

Immigration Reform Costs: \$7 Billion or \$2.6 Trillion?

By: Josh Boak and Eric Pianin – April 17, 2013

As the Senate bipartisan “Gang of Eight” detailed its immigration reform measures on Tuesday, President Obama’s top economic adviser argued the nation’s prosperity would increasingly hinge on immigrants. The question of how much the reforms might benefit the economy is critical, as the revamp of border security and visa policies is projected to cost taxpayers up to \$7 billion.

Alan Krueger, chairman of the White House Council of Economic Advisers, said in a speech Tuesday that immigrants must be allowed into the mainstream economy because the U.S. population is rapidly aging.

With a greater share of the country older than 65, “nearly all of the growth of the nation’s working age population in coming decades will be accounted for by immigrants and their children,” he said at an American Bankers Association conference in Washington.

“Immigrants strengthen our economy,” Krueger said. “Fully 40 percent of Fortune 500 companies were founded by immigrants or their children. One in four new small business owners [are] an immigrant.”

The White House is making the case that more workers lead to more businesses and consumers—a cycle that increases the potential of the economy to grow.

Today, the percentage of Americans holding jobs has dropped as baby boomers settle into retirement. The employment-to-population ratio has tumbled over the past decade from 62.4 percent to 58.5 percent, a demographic phenomenon kick-started in part by the 2008 financial crisis that will continue to unfold in the years ahead.

What makes this argument important is that GOP lawmakers routinely cite the employment-to-population ratio when attacking the economic recovery under Obama. They argue that the shrinking labor pool points to an underlying weakness.

Krueger—in a bit of messaging judo—has latched onto the need for immigrants—not just undocumented workers—to expand the workforce. His point gets at the larger debate in the Senate over the costs of a bill designed to address the plight of 11 million undocumented immigrants in this country and the backlog of millions of foreigners seeking to enter the country legally.

For all the recent belt-tightening on Capitol Hill, few lawmakers have decried the skyrocketing \$17.9 billion cost of the three agencies policing our borders. The sum exceeds the combined budgets of the FBI, Secret Service, Drug Enforcement

Administration, the U.S. Marshals Service, and the Bureau of Alcohol, Tobacco, Firearms and Explosives.

Yet the additional expenditures means the price tag of apprehending a single illegal immigrant has surged to \$10,431 from just \$630 in 2000. Meanwhile, the battered American economy has caused fewer illegals to cross the borders and apprehensions to drop to a 40-year low of 340,252 in fiscal 2011.

The “Gang of Eight” plan released on Tuesday by Senators Marco Rubio, R-Fla., Chuck Schumer, D-N.Y. and six others would allow most undocumented immigrants who arrived in the country before Dec. 31, 2011, to immediately gain “registered provisional” status after paying a \$500 fine and back taxes, provided they have not committed a felony or three misdemeanors.

These individuals could then apply for permanent resident status in 10 years, after paying additional fees. Three years later, they could apply for citizenship. In all, it would take the millions of undocumented immigrants a minimum of 13 years to gain full U.S. citizenship.

The Senate group made its “tough but fair path” to citizenship contingent on securing the U.S. borders and tracking whether legal immigrants have left the country when required.

The senators say the government would have to spend up to \$7 billion in new surveillance drones, fencing, border guards and workplace tracking systems – before undocumented immigrants can be granted green cards, according to The Washington Post. The bill requires that the government demonstrate that it has placed 100 percent of the border under surveillance and is apprehending at least 90 percent of the people trying to enter the country illegally in high-risk sectors before the reforms are triggered.

If the Department of Homeland Security does not meet those metrics, a commission composed of governors and attorneys general from border states would be given five more years and additional funding to implement more stringent measures.

The proposal would also create an employment verification system to discourage identity theft, while devising a new visa system to allow highly skilled and farm workers into the country to fill employer needs.

President Obama said in a statement that the bill is “largely consistent” with his principles, but that it is “clearly a compromise” and “no one will get everything they wanted, including me.”

MIX OF INCENTIVES AND SAFEGUARDS

The eight Republican and Democratic Senate advocates believe they have come up with the proper mix of incentives and safeguards for dealing with the millions of undocumented immigrants living in this country. But they are facing strong opposition from many who argue that the reforms would prove too costly for taxpayers.

Republican Senators Chuck Grassley of Iowa, Pat Roberts of Kansas and Jeff Sessions of Alabama contend that “gang members” are masking the true cost of the legislation – possibly in the trillions of dollars -- by downplaying how much the government will have

to provide in benefits and welfare programs once millions of illegal immigrants receive green cards or gain U.S. citizenship more than a decade from now. They called for a CBO analysis of the potential long-term costs.

“Once the present illegal population receives green cards, they will be eligible under current law for a wide array of federal welfare programs including food stamps, Supplemental Security Income, Temporary Assistance for Needy Families, and Medicaid,” the three Republicans said in a letter to “Gang of Eight” members. “By their very nature, these programs necessarily represent a net fiscal cost to taxpayers. The long-term costs, and the strain on resources for low-income Americans, could be enormous.”

Whereas the White House argues that immigrants would bolster payrolls, GOP opponents emphasize the potential spill over onto welfare rolls.

What’s more, the three Republican senators wrote, as the illegal population is gradually granted full citizenship, the government could be facing “substantial costs imposed on Medicare and Social Security as low-income former illegal immigrants retire and draw benefits in excess of what they paid into those programs.”

The Heritage Foundation, a premier conservative think tank and an arch opponent of comprehensive immigration reform, helped kill a previous Senate reform effort in 2007 with an analysis concluding it would cost the government \$2.6 trillion in the decades to follow, due to increased demand for social services and retirement benefits.

“If the net benefits taken by amnesty recipients and their families exceed the Social Security and other taxes paid, the amnesty recipients will undermine rather than strengthen the financial support for U.S. retirees, before they reach retirement age themselves,” wrote Robert Rector, a senior research fellow at the foundation. Rector and other Heritage analysts are preparing a new analysis of the “Gang of Eight” immigration reform plan that could be released by the end of the week, according to a Heritage spokesman.

Conservative economists and scholars disagree over how to measure the potential budget and economic impact. The use of traditional budget and economic estimation tools by the CBO seem to reflect lasting costs associated with immigration reform. By contrast, “dynamic scoring” techniques—which factor in potential growth—suggest meaningful benefits that could reduce future budget deficits.

Heritage recently has come under attack from the libertarian Cato Institute and the American Action Forum, a think tank headed by former Republican CBO director Douglas Holtz-Eakin, for grossly underestimating the economic and budgetary benefits of embracing immigration reform proposals.

Whit Ayres, a Republican pollster and strategist, told *The Fiscal Times* this week that while long-term cost will again be a factor in the immigration reform debate, it will come down to how costs are calculated.

“Conservatives have pushed economists on dynamic scoring of various tax cuts where you’ve got to factor in the increased economic activity generated,” Ayres said. “I would hope that any serious discussion of the cost of immigration reform would include within

it the impact of more people working and paying taxes who are currently in the shadows, and the increased economic activity that is generated by entrepreneurial spirited new Americans coming out of the shadows and becoming part of the open economy.”

“There will be pluses and minuses, but we can’t just look at the minuses without looking at the pluses if we’re talking about the cost of immigration reform,” he added.