

## Behind the immigration rhetoric

By: David Nather – May 5, 2013

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Congress returns to Washington Monday with a key immigration question still up for debate: what's it going to cost?

It's an issue that's rippling through the broader debate and is sure to be on display when the Senate Judiciary Committee begins work on the Gang of Eight's bill and other committees hold hearings on immigration and the economy, high-skilled visas policies and border security this week.

Here is POLITICO's guide to the main talking points sure to drive the conversation, where they came from – and what they're not telling you.

Immigration reform will create economic growth.

This is the argument pro-immigration reform Republicans, like Marco Rubio and Paul Ryan, are using to make their case.

They insist that economic growth will do a lot to outweigh any costs of the bill, and they got a boost last week when the Congressional Budget Office said it will consider the economic impacts when it estimates the cost of the Gang of Eight bill.

They'll have strong support from other conservative thinkers, especially Douglas Holtz-Eakin of the American Action Forum, who says the economic benefits of immigration reform are the key to any chance of survival of the entitlement programs.

His group put out a paper that concluded immigration reform would speed the pace of economic growth and could reduce the deficit by \$2.5 trillion. The growth will come because immigrants will participate in the labor force at higher rates, according to the analysis, but also because they're more likely to own small businesses.

"Immigration reform is an opportunity to dictate the terms of future growth, and that feeds into all of these programs," said Holtz-Eakin, whose work is an important source of research for Gang of Eight Republicans. "That's a very important point, and I worry that it's going to get lost in these discussions."

The bill's supporters want any analysis to include the impact of economic growth, but it's unlikely that the upcoming study by the conservative Heritage Foundation will do that. Heritage's Derrick Morgan says the group's work is really aimed at measuring the fiscal impact of immigration reform, not economic growth – because "you need to look at the whole picture," which includes the long-term burden on taxpayers.

“That’s part of the problem in Washington – we’re not looking at long-term problems,” Morgan said. “We have trillions of dollars in unfunded liabilities, and we don’t need to make it worse.”

Immigration reform will pay for itself

Sen. Lindsey Graham of South Carolina, one of the Republican members of the Gang of Eight, insists that immigration reform will help entitlements, not hurt them. As the baby boomers retire, he says, the nation will need more people paying taxes into Social Security and Medicare to support the retirees who are drawing benefits.

Graham’s got company in that view. Most of the research that has been done so far – including the Congressional Budget Office estimate of the last immigration reform bill in 2007 – suggests that the cost to entitlement programs just isn’t that big of a problem. It’s either a wash or, in the case of the 2007 bill, a slight long-term cost.

The real impact of the Gang of Eight bill won’t become clear until after CBO puts out its cost estimate. But when it looked at the 2007 bill, CBO acknowledged that the costs of immigration reform would grow after the first 10 years, and that many more immigrants would qualify for Social Security and Medicare. But it also said the revenues would grow – mostly from Social Security taxes – and that the net impact would be “relatively small,” increasing the deficit by “several billion dollars a year.”

The newly legalized immigrants are also likely to get lower Social Security benefits and use Medicare and other medical services less often than peopleborn in the United States, according to Fitz of the Center for American Progress. That’s partly because some of their working years – the years they spent in their home countries – won’t count toward Social Security, and they’re less likely to be able to navigate the medical system.

Even groups that worry about the long-term cost of entitlements aren’t worried that immigration reform could make the problem worse.

“Nothing I’ve seen suggests that it’s a big negative,” said Joshua Gordon, policy director of the Concord Coalition, a leading anti-deficit group. For SocialSecurity, he said, it could even be a “net plus” to have more people paying into the system during their working years.

Alex Nowrasteh of the right-leaning Cato Institute, another critic of the Heritage study, says most immigrants tend to be relatively young and healthy during their working years and are, “in the short run, a boon to Social Security and Medicare.” Over the long run, he said, they’re going to draw more benefits – but by that point, their children have become adults and are paying into the system, too.

Even if that’s true nationally, though, it won’t be true for all of the states. Brookings’ Hamilton Project has noted that states with large immigrant populations – like California, Texas, Florida, and Nevada – have to spend heavily on education and health services and may not recover those costs for years, if ever.

Immigration reform will cost too much

The Heritage Foundation is one of the fiercest advocates of this position. Their ideas were central to torpedoing the last immigration reform effort in 2007.

Heritage is about to update its study that year that concluded immigration reform could cost \$2.6 trillion because of its impact on entitlements and other safety net programs.

Although the results haven't been announced yet, Heritage's new president – former Sen. Jim DeMint – has suggested this version will be even more pessimistic, warning in a blog post that “we believe the taxpayer cost will be even higher” in the new version.

Immigration reform supporters are already lining up to poke holes in the study, saying Heritage isn't considering what immigrants pay into the system – only the benefits they'd get many years down the road.

But Heritage doesn't see the immigrants' costs and contributions balancing out nearly so evenly. Its 2007 analysis – headed by Robert Rector, who gained a national reputation for his work on welfare reform – calculated that immigrants with few work skills cost the taxpayers about \$17,000 each year when they retire, because that's how much more they draw in Social Security, Medicare, and Medicaid benefits than they've paid in taxes.

Rector is working on the new study, too, and Morgan says it's going to look at the costs in largely the same way.

“They do pay into Social Security and Medicare and so forth, but if you're a low-wage earner, you're going to be paying less in taxes than you earn in benefits,” said Morgan.

That paper has been heavily criticized for its focus on elderly, unskilled immigrants in retirement. Marshall Fitz of the liberal Center for American Progress, says Heritage takes a “snapshot” of elderly immigrants drawing benefits without considering that they've also paid into the system during their working years. “Look, everyone is a cost to society at some point,” Fitz said.

The other alarms are being sounded by Republican opponents like Sen. Jeff Sessions of Alabama, who warns that immigrants will be eligible for public benefits like Medicaid, food stamps and welfare after they've gotten their green cards.

That sets up a direct clash with Rubio, the Gang of Eight member who's been reassuring conservatives that the bill will be tough on public benefits. He's stressing the fact that immigrants who get the new provisional worker status – which is supposed to last for 10 years – won't get any federal public benefits, and they'll have to wait five years for Medicaid and other benefits when they get their green cards.

Sessions, however, is focusing on what happens after that – and argues that they'll be able to get some state and local benefits sooner anyway.

It's about skilled immigrants

For business groups, and particularly tech companies, the main stake in immigration reform is the prospect of relaxing the limits on H1-B visas for highly skilled workers. As the Business Roundtable put it, “highly educated, foreign-born professionals are net job

creators,” and the visa limits are leading “highly sought-after world talent to either leave America or choose to remain overseas and work for foreign competitors.”

That’s the main issue in the public debate, but there’s also a subtext for other immigration reform supporters: Highly skilled workers will earn more, and they’ll pay more in taxes without needing as much help from the social safety net.

The real issue is unskilled immigrants

For the critics, the case that immigration reform will bankrupt the country rests on the assumption that most of the new Americans will be low-skilled people who don’t earn much, don’t pay much in taxes, and then use a whole lot of social program benefits.

“Could immigration help entitlements and the budget? Sure, if it was principally high-skill, high-earning immigration. But is that the deal on offer? No,” the American Enterprise Institute’s Andrew Biggs wrote in a blog post.

Biggs argues in the post that immigrants have “below-average earnings.” To back up his claim, he sent POLITICO a link to an analysis by the Center for Immigration Studies – a group that supports tougher restrictions on immigration – that concludes the median household income for immigrants is lower than for the rest of the population in most states with large numbers of immigrants.

The reality, though, is that immigrants are “both better and worse educated than U.S.-born citizens,” according to the Hamilton Project: There are more foreign-born workers who have advanced degrees, compared to people born in the United States, but there are also a lot more who don’t have high school diplomas.

Obamacare changes the game.

The health reform law is the big question mark in the debate. Critics like Sessions cite the health care law, and the potential that newly legalized immigrants could add to its costs. But even immigration reform supporters can’t guarantee there will be no impact – though it wouldn’t happen for many years.

The Gang of Eight would put off the costs by declaring that immigrants can’t get subsidized Obamacare coverage until they become permanent residents. But that just pushes off the long-term issue: What happens when they can qualify for an expensive health care program that didn’t exist before?

Chapin White, a former CBO analyst who now works at the Center for Studying Health System Change, says that because of Obamacare, “the big-picture answer is that immigration reform today would add more to federal health costs than the 2007 bill did.”

And that’s even if the new health coverage steers immigrants away from expensive visits to the emergency room. That could happen, White said, but “the first-order effect of immigration reform is to bring more people onto federally subsidized programs.”

Even Fitz of the Center for American Progress acknowledges the Obamacare factor is a long-term unknown. “There’s nothing to suggest [it will] be any different than the fiscal implications for the rest of Americans,” Fitz said, “but the question is, what are the fiscal implications for the rest of Americans?”