

ISSUE BRIEF

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How to Read the CBO's Scoring of the Immigration Bill

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Sometime in the next few weeks, the Congressional Budget Office (CBO) will produce a “score” of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act (known colloquially as the “Gang of Eight bill”), as recently reported out of the Senate Judiciary Committee.

During the last congressional debate over immigration reform in 2007, a CBO analysis predicted that a similar bill would increase the budget deficit by billions of dollars, one of many factors that led to the defeat of the bill.¹ Policymakers should scrutinize the CBO's score this time around as well.

CBO's Limited Time Frame. The first and most critical point to understand about the CBO's cost estimate is its limited time frame. Typically, the CBO projects costs and revenues for only the first 10 years of a policy. In many instances, this practice is unremarkable, but in the case of S. 744, considering only the first 10 years would be worryingly misleading. The bill's authors have delayed major costs until after the 10-year budget window. In this case, the major costs derive from eligibility for means-tested welfare and, later, entitlements.

Specifically, the bill allows those who move from unlawful status to registered provisional immigrant

status to obtain few benefits initially. Then, upon entering legal permanent resident status, they would be eligible for additional benefits, and in time they would qualify for the full panoply of means-tested welfare and entitlement benefits.

It is important to note as well that the most significant costs during the lifetime of would-be legalized immigrants are during their retirement years after they qualify for Medicare and Social Security. For the vast majority of unlawful immigrants, that is well past the 10-year budget window.

Heritage's study on the fiscal costs of unlawful immigration and amnesty detailed fiscal costs during four phases: (1) current law, (2) the interim period, (3) what Heritage calls the “full amnesty” period, and (4) retirement.² As the graph below demonstrates, the bulk of costs of unlawful immigrants and amnesty come after the first 13 years.

The CBO can resolve these issues by extending its analysis into the full amnesty and retirement-age phases. This would be unusual and may require a specific request by Members of Congress, but it would provide more useful information.

Cost-Control Provision Meaningless. One claim made by the bill's supporters is that it would stop poor illegal immigrants from advancing on the path to citizenship. However, the loopholes in this provision render it essentially meaningless, and the CBO should score it accordingly.

To get around the poverty exclusion, individuals simply have to show that they are steadily employed or that their lack of employment is due to economic circumstances—in effect, all they would need to do is argue that they would work if they could. Mothers with dependent children, disabled individuals,

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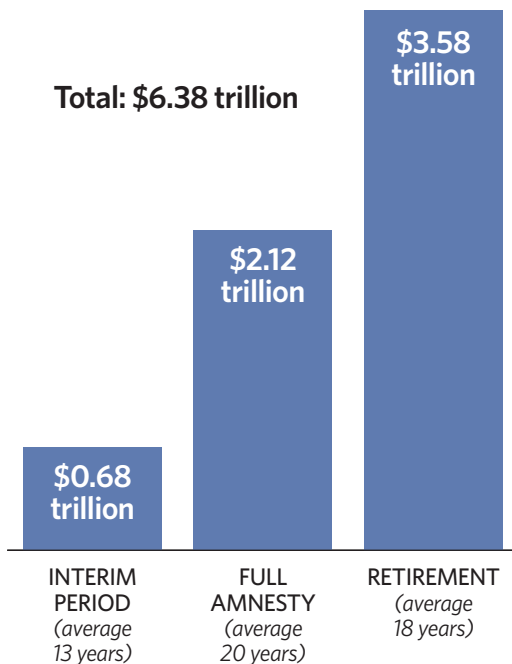
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CHART 1

Projected Fiscal Costs of Unlawful Immigration and Amnesty

TOTAL FISCAL DEFICITS FOR ALL UNLAWFUL IMMIGRANT HOUSEHOLDS, BY PHASE OF AMNESTY



Notes: Figures assume that, following the current legislation, amnesty recipients will receive the refundable EITC and additional child tax credit during the interim period. Figures include recession adjustments and costs of parent visas.
Source: Heritage Foundation calculations.

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children, and anyone over the age of 60 are also exceptions to the poverty exclusion. It should be noted that people in these categories receive about 90 percent of means-tested welfare aid.

Unclear Rationales. Another key factor to examine closely is the take-up rates assumed by the CBO among newly legalized immigrants for means-tested welfare programs. In the past, the CBO assumed that take-up rates of newly legalized

immigrants would match those of the foreign-born population. However, education level seems to be a more accurate predictor of take-up rates.

Lawful immigrants have much higher rates of college graduation than unlawful immigrants, and about half of unlawful immigrants lack high school diplomas. Those with less education on average receive more in welfare benefits.³ The Heritage study, in contrast to the CBO, matched the level of benefits of immigrants who are granted amnesty to the level of benefits of lawful immigrants with the same education level.

Costs Unaccounted For. There are several cost factors that the CBO does not consider or for which it may not adequately account.

For instance, additional health care benefits will accrue to newly legalized immigrants under the Affordable Care Act. It will be important to determine how the CBO projects those costs.

State and local governments will also bear the costs of future illegal immigration resulting from another one-time amnesty. The CBO does not measure or estimate costs to states and localities.

In addition, the bill also allows newly legalized immigrants to sponsor family members seeking residency in the U.S., increasing future flows of lawful immigration and thus the burden on the legal immigration system. The CBO's assumptions in this area are critical, and it should probably provide a range of estimates.

Macroeconomic Assumptions. As part of its work, the CBO may also include a macroeconomic analysis of S. 744. Again, it will be important to understand the assumptions being used.

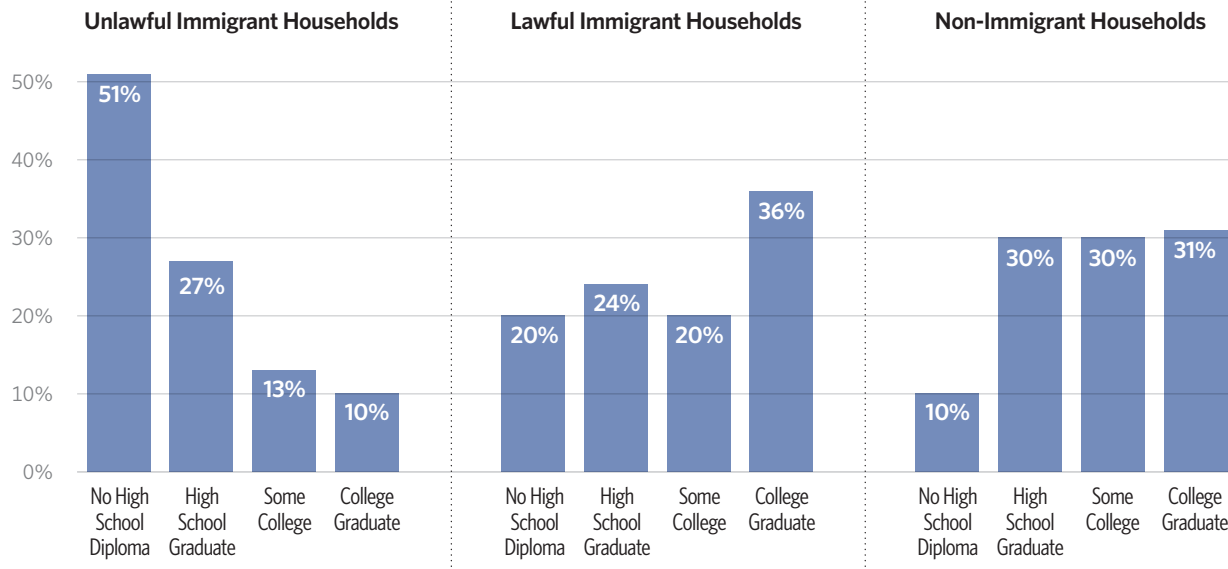
Of course, more immigration would be expected to create more economic growth. But what basis will the CBO use to conclude that there would be more net immigration? How will the CBO forecast the level of immigration—unlawful and lawful—absent the reform bill? And how will the CBO forecast the change if this bill becomes law?

Some have suggested that increasing immigration would increase capital formation and thus the

1. Congressional Budget Office "Senate Amendment 1150 to S. 1348, the Comprehensive Immigration Reform Act of 2007," June 4, 2007, p. 2, http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/81xx/doc8179/sa1150_june4.pdf (accessed June 5, 2013).
 2. Robert Rector and Jason Richwine, "The Fiscal Cost of Unlawful Immigrants and Amnesty to the U.S. Taxpayer," Heritage Foundation *Special Report* No. 133, May 6, 2013, <http://www.heritage.org/research/reports/2013/05/the-fiscal-cost-of-unlawful-immigrants-and-amnesty-to-the-us-taxpayer>.
 3. *Ibid.*, Table 5.

CHART 2

Households by Education Level of Head of Household



Note: Figures have been rounded.

Source: Heritage Foundation calculations based on data from the U.S. Census Bureau, 2010 Current Population Survey.

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rate at which new technology is embedded in the nation’s capital stock. Will the CBO take the effect into consideration, and, if so, in what manner and on what basis?

Moreover, the correct economic lens through which to view immigration or immigration reform is whether it makes the American people better off. A larger economy does not necessarily make those living lawfully in America better off economically if most or all of the economic gains accrue to illegal immigrants who are newly legalized.

A better measurement for economic well-being is after-tax incomes of those who were here lawfully before and after the proposed immigration reform is enacted. This would take into effect the enormous fiscal effects of placing unlawful immigrants on the path to means-tested welfare and entitlements.

More Productive Workers? What is the extent of the effect, if any, of low-skill, low-education immigrants on the productivity and wages of prior citizens?

There is a debate among economists on the question, with George Borjas of Harvard—whom *The Wall Street Journal* called “America’s leading immigration economist”—saying, “There is little evidence indicating that immigration (legal and/or illegal) creates large net gains for native-born Americans.”⁴

Lawful immigration, with a significant high-skill component, could raise the standards of living of those already in the country in the same way that adding more technologically advanced tools and equipment can enhance the earning power of workers. Further, according to Heritage’s own research, high-skill immigrants could also relieve some of the burden on taxpayers, since college graduates tend to contribute more in taxes than they consume in government benefits and services.⁵

A general amnesty of those unlawfully present in the U.S. would have very little economic effect, since those workers are already part of the labor force. Any economic gain from amnesty would consist of:

4. George Borjas, “Immigration and the American Worker: A Review of the Academic Literature,” Center for Immigration Studies, April 2013, <http://cis.org/immigration-and-the-american-worker-review-academic-literature>, (accessed June 5, 2013).
 5. Rector and Richwine, “The Fiscal Cost of Unlawful Immigrants and Amnesty,” Table 6.

- Legalized immigrants working more hours;
- Legalized immigrants becoming more productive (for example, by finding new jobs for which they are now qualified)⁶; and
- Native workers becoming more productive.

Any of these economic effects would be relatively small compared to the size of the economy and would be consumed largely by the formerly unlawful immigrants themselves in the form of higher wages.

From a fiscal standpoint, amnesty would increase the amount of tax revenue collected by government, as more work would be done “on the books” and wages could increase. However, such gains would be completely overwhelmed by an increase in government services and benefits accruing to newly legalized immigrants, especially means-tested welfare and entitlements for which they would now qualify.

Amnesty Does Not Pay Off. After the 1986 amnesty, unlawful immigration surged. As two

scholars put it recently in the *Cato Journal*, “Having an amnesty can create the expectation of additional future amnesties, which encourages continued illegal inflows.”⁷ That logic would seem particularly strong if the country repeats what was supposed to be a one-time only amnesty.

Reforming the immigration system by, for example, making it easier for those who attend college in the United States to stay could yield significant economic gains. In stark contrast, there is little evidence that a massive amnesty, which entails high fiscal costs, would make Americans better off.

Congress ought to proceed piece-by-piece to secure the nation’s borders, ensure the full enforcement of workplace laws that are already on the books, and reform America’s broken immigration system to welcome those who wish to come to America lawfully and can contribute to the economy while not burdening taxpayers.

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6. Given the composition of current unlawful immigrants—more than half lack a high school diploma and another 27 percent have only a high school diploma—it seems unlikely that such a population would include a significant portion of people moving from manual labor to professional work, for example.

7. Pia M. Orrenius and Madeline Zavodny, “The Economic Consequences of Amnesty for Unauthorized Immigrants,” *Cato Journal*, Vol. 32, No. 1 (Winter 2012), p. 100, <http://www.cato.org/sites/cato.org/files/serials/files/cato-journal/2012/1/cj32n1-7.pdf> (accessed June 5, 2013).