The Economic and Fiscal Impact of Immigration: a New Analysis

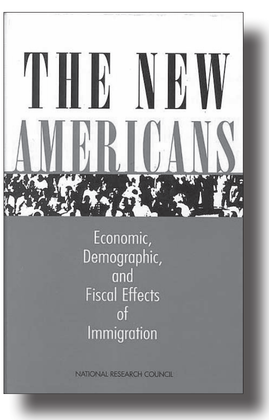
BY EDWIN S. RUBENSTEIN

Prologue

Immigrants are poorer, pay less tax, and are more likely to receive public benefits than natives. It follows that federal government finances are adversely impacted by immigrants—and this negative will increase as the foreign-born share of the population increases.

Yet there is surprisingly little objective research on immigration's fiscal impact.

The most extensive and authoritative study, to date, is the National Research Council's *The New Americans: Economic, Demographic and Fiscal Effects of Immigration* (1997). The NRC staff analyzed Federal, state, and local government expenditures on programs such as Medicaid, AFDC (now TANF), and SSI, as well as the cost of educating immigrants' foreign- and native-born children.



NRC found that the average immigrant household receives $13,326 in Federal expenditures and pays $10,664 in federal taxes—i.e., they generate a fiscal deficit of $2,682 (1996 dollars) per household.

In 2007 dollars this is a deficit of $3,408 per immigrant household.

With 9 million households currently headed by immigrants, more than $30 billion ($3,408 times 9 million) of the federal deficit represents money transferred from native taxpayers to immigrants.

Subsequent studies have confirmed the negative fiscal impact of immigration.

But these studies were done by private research groups.

Federal agencies are often required to publish elaborate Environmental Impact Statements for new programs and policies. The federal government has never produced a comprehensive study of this issue. Executive agencies are not required to do Fiscal Impact Statements for new immigration policies. Even the immigration reform legislation sent to Congress last year contained not one word on its potential budgetary consequences.

Perhaps we shouldn't be surprised. A White House that wants de facto amnesty for illegal aliens as well as the expansion of many categories of legal immigration does not want the fiscal costs of immigration publicized. This is unfortunate: only the government has the data and the expertise needed to accurately estimate those costs.

This report is meant to be a demonstration project—a suggestion as to how immigration impact statements should look and what type of information they should contain. We thought it best to break this task down along departmental lines. To this end, we examined a selection programs and policies administered by the following fifteen executive agencies:

- Treasury Department
- Housing and Urban Development
- Department of Agriculture
- Department of Justice
- Department of Commerce
- Department of Labor
- Department of Defense
- Department of State
- Department of Education
- Department of the Interior
- Department of Energy/EPA
- Department of Transportation
- Dept. Health and Human Services
- Social Security Administration

◆ Department of Homeland Security

Previous studies have focused on a few large government programs administered by a handful of government agencies. We believe that *every* government agency, and *most* government programs, is impacted by immigration. By casting a wider net we delve into lesser known programs that are, nevertheless, greatly impacted by immigration.

For example: the *Earned Income Tax Credit*, administered by Treasury and the IRS, is available to illegal immigrants with children. Fraud is rampant, as The IRS does little to verify the existence of such children.

EPA's budget allocates nearly one billion dollars to **"***Clean Air and Global Climate Change*.**"** These goals are unattainable as long as U.S. population growth—driven by high immigration—continues on its present course.

U.S. hospitals must provide *emergency medical treatment* to illegal immigrants. The Department of Health and Human Services provides $250 million a year to help hospitals pay for this mandate. But the costs are far greater. As a result many ERs have closed, diminishing access for immigrants and natives alike.

The *Bureau of Land Management*—a unit of the Department of the Interior—annually spends about $1 million to mitigate the environmental damage done by *illegal* crossing the southern border. This is a fraction of the amount that another federal report says is needed.

Migrant education grants are intended to help states educate the children of seasonal farm workers. But the Department of Education distributes the funds based on the number of eligible students rather than the number actually enrolled. This

About the Author

EDWIN S. RUBENSTEIN, *president of ESR Research, economic consultants, has 25 years experience as a business researcher, financial analyst, and economics journalist. Mr. Rubenstein joined the Hudson Institute, a public policy think tank headquartered in Indianapolis, as Director of Research in November 1997.While at Hudson he wrote proposals and conducted research on a wide array of topics, including workforce development, the impact of AIDS on South Africa's labor force, Boston's "Big Dig" the economic impact of transportation infrastructure, and the future of the private water industry in the U.S.*

As a journalist, Mr. Rubenstein was a contributing editor at Forbes *Magazine and economics editor at* National Review*, where his "Right Data" column was featured for more than a decade. His TV appearances include Firing Line, Bill Moyers, McNeil-Lehrer, CNBC, and Debates-Debates. In* The Right Data *(National Review Press, 1994), Rubenstein debunks many widely held beliefs surrounding the distribution of income, government spending, and the nature of economic growth.*

Mr. Rubenstein is also an adjunct fellow at the Manhattan Institute where he is principal investigator in the institute's ongoing analysis of New York State's budget and tax structure. He also published a newsletter devoted to economic statistics and contributed regularly to The City Journal*, the Manhattan Institute's quarterly.*

From 1980 to 1986 he was senior economist at W.R. Grace & Co. where he directed studies of government waste and inefficiency for the Grace Commission.

From 1978 to 1980 he was a municipal bond analyst for Moody's Investors Service where he was also editor of the Bond Survey*, a weekly review of the municipal bond market. He served as senior quantitative analyst for the Office of the Mayor of New York City from 1973 to 1978. He also was staff economist for the New York State Commission on Education (the Fleischman Commission), and was principal investigator on a study of multinational corporations published by the Institute for Public Administration. Mr. Rubenstein has a B.A. in economics from Johns Hopkins, and an M.A. in public finance from Columbia University.*

creates an incentive for states to over count—and under serve—migrant children.

The Department of Labor's *Office of Foreign Labor Certification (OFLC)* does the fact finding needed to insure that foreign workers brought into the country do not adversely impact wages and working conditions of comparable native workers. Unfortunately, the law allows employers to calculate wages and skill levels of their current workforce. The loophole prevents OFLC from discharging its responsibilities—and opens the gate to cheap foreign workers.

Immigrant workers depress the wages received by natives. We estimate the resulting decline in federal revenues at $100 billion in FY2007—larger than any federal benefit received by immigrants. Although all agencies suffer, we allocate the *fiscal impact of lost revenues to the Treasury Department*, the federal government's primary tax collector. (See epilogue table.)

And then there are the federal policies, ostensibly unrelated to immigration, that have greatly accelerated the influx. The *Department of Agriculture*'s grain subsidies devastated much of Mexico's farm economy, forcing their unemployed farmers to cross the U.S. border illegally. The Commerce Department's *Security and Prosperity Partnership* (SSP) is mapping a course toward a North American Union embracing the U.S., Mexico, and Canada. Immigration would be allowed without limit under such a regime.

A complete accounting is beyond our capability. Our goal, however, is to increase awareness—within the government and among citizens—of the myriad ways by which immigration increases the cost of government and how government policies increase immigration.

Hopefully Washington will be moved by our example. ■