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Immigration Plan Assailed in New Attack on Cost by DeMint

By: Heidi Przybyla - May 3, 2013

The most significant revision of U.S. immigration laws in a generation will come under a new line of attack for its potential costs to public programs including Social Security and Medicare.

Jim DeMint, a former Republican senator from South Carolina and now president of the Washington-based Heritage Foundation, will lead the assault with a report from his Republican-leaning institute as early as next week on the costs government would bear in offering a path to citizenship for 11 million undocumented immigrants already in the U.S.

As the Senate Judiciary Committee starts weighing the immigration bill next week, the argument over costs -- which helped sideline the last attempt at an immigration revision in 2007 -- will join Republican opposition to citizenship for the undocumented and demands for sealing the nation's borders as factors that could prevent Congress from acting again this year.

"This will be a constant threat," said Marshall Fitz, director of immigration policy at the Democratic-leaning Center for American Progress in Washington, calling fiscal questions "a much bigger environmental concern now. Atmospherics around that basket of issues has changed significantly since 2007, making it potentially a more potent issue. It's also one we're far better equipped to respond to."

Advocates of the immigration measure, co-sponsored with unique bipartisan support in Washington, point to congressional data showing that the potential costs are exaggerated and cite the economic benefit of legally employing millions of people.

'Big Test'

"The cost issue is the big test point that critics have to make," said Alex Nowrasteh, immigration policy analyst at the Cato Institute, a libertarian policy group in Washington, who views the possible costs to government programs as overstated. "We're ready for those arguments because they're replaying all the same hands they did in 2007."

Heritage builds its case on the presumption that legalizing undocumented immigrants will increase participation in already strained federal programs such as Social Security, which provides retirement benefits for the elderly, Medicare and Medicaid, which provide health care for the elderly and impoverished, and food stamps, public assistance for the poor.

Heritage wouldn't reveal its newest figures before the release of its report. Yet in 2007,

the foundation presented research showing that low-skilled undocumented immigrants paid significantly less in taxes than they received in government assistance, leading to long-term taxpayer costs of more than \$2 trillion in the revision that lawmakers were debating.

2007 Findings

At the same time, the Congressional Budget Office found that the bill proposed in 2007, which also included a path to citizenship for the undocumented, would have had a “small net effect” on the federal budget over the following two decades as new expenditures would mostly be offset by new revenue.

As recent immigrants are typically less-skilled and lower- paid than others in the U.S., critics contend, they will contribute less in tax revenue while averaging more in tax and entitlement benefits over their lifetimes, such as the earned income tax credit provided to the lowest-income Americans.

The critics have influential allies in Congress, including Republican Senator Jeff Sessions of Alabama, who is circulating reports to lawmakers as a bipartisan group of eight senators promotes the Senate’s immigration bill. Opponents have stronger support in the Republican-run House, where the fate of any immigration measure is much more uncertain.

“There’s just no doubt that the legislation, and even future immigration flow, will have serious adverse financial consequences for the U.S. Treasury, for Social Security, Medicare and Medicaid and other social services like food stamps,” Sessions said in an interview.

Fiscal Concerns

The debate arises as congressional leaders and the White House struggle with a growing U.S. debt and persistent budget deficit. Republicans are insisting on cuts in federal spending and restraints in programs such as Social Security and Medicaid while Democrats want further tax increases for high-earners.

Investors aren’t sharing that concern about U.S. debt, with yields on 10-year Treasuries trading near this year’s low as the Federal Reserve reiterated a commitment to spur economic growth. The yield was little changed at 1.63 percent yesterday in New York after reaching on May 1 its lowest level since Dec. 11, according to Bloomberg Bond Trader prices.

Immigration proponents say that any plan capable of passing Congress would exempt workers and their families from federal benefits for at least 13 years, as they follow an intentionally arduous path to possible citizenship. They also say immigrants’ tax contributions will benefit programs for older Americans, including Social Security and Medicare.

‘Out of Shadows’

“You bring them out of the shadows,” said Representative Mario Diaz-Balart, a Florida

Republican and Cuban-American involved in House negotiations over immigration, “so that they can become an integral part of the economy.”

Already, legal permanent residents are eligible for Medicaid, child care assistance, food stamps and other public assistance. The Senate Budget Committee’s Republican staff, which reports to Sessions, estimates that the cost could exceed \$40 billion in 2022 just for Medicaid and other health care.

Even if immigrants are initially exempt from benefits, “we know it will add to the emergency rooms and a lot of state aid will be not constricted,” Sessions said. “This country has got to move away from short-term calculations.”

Following the enactment of President Ronald Reagan’s 1986 law granting 3 million immigrants legal status, their wages increased, for some by as much as 15 percent, because legal workers are more productive and can command higher wages than the undocumented, Nowrasteh says.

Economic Benefits

Immigrants also are less likely to use the government’s social-safety nets. According to a 2008 House Ways and Means Committee report, 7.7 percent of native citizens were using food stamps, compared with 3.9 percent of naturalized citizens and 6.2 percent of non-citizens collecting assistance.

Stephen C. Goss, chief actuary of the Social Security Administration, has reported that undocumented immigrants contributed about \$13 billion to Social Security in 2010. The long-term implications for Social Security are less certain.

“It’s true that higher immigration levels are generally good for Social Security finances in the near term,” said Chuck Blahous, a public trustee for Social Security and Medicare. Long-term, he said, “immigration reform is only good for Social Security finances if it results in increased immigration by those at higher wage levels.”

Higher Wages

An immigration revision would lead to higher wages as workers are free to pursue better employment, which means more money to strengthen Social Security’s finances, according to Douglas Holtz-Eakin, a former Congressional Budget Office director now president of the American Action Forum.

Holtz-Eakin issued a recent report finding that revising immigration policy will spur economic growth through increased wages, consumption of goods and services and more tax revenue. Immigrants also tend to work until an older age, and their children will earn more college degrees than native-born Americans in the same income brackets, he says. “It is easy to plant the politics of fear,” Holtz-Eakin said. “By definition, we’re going to get the best of the undocumented in the labor force.”

The Heritage Foundation maintains it supports legal immigration -- not the “amnesty” it sees in citizenship for the undocumented. “We’re proudly pro-immigration,” said Mike Gonzalez, vice president of communications. “We have called numerous times for making the system more efficient.”

New Visas

The immigration bill, S.744, is co-sponsored by Republican Senator Marco Rubio of Florida and Democratic Senator Chuck Schumer of New York, along with three more Republicans and three other Democrats.

The measure also offers high-tech employers such as Cognizant Technology Solutions Corp. (CTSH) more access to needed employees under the H-1B visa program for higher-skilled workers. The Teaneck, New Jersey-based company was the top sponsor of H-1B visas in fiscal year 2013, according to a Bloomberg Government study. Infosys Ltd. (INFO), based in Bangalore, India, ranked second among H-1B sponsors.

Rubio also says that immigrants wouldn't initially qualify for any federal benefits under his legislation.

"This is an important point," Rubio said in an e-mail. "They have to be able to support themselves, so they'll never become a public charge."

Along with border security, the question of potential government costs will define the debate this year, says Frank Sharry, executive director of America's Voice, a Washington group advocating for immigration law revisions.

"That's where the debate's going to be," said Sharry, at the same time suggesting DeMint risks losing credibility with Republicans who view action as vital to their party's political survival. "Heritage is running into a buzzsaw of conservative pushback, and they're going to be marginalized not as a serious research group but as a political shop that is distorting facts in a way that's going to hurt" Republicans.