

## Fact Sheet: The Cost of the Comprehensive Immigration Reform

- ❖ Contrary to claims by some opponents of comprehensive immigration reform, the August 18, 2006, CBO report on the likely fiscal consequences of enacting S. 2611 does *not* say that it would cost \$126 billion over the next ten years to create a pathway to legal status for undocumented immigrants already in the country and to expand pathways for legal immigration in the future<sup>1</sup>:
  - About \$78 billion of the costs which the CBO attaches to S. 2611 are enforcement costs; that is, the price of hiring more Border Patrol agents, building more border fences, and creating a workable system by which employers can verify that their employees are authorized to work in the country.
  - The remaining \$48 billion in costs are associated, for the most part, with granting legal status to undocumented immigrants—including access by newly legalized immigrants to federal tax benefits for the working poor.
  - However, as the CBO report also notes, the legalization component of S. 2611 would generate about \$44 billion in additional income and payroll taxes and various fees—almost entirely offsetting the costs of legalization.
  - In short, the *net* cost of S. 2611 would be roughly \$83 billion, and about 94 percent of that cost stems from the bill’s enforcement provisions, *not* legalization.
  - Ironically, most of the bill’s opponents support these costly new enforcement provisions but oppose the legalization provisions that actually would generate new revenue.
- ❖ The full economic impact of S. 2611 can not be accurately gauged simply by comparing how much newly legalized immigrants would use in public benefits with how much they would pay in taxes and fees. Immigrants (as well as their children and grandchildren) contribute to the economy by purchasing homes and consumer goods and establishing new businesses, thereby creating jobs:
  - Much to the ire of opponents of comprehensive immigration reform, the CBO noted in an addendum to its previous, May 16, 2006, report on S. 2611 that the addition of new immigrant workers to the U.S. economy “would increase the production of goods and services and raise gross domestic product (GDP)...”<sup>2</sup>
  - Similarly, the 2002 *Economic Report of the President* estimates that immigrants made a net contribution to the U.S. GDP of “between \$1 billion and \$14 billion” in 2000.<sup>3</sup>

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<sup>1</sup> Congressional Budget Office, *S. 2611: Comprehensive Immigration Reform Act of 2006*, August 18, 2006.

<sup>2</sup> Congressional Budget Office, *Additional Information on the Estimated Budgetary and Economic Effects of S. 2611*, May 16, 2006, p. 6.

<sup>3</sup> *Economic Report of the President*, U.S. Government Printing Office, February 2002, p. 270.

- According to Harvard University’s Joint Center for Housing Studies, immigrant homeowners accounted for “\$1.2 trillion in aggregate house value and \$876 billion in home equity” in 2001.<sup>4</sup>
  - The University of Georgia’s Selig Center for Economic Growth estimates that consumer purchasing power totaled \$736 billion among Latinos and \$397 billion among Asians in 2005. By 2010, the purchasing power of Latinos is expected to increase to \$1.1 trillion and that of Asians to \$579 billion.<sup>5</sup>
  - The U.S. Census Bureau calculates that, in 2002, Hispanic-owned firms provided jobs to 1.5 million employees, had receipts of \$222 billion, and generated payroll of \$36.7 billion,<sup>6</sup> while Asian-owned firms employed 2.2 million workers, had receipts of \$326.4 billion, and generated payroll of \$56 billion.<sup>7</sup>
  - Given that about two-fifths of Latinos and two-thirds of Asians in the United States are foreign-born,<sup>8</sup> the contributions of immigrants to consumer markets and business formation are far from insignificant.
- ❖ Immigration generally has a *positive* impact on the wages of native-born workers:
- Foreign-born workers tend to have either high or low levels of education, while the majority of native-born workers have intermediate levels of education. As a result, most foreign-born workers do not substitute perfectly for, and therefore do not compete with, most native-born workers. Rather, the complementary nature of the skills, occupations, and abilities of foreign-born workers increases the productivity of natives, stimulates investment, and exerts upward pressure on wages.<sup>9</sup>
  - An August 2006 study by economists Gianmarco I.P. Ottaviano and Giovanni Peri for the National Bureau of Economic Research found that “the average wage of U.S.-born workers experienced a *significant increase* (+1.8%) as a consequence of immigration during the 1990-2004 period.” Native-born workers with at least a high-school diploma, who accounted for 90 percent of the native-born labor force in 2004, experienced wage gains from immigration of between 0.7 percent and 3.4 percent during this period. The small (and shrinking) group of native-born workers without a high-school diploma experienced a wage decline of about 1.1 percent—much smaller than has previously been estimated.<sup>10</sup>

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<sup>4</sup> Rachel Bogardus Drew, *New Americans, New Homeowners: The Role and Relevance of Foreign-Born First-Time Homebuyers in the U.S. Housing Market*. Cambridge, MA: Joint Center for Housing Studies, Harvard University, August 2002, p. 2.

<sup>5</sup> Jeffrey M. Humphreys, “The multicultural economy 2005: America’s Minority Buying Power,” *Georgia Business and Economic Conditions*, Third Quarter 2005, Vol. 65, No. 3, p. 5, 7.

<sup>6</sup> U.S. Census Bureau, *Hispanic-Owned Firms: 2002* (SB02-00CS-HISP), March 2006, p. 267.

<sup>7</sup> U.S. Census Bureau, *Asian-Owned Firms: 2002* (SB02-00CS-ASIAN), May 2006, p. 277.

<sup>8</sup> 2004 Current Population Survey.

<sup>9</sup> Giovanni Peri, *Immigrants, Skills, and Wages: Measuring the Economic Gains from Immigration*. Washington, DC: Immigration Policy Center, American Immigration Law Foundation, March 2006, p. 2.

<sup>10</sup> Gianmarco I.P. Ottaviano & Giovanni Peri, *Rethinking the Effects of Immigration on Wages*. Cambridge, MA: National Bureau of Economic Research, August 2006, p. 4, 46.