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## White House Report Hides the Real Costs of Amnesty and Low Skill Immigration

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Last week, the White House Council of Economic Advisers issued a report entitled “Immigration’s Economic Impact” which defended the President’s promotion of the Senate “comprehensive” immigration legislation (S. 1348).<sup>1</sup> On June 25, the White House issued a follow-up editorial elaborating on the points made in the CEA report.<sup>2</sup> These publications criticized Heritage Foundation research on the fiscal costs of low skill immigration and amnesty.

The Heritage research criticized by the White House made the following basic points about immigration and its costs:

1. Individuals without a high school degree impose significant net costs (the extent to which benefits and services received exceed taxes paid) on taxpayers.
2. The net fiscal cost of families of immigrants who lack a high school degree is not markedly different from the net fiscal cost of families of non-immigrants who lack a high school degree.
3. Immigrants are disproportionately low skilled; one-third of all immigrants and 50 to 60 percent of illegal immigrants lack a high school degree.
4. Unlike low and moderate skill immigrants, immigrants with a college education will pay more in taxes than they receive in benefits; therefore, immigration policy should increase the number of high skill immigrants entering the country and sharply decrease the number of low skill, fiscally dependent immigrants.<sup>3</sup>

Heritage research has shown that low skill immigrants (those without a high school degree) receive, on average, three dollars in government benefits and services for each dollar of taxes they pay. This imbalance imposes a net cost of \$89 billion per year on U.S. taxpayers. Over a lifetime, the typical low skill immigrant household will cost taxpayers \$1.2 million dollars.<sup>4</sup>

Future taxpayer costs will be increased by policies which increase (1) the number of low skill immigrants entering the U.S., (2) the length of low skill immigrants’ stays in the U.S., or (3) low skill immigrants’ access to government benefits and services. Unfortunately, this is exactly what the Senate immigration bill does:

- The bill would triple the flow of low skill chain immigration into the U.S.
- By granting amnesty to at least 12 million illegal immigrants, the bill would greatly lengthen their stay in the U.S., particularly during retirement years.
- The bill would grant illegal immigrants access to Social Security and Medicare benefits and, over time, to more than 60 different federal welfare programs.

This paper, in its entirety, can be found at:  
[www.heritage.org/Research/Immigration/wm1523.qfm](http://www.heritage.org/Research/Immigration/wm1523.qfm)

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- Although the bill does not currently permit Z visa holders to bring spouses and children in from abroad, this would likely be amended at some future point on humanitarian grounds, resulting in another 5 million predominantly low-skill immigrants entering the country.

Heritage research has concluded that the cost of amnesty alone will be \$2.6 trillion once the amnesty recipients reach retirement age.

In an effort to defend the Senate bill, the White House has contested these conclusions. As described below, many of the assertions made by the White House are inaccurate or misleading.

**The White House claims that, under the Senate immigration bill, amnesty recipients would receive little or no welfare.**

CEA Chairman Edward Lazear charged that the Heritage claims concerning the cost of the Senate immigration bill were flawed because, under the bill, amnesty recipients would be barred from receiving “the vast majority of welfare benefits.”<sup>5</sup> Like previous statements by White House spokesmen,<sup>6</sup> this assertion mischaracterizes the Senate bill and also shows a lack of understanding of the Heritage estimates of the bill’s costs.

While provisions of the Senate bill would delay illegal immigrants’ access to welfare for several years, over time, nearly all amnesty recipients would be offered legal permanent residence and access to more than 60 federal means-tested welfare programs. Specifically, Z visa holders would immediately be given Social Security numbers and would begin earning entitlement to Social Security and Medicare (which are not means-tested welfare pro-

grams). Some ten to thirteen years after enactment, amnesty recipients would begin to gain access to a wide variety of means-tested welfare programs, such as Temporary Assistance to Needy Families, public housing, and Food Stamps.<sup>7</sup> Children born to illegal and legal immigrants in the U.S. have immediate, lifetime access to all welfare programs.

The initial limitation on the receipt of means-tested welfare will have only a small effect on governmental costs. Adult welfare comprises only a small part of the benefits received by immigrant families. Moreover, the average adult amnesty recipient can be expected to live more than 50 years after receiving his Z visa. While his eligibility for means-tested welfare would be constrained for the first 10 to 15 years, each amnesty recipient would be fully eligible for welfare during the last 30 to 40 years of his life. Use of welfare during these years will be heavy.

**The White House claims that, to the extent that amnesty recipients receive welfare benefits, they would receive the same low levels of benefits as other poorly educated immigrants, who (in the White House’s view) receive little welfare.**

The White House reassures taxpayers that amnesty recipients and millions of future low skill immigrants will not generate welfare costs because they must “qualify for...government [welfare] transfers only the old fashioned way.”<sup>8</sup> The implication is that those who must struggle to earn access to welfare “the old fashioned way” will, in the end, get very little welfare. Contrary to this claim, the average low skill immigrant family actually receives \$10,500 per year in means-tested welfare, or about

1. The President’s Council of Economic Advisers, “Immigration’s Economic Impact,” June 20, 2007.
2. Karl Zinsmeister and Edward Lazear, “Lead Weight or Gold Mine: What are the True Costs of Immigration?” RealClearPolitics, June 25, 2007.
3. Robert Rector and Christine Kim, “The Fiscal Cost of Low-Skill Immigrants to the U.S. Taxpayer,” Heritage Foundation *Special Report* No. 14, May 21, 2007.
4. Robert Rector, “Amnesty will Cost the U.S. Taxpayers at least \$2.6 Trillion,” Heritage Foundation *WebMemo* No. 1490, June 6, 2007, at [www.heritage.org/Research/Immigration/wm1490.cfm](http://www.heritage.org/Research/Immigration/wm1490.cfm).
5. Lori Montgomery, “Immigration Lifts Wages, Report Says,” *Washington Post*, June 21, 2007, p. D3.
6. “Response to False Claims That Illegal Immigrants Will Not Receive Welfare Under Senate Bill,” Robert E. Rector, Heritage Foundation *WebMemo* No. 1509, June 18, 2007.
7. *Ibid.*
8. Zinsmeister and Lazear.

a half million dollars over the course of a lifetime. Amnesty recipients would indeed gain access to welfare “the old fashioned way,” and the old fashioned way is extraordinarily expensive.

The brief delay in adult access to welfare under S. 1348 and current law would have only a tiny effect on the long-term welfare costs of low skill immigrants. Further, the White House’s touting the delays on immigrants receiving welfare under existing law is hypocritical: the actual policy pursued by the White House up to this time has been to dismantle the barriers in current law and increase immigrant families’ access to welfare.

**The White House strongly suggests that, under the Senate immigration bill, amnesty recipients would be net tax contributors.**

Some 50 to 60 percent of illegal immigrants who would receive amnesty under S. 1348 lack a high school degree. Another 25 percent have only a high school degree. Based on the example of current immigrants with similar levels of education, these individuals would be a net burden on the taxpayer over the entire course of their lives.

**The White House claims that amnesty recipients would increase the net government revenue available to support Americans in retirement.**

The White House trumpets that “immigrants improve the solvency of our retirement system.”<sup>9</sup> One must assume that they believe that the same will be true of amnesty recipients, because otherwise the assertion would be irrelevant in the current debate. The White House does correctly point out that amnesty recipients would pay Social Security taxes during their working years. Amnesty recipients’ low skill levels, however, mean that the Social Security tax payments they make would, on average, be quite modest.

More important is the fact that, in future years, Social Security benefits will be funded by both Social Security taxes and general revenue. What matters is not the small amount of Social Security taxes that would be paid by amnesty recipients but their overall fiscal balance—that is, the total federal

state and local benefits received, minus all taxes paid. Because the total benefits taken by amnesty recipients and their families would exceed the Social Security and other taxes that they would pay, amnesty recipients would undermine, rather than strengthen, financial support for U.S. retirees, even before the amnesty recipients reach retirement age themselves.

**The White House suggests that the retirement costs of amnesty recipients would not impose a significant tax burden on U.S. taxpayers.**

The Senate bill would give amnesty recipients access not only to means-tested welfare, but also to government retirement benefits. The Heritage Foundation has estimated that the net fiscal costs of amnesty recipients during retirement would be \$2.6 trillion. These particular costs would begin to impact the taxpayer about 30 years after enactment of the Senate legislation. The White House has made no specific refutation of this estimate.

The bulk of the net expenditure would be in the Social Security and Medicare programs; substantial costs would also occur in the means-tested Medicaid program (amnesty recipients would be fully eligible for Medicaid benefits long before they reach retirement). Contrary to any suggestions made by the White House, temporary restrictions on access to means-tested welfare by amnesty recipients is irrelevant to the estimated \$2.6 trillion cost of amnesty.

The White House does point out that amnesty recipients will have paid Social Security taxes prior to retirement and thereby might be seen as having “earned” all the government benefits they would receive.<sup>10</sup> But, as noted above, the Social Security taxes paid by amnesty recipients would be modest. Even during working years, most amnesty recipients would be a drain on the taxpayer, and during retirement their fiscal cost would be dramatic.

**The White House claims that the Senate immigration bill would benefit U.S. taxpayers by increasing the future flow of high skill immigrants (who would be strong net tax contributors) and**

9. *Ibid.*

10. *Ibid.*

**decreasing the flow of low skill immigrants who are more likely to be a fiscal burden.**

The White House claims that the Senate immigration bill would “sharply improve” the fiscal contributions of immigrants by increasing the share of future immigrants who are high skilled.<sup>11</sup> It asserts, “[T]he bill will end chain migration which allows legal immigrants to bring extended family members to the U.S” and replace it with “new merit-based system to select future immigrants based on [their]...skills and attributes.”<sup>12</sup>

In reality, the bill would triple the annual rate of family chain migration, raising the annual allotment for these immigrants from the current level of 147,000 to 440,000 and bringing up to 5.9 million such immigrants into the U.S. over the next decade. Family chain immigrants are predominately low skilled: 60 percent have only a high school degree or less and 38 percent lack a high school degree.<sup>13</sup>

What about the new merit-based system, ostensibly intended to bring in highly educated high tech workers? The core of this proposal is a point system to select future green card holders, but this point system is far from merit-based. For example, green card applicants would receive a high number of points if they are currently employed in “high demand” occupations, which include janitor, waitress, sales clerk, fast food worker, freight handler, laborer, grounds keeping worker, food preparation worker, maid, and house cleaner. Under the proposed point system, a high school dropout working in a fast food restaurant who has the recommendation of her employer would outscore an applicant with a Ph.D. trying to enter the country from abroad. The merit system is actually designed to confer citizenship on low skill “temporary guest workers” rather than bring in professionals from abroad.<sup>14</sup>

The bill would eliminate the current green card allocation for workers of “exceptional ability” but allocate 90,000 green cards per year for the next eight years to reduce the existing employment visa backlog of primarily low skill workers. Contrary to White House claims, it seems unlikely that S. 1348 would increase the number of green cards for high-skill workers, at least through the first eight years of operation.

**The White House claims high school dropouts are a “very small part” of the immigrant population.**

The Chairman of the White House Council of Economic Advisers dismissed Heritage research on the negative fiscal impact poorly educated immigrants as “relevant only to a very small part of the population” and therefore of little importance in assessing the Senate immigration bill.<sup>15</sup> In reality, a large and disproportionate share of current immigrants in the U.S. is poorly educated. One-third of all current immigrants lack a high school degree, compared to nine percent of native-born Americans. The families of immigrants without a high school degree now comprise 5 percent of the U.S. population. As noted, among the ten million adult illegal immigrants who would receive amnesty and citizenship under the Senate’s immigration bill, some 50 to 60 percent lack a high school degree and many have only a high school degree.

**The White House asserts that low skill immigrant families impose a substantially lesser burden on taxpayers than do low skill non-immigrant families.**

The White House asserts, “[L]ow-skill immigrants are actually comparatively self-sufficient compared to low skill native households.”<sup>16</sup> This assertion is false. Low skill immigrants and non-immigrants impose similar burdens on the taxpayer.

11. *Ibid.*

12. The White House, “Fact Sheet: Ending Chain Migration,” May 29, 2007, at [www.whitehouse.gov/infocus/immigration](http://www.whitehouse.gov/infocus/immigration).

13. Robert Rector, “Merit-based Immigration under S. 1348: Bringing in the High Tech Waitresses,” Heritage Foundation *WebMemo* No. 1492, June 7, 2007.

14. Tamar Jacoby, “‘Temporary is Temporary’ Won’t Work for All Immigrants,” *Los Angeles Times*, May 10, 2007, at [www.latimes.com/news/opinion/la-oe-jacoby10may10,0,923297.story](http://www.latimes.com/news/opinion/la-oe-jacoby10may10,0,923297.story).

15. Interview with Edward Lazear, “Washington Journal,” C-SPAN, June 21, 2007.

16. Zinsmeister and Lazear.



Wages, tax payments, and receipt of welfare are quite similar for the two groups. Low skill non-immigrants differ from immigrants primarily because they are more likely to be elderly and therefore less likely to be employed.

**The White House asserts that the children of low skill immigrants quickly become fiscal contributors (taxes paid exceed benefits and services received) and thereby compensate taxpayers for nearly all the fiscal losses generated by their parents.**

The White House has suggested that while low skill immigrants may impose some initial taxpayer costs, these costs are “recovered quickly” by the net taxes paid by the immigrants’ children.<sup>17</sup> This is not true. Low skill immigrants impose very heavy costs on U.S. taxpayers. As noted, on average, each low skill immigrant household receives three dollars in benefits for each one dollar of taxes paid; over a lifetime, each household costs the taxpayer more than \$1 million.

The children of low skill immigrants do better than their parents. With higher levels of education, they will receive fewer welfare benefits and pay more taxes. Nonetheless, despite this upward progress, the children of immigrant dropouts are likely to remain a net drain on the taxpayers.<sup>18</sup>

The White House asserts that the “children of immigrant parents are 12 percent more likely to obtain a college degree than other natives.”<sup>19</sup> It neglects to note that the relevant group, the children of low skill immigrant parents, have below-average educational attainment. For example, the children of Hispanic dropout parents are three times more likely to drop out of high school and 75 percent less likely to have a college degree than the general population.

With prevailing trends in upward mobility, the descendents of immigrant dropouts will not become net tax contributors until the third generation. This means that the net fiscal impact of low skill immigrants will remain negative for 50 to 60 years after the immigrants’ arrival in the U.S.

**The White House obscures the cost of low skill immigrants.**

The White House report asserted that Heritage Foundation research on low skill immigrants is flawed because it lacks a “forward looking projection.”<sup>20</sup> The Council of Economic Advisers stated that, from the “long-run point of view,” low skill immigrants are remarkably inexpensive: Each immigrant without a high school degree costs the taxpayer a mere \$13,000 overall.<sup>21</sup> The CEA failed to note that its “long-run point of view” includes the estimated taxes paid by the low skill immigrants’ descendents for the next 300 years.<sup>22</sup> In other words, the White House is asserting that taxpayers should not be concerned about the \$89 billion annual cost generated by low skill immigrants because that cost would be largely offset by the taxes paid by the immigrants’ descendents in the year 2407. In addition, the 300-year estimate cited by White House assumes very large tax increases and benefits reductions in the near future.

**Conclusion.** In its defense of the Senate immigration bill, the White House employs statistics about the fiscal contributions of college-educated , but the taxes paid by college-educated immigrants are almost completely irrelevant to a fiscal analysis of S. 1348. The main fiscal impact of S. 1348 will occur through two mechanisms: (1) the grant of amnesty, with accompanying access to Social Security, Medicare and welfare benefits, to 12 million illegal immigrants who are overwhelmingly low skilled; and (2) a dramatic increase in chain immi-

17. Montgomery, “Immigration Lifts Wages, Report Says.”

18. This conclusion is based on forthcoming research by The Heritage Foundation that employs the fiscal methodology of Rector and Kim, “The Fiscal Cost of Low-Skill Immigrants to the U.S. Taxpayer.”

19. Zinsmeister and Lazear.

20. The President’s Council of Economic Advisers, “Immigration’s Economic Impact,” p. 5

21. *Ibid.*

22. National Research Council, *The New Americans: Economic, Demographic and Fiscal Effects of Immigration* (Washington, D.C.: National Academy Press, 1997), pp. 334, 342.

gration, which will also be predominantly low skilled.

In this context, talking about the taxes paid by college-educated immigrants is a red herring and merely serves to obscure the obvious fiscal consequences of the legislation.

The bottom line is that high school dropouts are extremely expensive to U.S. taxpayers. It does not matter whether the dropout comes from Ohio, Ten-

nessee, or Mexico. It does matter that the Senate immigration bill would increase the future flow of poorly educated immigrants into the U.S. and grant amnesty and access to government benefits to millions of poorly educated illegal aliens already here. Such legislation would inevitably impose huge costs on U.S. taxpayers.

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