It's All Local

BY CHARLES GERENA

"Enforcement and Immigrant Location Choice." Tara Watson, Federal Reserve Bank of Boston Working Paper 13-10, June 2013.

The Maricopa County sheriff in Arizona has gotten a lot of attention for his strict enforcement of federal immigration laws. But he isn't alone. More than 60 local police agencies in 23 states have jurisdiction over immigration-related matters after signing agreements with the federal government under Section 287(g) of the 1996 Immigration and Nationality Act.

If these communities and others acting on their own decide to crack down on illegal immigration like Maricopa County does, will foreigners pack up and "self deport"? How would that affect regional labor markets where foreign-born workers can help correct geographic imbalances? Tara Watson, a former visiting scholar at the Boston Fed's New England Public Policy Center, used data from the American Community Survey (ACS) to address these questions.

Excluding Maricopa County from her analysis of ACS data from 2005 to 2011, Watson found that local enforcement of federal immigration laws under 287(g) agreements doesn't appear to influence either the outflow of immigrants from the United States or the inflow of people into the country. The task force model of 287(g) enforcement does have an impact, however. In communities where local police can ask for proof of residence if they have reasonable cause to think that a person is here illegally, immigrants are more likely to relocate within the United States.

"The impact of full task force coverage on internal migration is similar to that of a 15 percent decline in predicted employment demand," noted Watson in her June 2013 paper. She also found that "non-citizens who are more educated are more responsive to task force enforcement," suggesting that stricter local enforcement of immigration laws scares away workers who have the most potential to be productive additions to the labor force.

"Do Homeowners Associations Mitigate or Aggravate Negative Spillovers From Neighboring Homeowner Distress?" Ron Cheung, Chris Cunningham, and Rachel Meltzer, Federal Reserve Bank of Atlanta Working Paper 2013-18, December 2013.

A zealous sheriff may hurt labor markets, but an attentive neighbor could help housing markets. Chris Cunningham at the Atlanta Fed teamed up with economists from Oberlin College and The New School to examine communities with homeowners associations (HOAs) and see whether foreclosures had less of an effect on their housing prices. They focused on Florida, where the number of associations has more than doubled since 1990 and the foreclosure crisis hit hard.

The researchers had a hunch. "HOAs could be well suited for triaging foreclosures in their communities, as they may detect delinquency and a looming default through direct observation of the property or because the delinquent owner also stops paying dues," they noted in a December 2013 paper. "By providing landscaping and sanitation services, they may also help prevent negative spillovers to neighbors arising from unmaintained homes."

Their hunch was only partly confirmed. Properties within the borders of an HOA were somewhat more valuable between 2000 and 2008. Extended delinquencies or foreclosures of nearby properties still had some negative pricing effects, however. Relatively larger and newer HOAs did appear to be better able to counter these effects.

"The Impact of an Aging U.S. Population on State Tax Revenues." Alison Felix and Kate Watkins, Federal Reserve Bank of Kansas City *Economic Review*, Fourth Quarter 2013, pp. 95-127.

The "greying of America" has implications for local and state lawmakers — it is projected to fuel higher per capita demand for government services, which will require higher overall spending if the same level of services is maintained. According a paper co-authored by Alison Felix, a regional economist at the Kansas City Fed, the aging population may also reduce state tax revenue on a per capita basis as income and spending patterns change over time.

Most workers' earnings increase as they progress in their careers and then fall as they approach retirement. As a result, "income tax collections are lowest for young workers aged 15 to 24, many of whom work part time and earn entry-level salaries," noted Felix and Kate Watkins, her co-author. "Tax collections increase for older workers, peaking among 45- to 55-year-olds then falling as workers begin to retire."

Consumer spending tends to follow the path of income growth and peaks at middle age, even though people try to smooth their consumption by borrowing when they're younger and drawing upon savings when they're older. Sales tax collections over the average U.S. taxpayer's lifetime follow a similar pattern.

Variations in how states tax goods and services can alter this trend. For example, "As people age and spend less, a greater share of their spending tends to go to services and prescription drugs, which are often tax-exempt," noted Felix and Watkins. "Thus sales tax collections from the elderly may fall faster than their total spending." **EF**