



The Impact of Allowing All Immigrants Access to Driver's Licenses

February 2017

Providing driver's licenses to all immigrants makes Colorado roads safer and results in greater savings in automobile insurance premiums for all Colorado drivers. Licensed drivers become more knowledgeable about traffic laws, purchase insurance and register their vehicles.

Under current law, funding for a program that makes driver's licenses available to undocumented immigrants has to be reauthorized every year and is severely limited. The Colorado Fiscal Institute believes the economic and social benefits of providing driver's licenses to all immigrants far outweigh the administrative costs of the program.

Making driver's licenses readily available to all gives aspiring immigrants the opportunity to purchase insurance and register their cars while reducing premiums for all Coloradans.

- Prior to the passage of the Colorado Road and Community Safety Act (SB13-251) in 2013, 146,000 unlicensed immigrants were ineligible for driver's licenses in Colorado. Due to the reduction in the size of the program and lack of funding, many are still waiting to get their driver's licenses.
- An estimated 16.2 percent of all Coloradans are driving without insurance. However, unlike other uninsured motorists, unlicensed immigrant motorists lack insurance because they are unable to purchase any without a license in Colorado. These unlicensed immigrants make up 18 percent of all Colorado's uninsured motorists.
- Colorado drivers could see savings of \$57 million in insurance premiums every year when all immigrants are able to get driver's licenses and purchase car insurance.
- Insurance companies and the state could also experience increased revenue. In order to register a car, an individual must purchase insurance and can only do so with a license. Insurance companies could see increased revenue of \$102 million annually. In addition, many of these drivers will begin to register their vehicles, and state and local governments can see new revenue from the approximately 120,000 vehicles.

Research shows that there are a number of economic benefits associated with unrestricted driver's license programs.

Those with driver's licenses are more likely to work and spend, participating more broadly in Colorado's economy, according to a 2011 study from the Oregon Department of Transportation.¹

- Lack of access to driver's licenses means that immigrants spend more time trying to get around and less time working and putting dollars back into the local economy. In fact, most are less likely to make purchases in general due to a lack of safe access to transportation.
- Licensed drivers are more likely to purchase larger items such as homes, vehicles or household appliances.

¹ Oregon Department of Transportation, Assessment of the Socioeconomic Impact of SB 1080 on Immigrant Groups, June 2011
http://www.oregon.gov/ODOT/TD/TP_RES/docs/reports/2011/sb1080.pdf

Other states have experienced a reduction in fatalities and an increase in insured rates due to unrestricted driver's license programs

Currently, 12 other states offer driver's licenses to immigrants, and most of these programs are seeing positive impacts on the states and local communities.

- **New Mexico:** Since the state began issuing licenses in 2003, the rate of uninsured vehicles decreased almost 24 percentage points, from 33 percent in 2002 to 9.1 percent in 2011.² What's even more impressive is that alcohol-related crashes decreased 32 percent and traffic fatalities fell 23 percent.³
- **Utah:** The state began issuing licenses in 1999, and in 2005 began issuing Driving Privilege Cards. Of the 50,000 undocumented immigrant motorists in Utah, approximately 42,000 have Driving Privilege Cards (DPC).⁴ This caused Utah's uninsured motorist rate to drop from 28 percent to 8 percent. DPC holders have an insurance coverage rate of 75 percent.⁵

Thamanna Vasan,
Economic Policy Analyst
Colorado Fiscal Institute
vasan@coloraodfiscal.org
720-379-3019 ext. 227

² <http://www.abqjournal.com/main/2012/07/09/news/effects-on-insurance-unclear.html> (Note: there is some conflicting research from the Insurance Research Council) *see also*: "Effects on Insurance Unclear," Albuquerque Journal, July, 9, 2012, <http://www.abqjournal.com/main/2012/07/09/news/effects-on-insurance-unclear.html>;

³ University of New Mexico, Division of Government Research, <http://www.unm.edu/~dgrint/reports/annual/annrept02.pdf> and <http://www.unm.edu/~dgrint/reports/annual/ar2010-9-19-2012draft.pdf>.

⁴ Illinois Coalition for Immigrant and Refugee Rights, "Determining the impact of unlicensed immigrant motorists in Illinois," 2012

⁵ *Ibid*

Methodology

Estimated number of unlicensed immigrant drivers

The Pew Hispanic Center estimates that 180,000 undocumented immigrants (3.6 percent of the total population) live in Colorado in 2010.⁶ Since 2010, the undocumented population has decreased or remained stable in many states, including Colorado. Colorado is now home to approximately 163,000 undocumented immigrants, according to the Migration Policy Institute.⁷

In this study, we estimate the costs and savings associated with a driver's license for all program in Colorado. Using data from the American Community Survey, we find that in 2015, 89.7 percent of foreign born immigrants in Colorado were between the ages of 16 and 74. In comparison, only 75.3 percent of U.S. citizens (native-born) are between the ages of 16 and 74. The age distribution of new and aspiring immigrants is different than that of the U.S.-born population, with a smaller share of children and elderly than either the legal immigrant or the U.S.-born population. As such, the foreign born cohort is the closest proxy for undocumented immigrants.⁸

In order to estimate the number of undocumented immigrants that would be eligible and take advantage of driver's licenses, we assume that the majority of undocumented immigrants that would qualify for the program are between the ages of 16 and 74. The Federal Highway Administration reports that, in 2015, 3,802,022 individuals under the age of 75 had licenses.⁹ This means that approximately 95.4 percent of the eligible population in the state has a license. If undocumented immigrants make use of a license program at the same rate, approximately 134,596 aspiring immigrants would receive a driver's license.

$$\begin{aligned} &163,000 \text{ undocumented immigrants} \\ &\times 89.7\% \text{ share of immigrants in Colorado between 16 and 74} \\ &= \mathbf{146,160 \text{ undocumented immigrants that would be eligible for a driver's license}} \\ \\ &3,802,022 \text{ total licensed drivers} \div 3,904,879 \text{ total population 16 to 74 years of age} \\ &= \mathbf{97.4\% \text{ share of those between 16 and 74 in Colorado with a driver's license}} \\ \\ &97.4\% \text{ of those 16 – 74 likely to get a license} \\ &\times 146,160 \text{ of aspiring immigrants who would be eligible for a driver's license} \\ &= \mathbf{142,360 \text{ undocumented immigrants that will get a license}} \end{aligned}$$

Estimated uninsured and insured vehicles in Colorado

⁶ The Pew Hispanic Center, "Size of U.S. Unauthorized Immigrant Workforce Stable After the Great Recession," November 3, 2016, <http://www.pewhispanic.org/2016/11/03/size-of-u-s-unauthorized-immigrant-workforce-stable-after-the-great-recession/>

⁷ Migration Policy Institute, "Profile of the Unauthorized Population: Colorado," <http://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/CO>

⁸ United States Census Bureau, American Community Survey, 2015 5 Year Estimates

⁹ Federal Highway Administration, Policy and Governmental Offices, "Highway Statistics 2015."

In order to estimate insurance savings, we first estimate the total number of unlicensed drivers. The Insurance Research Council reports that 16.2 percent of Colorado drivers are uninsured, compared to 12.2 percent nationally.¹⁰ This means that approximately 758,288 motorists are driving without insurance in Colorado. This figure includes those that are currently licensed but have not purchased insurance and unlicensed immigrants who are unable to purchase insurance. Of these drivers, 142,360 (or 18.8 percent) are uninsured vehicles driven by undocumented immigrants. It is important to note that the majority of uninsured drivers are those who have U.S. Citizenship or other lawful immigration status. If these aspiring immigrants were able to acquire a license and purchase insurance, and if they did so at the same rate as other Coloradans, only 23,062 undocumented immigrants would not have insurance.

If immigrants get insured at the same rate as other drivers

$$142,360 \times 16.2\% \text{ uninsured} \\ = \mathbf{23,062 \text{ uninsured immigrant (119,298 insured drivers)}}$$

Estimated savings to insured drivers and new revenue for insurance companies and the state

A study by economists at the University of Utah and Columbia University found that not allowing undocumented immigrants to get insurance impacts all drivers, especially in increases to annual premiums.¹¹ The study found that prohibitive license programs in states increases annual coverage costs for drivers by approximately \$17.22 a driver. If unauthorized immigrants are able to get licenses and get insured at a similar rate as all other drivers, this could save all licensed and insured drivers approximately \$57 million in premiums, annually. This saving is due to the fact that uninsured immigrant drivers are just as safe on the roads as resident drivers, and having more safe drivers in an insurance pool results in savings for all drivers.

Annual savings to Colorado driver's if all immigrants can get licenses

$$3,282,330 \text{ insured aspiring immigrant and resident drivers} \\ \times \$17.22 \text{ per individual, per year} \\ = \mathbf{\$56,521,722 \text{ annual premium savings}}$$

Allowing undocumented immigrants access to driver's licenses would also increase revenue for automobile insurance companies. A 2016 study by the National Association of Insurance Commissioners estimated that the average insurance premium and expenditure was \$778 in 2013. Adjusting for growth, CFI estimates that the average premium in 2015 would be approximately \$857.32. If undocumented immigrants purchase insurance at the same rate as all other Coloradans then 83.8 percent will purchase insurance, increasing insurance revenue by \$102 million annually.

¹⁰ The Insurance Research Council, "New Study Reveals a Declining Trend in the Percentage of Uninsured Motorists," August 5, 2014; http://www.insurance-research.org/sites/default/files/downloads/IRC%20UM_NewsRelease_1.pdf

¹¹ Cáceres, Mauricio, and Kenneth P. Jameson. "The effects on insurance costs of restricting undocumented immigrants' access to driver licenses." *Southern Economic Journal* 81.4 (2015): 907-927.

New revenue for insurance companies

142,360 *aspiring immigrants that will get a license* × 83.8% *purchase insurance*
= **119,298 immigrants will purchase insurance**

119,298 *immigrants will purchase insurance* × \$857.32 *in annual premiums*
= **\$102,276,287 in increased insurance revenue**

Unlicensed immigrants are also currently driving without proper registration for their vehicles. In Colorado, a driver cannot obtain registration for their car without a license and insurance. While it is difficult to estimate the actual new revenue this would create, it will most definitely be new state and local tax revenue that the state would have been previously unable to collect from approximately 120,000 vehicles.