

BACKGROUND

No. 3175 | DECEMBER 22, 2016

National Academy of Sciences Report Indicates Amnesty for Unlawful Immigrants Would Cost Trillions of Dollars

Robert Rector and Jamie Bryan Hall

Abstract

An analysis of a recent study by the National Academy of Sciences that uses current trends showing 75-year projections reveals the negative financial impact that granting amnesty to today's illegal immigrants would have on future generations of American taxpayers. Past attempts at granting amnesty have included access to benefit programs, and the current study maps out the costs of projected future use if amnesty were granted. The impact of amnesty on taxpayer wallets would be far greater than any amount that could be offset by proposed fines imposed in exchange for amnesty. The impact per immigrant varies according to education levels: Lower levels of education are associated with greater reliance on benefit programs and thus higher costs. Granting amnesty would impose a great financial burden on future generations while setting a precedent and encouraging future waves of illegal immigration, with potential for even further-reaching consequences for the financial health of the nation.

Estimates indicate that there are at least 10 million adult illegal immigrants in the U.S. If granted amnesty or earned citizenship, these illegal immigrants would gain access to benefits under Social Security, Medicare, the Affordable Care Act (“Obamacare”), and over 90 federal means-tested welfare programs. The value of the benefits that amnesty recipients would receive would greatly exceed any taxes and fines to be paid, and the net cost to taxpayers would be in the trillions of dollars.

National Academy of Sciences on the Fiscal Cost of Immigrants

In September 2016, the National Academy of Sciences (NAS) released a major report, *The Economic and Fiscal Consequences*

KEY POINTS

- Based on a recent study by the National Academy of Sciences, it is possible to project the fiscal costs of granting amnesty or earned citizenship to illegal immigrants.
- Granting amnesty would allow today's illegal immigrants to gain access to an array of benefit programs (Social Security, Medicare, Obamacare, and over 90 federal means-tested welfare programs), the value of which would exceed any taxes or fines they would pay.
- The net fiscal cost to taxpayers (in terms of net present value) would be roughly \$1.29 trillion, which factors out to \$15,300 per U.S. household currently paying federal income tax.
- The fiscal impact varies according to education level: Lower levels of education track with greater use of benefits and hence a greater cost to the tax-payer.
- A second amnesty (the first having taken place in 1986) could also signal a precedent that would encourage new waves of illegal immigration encouraged by the prospect of serial amnesties.

This paper, in its entirety, can be found at <http://report.heritage.org/bg3175>

The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

of *Immigration*,¹ analyzing the fiscal balance (total government benefits received, minus total taxes paid) for immigrants with different levels of education. In particular, the report provides 75-year fiscal projections for the fiscal balance of immigrants and their descendants based on the immigrant's education level.² Since the education level of current illegal immigrants is generally known, the NAS fiscal balance projections can be used to estimate the fiscal cost of current illegal immigrants after an amnesty.

The NAS report does not distinguish between legal and illegal immigrants, but since it does provide fiscal projections at different education levels, and because the education level of current adult illegal immigrants is approximately known, the NAS projections enable us to project the fiscal costs of illegal immigrants if they were granted amnesty or earned citizenship as a group.

The study clearly shows that the net fiscal impact (benefits received minus taxes paid) of immigrants varies greatly according to their education level. According to the NAS research, each immigrant without a high school diploma would impose an average long-term net fiscal cost of over \$650,000 on taxpayers.³ Thus, the education level of illegal immigrants has a large impact on the fiscal cost of amnesty.

Education Level of Illegal Immigrants

There are currently around 10 million adult illegal immigrants in the U.S. with an average age

of 35.⁴ Chart 1 compares the education levels of illegal immigrant adults to legal immigrants and non-immigrants.⁵ As a group, illegal immigrants are poorly educated; nearly half do not have a high school diploma, and only 11 percent have a college degree. Adult illegal immigrants are six times more likely to lack a high school diploma than are U.S.-born residents.

Illegal immigrants currently benefit from routine government services such as roads, sewers, police, and fire protection. The children of illegal immigrants currently receive heavily subsidized public education at an average cost of \$12,000 per child per year. Children of illegal immigrants born in the U.S. are eligible for the same welfare benefits (such as food stamps, Medicaid, Obamacare, and Temporary Assistance for Needy Families) that children born to U.S. citizens are eligible to receive. Because illegal immigrant families already receive many government benefits and services, they currently impose a fiscal cost on taxpayers: The benefits they receive exceed the taxes paid.⁶

Amnesty or earned citizenship would provide current illegal immigrants access to an additional level of expensive government entitlements and benefits. All of the major comprehensive immigration reform or earned citizenship bills debated in Congress since 2006 would have granted nearly all current illegal immigrants eligibility for future Social Security and Medicare benefits after 10 years of work.⁷ These bills also would have provided amnesty recipients access to almost the entire U.S. welfare system after mod-

1. National Academies of Sciences, Engineering, and Medicine; Division of Behavioral and Social Sciences and Education; Committee on National Statistics; Panel on the Economic and Fiscal Consequences of Immigration, *The Economic and Fiscal Consequences of Immigration* (Washington: National Academies Press, 2016), <https://www.nap.edu/catalog/23550/the-economic-and-fiscal-consequences-of-immigration> (accessed December 2, 2016).

2. *Ibid.*, p. 351.

3. The NAS study finds that the average net present value of the fiscal cost of each adult immigrant without a high school degree entering the U.S. is -\$237,000. See *ibid.*, p. 341, Table 8-12, which reflects the total impact figure from the calculation for all immigrants with no budget adjustments. The estimated non-discounted cost in 2012 constant dollars is \$662,000.

4. Estimated from Bryan Baker and Nancy Rytina, "Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2012," U.S. Department of Homeland Security, Office of Immigration Statistics, *Population Estimates*, March 2013, p. 5, https://www.dhs.gov/sites/default/files/publications/ois_ill_pe_2012_2.pdf (accessed December 1, 2016).

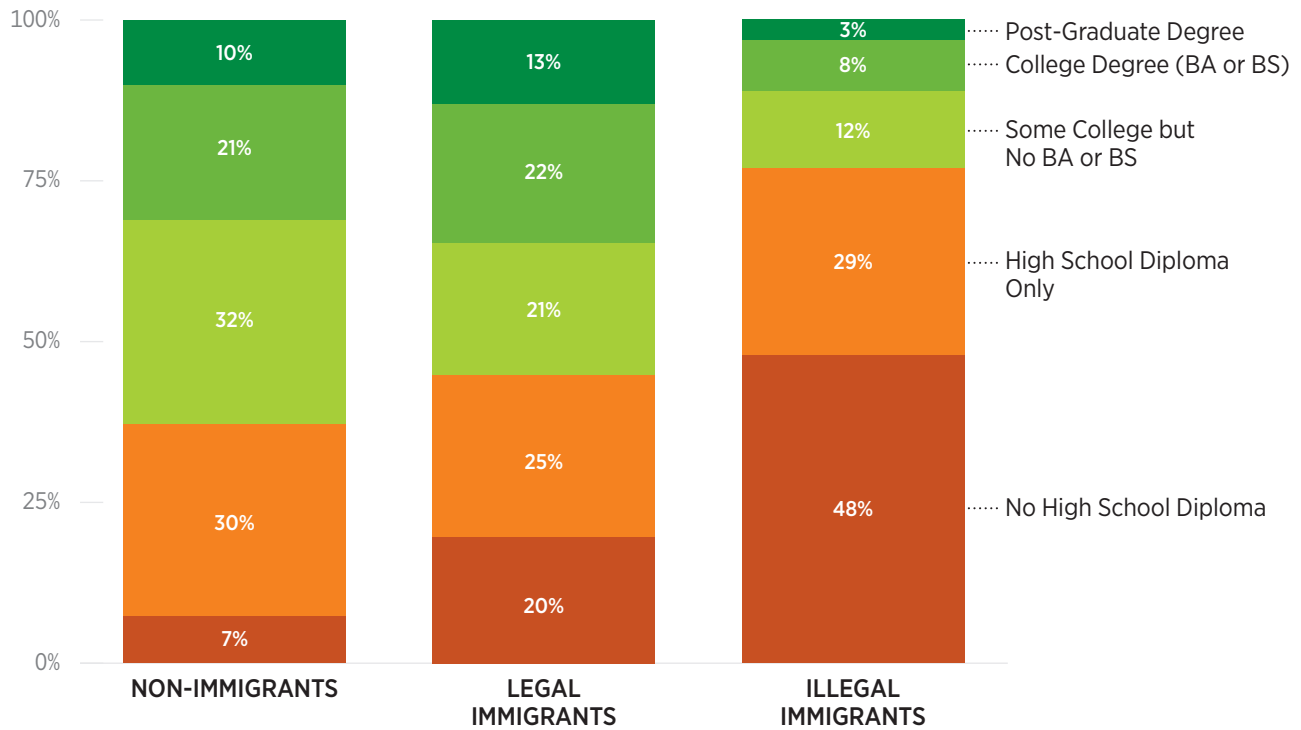
5. Heritage Foundation calculations based on U.S. Department of Commerce, U.S. Census Bureau, Current Population Survey, *2011 Annual Social and Economic (ASEC) Supplement*, <https://dataferrett.census.gov> (accessed March 13, 2015).

6. Robert Rector, "The Fiscal Consequences of Executive Amnesty," testimony before the Committee on Oversight and Government Reform, U.S. House of Representatives, March 17, 2015, p. 10, <https://oversight.house.gov/wp-content/uploads/2015/03/Mr.-Rector-Testimony-Bio-TNT.pdf>.

7. These bills were the Comprehensive Immigration Reform Act of 2006 (S. 2611), introduced in 2006; the Secure Borders, Economic Opportunity and Immigration Reform Act of 2007 (S. 1348), introduced in 2007; and the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013 (S. 744, popularly known as the "Gang of Eight" bill), introduced in 2013.

CHART 1

Educational Attainment of Adult Non-immigrants, Legal Immigrants, and Illegal Immigrants



NOTE: Figures are for adults ages 21–64.

SOURCE: Heritage Foundation calculations based on U.S. Department of Commerce, U.S. Census Bureau, Current Population Survey, 2011 Annual Social and Economic (ASEC) Supplement, <https://dataferrett.census.gov> (accessed March 13, 2015).

BG3175 heritage.org

est delays.⁸ It is true that after amnesty, former illegal immigrants would be more likely to work “on the books” and therefore would pay somewhat more in taxes. However, the increase in tax payments would be dwarfed by the cost of added entitlements.⁹

In effect, amnesty would give current illegal immigrants access to the same government benefits

as those for which current legal immigrants are eligible. Thus, as a general rule of thumb, the long-term fiscal balance of an illegal immigrant after amnesty would be roughly equal to the cost of a current legal immigrant with the same age and education level.¹⁰

In general, less-educated individuals, whether they are illegal immigrants, legal immigrants, or

8. The federal government operates over 90 means-tested welfare programs. Benefits from these programs extend over the entire life span. Because the benefit system covers individuals from cradle to grave, postponing an immigrant’s access to welfare programs even for a decade has only a modest effect on life-time costs.

9. Rector, “The Fiscal Consequences of Executive Amnesty.”

10. It is sometimes argued that post-amnesty fiscal projections do not allow for the upward mobility of former illegal immigrants. However, the methods employed here assume that each former illegal immigrant will have wages and benefits after amnesty that are roughly equal to the wages and benefits of a current legal immigrant with the same age and level of education. Thus, the estimates allow for upward mobility of amnesty recipients. Because legal immigrants have more access to government benefits than do illegal immigrants, they tend to have greater fiscal costs per education level.

TABLE 1

Net Present Value of the Fiscal Balance of Adult Illegal Immigrants After Amnesty

Education Level	Percent of Illegal Immigrants Ages 21-64	Number of Adult Illegal Immigrants	Net Present Value of the Fiscal Balance (Taxes Minus Benefits) per Illegal Immigrant	Net Present Value of the Fiscal Balance (Taxes Minus Benefits) for 10 Million Adult Illegal Immigrants
	Percent	Millions	In Dollars	In Billions of Dollars
No High School Diploma	47.8%	4.78	-\$237,000	-\$1,131.9
High School Diploma Only	29.1%	2.91	-\$129,000	-\$375.1
Some College but No BA or BS	12.1%	1.21	-\$21,000	-\$25.3
College Degree (BA or BS)	7.9%	0.79	\$147,000	\$115.4
Post-Graduate Degree	3.2%	0.32	\$405,000	\$129.6
Total				-\$1,287.40

NOTE: Data on net present value per immigrant data as shown in column 3 are 75-year fiscal projections for immigrants and their descendants in 2012 constant dollars.

SOURCES: Data on the net present value per immigrant: National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration*, 2016 (Washington: The National Academies Press), p. 341, Table 8-12. Data on education levels of illegal immigrants: See Table 1, Heritage Foundation calculations based on data from the U.S. Census Bureau, Current Population Survey, *2011 Annual Social and Economic Supplement*, <https://www.census.gov/prod/techdoc/cps/cpsmar11.pdf> (accessed December 6, 2016).

BG 3175  heritage.org

non-immigrants, receive far more in government benefits than they pay in taxes. For example, a household headed by a legal immigrant without a high school degree typically receives about \$4.00 in benefits for every \$1.00 of taxes paid.¹¹ Because illegal immigrants tend to have low levels of education, granting them access to Social Security, Medicare, Obamacare, and means-tested welfare would lead to substantial long-term costs for taxpayers.

Table 1 applies the NAS projected 75-year fiscal balances for immigrants by education level to the current adult illegal immigrant population.¹² This provides an estimate of the aggregate fiscal cost of illegal immigrants subsequent to a grant of amnesty or earned citizenship. The NAS projected fiscal estimates for immigrants include federal and state benefits that would be received, minus all taxes

to be paid, for both the first and second generation of immigrants.

Net Present Value of Future Costs

Based on the education level of illegal immigrants, the NAS figures project that the net fiscal cost (benefits minus taxes) for 10 million adult illegal immigrants after receiving amnesty would have a net present value of negative \$1.29 trillion. The concept of “net present value” is complex; it places a much lower value on future expenditures than on current expenditures.

One way to explain net present value is that it represents the total amount of money that would have to be raised today and put in a bank account earning 3 percent interest above the inflation rate in order to cover future costs. This means that if amnesty were

11. Rector, “The Fiscal Consequences of Executive Amnesty.”

12. The per-immigrant net present value figures in Table 2 are taken from National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration*, p. 341, Table 8-12, using the data for all immigrants with no budget adjustments. The figures are 75-year projections for immigrants and their descendants. For the education levels of adult illegal immigrants, see Table 1.

enacted, the government would have to raise taxes immediately by \$1.29 trillion and put that sum into a high-yield bank account to cover the future fiscal losses that would result from the net fiscal costs of amnesty recipients and their children.

The \$1.29 trillion figure equals \$15,300 for each U.S. household currently paying federal income tax.¹³ To cover the future cost of illegal immigrants after amnesty, each taxpaying U.S. household, on average, would have to pay an immediate lump sum of over \$15,000.

Of course, if the federal government were to grant amnesty, it would not actually raise current taxes by \$1.29 trillion and put the money in a high-yield bank to cover the future costs. Instead, in the government's normal pattern, the costs would be unfunded and passed on to future years' taxpayers. Converting a net present value figure into future outlays requires information on the exact distribution of costs over time; unfortunately, such data are not provided by the NAS. However, a very rough estimate of the future net outlays to be paid by taxpayers (in constant 2012 dollars) for illegal immigrants after amnesty is around \$3.6 trillion over 75 years.¹⁴ The average long-term fiscal loss per adult illegal immigrant (in constant 2012 dollars) would be around \$360,000.¹⁵

Additional Factors that Influence Costs

There are several factors that could raise or lower this estimate of projected costs.

- **Number of Illegal Immigrants.** Most sources estimate that there are around 11.4 million illegal immigrants of all ages in the U.S.¹⁶ Some 90 percent of these individuals are estimated to appear in the government's annual census sur-

veys; another 1.1 million are assumed to reside in the U.S. but remain unreported in surveys.¹⁷ In reality, the number of illegal immigrants who are present in the country but not recorded in census surveys is largely unknown and could be much higher than 1.1 million. A higher number of illegal immigrants would raise amnesty costs.

- **Number of Amnesty Recipients.** Earned citizenship bills typically would permit nearly all illegal immigrants residing in the U.S. at the time of enactment to apply for and receive legalization. The fiscal projections in Table 2 assume that all of the 10 million adult illegal immigrants currently residing in the U.S. would apply for and receive legalization. In reality, some would not apply. However, there is also likely to be widespread cheating in any amnesty. In the 1986 amnesty, an estimated 25 percent of the amnesties granted were fraudulent.¹⁸ In the past 20 years, the underground industry producing fraudulent documents has grown vastly larger and more sophisticated. In any future amnesty, the fraud rate could be as high as or higher than in 1986, resulting in more than 10 million amnestied adults. If cheating increased the number of amnesty recipients by 25 percent, the added lifetime fiscal cost would be around one-quarter higher.

- **Re-emigration.** Future costs will be affected by the number of immigrants who re-emigrate to their country of origin. The NAS estimates used in Table 2 assume a very high re-emigration rate of 29 percent.¹⁹ It is unlikely that 29 percent of amnesty recipients would actually re-emigrate. The NAS also reports that the emigration rate for immigrants who have been in the U.S. for over 10

13. Using data from the U.S. Census Bureau's Current Population Survey, *2016 Annual Social and Economic (ASEC) Supplement*, there are 81.4 million households with a positive aggregate federal income tax liability after receipt of credits out of a total of 119.4 million households.

14. This estimate uses the NAS discount rate of 3 percent and assumes that the constant-dollar fiscal costs are allocated equally over time.

15. Some portion of future fiscal costs following amnesty would have occurred even without amnesty. The NAS data do not permit those costs to be separated from the extra costs that would be induced by amnesty *per se*. However, the bulk of the post-amnesty costs are generated by granting former illegal immigrants access to Social Security, Medicare, Obamacare, and means-tested welfare.

16. Baker and Rytina, "Estimates of the Unauthorized Immigrant Population," p. 1.

17. *Ibid.*, p. 4.

18. Steven A. Camarota, "Amnesty Under Hagel-Martinez: An Estimate of How Many Will Legalize If S. 2611 Becomes Law," Center for Immigration Studies *Background*, June 2006, p. 3, Table 1.

19. National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration*, p. 338. Of the 29 percent emigration rate, 22 percent occurs in the first 10 years after the immigrant's arrival; only 7 percent occurs after 10 years. Granting an illegal immigrant amnesty would create a strong incentive for him to remain in the country.

years is only 7 percent; this seems a more reasonable emigration figure for future amnesty recipients.²⁰ A lower re-emigration rate could raise the estimated cost of amnesty by a third.

- **Understated Costs of Legalization.** The NAS fiscal projections are for all immigrants by education level; the report does not distinguish between legal and illegal immigrants. Because illegal immigrants are currently ineligible for Social Security, Medicare, means-tested welfare, and Obamacare, the current pre-amnesty fiscal cost of illegal immigrants is markedly lower than the cost for legal immigrants with the same education level. Hence, the NAS per-immigrant cost projections in Table 2, which combine the higher costs of legal immigrants with the lower pre-amnesty costs of illegal immigrants, underestimate the actual cost of legalized immigrants by perhaps 20 percent.²¹ This would lead to an underestimate of post-legalization costs by a similar amount.
- **Education Levels of Illegal Immigrants.** Estimates of the education level of illegal immigrants vary. For example, the Center for Immigration Studies (CIS) estimates that 53 percent of adult illegal immigrants lack a high school degree and that 9 percent have graduated from college.²² The Migration Policy Institute estimates that half of illegal immigrant adults lack a high school diploma.²³ By contrast, the Pew Hispanic Center has estimated that some 42 percent of adult illegal immigrants lack a high school degree and that 16 percent are college graduates.²⁴ Using the CIS figures would raise the net present value of the cost of amnesty in Table 2 by 10 percent. By contrast, the Pew figures would reduce projected amnesty costs by 20 percent.

- **Increasing Future Illegal Immigration.** The U.S. enacted a small-scale amnesty for illegal immigrants in 1986. The public was promised that the 1986 amnesty was a one-time decision that would never be repeated. Despite this promise, the 1986 amnesty was probably a factor in encouraging the subsequent surge in illegal immigration, because it signaled that the U.S. might take a lenient stance toward illegal immigrants in the future. Enacting a second amnesty would establish a very strong precedent for serial amnesties. The prospect of recurring amnesties would certainly make future illegal immigration more attractive, drawing more illegal immigrants into the country and significantly increasing long-term fiscal costs.
- **Public Goods.** Public goods are government services that do not need to expand as the population of the nation increases. Chief among these are national defense, interest on government debt, and scientific research. Because illegal immigration does not increase these costs, at least in the first generation, they have not been included in the NAS cost estimates used in this paper.²⁵
- **Consumer Costs.** Low-skill illegal immigrant workers may push down wages and thereby reduce consumer costs. However, the NAS report indicates that the consumer gains from low-skill immigration are modest, and if the wages of less-educated immigrants are driven down, the wages of less-educated U.S. workers will fall as well. Any consumer gains would come at the cost of wage losses for the most vulnerable American workers.

20. Approximately three-quarters of illegal immigrants have been in the U.S. more than 10 years. See Baker and Rytina, "Estimates of the Unauthorized Immigrant Population," p. 3.

21. This estimate is based on the average difference between legal and illegal immigrant fiscal costs per education group, multiplied by the percentage of immigrants in each education group who are illegal.

22. Data provided by Steven Camarota of the Center for Immigration Studies.

23. Migration Policy Institute, "Profile of the Unauthorized Population: United States," <http://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US> (accessed December 2, 2016).

24. George J. Borjas, "The Labor Supply of Undocumented Immigrants," National Bureau of Economic Research *Working Paper* No. 22102, March 2016, <http://www.nber.org/papers/w22102.pdf> (accessed December 2, 2016).

25. The NAS study also includes several analyses that assign public goods costs to immigrants; this notably increases the fiscal cost of immigration. These analyses have not been used in the calculations presented in this paper.

- **Dynamic Externalities.** Advocates of ongoing, massive low-skill immigration have suggested that low-skill immigrants (whether legal or illegal) generate large-scale economic externalities that benefit U.S. workers.²⁶ The NAS report finds no evidence of such effects. The continuing inflow of low-skill immigrants into the U.S. creates large fiscal burdens for U.S. taxpayers in both the present and the future.

Conclusion

Earned citizenship bills typically would require illegal immigrants to pay a small fine before being put on the pathway to citizenship. For example, the “Gang of Eight” bill (S. 774) in 2013 would have charged each illegal immigrant a fine of \$1,000. In exchange for paying this fine, the illegal immigrant would have been given access to Obamacare, Social Security, Medicare, and over 90 different means-

tested welfare benefit programs, as well as the right to vote in U.S. elections. The net fiscal cost of amnesty recipients would clearly be hundreds of times greater than any fine they would pay.

In effect, earned citizenship bills “fine” U.S. taxpayers to pay extensive benefits to former illegal immigrants. Under such proposals, the illegal immigrant’s “right” to lay claim to these taxpayer funds results from their violation of U.S. immigration law in the first place. In the end, amnesty or earned citizenship would greatly reward individuals for breaking U.S. laws, impose enormous costs on U.S. taxpayers, and encourage increased new waves of illegal immigration.

—**Robert Rector** is a Senior Research Fellow in the Institute for Family, Community, and Opportunity at The Heritage Foundation. **Jamie Bryan Hall** is a Senior Policy Analyst in the Center for Data Analysis, of the Institute for Economic Freedom and Opportunity, at The Heritage Foundation.

26. Peter B. Dixon and Maureen T. Rimmer, “Restriction or Legalization? Measuring the Economic Benefits of Immigration Reform,” Cato Institute *Trade Policy Analysis* No. 40, August 13, 2009, <http://www.cato.org/publications/trade-policy-analysis/restriction-or-legalization-measuring-economic-benefits-immigration-reform> (accessed December 2, 2016).