – K-12 education, health-care, and corrections.*

Because immigrants tend to be young adults who form or expand families, we include their native-born (and therefore US citizen) children as members of immigrant households. (Children born in the United States are US citizens even if one or both parents are noncitizens.) These “immigrant households,” where one or both of the parents is/are foreign-born, are important in the contemporary policy debate. For the purposes of our analysis, native-born children are no longer classified as a part of immigrant households once they leave the parental home.

Immigrants form a diverse set of people: from the elderly coming to join established adult children to young people encountering serious safety risks on the job to well-paid multinational executives who may remain in the United States for only a few years to refugees seeking to escape persecution. All such types are found in Arkansas, along with a variety of motivations, capabilities, and contributions.

We classified the Arkansas population into five broad, mutually exclusive racial/ethnic groups: whites, blacks, Asians, “others,” and Latinos.<sup>4</sup> The two largest groups of foreign-born in Arkansas are Latinos and Asians.

We followed the US Census Bureau in defining Latinos as those who classify themselves in one of the specific Hispanic-origin categories: Mexican, Puerto Rican, Cuban, Dominican, or Central American or South American (Spanish-speaking countries). These include people who identify themselves as “other Spanish/Hispanic,” i.e., those whose origins are in Spain or who identify themselves generally as Spanish, Spanish-American, Hispanic, Hispano, Latino, and so on. Latino is an ethnic designation. Latinos may be of any race, and many Arkansas Latinos are classified as being members of a residual race category. We also followed the Census Bureau practice of defining Asians as those who classify themselves as such. This generally includes Pacific Islanders. The Asian foreign-born population of Arkansas is most likely to find its origins in India, the Marshall Islands, Vietnam, Laos, the Philippines, Korea, and China (see Volume 1).

We did not attempt to measure the citizenship status of Arkansas's immigrant population. Some have resided in the United States for decades. Many of the younger members of immigrant households were born in the state.

#### **B. HOW DID WE MEASURE THE IMMIGRANT POPULATION?**

The Census Bureau regularly measures the nativity and ancestry of US residents through surveys. The most reliable measures were part of the decennial census and are also conducted annually as a component of the ACS. In both cases, direct questions are posed to individuals, as part of a sample or as an actual enumeration.

Information on immigration status was not collected in the 2010 Census. Such information is now collected as a component of the ACS. Unfortunately, the sample for any single-year wave of the ACS may be too small to accurately measure the economic and fiscal impacts of an immigrant population as small as that of Arkansas.

Therefore, we based our analyses on the direct measures of nativity and ancestry for the census years 1990 and 2000, but relied on our own estimates of the immigrant population for our analysis of 2010. Using the 2006–10 ACS sample, these estimates were constructed by measuring the proportion of the five broad racial/ethnic groups described above, which was immigrant, and then, assuming those proportions were nearly constant over the short term, adjusting the total to be consistent with 2010 Census counts of each of the five groups.

Using the foregoing methodology, we determined that there were 25,000 and 73,000 foreign-born residents in Arkansas in 1990 and 2000, respectively, corresponding to 1 and 3 percent of the state's population. In 2000, the immigrant population and their children — as defined above — totaled 98,000 and represented 4 percent of the state's population.

In 2010, there were an estimated 146,000 foreign-born people living in Arkansas. There is a slight (10 percent) difference in the estimates of the size of the immigrant population in Arkansas between the demographic profile in Volume 1 and the economic impact analysis in Volume 2. The demographic profile adopts the published number of 133,000 in the ACS in large part because of social, economic, and housing characteristics that are uniquely available in the ACS and critical to our understanding of immigrant integration. Volume 2's estimate of the immigrant population (146,000) derives from the 2010 Census, due to the fact that only the Census — and not the ACS — provides sufficient samples to conduct economic impact analyses at the local level.

If we add the number of native-born children living with at least one foreign-born parent, then there were an estimated 240,400 people living in immigrant households in Arkansas in 2010. Using these two estimates, the foreign-born constituted 5 percent of Arkansas's 2.9 million residents in 2010 — rising to 8 percent when considering all members of immigrant households.<sup>5</sup>

In addition to directly and indirectly generating over \$3.9 billion annually in business revenues through consumer spending, immigrant workers contributed immensely to the economic output of Arkansas and to the cost-competitiveness of a number of key industries. For example, our estimates indicate that, without immigrant labor, the output of the state's manufacturing industry would likely have been considerably lower and its manufacturing wage bill as much as \$52 million higher. These labor-cost savings helped keep Arkansas's businesses competitive, and some savings were passed on in the form of lower prices to US consumers.

Disaggregating by race/ethnicity, we estimated that 138,000 Latinos lived in immigrant households in 2010. Latinos constituted 57 percent of Arkansas's population living in immigrant households, and 74 percent of all Latinos in Arkansas lived in immigrant households. We estimated that 63,500 whites lived in immigrant households in 2010. They represented 26 percent of the Arkansas population living in immigrant households but 3 percent of the state's white population in 2010. We estimated that 31,000 Asians lived in immigrant households in 2010, representing 13 percent of the state's population in immigrant households and 86 percent of all Asians living in Arkansas. The remainder of the immigrant population was spread over several racial categories (see Table 1).<sup>6</sup>

**TABLE 1. ESTIMATES OF ARKANSAS POPULATION AND IMMIGRANT HOUSEHOLD POPULATION BY RACE/ETHNICITY, 2010**

	Overall State Population	Immigrant Population	Living in Immigrant Households	Immigrant Household Share of Group Total (%)
White	2,219,300	29,200	63,500	2.9
(% of category total)	76.1%	20.0%	26.4%	
Black	447,100	3,000	5,400	1.2
(% of category total)	15.3%	2.1%	2.2%	
Asian	35,600	24,400	30,800	86.3
(% of category total)	1.2%	16.7%	12.8%	
Other	27,800	1,500	3,200	11.3
(% of category total)	1.0%	1.0%	1.3%	
Latino	186,100	87,900	137,600	74.0
(% of category total)	6.4%	60.2%	57.3%	
<b>Sum of Group Counts</b>	<b>2,915,900</b>	<b>146,000</b>	<b>240,400</b>	<b>8.3</b>

SOURCE: Authors' analysis of 2006–2010 American Community Survey (ACS) data adjusted to 2010 Census counts for racial/ethnic groups.

Arkansas continued to be a migrant destination during the second half of the past decade, claiming more in-migrants than out-migrants from 2005 through 2010. Approximately 8 percent of the in-migrants during this period moved to Arkansas from a foreign country, while 6 percent of those moving in from another state were foreign-born. Among Latino in-migrants, 20 percent came from outside the United States, and 40 percent of those coming from other states were foreign-born. Half of all Asian in-migrants came directly from an overseas source, while 70 percent of Asian in-migrants from other states were foreign-born.

Because Arkansas traditionally has not been a large immigrant destination, we concentrated our analysis on the year 2010. This is the latest year for which much of the requisite fiscal and economic information for a rigorous analysis of immigrants' impacts is available.

### C. HOW DID WE ASSESS ECONOMIC IMPACTS?

We addressed three key issues concerning the economic impact of Arkansas's immigrant population:

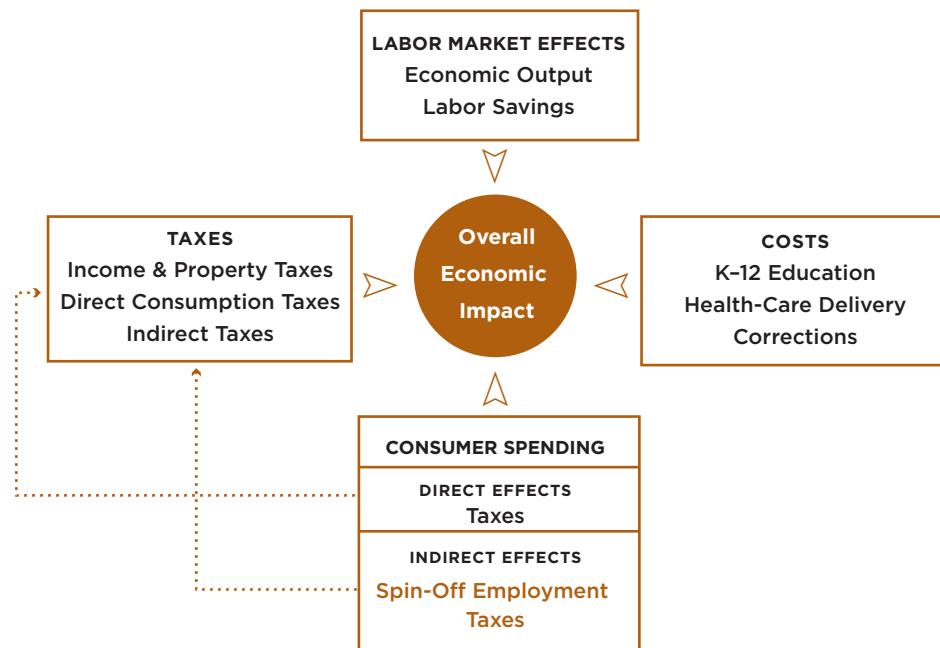
- The impact of immigrant consumer spending on the state and its communities.
- The net balance of the Arkansas immigrant population's contributions and costs on state and local budgets.
- The effect of immigrant workers on the total economic output and competitiveness of the state, concentrating on the impact of Latino immigrants.

Figure 1 depicts our conceptual framework for assessing the overall economic impact of immigrants on Arkansas. On the contributions side, we focused largely on those that accrue to the state from:

- *Consumer spending.* This is the total immigrant after-tax personal income available for local spending on goods and services. Such spending has both direct and indirect effects on Arkansas's business revenues and employment. Immigrants' purchases also contribute to a host of state and local taxes, including those on sales, highway use, motor fuel, alcohol, and cigarettes. Indirect effects include the employment, earnings, and tax payments generated as a result of immigrant consumer spending.
- *Payroll and property taxes.* Immigrants contribute directly to Arkansas's revenue base through taxes on their earnings and property, and indirectly through taxes generated by their consumer spending.<sup>7</sup>
- *Industry competitiveness.* Immigrant workers benefit Arkansas's industries by augmenting the labor supply and economic output at competitive (below-market) wages and salaries.

On the cost side, we estimated the financial impact of immigrants on three major public costs that are typically considered in immigrant impact studies: K–12 education, health-care delivery, and corrections. These are the primary "population-linked" sources of government spending.

**FIGURE 1. CONCEPTUAL FRAMEWORK FOR ASSESSING THE ECONOMIC IMPACT OF IMMIGRANTS IN ARKANSAS**



SOURCE: Authors' rendition.

For much of our analysis, we utilized an input-output model known as Impacts for Planning (IMPLAN). This model is based on inter-industry purchasing patterns; consumption patterns; and local production, retail, and service availability. IMPLAN traces consumer spending through more than 500 sectors of Arkansas's economy to generate a variety of economic impacts at the state, metropolitan area, and county levels.<sup>8</sup>

#### D. WHAT DATA DID WE USE TO ESTIMATE IMMIGRANTS' ECONOMIC IMPACTS?

Buying-power data for the resident Arkansas immigrant population were the primary inputs to the IMPLAN model. However, there were no direct measures of local buying power, which is defined as the disposable personal income of immigrants. We therefore estimated buying power by using county-level estimates of personal income for 2010, adjusted for direct personal taxes and estimates of the state's immigrant population by county, weighted by a regional immigrant earnings differential.

Generally, disposable personal income is spent locally. However, Arkansas's immigrants (especially those who arrived recently) typically remit substantial portions of their income back to their country of origin. Based on recent research on immigrants in "expansion states" in the Southeastern United States,<sup>9</sup> we deflated immigrant buying power by 16 percent before beginning our analysis. This reduction takes into account not only the estimated average remittances (10 percent of disposable income), but also savings (4 percent nationally) and interest payments (2 percent nationally) that reduce local spending. The proportion of income remitted is higher among very recent arrivals. It is estimated, however, that the rate of remittance has been dropping over the past several years, for three reasons. First, family reunification in the United States has reduced the motivation to remit. Second, the increased costs of illegal entry imply a need to repay those who aided entry, leaving less for family members. Finally, the recession has diminished earning power, resulting in a decline in total funds sent.

County-level estimates of 2010 aggregate personal income were obtained from the US Bureau of Economic Analysis (BEA) Regional Economic Information System.<sup>10</sup> A statewide estimate of the proportion of personal income going to personal current taxes (which is mainly federal and state income taxes exclusive of consumption taxes<sup>11</sup>) was applied to the personal income estimates in order to calculate disposable personal income (the total after-tax income that is available for spending or saving).

County-level estimates of the immigrant population were derived by weighting the statewide proportions of each of the five racial/ethnic groups by each county's population composition.

A plausible method of income apportionment would be to distribute income according to the size of the several population groups. We know, however, that, due to differences in sector, occupation, and other factors, immigrant earnings often differ significantly from those of the US population as a whole. We therefore introduced a county-specific relative earnings differential, calculated from the 2006–10 ACS sample data, into the allocation. Data on aggregate income (for those ages 20–64) and population for the foreign-born and native-born in each of the five racial/ethnic groups were used to create the relative weighting factor.

There are 75 counties in Arkansas, but only four — Benton, Washington, Pulaski, and Sebastian — have more than 5,000 working-age immigrant residents;<sup>12</sup> all the rest have fewer than 5,000 working-age immigrants, and 57 have fewer than 1,000. To reduce statistical error in the estimates of immigrants' buying power, our county-level estimates of population and disposable personal income were aggregated into five regions — Northeast, Central, South, West, and Northwest — before being allocated among the immigrant and nonimmigrant populations. The earnings differential was calculated for each region separately to preserve the effects of local industry structure.

Methods and data used to estimate immigrants' tax contributions, labor output, and wage savings to Arkansas industries, as well as immigrants' public costs, will be described later in the volume.



### III. Findings

#### A. WHAT WAS THE ESTIMATED IMPACT OF IMMIGRANT SPENDING ON THE STATE?

The Arkansas state GDP was \$103 billion in 2010, which resulted in \$96 billion personal income for state residents. Arkansas's immigrants had an estimated \$4.3 billion in buying power (once after-tax income was modified, as stated above) in 2010. Even after discounting their buying power by 16 percent to account for remittances, savings, and interest payments, immigrant purchases rippled through the state's economy, creating an overall consumer spending impact of \$3.9 billion in 2010.

The indirect effects of immigrant spending in Arkansas included an estimated 36,100 spin-off jobs and \$1.3 billion in additional labor income in 2010. Immigrant spending was also responsible for \$237 million in additional state tax receipts and \$294 million in federal taxes.<sup>13</sup>

**TABLE 2. ECONOMIC IMPACT OF IMMIGRANT SPENDING IN ARKANSAS, 1990 TO 2010**

	ECONOMIC IMPACT OF IMMIGRANT SPENDING (Dollars in Thousands)			
	1990	2000	2004	2010
<b>TOTAL ECONOMIC IMPACT</b>	<b>\$452,624</b>	<b>\$2,024,755</b>	<b>\$2,912,631</b>	<b>\$3,947,492</b>
Spin-Off Employment	3,600	16,000	23,100	36,100
Spin-Off Labor Income	\$96,089	\$429,842	\$618,332	\$1,261,462
Spin-Off State Taxes	\$22,344	\$99,952	\$143,781	\$237,001
Spin-Off Federal Tax Impact	\$23,218	\$103,864	\$149,409	\$294,251

SOURCE: Authors' analysis of Bureau of Economic Analysis (BEA), Census, and ACS data using the IMPLAN model.

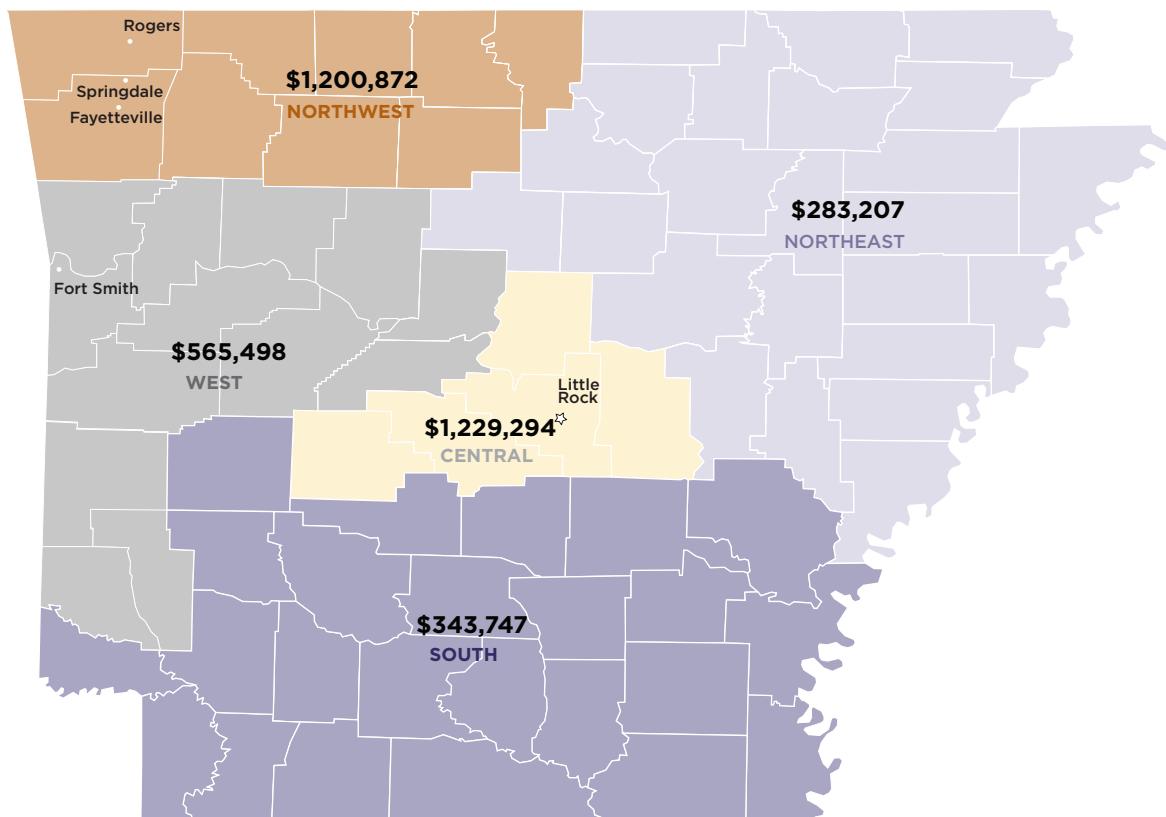
The estimated total economic impact of immigrant spending has risen rapidly from \$2.9 billion in 2004, \$2.0 billion in 2000, and \$453 million in 1990 (see Table 2). But the rate of spending growth appears to have slowed in the second half of the past decade, possibly because the recession impacted spending.<sup>14</sup>

#### B. HOW DID IMMIGRANT SPENDING IMPACT ARKANSAS'S REGIONAL ECONOMIES?

In 2010, 34 percent of the economic impact of Arkansas's immigrants was concentrated in the state's central region. Composed mainly of high-skilled immigrants, this region generated \$1.2 billion in business revenue, 11,000 spin-off jobs, \$428 million in worker income, and \$76 million in additional state taxes in 2010 (see Figure 2 and Table 3). With their

disproportionately Latino immigrant populations, the Northwest and Western regions together contributed another 49 percent of the impact. In addition to generating \$1.2 billion in business revenues and 11,600 spin-off jobs, the Northwest region alone catalyzed \$399 million in additional spin-off labor income for area workers and \$75 million in additional tax receipts. Taken together, these concentrations were responsible for 83 percent of the immigrant economic impact.

**FIGURE 2. ECONOMIC IMPACT OF IMMIGRANTS IN ARKANSAS REGIONS, 2010 (DOLLARS IN THOUSANDS)**



SOURCE: Authors' analysis of BEA, Census, and ACS data using the IMPLAN model.

**TABLE 3. REGIONAL IMPACTS OF IMMIGRANT SPENDING IN ARKANSAS, 2010**

Region	Buying Power	IMMIGRANT SPENDING (Dollars in Thousands)			
		Economic Impact	Spin-Off Employment	Spin-Off Labor Income	Spin-Off State Taxes
Central/Little Rock	\$1,400,511	\$1,229,294	10,985	\$427,545	\$76,177
Northeast	\$358,884	\$283,207	2,799	\$87,580	\$17,807
Northwest	\$1,407,404	\$1,200,872	11,550	\$398,586	\$75,383
South	\$462,477	\$343,747	3,300	\$102,241	\$21,010
West	\$702,599	\$565,498	5,557	\$184,661	\$35,154

SOURCE: Authors' analysis of BEA, Census, and ACS data using IMPLAN model.

**C. WHAT IMPACT DID IMMIGRANT SPENDING HAVE ON INDIVIDUAL COUNTIES?**

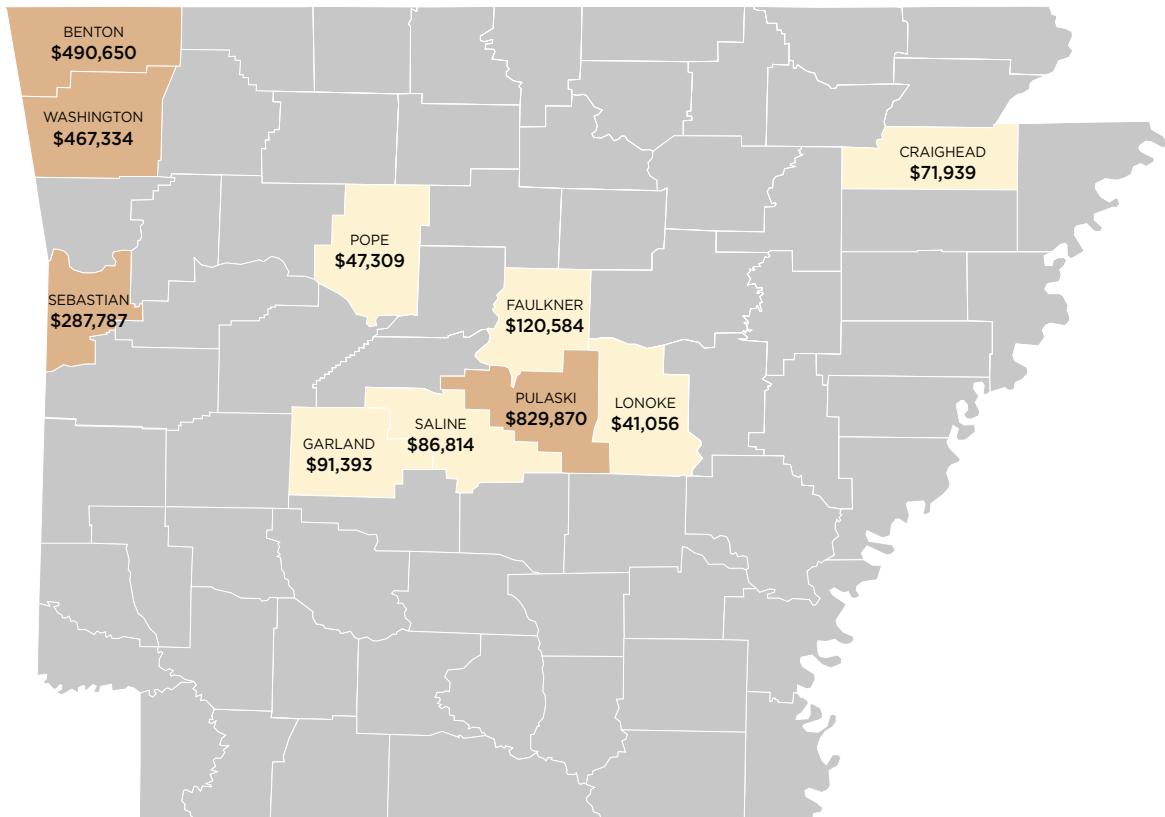
The four counties with the largest immigrant buying power — Pulaski, Benton, Washington, and Sebastian — accounted for over half of the economic impact of the immigrant population in 2010. Adding in Saline, Faulkner, and Garland counties, each with over \$100 million in immigrant buying power, accounts for 60 percent of the spending impact of immigrants in the state. Craighead, Lonoke, and Pope counties each contributed at least \$65 million in immigrant buying power. Table 4 and Figure 3 summarize these results.

**TABLE 4. IMMIGRANT BUYING POWER AND ECONOMIC IMPACT FOR SELECTED ARKANSAS COUNTIES, 2010**

County	Region	IMMIGRANT BUYING POWER (Dollars in Thousands)	
		Buying Power	Impact
Pulaski	Central	\$975,832	\$829,870
Benton	Northwest	\$724,281	\$490,650
Washington	Northwest	\$556,066	\$467,334
Sebastian	West	\$349,811	\$287,787
Saline	Central	\$172,946	\$86,814
Faulkner	Central	\$165,902	\$120,584
Garland	South	\$108,562	\$91,393
Craighead	Northeast	\$86,906	\$71,939
Lonoke	Central	\$85,830	\$41,056
Pope	West	\$65,954	\$47,309

SOURCE: Authors' analysis of BEA, Census, and ACS data using the IMPLAN model.

**FIGURE 3. ECONOMIC IMPACT OF IMMIGRANTS IN SELECTED ARKANSAS COUNTIES, 2010 (DOLLARS IN THOUSANDS)**



SOURCE: Authors' analysis of BEA, Census, and ACS data using IMPLAN model.

#### **D. WHAT WERE THE MAJOR PUBLIC COSTS OF IMMIGRANTS TO ARKANSAS?**

In estimating immigrants' costs to the state, we focused on three of the major public sectors that are most often discussed in immigrant impact studies: (1) public elementary and secondary (K–12) education, (2) health-care delivery, and (3) corrections. These are the three major state and local expenditures that are likely to be impacted by any change in population.

Expenditures on highways, for example, are not significantly impacted by marginal population changes. These are also the three main types of expenditures calculated in the literature on the costs of immigration.<sup>15</sup> There are no doubt other significant costs, but researchers generally agree that these three are the primary costs and most important measures of immigrants' impact on state budgets. These costs totaled \$555 million in 2010.

Public K–12 education is often the most expensive function undertaken by state and local governments. After subtracting federal transfers, Arkansas spent \$4.3 billion on K–12 education in the 2009–10 fiscal year, the latest for which full information is available.<sup>16</sup> For our K–12 educational cost estimates, we assumed that the percentage of expenditures attributable

to immigrants' children was proportional to their representation in the student population (10 percent) — for 2009–10, this amount was estimated to be \$460 million.<sup>17</sup> Eighty-two percent of children with immigrant parents were US-born citizens (see Volume 1).

Health-care delivery costs are a large and growing burden on state and local governments. To calculate net health-care delivery costs, we used our estimate of the state's immigrant population, the Centers for Medicare and Medicaid Services (CMMS) information on 2010 health-care expenditures and sources of aggregate payments, and the Medical Expenditure Panel Study (MEPS) 2009 data for the Census South region on health-care payments by race/ethnicity, along with our estimates of the immigrant household population for each racial/ethnic category.

Latinos, as previously noted, make up a major share of Arkansas's immigrant population. Notwithstanding their lower incomes and high dependence on public funding for health-care, Latino utilization of health-care, and thus the fiscal impact of the provision of such services, is much lower than for most other racial/ethnic groups, including whites. There are two reasons for this pattern. One is that the Latino population is much younger than other racial/ethnic groups and is therefore less likely to require costly medical services. The other is that, owing to a propensity to self-pay a portion of their medical bills, the overall costs are lower when Latino immigrants do seek health-care. Asians, the other demographic group well represented among immigrants, also do not generally rely on public funds for health-care delivery. Taking these factors into consideration, our estimate of the net cost (after self-payments) to the state for health-care delivery to those in immigrant households in 2010 was \$57 million — approximately 7 percent of the state's health-care expenses. As noted above, a significant proportion of the individuals in these immigrant households are native-born children.

Criminal justice costs are a third area of concern. For our estimate of costs to the state criminal justice system, we began with information on the number of individuals in state prisons by ethnic group in the Department of Correction's annual report. We then calculated the percentage of immigrants in prison using our data on the percentage of foreign-born in each group. That percentage was estimated to be 3 percent, less than the immigrants' share of Arkansas's prime working-age adult population (6 percent).<sup>18</sup> We then used data from the Census of Government on state and local expenditures for corrections, police protection, and the judiciary to estimate the total law enforcement expenditures on the immigrant population, which added up to a total of \$38 million.<sup>19</sup>

#### **E. WHAT WERE THE DIRECT AND INDIRECT IMMIGRANT TAX CONTRIBUTIONS TO THE STATE?**

We considered four different categories of taxes (income, property, sales and use, and those generated indirectly) accruing to the state and local governments as a result of immigrants' presence in Arkansas. Immigrants' direct and indirect tax contributions in these categories totaled \$524 million in 2010 (see Table 5).

**TABLE 5. ESTIMATES OF IMMIGRANT CONTRIBUTIONS TO ARKANSAS STATE TAXES, 2010**

STATE TAX ESTIMATES (Dollars in Thousands)				
	Direct Contributions	Indirect Contributions		Total Contributions
		from Business	from Individuals	
Personal Income Tax	\$125,480		\$27,789	\$153,268
Personal Property Tax	\$92,594	\$43,743	\$318	\$136,655
Small Business Tax	\$20,244	\$9,829		\$30,073
<b>Subtotal</b>	<b>\$238,317</b>	<b>\$53,572</b>	<b>\$28,107</b>	<b>\$319,996</b>
Sales and Use Tax	\$150,987	\$2,985	\$2,985	\$156,957
Highway Use Tax	\$5,915	\$1,714	\$1,048	\$8,677
Other Taxes	\$17,139	\$16,099	\$5,498	\$38,736
<b>Subtotal</b>	<b>\$174,041</b>	<b>\$20,798</b>	<b>\$9,530</b>	<b>\$204,370</b>
<b>Total</b>	<b>\$412,358</b>	<b>\$74,371</b>	<b>\$37,637</b>	<b>\$524,366</b>

SOURCE: Authors' analysis of BEA, Census, and ACS data using IMPLAN model.

Taxes on income are not considered disposable income and thus did not enter into the accounting of immigrant buying power discussed above. State payroll tax contributions were calculated by multiplying the immigrant population's share of total personal income by an estimate of the amount of state income tax paid in 2010.<sup>20</sup> The total annual personal income tax paid by Arkansas immigrants was estimated to be \$125 million. On the basis of US Bureau of Economic Analysis (BEA) data calibrated by Census data, the immigrant share of business income taxes was estimated to be \$20 million.

Immigrant property tax contributions were assumed to be proportional to their share of the adult population in Arkansas. Data on aggregate property taxes were taken from the Census of Government population estimates program. In deriving immigrants' share of property tax contributions, it was necessary to adjust for income because the immigrant population is a very diverse group; some of the foreign-born enjoy significant earnings premiums over the native-born, while others earn substantially less. For the purpose of this estimate, we assumed that immigrant per capita income was 92 percent of overall per capita income, which yielded an immigrant estimated property tax contribution of \$93 million in 2010.

Combined, the three subcategories (personal income, business income, and personal property taxes) totaled \$238 million.

Immigrants also pay taxes on their consumer spending. Here we focused on state sales and use tax, highway use tax, and other taxes. These were calculated by multiplying average immigrant household spending by Arkansas tax rates. Together these three categories totaled an estimated \$174 million paid by Arkansas's immigrants in 2010.

The final tax contribution category included all state and local taxes generated as an indirect result of immigrant consumer spending. These included the estimated \$74 million additional income and property taxes paid by businesses as a result of their operations, and the estimated \$38 million additional income, property, and consumer taxes paid by their employees. Calculated using the input-output model described above, these totaled an estimated \$112 million in 2010.

Collectively, immigrant residents and households were responsible for an estimated \$238 million in personal current taxes (personal income, business income, and property taxes), \$174 million in sales and other consumption taxes, and \$112 million in taxes on the increased business and earnings resulting from immigrant spending. In 2010, Arkansas's immigrants paid an estimated \$524 million in Arkansas state and local taxes.<sup>21</sup>

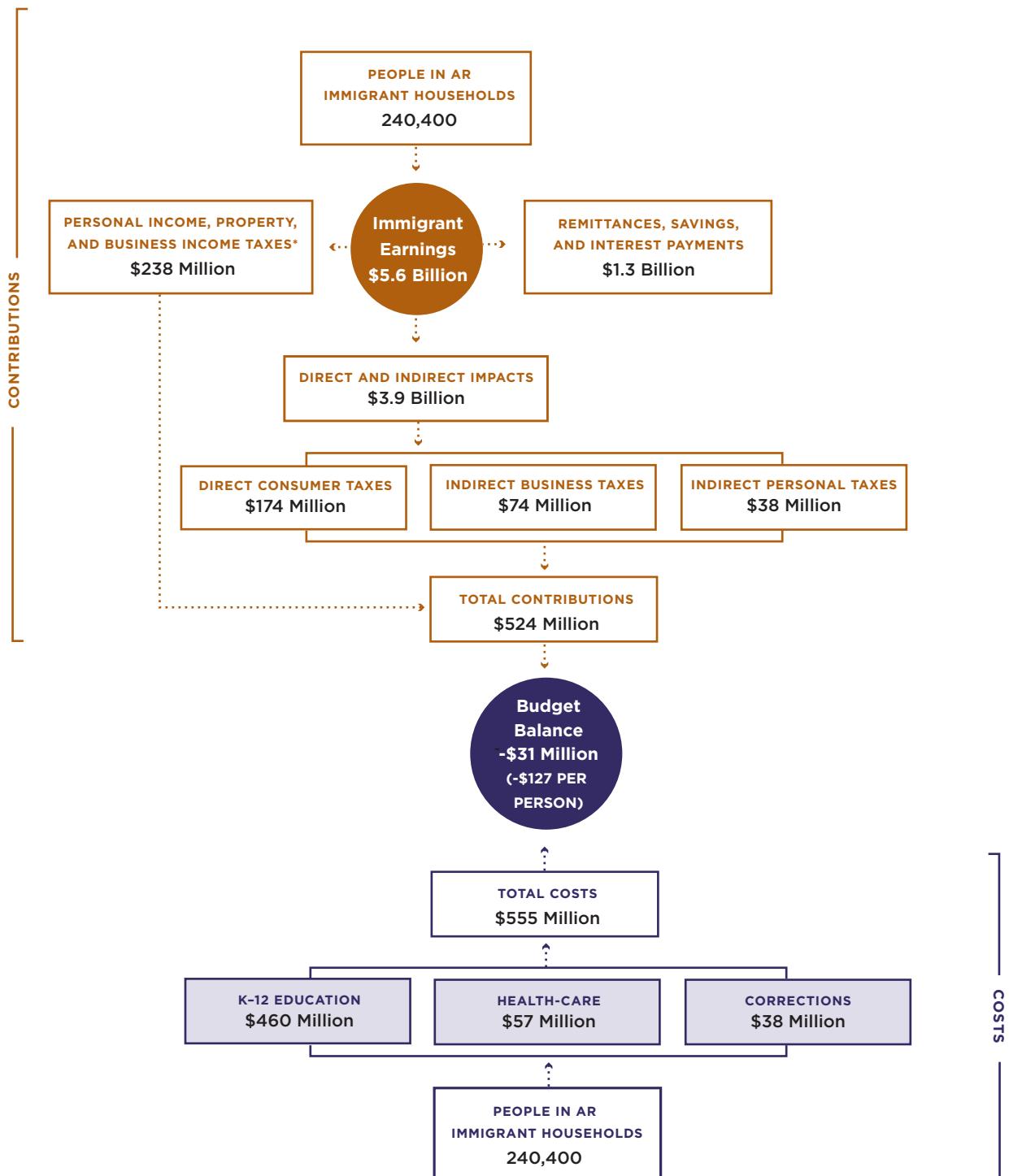
#### **F. WHAT WAS THE NET BENEFIT OR COST OF IMMIGRANTS TO THE STATE BUDGET?**

Determining the net cost or benefit of immigrants to the state budget is a multifaceted and complex effort. Oversight and questionable assumptions are common. Studies conducted elsewhere of immigrants' net public costs or benefits to states have often resulted in conflicting analyses, depending on the assumptions and models used.

Such caveats aside, we developed a series of estimates of the primary direct and indirect contributions and costs of Arkansas immigrants to state and local budgets in 2010. Our model is illustrated in Figure 4.

We begin, on the top portion of the figure, with the state's immigrant population as tax contributors. Immigrant earnings are reduced by remittances (which leave the state's economy) and by taxes on income and property (sometimes termed personal current taxes or statutory taxes, which go directly into state and local coffers). Immigrant spending generates direct and indirect business revenue and employment, which in turn generates three types of taxes: direct consumer, indirect business, and indirect personal. Altogether, as noted above, these totaled an estimated \$524 million in 2010.

FIGURE 4. FRAMEWORK FOR ASSESSING IMMIGRANT IMPACT ON THE ARKANSAS STATE BUDGET



\* \$294 million in federal taxes are not included in the Personal Income, Property, and Business Income Taxes calculation of \$238 million.

SOURCE: Authors' analysis of BEA, Census, and ACS data using the IMPLAN model.

On the bottom portion of the figure, we consider the state's immigrant households as consumers of state services. As noted above, Arkansas's immigrant households were responsible for an estimated \$555 million in state public costs for K–12 education, health-care delivery, and corrections in 2010.

The difference between immigrants' estimated major tax contributions (\$524 million) and their estimated major public costs (\$555 million) resulted in a net fiscal cost to the state (\$31 million) of approximately \$127 per immigrant resident. We note here that many of the public costs are incurred by the citizen children of recent immigrants.

#### **G. HOW IMPORTANT WERE IMMIGRANTS TO ARKANSAS'S OVERALL ECONOMIC OUTPUT?**

Immigrants comprised about 7 percent of Arkansas's overall workforce and considerably more in certain key sectors in 2010. This labor has allowed the state's economic output to expand; in its absence, a substantial portion of Arkansas's economic vitality would likely have disappeared. In particular, immigrant labor generated wage savings of \$74 million in construction, \$52 million in manufacturing, and \$21 million in professional services, which increased the competitiveness of Arkansas businesses and were passed on to consumers in the form of lower prices.

Arkansas's immigrants fit into a wide variety of local economies. Table 6 shows the relative employment composition of the four counties with the largest immigrant populations.

Benton County — where Wal-Mart and Tyson are headquartered — has a high concentration of employment in the management of companies (the Census Bureau term for corporate headquarters), transportation, and warehousing. Food manufacturing, primarily poultry processing, is important in Washington and Sebastian counties. And Pulaski County, home of the Arkansas state capital, has the highest concentration of immigrants with higher average educational attainment and the largest estimated immigrant income.

One way of looking at the impact of immigrant workers on Arkansas's industries is in terms of wage savings, which are passed along as lower costs to consumers and contribute to the overall competitiveness of Arkansas industries. Using data from the 2006–10 sample of the ACS, we estimate that, in the latter half of the past decade, immigrant labor generated an annual statewide wage savings of nearly \$40 million (0.1 percent of the total wage bill).<sup>22</sup>

The use of immigrant labor resulted in wage savings in eight of 15 major sectors of civilian employment. Immigrant labor in construction resulted in a \$74 million annual wage advantage, resulting in a 3 percent savings for the industry during a period of generally slack demand. The wage savings amounted to 8 percent in the jobs where immigrant labor tended to congregate. Manufacturing enjoyed a \$52 million annual advantage, resulting in a wage savings of 1 percent, and the professional services sector saw an estimated wage savings of

**TABLE 6. SECTORAL PROFILE OF THE ARKANSAS COUNTIES WITH THE LARGEST IMMIGRANT POPULATIONS, 2010**

Sector	EMPLOYMENT				
	Statewide	Benton	Washington	Pulaski	Sebastian
Total, All Industries	1,134,075	91,502	89,373	242,543	67,453
Natural Resources and Mining	1.9%	0.8%	0.5%	0.3%	2.2%
Construction	4.4%	3.8%	4.5%	3.8%	3.8%
Manufacturing	13.9%	12.9%	14.7%	5.4%	21.5%
Food manufacturing	2.6%	6.6%	6.7%	0.6%	4.9%
Plastics and rubber products manufacturing	0.5%	1.9%	0.5%	0.3%	0.7%
Fabricated metal product manufacturing	1.1%	0.7%	2.1%	0.7%	1.1%
Electrical equipment and appliance manufacturing	0.5%	0.0%	0.1%	0.1%	5.9%
Transportation equipment manufacturing	0.5%	0.6%	1.3%	0.0%	0.2%
Trade, transportation, and utilities	21.2%	23.2%	23.2%	20.0%	19.7%
Wholesale trade	3.9%	4.2%	3.9%	5.2%	3.9%
Retail trade	11.4%	9.7%	11.6%	10.1%	11.6%
Transportation and warehousing	4.6%	8.7%	6.6%	3.8%	3.3%
Truck transportation	2.7%	5.8%	4.9%	1.7%	1.7%
Information	1.4%	0.9%	1.4%	3.1%	1.3%
Financial Activities	4.2%	3.8%	3.7%	6.4%	3.6%
Professional and Business Services	10.5%	26.0%	10.2%	14.2%	12.0%
Education and Health Services	23.9%	14.2%	20.9%	26.5%	20.1%
Leisure and Hospitality	8.8%	9.3%	10.3%	8.9%	8.1%
Other Services	2.1%	1.9%	2.0%	2.9%	1.9%
Public Administration	4.7%	2.1%	2.6%	8.2%	3.1%

SOURCE: Kenan Institute analysis of Quarterly Census of Employment and Wages (QCEW) data.

\$21 million, also 1 percent. The range of sectors affected suggests the diversity of Arkansas's immigrant workforce.

Another way to assess immigrant impacts is to examine their productivity effect on the Arkansas economy. Research suggests that the productivity effect of immigration tends to be greater when immigrants and natives complement each other rather than compete for the same jobs. Arkansas Equal Employment Opportunity Commission (EEOC) trend data suggest that the state's immigrants and natives specialize in particular occupations and industries and may not be easily substituted for each other — that is, the presence of immigrants in Arkansas may be more complementary than competitive.<sup>23</sup> Two noteworthy trends are evident in the EEOC data, which appear in Table 7.

First, as the lower panel in the table shows, the number of Latino workers — many of whom are immigrants — has risen in blue collar occupations that have been declining in employment such as laborers, operatives, and, to a lesser extent, skilled craft workers. Second, a large proportion of adult Asian immigrants in Arkansas have tended to move into growing white-collar occupations as professionals, technicians, and service workers.

These changes are emblematic of not only specialization between migrants and nonmigrants but also among immigrants in Arkansas. The pattern of immigration in Arkansas is consistent with the familiar “hourglass” of low- and high-skill labor shortages mentioned earlier. Above and beyond the data in Table 7, pooled ACS data for 2006–10 indicate, for example, that nearly one-third of all workers in the poultry-slaughtering industry are immigrants (more than 10,000).

For the foregoing reasons, we believe that immigrant wage savings, at least in Arkansas, did not seriously depress the wage levels of nonimmigrants, even in lower-wage, labor-intensive sectors. Rather, we believe it was likely that their labor was preserving economic activity that would otherwise have become unviable because of labor costs or labor shortages.

Latino employment growth in particular sectors and occupations suggest that the more-established racial/ethnic groups (such as whites and blacks) were transitioning to more rapidly expanding white-collar occupations (such as managers, professionals, technicians, and office workers). The movement of US-born Arkansas labor out of blue-collar occupations created a need for immigrant labor.

TABLE 7. RACIAL/ETHNIC COMPOSITION OF OCCUPATIONS, ARKANSAS, 2000, 2005, AND 2010

2000 EEO-1 AGGREGATE REPORT										
Racial/Ethnic Group	NUMBER EMPLOYED									
	Total Employment	Officials & Managers	Professionals	Technicians	Sales Workers	Office & Clerical Workers	Craft Workers	Operatives	Laborers	Service Workers
All Employees	419,045	39,820	34,880	22,757	38,719	44,314	43,915	97,700	66,858	30,082
White	313,567	35,758	31,618	19,493	30,220	37,260	36,384	68,162	35,797	18,875
Black	72,615	2,839	2,230	2,452	7,393	5,820	5,674	20,721	16,038	9,448
Latino	22,776	551	256	315	505	580	1,041	6,042	12,257	1,229
Asian American	5,939	350	605	354	345	297	391	1,424	1,824	349
Other	4,148	322	171	143	256	357	425	1,351	942	181
2005 EEO-1 AGGREGATE REPORT										
Racial/Ethnic Group	NUMBER EMPLOYED									
	Total Employment	Officials & Managers	Professionals	Technicians	Sales Workers	Office & Clerical Workers	Craft Workers	Operatives	Laborers	Service Workers
All Employees	421,403	42,570	42,649	28,079	39,559	45,478	38,017	88,084	64,876	32,091
White	307,854	37,886	37,482	23,597	31,271	36,663	30,472	56,966	32,799	20,718
Black	69,374	2,851	3,180	3,041	6,638	6,872	4,601	19,881	13,437	8,873
Latino	31,821	954	511	770	891	1,017	1,959	8,606	15,317	1,796
Asian American	7,838	466	1,223	464	416	456	526	1,497	2,328	462
Other	4,516	413	253	207	343	470	459	1,134	995	242
EMPLOYMENT CHANGE, 2000-2005										
Racial/Ethnic Group	Total Employment	Officials & Managers	Professionals	Technicians	Sales Workers	Office & Clerical Workers	Craft Workers	Operatives	Laborers	Service Workers
All Employees	2,358	2,750	7,769	5,322	840	1,164	-5,898	-9,616	-1,982	2,009
White	-5,713	2,128	5,864	4,104	1,051	-597	-5,912	-11,196	-2,998	1,843
Black	-3,241	12	950	589	-755	1,052	-1,073	-840	-2,601	-575
Latino	9,045	403	255	455	386	437	918	2,564	3,060	567
Asian American	1,899	116	618	110	71	159	135	73	504	113
Other	368	91	82	64	87	113	34	-217	53	61

TABLE 7. CONTINUED

2010 EEO-1 AGGREGATE REPORT										
Racial/Ethnic Group	NUMBER EMPLOYED									
	Total Employment	Officials & Managers	Professionals	Technicians	Sales Workers	Office & Clerical Workers	Craft Workers	Operatives	Laborers	Service Workers
All Employees	414,348	38,959	55,343	26,325	37,212	51,418	32,727	76,699	52,587	43,078
White	294,597	33,966	47,700	21,013	27,531	39,719	26,263	48,513	23,751	26,141
Black	69,956	2,621	4,060	3,418	7,179	8,626	3,583	16,136	11,956	12,377
Latino	33,512	1,128	963	872	1,217	1,607	1,932	9,247	13,405	3,141
Asian American	8,199	631	1,867	624	456	474	412	1,415	1,742	578
Other	8,084	613	753	398	829	992	537	1,388	1,733	841
EMPLOYMENT CHANGE, 2005-2010										
Racial/Ethnic Group	Total Employment	Officials & Managers	Professionals	Technicians	Sales Workers	Office & Clerical Workers	Craft Workers	Operatives	Laborers	Service Workers
All Employees	-7,055	-3,611	12,694	-1,754	-2,347	5,940	-5,290	-11,385	-12,289	10,987
White	-13,257	-3,920	10,218	-2,584	-3,740	3,056	-4,209	-8,453	-9,048	5,423
Black	582	-230	880	377	541	1,754	-1,018	-3,745	-1,481	3,504
Latino	1,691	174	452	102	326	590	-27	641	-1,912	1,345
Asian American	361	165	644	160	40	18	-114	-82	-586	116
Other	3,568	200	500	191	486	522	78	254	738	599
EMPLOYMENT CHANGE, 2000-2010										
Racial/Ethnic Group	Total Employment	Officials & Managers	Professionals	Technicians	Sales Workers	Office & Clerical Workers	Craft Workers	Operatives	Laborers	Service Workers
All Employees	-4,697	-861	20,463	3,568	-1,507	7,104	-11,188	-21,001	-14,271	12,996
White	-18,970	-1,792	16,082	1,520	-2,689	2,459	-10,121	-19,649	-12,046	7,266
Black	-2,659	-218	1,830	966	-214	2,806	-2,091	-4,585	-4,082	2,929
Latino	10,736	577	707	557	712	1,027	891	3,205	1,148	1,912
Asian American	2,260	281	1,262	270	111	177	21	-9	-82	229
Other	3,936	291	582	255	573	635	112	37	791	660

SOURCE: Kenan Institute analysis of Equal Employment Opportunity Commission (EEOC) data.

The wage and employment effects were not confined to the particular industries that hire immigrant labor. For example, approximately 10,000 of the 21,000 immigrants working in manufacturing were employed in poultry processing. Poultry sales accounted for 44 percent of all farm sales in 2010, and in some recent years as much as half. This implies that a decrease in low-skilled immigrant labor at one point in the value chain could have a substantial impact on farming communities across the state. With approximately 10 percent of its labor force foreign-born, animal production also depends on immigrant labor. Moreover, because poultry farmers were responsible for approximately half of the state's grain purchases, the impact would also be felt by farmers who did not produce meat.

Our analysis, using the IMPLAN model, suggests that eliminating immigrant labor from just food production and food manufacturing could have a total negative impact on statewide employment. In fact, such an impact might be 2.25 times as large as the loss of immigrant jobs alone. The estimated loss of wages and salaries is 2.5 times as high, while the total impact on state GDP is nearly 3 times as high as the direct loss of immigrant jobs. This analysis suggests that immigrants perform select “keystone” functions for the state’s economy. Analyses of additional sectors such as the construction industry, which relies on immigrants for over 10 percent of its labor, also show similar ripple effects.

#### **H. WHAT LOCAL BUSINESS OPPORTUNITIES EXIST TO SERVE IMMIGRANTS?**

In a substantial number of counties, and also one region, the buying power of immigrant residents exceeded their economic impact in 2010. In these areas, insufficient retail and service facilities limit immigrant (and other group) expenditures, a phenomenon commonly called “business revenue leakage.” In such instances, immigrant spending and its impact takes place outside these counties, often in a larger metropolitan area.



We developed a methodology to estimate both the absolute and relative size of the immigrant business revenues leaked to other areas.<sup>24</sup> These estimates ranged from 91 percent and 82 percent in the rural counties of Lonoke and Saline, respectively, to 7 percent in Pulaski County (see Table 8).

Compared to some other states, such as North Carolina, the percentage of business revenue leakage in Arkansas was large, especially in areas with the largest immigrant buying power. Not all of that business revenue leakage can be captured, but our analyses suggest a significant potential for immigrant-targeted business development in a substantial number of Arkansas counties.

For such business development to materialize, it will be necessary to conduct marketing surveys to identify the unmet needs of immigrant consumers. Given the availability of ethnically specialized shops to serve daily needs, we suspect that most of the remaining opportunities will be found in mainstream businesses — such as banking, professional services, and other areas that are unable to support ethnic enclave businesses. Prior research has found that immigrants often drive long distances to fulfill sometimes commonplace needs.

**TABLE 8. ESTIMATED IMMIGRANT BUSINESS REVENUE LEAKAGE FOR ARKANSAS REGIONS AND SELECT COUNTIES, 2010**

BUSINESS REVENUE LEAKAGE (Dollars in Thousands)		
	Absolute Leakage	% Leakage
<b>Region</b>		
Central/Little Rock	\$46,945	3.8
Northeast	\$43,832	15.5
South	\$77,692	22.6
West	\$74,757	13.2
<b>County</b>		
Pulaski	\$59,373	7.2
Washington	\$39,390	8.4
Sebastian	\$30,985	10.8
Saline	\$70,787	81.5
Faulkner	\$30,597	25.4
Garland	\$7,536	8.3
Craighead	\$7,255	10.1
Lonoke	\$37,158	90.5
Pope	\$12,793	27.0

SOURCE: Authors' analysis of BEA, Census, and ACS data using the IMPLAN model.

## I. HOW WILL THE ECONOMIC IMPACT OF ARKANSAS IMMIGRANTS EVOLVE IN THE FUTURE?

Any assessment of the future is necessarily speculative, as Arkansas's immigrant population is showing signs of maturing, and the national and state economies continue to evolve. The nation continues to struggle with an ongoing economic setback from which recovery has proven to be elusive. In that context, the economic impact of immigrants is likely to depend on developments in the Arkansas economy as a whole. These suggest a need for a broad-based upgrading of the skills of the labor force, including immigrants and their children.

As is detailed in the first volume of this report and explored further in this, Volume 2, Arkansas's immigrant population has grown larger and become increasingly settled, starting and expanding families. But Latino migration to the United States has slowed, if not stopped altogether, and flows of other immigrants have also slowed. That does not imply that the stream of immigrants to Arkansas will stop, however; approximately half of the foreign-born who have recently migrated to Arkansas have come from other states.

Rather than make projections about the future of the immigrant population, we can observe long-term changes in the Arkansas economy by looking at the state's employment growth. We explored the sources of Arkansas's competitiveness in a series of shift-share analyses that decompose employment growth into the sum of (1) national growth trends, (2) industry-specific growth differentials, and (3) regional competitive factors. A region (state) can grow more quickly than the national average if it has a favorable industry mix, disproportionate regional strengths, or a combination of the two. The results of the analyses comparing Arkansas to the nation as a whole are shown in Table 9.

Available data allow analysis across two peak-to-peak business cycles. According to the National Bureau of Economic Research's business cycle committee, the US economy peaked in the third quarter of 1990, in the first quarter of 2001, and again in the fourth quarter of 2007. Although regional economies may be affected somewhat differently across the business cycle, comparing similar positions in the business cycle avoids confusing artifacts of cyclical growth and decline with secular trends. The analysis covers the two business cycles preceding the onset of the ongoing economic crisis.

The first point to emphasize is that peak-to-peak growth has slowed considerably in Arkansas. Arkansas employment grew by 229,000 jobs over the ten-year period of the first business cycle analyzed, an increase of approximately 26 percent. On a percentage basis, Arkansas employment grew more quickly than national employment. Employment growth slowed considerably during the second period for both the state and the nation, and Arkansas employment grew less rapidly than national employment.

The second point is that, from 1990 until the recession began in 2007, Arkansas experienced more rapid employment growth than would be projected by national trends and the state's industry mix. Low-cost labor, driven in part by rapid growth in the number of immigrant workers, may be a partial explanation for the competitive advantage of Arkansas employers

**TABLE 9. SHIFT-SHARE ANALYSIS OF ARKANSAS EMPLOYMENT THROUGH THE BUSINESS CYCLE (PEAK TO PEAK)**

PERIOD 1: 1990 THIRD QUARTER TO 2001 FIRST QUARTER										
Industry	Arkansas Employment 1990 Q3	Arkansas Employment 2001 Q1	National Employment 1990 Q3	National Employment 2001 Q1	Arkansas Employment Change	National Growth Share	Industry Mix Effect	Regional Shift Effect	Percentage of Regional Shift	
Primary Production	19,330	17,735	1,912,758	1,528,530	-1,595	3,542	-7,425	2,288	2.5%	
Construction	40,629	50,524	5,585,368	6,473,170	9,895	7,444	-986	3,437	3.7%	
Manufacturing	221,518	233,872	18,001,119	16,899,629	12,354	40,586	-54,141	25,909	28.0%	
Information	18,667	22,562	2,905,655	3,711,879	3,895	3,420	1,759	-1,284	-1.4%	
Trade and Transportation	206,782	246,413	23,924,474	27,057,796	39,631	37,887	-10,805	12,549	13.5%	
Financial Activities	39,300	47,407	6,934,804	7,660,606	8,107	7,201	-3,087	3,994	4.3%	
Professional Services	57,002	105,190	10,774,621	16,509,911	48,188	10,444	19,898	17,846	19.3%	
Education and Health Services	154,711	237,125	18,190,517	25,606,021	82,414	28,346	34,723	19,345	20.9%	
Hospitality	70,040	84,643	10,126,036	11,732,201	14,603	12,833	-1,723	3,493	3.8%	
Other Services	24,250	26,292	3,543,472	4,143,359	2,042	4,443	-338	-2,063	-2.2%	
Public Administration	36,351	45,884	6,445,855	6,872,461	9,533	6,660	-4,254	7,127	7.7%	
<b>Total Covered Employment</b>	<b>888,580</b>	<b>1,117,647</b>	<b>108,344,679</b>	<b>128,195,563</b>	<b>229,067</b>	<b>162,805</b>	<b>-26,379</b>	<b>92,640</b>	<b>100.0%</b>	

TABLE 9. CONTINUED

PERIOD 2: 2001 FIRST QUARTER TO 2007 FOURTH QUARTER									
Industry	Arkansas Employment 2001 Q1	Arkansas Employment 2007 Q4	National Employment 2001 Q1	National Employment 2007 Q4	Arkansas Employment Change	National Growth Share	Industry Mix Effect	Regional Shift Effect	Percentage of Regional Shift
Primary Production	17,735	20,972	1,528,530	1,834,859	3,237	1,146	2,408	-317	-0.3%
Construction	50,524	56,073	6,473,170	7,717,302	5,549	3,264	6,446	-4,162	-4.5%
Manufacturing	233,872	186,718	16,899,629	13,790,592	-47,154	15,111	-58,136	-4,128	-4.5%
Information	22,562	21,632	3,711,879	3,178,788	-930	1,458	-4,698	2,310	2.5%
Trade and Transportation	246,413	259,704	27,057,796	28,300,102	13,291	15,921	-4,607	1,977	2.1%
Financial Activities	47,407	51,884	7,660,606	8,170,871	4,477	3,063	95	1,319	1.4%
Professional Services	105,190	120,991	16,509,911	18,267,030	15,801	6,796	4,399	4,606	5.0%
Education and Health Services	237,125	280,898	25,606,021	29,739,734	43,773	15,321	22,960	5,493	5.9%
Hospitality	84,643	101,933	11,732,201	13,673,382	17,290	5,469	8,536	3,285	3.5%
Other Services	26,292	25,509	4,143,359	4,515,664	-783	1,699	664	-3,145	-3.4%
Public Administration	45,884	52,233	6,872,461	7,290,019	6,349	2,965	-177	3,561	3.8%
<b>Total Covered Employment</b>	<b>1,117,647</b>	<b>1,178,547</b>	<b>128,195,563</b>	<b>136,478,343</b>	<b>60,900</b>	<b>72,212</b>	<b>-22,111</b>	<b>10,799</b>	<b>11.7%</b>

SOURCE: Kenan Institute analysis of Quarterly Census of Employment and Wages (QCEW) data

during this period. Had Arkansas's employment growth been determined solely by overall national and industry trends, the increase over the first business cycle (1990–2001) would have been only 136,400 jobs — some 60 percent of what it actually was: 229,100 (see Table 9). By the same accounting, in the second business cycle examined (2001–07), the employment increase would have been 50,100 — 82 percent of the actual increase. Differences between projected and actual employment changes (92,600 jobs in the first business cycle and 10,800 jobs in the second) were accounted for by regional shift effects (i.e., the competitive advantage of businesses located in Arkansas). The analysis indicates that Arkansas offered significant location benefits throughout the entire time period examined: 1990–2007. However, the regional shift effect was much smaller over the 2001–07 period than it was over the 1990–2001 period, suggesting that Arkansas's regional competitive advantage may be declining over time. The shift-share analysis employed in this study cannot identify the specific factors favoring locating businesses in Arkansas, but low-cost labor may have been an important factor.

The third point to observe is that, again, comparing across time periods, Arkansas's competitive effects appear to be shifting away from manufacturing toward the growing sectors discussed above. During the second period, the more modest competitive effects were concentrated in business services, and in education and health services. In many areas of the country, health services employment has served as a *de facto* social safety net for restructuring economies.

It should be noted that the influx of immigrant labor to Arkansas remained strong after 2000 even post-recession, despite the dramatic contraction of a number of Arkansas's traditional blue-collar industries.<sup>25</sup> Often finding employment as manufacturing operatives, Arkansas's immigrants have demonstrated a willingness to work in industries and occupations in which many native-born workers are less inclined to seek employment because of working conditions, low wages, and/or poor prospects for upward mobility.

The analysis above does not suggest that manufacturing and blue-collar employment will not be important to the Arkansas economy in the future. Though signs of a manufacturing revival are emerging, the consensus is that labor needs will be different from what they have been in the past.

The analysis also suggests that immigrants will continue to be a critical component of the state's labor force, across skill levels. But there are indications that the era of rapid labor immigration may be ending as US economic growth continues to be modest, while foreign economies offer more opportunities. National trends suggest that Arkansas's labor immigration may slow down but be reinforced by family reunification, which will augment the total number of immigrants moving to the state.

From that point of view, Arkansas may benefit the most from policies that maximize the earnings potential of both current and future immigrants. Continuing to benefit from immigration may depend upon facilitating immigrants' investment in themselves through education, training, and long-term security.



## IV. Conclusion

The immigrant presence in Arkansas is substantial and growing. While concentrated in a handful of counties, immigrants' presence is diffusing both geographically and sectorally. Immigrants account for 5 percent of the state's population and their minor children for another 3 percent; together, these two groups have been responsible for much of the recent population increase.

For the most part, the growth of the immigrant population in Arkansas has been a form of labor replacement. From 2000 through 2010, total nonfarm employment in Arkansas declined by 24,700 jobs (3 percent), but the population of immigrants and their minor children rose from 97,600 to 240,400. In particular, the manufacturing industry, which has been shedding employees since the mid-1990s, has grown to depend increasingly upon immigrants.

Arkansas's immigrants had an estimated total after-tax income of \$4.3 billion in 2010, 16 percent of which was sent home to families abroad, saved, or used for interest payments. The remaining spending had a total impact of \$3.9 billion on the state, much of which was concentrated in four counties.

The large and growing immigrant population was reflected in its fiscal impact on the state budget; the costs of immigrant households' education, health-care, and corrections totaled an estimated \$555 million in 2010. Those costs were partially balanced by direct and indirect tax contributions of \$524 million, resulting in a net fiscal cost to the state budget of \$31 million — approximately \$127 per immigrant household resident. In addition to directly and indirectly generating over \$3.9 billion annually in business revenues through consumer spending, immigrant workers contributed to the economic output of Arkansas and to the cost-competitiveness of a number of key industries. For example, our estimates indicate that, without immigrant labor, the output of the state's manufacturing industry would likely have been considerably lower and its manufacturing wage bill as much as \$52 million higher. These labor-cost savings helped keep Arkansas's businesses competitive, and some savings were passed on in the form of lower prices to US consumers.

Immigrant purchasing power was only partially tapped in a number of localities, and opportunities exist for these localities to retain more of the immigrant consumer dollar. While the dollar value of this potential was considerably higher in areas of immigrant concentration, the benefit may have been more directly felt in those areas with little population or economic activity.

The total impact of immigrant spending may increase substantially by the end of the decade if current trends continue. At the same time, if the experience of other states is any guide, family reunification and family formation may begin to increase the costs by changing the population composition to include a higher proportion of children.

# Endnotes

1. This share of the population, including both immigrants and their minor children, is also slightly higher than in Volume 1 due to differences in data employed.
2. Randy Capps, Everett Henderson, John D. Kasarda, James H. Johnson, Jr., Stephen J. Appold, Derrek L. Croney, Donald J. Hernandez, and Michael Fix, *A Profile of Immigrants in Arkansas: Executive Summary* (Little Rock, AR: Winthrop Rockefeller Foundation, 2007), [www.wrfoundation.org/assets/files/pdfs/Executive%20Summary.pdf](http://www.wrfoundation.org/assets/files/pdfs/Executive%20Summary.pdf).
3. Luke J. Larsen, *The Foreign-Born Population in the United States: 2003* (Current Population Reports P20-551, US Census Bureau, Washington, DC, 2004), [www.census.gov/prod/2004pubs/p20-551.pdf](http://www.census.gov/prod/2004pubs/p20-551.pdf).
4. Instead of the term “Hispanic,” which is used by the Census Bureau, in this volume we use the term “Latino” to be consistent with the other volumes of this report. The other groups should be understood to be non-Hispanic whites, blacks, Asians, and those of other and mixed races.
5. This estimate is also higher than in Volume 1, again due to differences in the data used to generate the estimates.
6. These estimates are much higher than those contained in our previous report, published by the Winthrop Rockefeller Foundation in 2007. See John D. Kasarda, James H. Johnson, Jr., Stephen J. Appold, and Derrek L. Croney, *A Profile of Immigrants in Arkansas, Volume 2: Impacts on the Arkansas Economy* (Little Rock, AR: Winthrop Rockefeller Foundation, 2007), [www.urban.org/uploadedpdf/411441\\_Arkansas\\_Vol2.pdf](http://www.urban.org/uploadedpdf/411441_Arkansas_Vol2.pdf). At that time, we projected a population of 179,000 in immigrant households for 2010 — roughly 41,000 fewer than our current estimate. The difference is due largely to the birth of children to foreign-born parents.
7. The state and its localities also receive revenues from flowbacks of portions of federal income taxes paid by immigrants, but these are not considered in our technical analysis.
8. The IMPLAN model is broadly used in economic impact analyses. It uses data provided by the US Bureau of Economic Analysis (BEA), the Bureau of Labor Statistics (BLS), and various state and federal agencies. The model generates, among other results, the number of jobs, labor income, and taxes created by a specified input. It also generates economic output, roughly equated to business revenue, resulting from a group’s direct, indirect, and induced economic impacts. The IMPLAN software can combine any number of counties into one study area.
9. Pedro De Vasconcelos, *Sending Money Home: Remittances to Latin America from the United States* (Washington, DC: Inter-American Development Bank, 2004), <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=547214>; Roberto Suro, Richard Fry, Rakesh Kochhar, and Jeffrey Passel, *Hispanics: A People in Motion* (Washington, DC: Pew Hispanic Center, 2005), 1–20, <http://pewhispanic.org/files/reports/40.pdf>; Douglas P. Woodward, *The Economic and Business Impact of Hispanics (Latinos)* (Columbia: University of South Carolina, 2005); Council on Hemispheric Affairs, “One-way Ticket or Circular Flow: Changing Stream of Remittances to Latin America,” August 4, 2011, <http://cohaforum.wordpress.com/2011/08/04/one-way-ticket-or-circular-flow-changing-stream-of-remittances-to-latin-america/>.
10. The BEA defines personal income as the sum of compensation received by employees, supplements to wages and salaries, proprietors’ income (with inventory valuation adjustment and capital consumption adjustment), rental income, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. This differs from the definitions of income used by the Census Bureau, the Internal Revenue Service, and the Consumer Expenditure Survey.
11. Consumption-based taxes include property tax for housing services and sales tax for other goods and services.

12. Benton, Washington, and Pulaski counties each contain 18,000 to 21,000 working-age immigrants; Sebastian is home to more than 9,800.
13. It should be noted here that some of the federal taxes eventually will flow back to the state.
14. We include data from 2004 because that was the latest year for which data were available at the time of the initial report.
15. For example, see James P. Smith and Barry Edmonston, eds., *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration* (Washington, DC: National Academies Press, 1997) and Rebecca L. Clark, Jeffrey S. Passel, Wendy Zimmermann, and Michael E. Fix, *Fiscal Impacts of Undocumented Aliens: Selected Estimates for Seven States* (Washington, DC: The Urban Institute, 1994).
16. Data are from the National Center for Education Statistics, *Digest of Education Statistics*, 2011 edition. Other data sources differ somewhat in their estimates of enrollment, revenues, and expenditures. See Thomas D. Snyder and Sally A. Dillow, *Digest of Education Statistics 2011* (NCES 2012-001) (Washington, DC: National Center for Education Statistics, Institute of Education Sciences, US Department of Education, 2012), <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2012001>.
17. The fact that many foreign-born students require additional language instruction, raising education costs, is countered by the relatively lower per-student expenditure in districts with large immigrant (especially Latino) populations. We cannot trace immigrants to school districts but we can examine Latinos, the most prominent immigrant group. In our earlier 2007 report, we found a modest negative correlation between the percentage of the student body that is Latino and current expenditures per pupil. Despite the prosperity of the western part of the state, in both Benton and Washington counties the large majority of Latino pupils were concentrated in districts where per-pupil spending was lower than the state average. See Kasarda et al., *Profile of Immigrants in Arkansas, Volume 2: Impacts on the Arkansas Economy*.
18. The Arkansas Department of Correction deems prisoner reports on place of birth to be unreliable.
19. Arkansas spends substantially less per person on education, health-care delivery, and corrections than other states do on average. In each case, per capita spending is less than 60 percent of that in a traditional immigrant destination state, such as New York.
20. This statistic was taken from the 2009–10 Census of Government Report and adjusted to match the state income tax contributions reported in the Regional Economic Information System for 2010.
21. Arkansas relies on sales-related taxes for a majority of its state and local tax revenues. The incidence of personal current state and local taxes is somewhat lower than average. Overall per capita government revenues are significantly below the national average and less than 60 percent of those in a traditional immigrant destination state such as New York.
22. Using data from the 2006–10 ACS sample for Arkansas, the total wage bill for the state was estimated by multiplying the number of immigrants and nonimmigrants with low (less than a high school diploma), medium (high school diploma), and high levels of education (more than a high school diploma) in each industry by their respective average hourly wage rates and sum of hours worked over the previous year. The calculation was then repeated using the average nonimmigrant hourly wage for each industry-education category to estimate what the total wage bill would be without the immigrant wage advantage. Capital substitution and labor shortage effects were not taken into account.
23. Private employers with more than 50 employees who perform certain functions for the government and all private employers with more than 100 employees are required to report to the US Equal Employment Opportunity Commission (EEOC) the occupational distribution of several key racial/ethnic groups

annually. The figures in Table 7 represent approximately 44 percent of private employment in Arkansas for 2000, 2005, and 2010, along with changes in employment over the three time periods.

24. This methodology began by computing a net impact ratio for the state as a whole. This is a simple ratio of estimated state immigrant buying power to calculated immigrant total state economic impact. The ratio was 0.8958 in 2010 (including the 16 percent buying power reduction for remittances, etc.). We then multiplied the buying power of each county by this ratio to simulate what the immigrant economic impact on the county would be if it followed immigrant state buying power multipliers. The difference between the potential impact and the IMPLAN software-calculated economic impact is the estimated total economic impact (business revenues) leakage.
25. For example, from 2000 to 2010, Arkansas manufacturing employment declined by 76,200 jobs. Manufacturing as a whole began its decline from peak employment in 1995.

# Glossary

**CHILDREN OF IMMIGRANTS:** Children with at least one immigrant parent. Children can be either first generation (foreign-born) or second generation (US-born).

**CROWDED HOUSING:** Households with more than one person per room.

**ENGLISH LEARNERS:** Limited English Proficient (LEP) students in the K–12 public schools.

**FEDERAL POVERTY LEVEL (FPL):** A threshold for economic need set by the federal government according to household size and income. In 2009, the poverty level was \$22,050 for a family of four.

**FOREIGN-BORN:** *See immigrants.*

**HOUSING COST BURDEN:** Total housing costs (rent or mortgage plus utilities and other housing costs) are considered moderate if they are greater than 30 percent of monthly income.

**IMMIGRANTS:** People born outside the United States and not born to American parents. Does not include people born in Puerto Rico, Guam, or other US territories. Includes both naturalized citizens and noncitizens.

**IMMIGRANT HOUSEHOLDS:** Households in which the head (usually the adult who pays the bills) and/or the spouse of the head is an immigrant (or both are immigrants); other members could be immigrants or US-born.

**LAWFUL PERMANENT RESIDENTS (LPRS):** Noncitizens admitted legally for permanent residency, usually through family ties, employment, or as refugees. Legal permanent residents are sometimes known as green-card holders.

**LIMITED ENGLISH PROFICIENT (LEP):** In the general population, people who speak a language other than English as their primary language and who do not speak English very well. In the public schools, LEP students are those who are foreign-born, Native American, or migrant, or who otherwise come from an environment in which a language other than English affects their English proficiency, and whose difficulties in speaking, reading, writing, or understanding English affect their classroom performance and achievement on state tests.

**NATIVES/NATIVE-BORN:** *See US-born.*

**NATIVE HOUSEHOLDS:** *See US-born households.*

**NATURALIZED CITIZENS:** Legal permanent residents who have become US citizens, usually after passing the citizenship test. The waiting period to take the citizenship test is five years for most permanent residents and three years for those married to US citizens.

**NONCITIZENS:** Immigrants who have not yet become citizens. Noncitizens can be unauthorized immigrants, legal permanent residents, or, in a small number of cases, students and others with temporary visas or protection from removal.

**UNAUTHORIZED IMMIGRANTS:** Noncitizens who entered illegally, usually across the border from Mexico, or who entered legally but overstayed their visas.

**US-BORN:** People born in the United States or its territories (such as Puerto Rico and Guam), or born abroad to US citizen parents.

**US-BORN HOUSEHOLDS:** Households in which neither the head nor the head's spouse is an immigrant.

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To read the three volumes of *A Profile of Immigrants in Arkansas* commissioned by the Winthrop Rockefeller Foundation that analyze the population of immigrants and Marshall Islanders in Arkansas, visit [www.wrfoundation.org](http://www.wrfoundation.org).



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