

# Epilogue

## *Confronting the Direct and Indirect Costs of America's Foreign-Born Population*

**W**hat is the fiscal impact of immigration?

The answer consists of many parts. There are the direct costs of providing services to immigrants and their children: Medicaid, food stamps, welfare, and education. Legal immigrants can receive Social Security, and even illegals are made eligible under totalization agreements.

A disproportionate share of the federal prison population is foreign born. Border security and enforcing immigration laws in the workplace are expenses borne by federal agencies. Meanwhile, visa fraud and bureaucratic negligence allow unauthorized persons to enter uncontested.

Indirect fiscal costs are larger still. Immigrants reduce native wages and, therefore, federal tax revenues. Traffic congestion, environmental pollution, and communicable diseases are exacerbated by immigrant-driven population increases.

And there are the unintended consequences of federal policies. The Department of Agriculture's grain subsidies, for example, have made it impossible for Mexican farmers to compete—forcing many to cross the border in search of jobs. The Commerce Department's Security and Prosperity Partnership proposal would eliminate border controls throughout North America.

We estimate that the 15 departments profiled here incurred \$346 billion of immigrant-related costs in FY2007. That translates to a fiscal impact of \$9,139 per immigrant that year.

The departmental impacts range from \$146 billion at the Treasury Department to \$300 million at the Department of Defense.

The table on the next page ranks the departments on immigrant-related costs.

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Each four-person immigrant household costs \$36,000.

As daunting as these figures are, they probably understate the problem.

The quality of foreign-born entrants has deteriorated for decades.

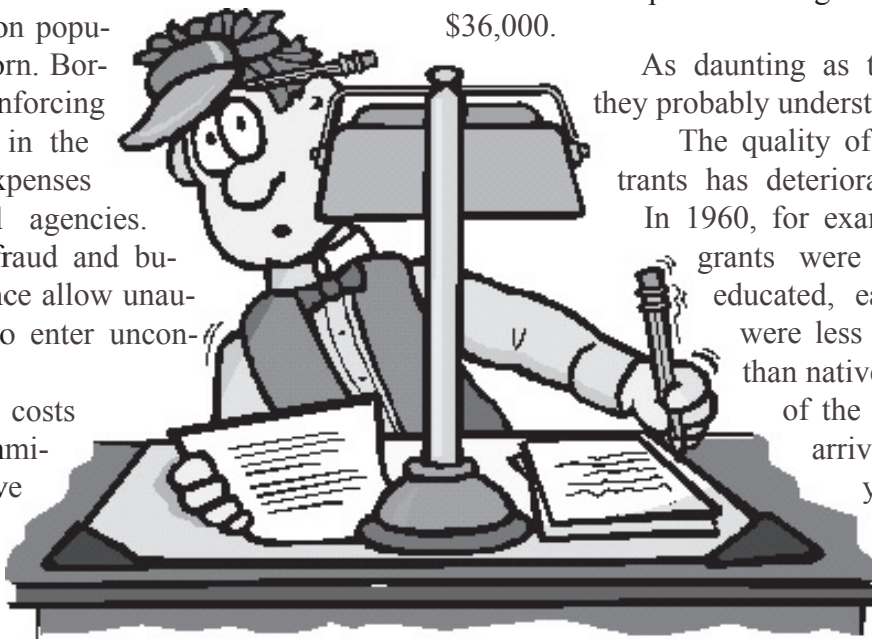
In 1960, for example, new immigrants were generally better educated, earned more, and were less likely to be poor than natives. But by the end of the 20<sup>th</sup> century, new arrivals had two fewer years of education and earned one-third less than natives.<sup>1</sup>

The trend implies an ever-increasing imbalance between the public benefits received by immigrants and the taxes they pay. By midcentury, fiscal impact per immigrant will be far higher than it is today.

And there will be more of them. ■

### End Notes

1. George Borjas, *The Top Ten Symptoms of Immigration*, CIS, November 1999.



### SUMMARY OF KEY FINDINGS

- ◀ We estimate that the 15 departments profiled here incurred \$346 billion of immigrant-related costs in FY2007. That translates to a fiscal impact of \$9,139 per immigrant that year.
  - ◀ The departmental impacts range from \$146 billion at the Treasury Department to \$300 million at the Department of Defense.
  - ◀ Each immigrant costs taxpayers more than \$9,000.
  - ◀ Each four-person immigrant household costs \$36,000.
  - ◀ As daunting as these figures are, they probably understate the problem.
- The following table ranks the departments on immigrant-related costs.

## Fiscal Impact of Immigration on Federal Departments, FY2007 (ranked by dollar amount)

| DEPARTMENT                     | AMOUNT (\$BIL.) | PER IMMIGRANT (a) |
|--------------------------------|-----------------|-------------------|
| Treasury                       | \$146.6 (b)     | \$3,868           |
| Social Security Administration | \$58.3          | \$1,538           |
| Health and Human Services      | \$57.2          | \$1,509           |
| Homeland Security              | \$25.2          | \$665             |
| Transportation                 | \$13.7 (c)      | \$361             |
| Education                      | \$12.9          | \$340             |
| Agriculture                    | \$10.3          | \$272             |
| Housing and Urban Development  | \$7.4           | \$195             |
| Labor                          | \$7.1           | \$187             |
| Energy                         | \$2.6           | \$69              |
| Justice                        | \$2.1           | \$55              |
| State                          | \$1.2           | \$32              |
| Commerce                       | \$1.1           | \$29              |
| Interior                       | \$0.4           | \$11              |
| Defense                        | \$0.3           | \$7               |
| <b>TOTAL</b>                   | <b>\$346.4</b>  | <b>\$9,139</b>    |

a. Immigrant population (legal and illegal) estimated at 37.9 million in 2007.

b. Includes \$100 billion of federal taxes estimated lost from the reduction of native incomes caused by immigrant workers.

c. Includes \$6 billion of federal revenues estimated lost due to immigrant-related traffic congestion.

**Note:** Dollar amounts reflect the departmental costs and the reduction in federal revenues attributable to immigrants. Costs for major entitlements are calculated using the dependency rate (share of immigrants receiving the benefit) and the average payment per immigrant. For other programs and departments, the costs are estimated based on the foreign-born share of the U.S. population (12 percent) or the labor force (15 percent), as appropriate.

Source: OMB, 2008 Budget. (2007 total outlay estimates.)