

THE NET NATIONAL COSTS OF IMMIGRATION IN 1994

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EXECUTIVE SUMMARY

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HIGHLIGHTS OF THE 1995 STUDY

This comprehensive study of the public sector costs of legal and illegal immigration in the United States by Dr. Donald Huddle of Rice University, Houston, Texas, sponsored by Carrying Capacity Network of Washington, DC, assesses the current cost of federal, state, and local services in 1994 to immigrants arriving since the end of 1969, the prospective cost from 1995 to 2004, and current and prospective tax contributions of immigrants.

The costs examined are 33 federal, state, and local service and assistance programs available to legal immigrants, including a package of local government welfare and health services, and 28 programs open to illegal immigrants and their citizen children. Also assessed are the cost of public assistance programs to aid resident Americans displaced by immigration and tax revenues lost due to their reduced income.

The 1995 study is an updated and expanded version of two previous studies released in 1993 and 1994 (see Appendix A for an explanation of changes in the 1995 study). In particular, the 1995 study expands and revises the analysis of the fiscal impact of immigrants on the Social Security System.

Dr. Huddle's comprehensive study of the public sector costs of immigration finds that 21.9 million legal and illegal immigrants settling here since 1970 had direct and indirect public assistance costs of \$51.32 billion in 1994, after subtracting taxes immigrants paid. Indirect costs of assisting 2.20 million U.S. workers displaced from jobs by immigrants are \$12.42 billion of this amount. Some methods and assumptions have been modified from the study released last year by Dr. Huddle. Key findings of the updated study of 1994 costs are:

CURRENT COSTS FOR 1994

* **Direct and Indirect Public Assistance Costs** - 16.47 million legal immigrants arriving since January 1, 1970, including refugees, asylees and legalized (amnestied) immigrants, and 5.4 million illegal immigrants cost all levels of government \$51.32 billion in excess of the taxes they paid in 1994. \$38.90 billion was paid for direct public assistance costs and \$12.42 billion for indirect worker displacement costs.

-- **Legal and legalized immigrants**, including humanitarian entrants (totaling 16.47 million), generated \$32.16 billion in net assistance and worker displacement costs. Included is \$8.92 billion in public assistance to 1.54 million U.S. workers this population displaced from jobs. Over 62% of the net national costs of immigration are attributable to legal (including those legalized under the 1986 Immigration Reform and Control Act) immigrants.

-- **Illegal immigrants**, estimated at 5.4 million, and their 1.3 million U.S.-born minor children caused public assistance and displacement costs of \$19.16 billion after taxes in 1993. The public cost of assisting 659,000 low-skill U.S. workers the illegal immigrants displaced was \$3.5 billion.

* **Immigrant Revenue Deficit in Public Assistance Finances** - all post-1969 immigrants paid \$74.63 billion in federal, state, and local taxes in 1994, but produced direct and indirect public assistance costs of \$125.95 billion (inclusive of displacement costs) -- a per capita revenue deficit in public assistance financing averaging \$2343 per immigrant in 1994.

* **Largest Assistance Programs** - The largest direct public outlays for all immigrants covered in the study in 1994 were primary and secondary public education (\$15.56 billion); Medicaid (\$11.41 billion); gross local government expense (\$15.93 billion); public higher

education (\$5.0 billion); Social Security (\$19.83 billion); and bilingual education (\$2.95 billion). Major outlays for some 6.75 million illegal settlers and their citizen children were: primary and secondary education (\$4.51 billion); gross local government costs (\$3.93 billion); Medicaid (2.45 billion), and Social Security (\$2.81 billion).

FUTURE COSTS 1995 - 2004

Assuming no change in current immigration law and enforcement policy:

* The current stock of post-1969 legal immigrants, which is expected to grow to 24.49 million in ten years, is projected to produce a total after-tax, public-sector, net cost of \$419.73 billion in the period 1995-2004. Approximately 8.0 million legal immigrants expected to arrive in 1995 or later will account for \$123.45 billion, or 29.41 percent of that total.

* Growing to 8.4 million by 2004, the illegal population will accumulate total net public assistance costs for the decade of \$268.33 billion, \$71.54 billion of which will be costs of some three million illegals expected to arrive in 1995 or later.

* Net cumulative costs for the decade 1995 - 2004 for all post-1969 immigrants will reach \$688.06 billion, or an average of about \$69 billion per year. Thus, the cumulative net cost of immigration over the next ten years will reach approximately \$6943 per household or an average of \$2640 for every American in 1994. About 22 percent of these costs, \$150.99 billion, will be for assistance to displaced U.S. workers.

COST AVOIDANCE OPTIONS

Restricting legal admissions to skilled and professional immigrants only (about 38 percent of current flow) and halting all further illegal immigration after 1994 would avoid \$194.99 billion over the next ten years. A saving of \$194.99 billion could fully provide full medical insurance coverage to 3.3 million uninsured U.S. families for ten years.

Immigrant assistance costs could rise even more in the coming decade due to further declines in education and training of new immigrants, expansion of job training, and expansion of the Earned Income Tax Credit program, and increased assistance to welfare leavers.

UPDATES FROM HUDDLE 1994 STUDY OF 1993 COSTS AND THE 1993 STUDY OF 1992 COSTS

o Revenues previously omitted, such as immigrant social security, motor vehicle fees, fuel and city taxes are included in the 1995 study of 1994 costs, along with the costs of programs those revenues finance.

o Assessed in the 1994 update are 33 federal, state and local public assistance and services programs serving immigrants, eight more than were assessed for 1992. Estimates of immigrant incomes are raised, based on the most recent data. Higher per capita costs of most assistance programs and a one-year growth of 1.1 million in the post-1969 immigrant population are also taken into account.

EXECUTIVE SUMMARY

INTRODUCTION: PURPOSE OF THE STUDY

Rising public concern over the fiscal costs of immigration at both national and local levels has pushed its way onto the national agenda. Major states of immigration settlement have pressed Washington in the courts and in Congress for reimbursement of the cost of providing public assistance to rising numbers of legal and illegal immigrants and refugees arriving under federal policy or because of federal inaction. The most dramatic expression of citizen frustration so far was a citizens' initiative passed in California in November 1994. This initiative, Proposition 187, which passed with nearly 60% of the vote, would deny free public education and other social services to illegal aliens. Other high immigration states are preparing similar grass roots legislation. Pressed to find new answers, Congress is now considering new legislation to tighten or restrict eligibility conditions for some immigrant public assistance programs.

In this 1995 study, Dr. Huddle updates his assessment of 1992 and 1993 immigrant costs to the year 1994, applying some revised methods and assumptions and using the most recent data available.

This report examines comprehensively the 1994 net public- assistance costs of immigrants who have settled in the country since January 1, 1970 and, prospectively, the net cost of all post-1969 immigrants who are expected to be settled in the United States by the year 2004. Indirect costs included in the estimates are the cost of public assistance to U.S. workers displaced from jobs by immigrant workers.

Sponsor of this study and its predecessor is Carrying Capacity Network, a non-profit activist network concerned about the economic, social, cultural, and resource consequences of rapid U.S. population growth.

KEY FINDINGS: OVERALL PRESENT AND FUTURE NUMBERS AND COSTS

This study estimates tax revenues and public assistance and displacement costs at all levels of government attributable to the following groups, each with differing income profiles and entitlements to public assistance: 1) legal immigrants, including refugees and other humanitarian entrants; 2) legalized, or "amnesty" immigrants; and 3) illegal immigrants. The study builds its estimates on the following specific assistance and taxation programs:

- o Assistance and Services to Immigrants: Thirty-three major federal, state and local government assistance programs, including a package of county and city assistance and services that are open entirely or in part to both legal and illegal immigrants.

- o Assistance to Displaced U.S. Workers: Five major federal and state assistance programs available to U.S. residents displaced from jobs by immigrants and federal, state, and local government tax revenues lost due to the diminished incomes of the displaced.
- o Revenues from Immigrants: Estimated federal, state and local income, sales, excise, social security, and property tax contributions paid by the three sub-populations under study.

Using methods and assumptions discussed later, the report estimates net costs associated with different sub-populations of immigrants, currently for 1994, and prospectively for the period from 1995 to 2004 (Table 1).

See Table 1.

Data from the 1990 Census places the poverty rate of the entire foreign-born population at 42.8 percent higher than the native-born, and the average value of public assistance reciprocity and income received from public assistance at 44.2 percent higher than that of all U.S. residents. Comparatively, due to ineligibility for some programs, illegal immigrants were found to use only 29 percent more assistance than the entire resident population (see *Appendix B: Notes on Methodology* for details on calculation of immigrant poverty rates and immigrant public assistance reciprocity rates).

Heavy flows of refugees and illegal immigrants in the last twenty years, and preference for relatives of prior immigrants rather than skilled persons, account for the rising incidence of poverty in the post-1969 stock of immigrants. According to Borjas the poverty rate of cohorts measured since 1975, using 1980 census figures, is 151 percent greater than that of the native-born.¹ The 1990 Census showed equally high differential poverty rates, with the poverty rate of immigrants entering after 1985 being 149 percent higher than for the native born.

Tax Revenues from Immigrants

Immigrants pay 59.8 percent of their taxes to the federal government, 23.0 percent to the states, and 17.2 percent to local governments. The federal income tax is the largest single source of revenue from immigrants, commanding 29.9 percent of revenues. Social Security contributions are the second largest single source of revenue from immigrants, representing 23.4 percent of all immigrant tax payments. Legal immigrants pay a far greater share of their taxes as income taxes than do illegal immigrants. Illegal immigrants make their major revenue contributions through sales and property taxes. (See *Appendix B: Notes on Methodology: 2. Assessing Immigrant Tax Contributions* for further details.) Table 2 summarizes estimated payments of immigrant sub-populations in principal tax categories.

See Table 2.

Table 1: Overall immigrant sub-population size and their current and future costs:

Legal Immigrants Settling Since 1970, including Refugees and Other Humanitarian Entrants	
Estimated population size in 1994	13.63 million
Net cost for 1994	\$24.57 billion
Projected net cost, 1995-2004*	\$419.73 billion
*Includes amnesty immigrants	
Illegal Immigrants	
Estimated population size in 1994	5.4 million
Net cost for 1994	\$19.16 billion
Projected net cost, 1995-2004	\$268.33 billion
Amnesty Immigrants	
Estimated population size in 1994	2.84 million
Net cost for 1994	\$7.59 billion
Total Tax Revenues from Immigrants	
Contributions for 1994	\$74.63 billion
Projected contributions for 1995-2004	\$998.69 billion
U.S. Workers Displaced from Jobs by Immigrants	
Displaced workers in 1994	2.20 million
Cost for 1994	\$12.42 billion
Projected net cost, 1995-2004	\$150.99 billion
Overall Assistance and Displacement Costs After Taxes	
Net cost for 1994	\$51.32 billion
Projected net cost, 1995-2004	\$688.06 billion

NOTE: Net costs in this table and throughout this study refer to the fact that revenues collected have been subtracted from costs.

Table 2: Estimated 1994 Tax Payments of Study Population of Post- 1969 Immigrants:
(\$ Billions)

TAX	LEGAL	ILLEGAL	AMNESTY	TOTAL
Federal Income	\$19.55	\$1.40	\$1.35	\$22.30
Federal Excise	\$1.83	\$0.35	\$0.17	\$2.35
Medicare Plan A Payroll	\$2.60	\$1.25	\$0.57	\$4.42
OASI Payroll	\$10.16	\$1.54	\$1.33	\$13.03
Federal Highway	\$1.78	\$0.31	\$0.42	\$2.51
State Taxes	\$12.57	\$2.87	\$1.71	\$17.15
County Taxes	\$2.87	\$0.69	\$0.40	\$3.96
City Taxes	\$6.46	\$1.55	\$0.90	\$8.91
TOTALS	\$57.82	\$9.96	\$6.85	\$74.63
Percent of Total Taxes	77.5%	13.3%	9.2%	100.0%

THE IMPACT OF IMMIGRATION ON THE SOCIAL SECURITY SYSTEM

Under conservative assumptions, the 1994 present value of the Social Security System attributable to the foreign-born is a net deficit of \$7.12 billion. Total contributions to OASI (Old Age and Survivor's Insurance) and Medicare of the post-1969 foreign-born were \$17.46 billion, while the present value of projected life-time expenditures to this population is \$24.58 billion.

Legal immigrants are the largest source of projected future deficits in Social Security, accounting for \$5.97 billion of the deficit in 1994, compared to \$472 million for illegal immigrants and \$674 million for amnesty immigrants.

OASI, rather than Medicare, accounts for the major part of the overall Social Security deficit. The 1994 present value deficit in OASI is \$6.8 billion. The Medicare deficit totals only \$328 million. The text following discusses the method for imputing Social Security costs to post-1969 immigrants.

Social Security Revenues and Expenditures - The initial study of immigrant costs for 1992 did not include social security contributions (FICA) of immigrants as revenues, considering them an investment or "premium" for a future benefit. Outlays for Old Age, Survivors and Disability and Health Care (OASDI) were, accordingly, not apportioned to the immigrant study population.

The OASDI program in the United States provides protection against the loss of earnings due to retirement, disability, or death. Under OASDI monthly benefits are paid to retired workers and their families. The Social Security system also includes the Medicare system (Medicare Part A and Part B) which is covered separately from OASI in the report. (See 1995 Study Methodology).

* In our 1994 report we estimated the deficit of the entire Social Security System attributable to the foreign-born in 1993 at \$1.37 billion. Total Social Security contributions of the foreign born (including Medicare and Disability Insurance), after adjustment, were \$17.55 billion; Old Age, Survivor, and Disability Benefits (OASDI) paid to foreign-born persons were \$18.92 billion, a \$1.37 billion deficit.

* The study immigrant population's share of total pay-in 1993 -- \$17.55 billion -- was 6.86 percent of total worker contributions to the fund in 1993, 14.7 percent less than their representation in the population as a whole.

The 1995 study of 1994 costs applies a new methodology, which analyzes the long term impact of the foreign born on OASI alone, analyzing Medicare separately. The study recognizes that immigrants are younger on average than the native-born population, so that relatively fewer foreign-born are retired today. Consequently, immigrants may today result in a greater short-term cash surplus. (For methodological details, see *Appendix B: Notes on Methodology: 3. Assessing Immigrant Social Security.*)

However, this is a temporary situation. The long-term consequences of a low-skill, low-wage labor force eventually produces a sizable OASI deficit. How so? This is because the very structure of the current Social Security System insures that the lower the earner, the greater the proportional amount of benefits received. In other words, the Social Security System redistributes income from the high-wage earner to the low-wage earner.

To understand this, examine Table 3 for workers entering the labor force in 1971 and in 1995. The worker earning \$60,400 yearly (the maximum taxed under OASDI), receives about \$1.56 in present value benefits for every dollar paid in. Comparatively, the average worker, earning about \$35,000 yearly, receives back about \$2.30 for every dollar paid in present value terms while the low-wage worker, earning \$20,000 or less, receives back about \$3 for every dollar paid in. The greater the proportion of low-wage workers now in the OASI system, the larger the deficit must be. Since immigrants are on average much lower earners than the native-born, they necessarily eventually generate much higher deficits.

For example, according to Social Security projections under the current OASI system, a low-

wage married male worker beginning coverage in 1995 and retiring at age 65 in 2038 will receive \$4.15 for every dollar contributed to the system in present value 1995 dollars; a high-earning worker will receive \$2.05 and an average worker will receive \$3.10 for every dollar contributed over their lifetime. Since immigrant workers earn less than the average wage, they contribute less and receive proportionately more after Social Security retirement. As a result, the larger the number of low-skill immigrants, now about 70% of the annual total flow of legal and illegal immigrants, the larger will be the OASDI deficit in present value terms over the long run.

Table 3: Ratios of Present Value of Lifetime Benefits to Present Value of Lifetime Contributions for Workers Entering Labor Force at Age 22 and Retiring at Age 66*:

Status/Earnings	Maximum Wage	Average Wage	Low Wage
Entering in 1971	1.46	2.02	2.69
Entering in 1995	1.68	2.54	3.40

*Ratios are weighted averages of the ratios for single and married workers. Married workers receive about 22 percent more in life-time benefits than the average worker.

Three scenarios, all set out by the social security analysts, are investigated here:

* Scenario 1: Considers the question: how large the imputed immigrant deficit will be under the current system of benefits received relative to contributions;

* Scenario 2: Examines how large the immigrant deficit will be in 1994 should benefits be reduced relative to payments into the system. In this scenario, it is assumed that high wage beneficiaries receive no more than the present value of what was paid in, along with the same proportionate reductions for average and low wage workers;

* Scenario 3: Considers how large the immigrant deficit would be in 1994 under a fiscally balanced system in which the average worker/earner is paid no more in benefits than the amounts paid in present value dollars. Here the high wage earner receives less than he/she has paid in, but the low wage earner still receives a subsidy.

Using the Social Security System's own projections for each of these cases found in the 1995 Trustees Report, the immigrant deficit is as follows:

* Scenario 1, if the current OASI system remains unchanged, immigrants would cause a present value OASI deficit of \$23.16 billion per year in 1994.

* Scenario 2, where high-wage earners receive no more than the present value amounts they paid in, and other wage earners deficits are cut accordingly, the immigrant deficit totals \$6.8 billion in 1994. (The conservative assumptions of Scenario 2 are used as the basis for this report's calculations of the 1994 present value Social Security System net deficit attributable to immigrants).

* Scenario 3, where the average worker receives in present value terms what is contributed, higher earning workers receive less, and low-wage workers receive a subsidy all proportionately reduced, the immigrant deficit is \$591 million per year.

Obviously, the disequilibrium in the current system cannot continue indefinitely. However, any reduction in current benefits remains a politically explosive issue. Eventually, benefits will have to be reduced and/or payments into the system increased. The 1995 study assumes that we will shift to a reduced benefit system for those workers who began working between 1970 and 1995, a dramatic shift to Scenario 2 and that this will occur before any of the workers entering the labor force in the 1970's have retired. Whether such a dramatic shift toward fiscal balance can take place under our political system remains to be seen.

Thus, we have used a conservative methodology whereby the current OASI system's future deficit is reduced by 70 percent on balance for immigrants between 2015 and 2038. This conservative methodology, however, still results in a large deficit of contributions to benefits for immigrants.

The addition of large numbers of foreign workers to the labor force now in the hope of enriching the Social Security System, as some commentators have urged, would have the opposite effect. The additional payroll taxes would be modest and, in the case of families with children which earn less than \$20,000 yearly, would be largely offset by refundable earned income tax credits and higher tax revenue losses from displacement. While immigrants have more children who will become contributors than the native-born, those children will on average earn less in present value terms than their parents. Current immigration policy alters the skill endowment of the labor force for this generation and the next several generations.²

ASSISTANCE PROGRAMS OF HEAVIEST USE: CURRENT NET COSTS

Immigrant use of public assistance and services varies with their eligibility, the availability of the service, and need. Free public primary and secondary education is guaranteed to all immigrants regardless of legal or illegal status by a 1982 Supreme Court decision. All public education, including bilingual, adult and compensatory education, higher education and student aid, in 1994 was 24 percent of all outlays for immigrants. County and city services, including indigent medical care, mental health,

Table 4: (Page One). Estimated 1994 Public Assistance and Services Costs for Post-1969 Immigrants by Major Program:

PROGRAM	LEGAL (\$ BIL.)	ILLEGAL (\$ BIL.)	AMNESTY (\$ BIL.)	TOTAL (\$ BIL.)
Public Education (K-12)	\$9.66	\$4.51	\$1.39	\$15.56
Public Higher Education	\$4.30	\$0.57	\$0.13	\$5.00
ESL and Bilingual Education	\$1.80	\$0.89	\$0.26	\$2.95
Food Stamps	\$1.93	\$0.71	\$0.40	\$3.04
AFDC	\$1.89	\$0.42	\$0.39	\$2.70
Supplemental Security Income (SSI)	\$1.86	---	\$0.39	\$2.25
Housing	\$1.65	\$0.50	\$0.28	\$2.43
Social Security (OASI)	\$14.76	\$2.81	\$2.26	\$19.83
Earned Income Tax Credit	\$2.50	\$0.54	\$0.44	\$3.48
Medicaid	\$7.30	\$2.45	\$1.66	\$11.41

Continued on next page.

Table 4: (Continued from Page One). Estimated 1994 Public Assistance and Services Costs for Post-1969 Immigrants by Major Program:

PROGRAM	LEGAL (\$ BIL.)	ILLEGAL (\$ BIL.)	AMNESTY (\$ BIL.)	TOTAL (\$ BIL.)
Medicare A and B (Aged and Disabled Benefits)*	\$3.98	\$0.45	\$0.32	\$4.75
Criminal Justice/ Corrections	\$1.53	\$0.61	\$0.32	\$2.46
Local Government	\$9.93	\$3.93	\$2.07	\$15.93
Other Programs (20)	\$12.47	\$7.22	\$2.05	\$21.74
TOTAL COST	\$75.56	\$25.61	\$12.36	\$113.53
LESS: TAXES PAID	\$57.82	\$9.96	\$6.85	\$74.63
NET COST OF DIRECT SERVICES	\$17.73	\$15.65	\$5.52	\$38.90
DISPLACE- MENT COST	\$6.84	\$3.50	\$2.08	\$12.42
ALL NET COSTS	\$24.58	\$19.15	\$7.59	\$51.32
PERCENT OF NET COSTS	47.9%	37.3%	14.8%	100.0%

*Note: Payroll tax contributions to Medicare are included in the tax portion of this study (See Table 2). Premiums paid by subscribers are deducted from gross cost figures. The net is reported here.

family and child welfare services, accounted for 14 percent of immigrant costs. Social Security (OASI) outlays were 18 percent. These three programs, together with Medicaid (10 percent), accounted for 66 percent of total public outlays for immigrants. Legal immigrants account for the largest share of total net costs (48 percent).

Illegal and Amnesty Immigrants

As noted in Table 4, illegal immigrants or their 1.3 million U.S.-born school-age children are eligible for some costly major federal and state benefits, such as AFDC and public housing, but are denied others such as unemployment compensation, and Supplemental Security Income and, in some states, benefits such as general assistance.

Average individual cost of public assistance to illegal immigrants in 1994 was \$4743 (excluding displacement), while per capita tax payments were only \$1844. This deficit is due to dramatically higher poverty rates, lower tax compliance, and relatively high propensity to use public assistance programs and services not barred to them (see Tables 4 and 5).

Amnesty immigrants are former illegal immigrants and have similar low skills and weak earning power. But unlike illegals, as of May 1992, they were no longer barred from federal benefits. Cost estimates for this population, like estimates for legal immigrants, encompass 33 federal, state, and local programs, including a package of city and county services. Methods for determining reciprocity rates are the same.

The following (Table 5) provides 1994 average tax payments and costs and ten-year projections for immigrant sub-populations. This summary table shows the extent to which the estimated costs of services to the three immigrant sub-populations in every case significantly exceeded revenues received from them, a trend projected to continue as the stock of immigrants grows into the next century.

COSTS OF PUBLIC ASSISTANCE TO U.S. WORKERS DISPLACED BY IMMIGRANTS -- \$12.42 BILLION IN 1994

Entry of sizable numbers of immigrants into the labor market displaces some resident workers, particularly the least skilled, by substitution of immigrants for resident workers in jobs or by closing off resident workers' access to prospective job vacancies. The unemployed or discouraged workers then require public assistance. The labor displacement rate is defined in this report as the number of citizen and pre-1970 legal immigrant workers who are not able to work as a result of the presence of 100 immigrant job holders in the labor market.

The displacement rate varies with wage and unemployment levels, job conditions and amenities, and the skills and opportunities involved. Under economic conditions prevailing in 1994, the displacement rate is estimated to have been at least 23 percent for low-skill U.S. citizen and pre-1970 legal immigrant workers.³ Displacement also occurs among certain classes of skilled workers and professionals, though no generally acceptable methods have been devised for determining the rate.

Table 5: Gross and Per Capita Tax Payments of Immigrant Sub-populations, with Per Capita Gross Cost (Excluding Displacement Costs):

Sub-population Year(s)/In Millions	Tax Paid (\$Bil.)	Per Capita Annual Tax Paid	Pre-tax Annual Cost (\$Bil.)	Per Capita Gross Annual Cost
1994/13.63 Legal Immigrants	\$57.82	\$4242	\$75.56	\$5544
1994/5.4 Illegal Immigrants	\$9.96	\$1844	\$25.61	\$4743
1994/2.84 Amnesty	\$6.85	\$2412	\$12.36	\$4352
1994/21.87 Total Immigrants	\$74.62	\$3412	\$113.53	\$5191
1995-2004* All Immigrants	\$998.7	\$3676	\$1535.8	\$5499

*The total immigrant population is projected to grow from 22.97 million in 1995 to 32.89 million in 2004.

The study currently does not calculate the large revenue losses due to immigration-induced depression of wage rates in unskilled trades where competition for jobs is heavy. According to researchers such as Borjas and Altonji and Card, wage depression in high immigration states pushes many unskilled citizen minorities into poverty, thus triggering the use of additional public assistance resources.⁴

To compute displacement (Methodology Exhibits 11-13), the study uses data of the Immigration and Naturalization Service (INS) to determine the percentage of less skilled immigrants in the three sub-populations. In 1994 the percentage of less-skilled in that year's flow was 62.2 percent. Of the estimated 8.03 million post-1969 legal immigrants in the labor force in 1994, slightly more than 5.0 million have low skills. Application of a displacement coefficient of 23 percent to the number of low-skill foreign workers produces estimated unemployment among U.S. workers occasioned by legal immigrants in 1994 of 1.16 million.

Public assistance and service costs and tax losses to federal, state, and local government entities for 1.16 million displaced U.S. workers are estimated by using the same two-step method applied to legal immigrants. Displacement in 1994 by less-skilled legal immigrants produced the one-year public assistance costs of \$6.84 billion in the five assistance programs and lost taxes shown in Table 6.

Because illegal and formerly illegal immigrants have markedly lower skills than legal immigrants and higher labor force participation,⁵ their displacing effect on less skilled citizen workers is more severe. The number of less skilled among 5.25 million illegal and amnestied immigrant labor force members is about 4.52 million, or 86 percent of the total. Applying the same displacement rate of 23 percent, 1.04 million low-skill U.S. citizen workers are jobless because of past illegal immigration. The cost of public assistance to U.S. workers and dependents displaced by illegal and amnestied immigrants totals \$5.58 billion distributed among the six categories in Table 6.

THE FUTURE COSTS OF THE IMMIGRANT POPULATION: THE BURDEN OF THE NEXT TEN YEARS -- AND BEYOND

The study projects the net public assistance costs of the sub-populations of immigrants for ten years beginning in 1995, taking into account both the stock of immigrants who have settled here since 1969 and those projected to settle here by 2004 (Methodology Exhibit 14).

* Assuming no changes in policy or enforcement, the country's post-1969 legal immigrant population will grow to 24.49 million by 2004.

* The nation's illegal population will rise to 8.4 million by 2004.

This study conservatively projects average annual growth of the legally settled population by 798,394 yearly for the ten-year period, continuing the current trend. The stock of illegal settlers will grow by an average of 300,000 per year, based on current estimates of growth by the INS.⁶ These figures represent the net growth of the stocks of legal and illegal immigrant after taking into account projected emigration and death rates of 1.5 percent and 0.5 percent respectively.

Table 6: Public Assistance Costs in 1994 for Displaced U.S. Workers by Major Public Assistance Program and Immigrant Sub-populations:

U.S. Workers Displaced	Displaced by Legal Immigrants (1.16 Mil.)	Displaced by Illegal Immigrants (0.66 Mil.)	Displaced by Amnesty Immigrants (0.38 Mil.)
Program	Cost in \$ Billions	Cost in \$ Billions	Cost in \$ Billions
Medicaid	\$3.18	\$1.81	\$1.04
AFDC	\$0.76	\$0.43	\$0.25
Unemployment Compensation	\$1.07	\$0.61	\$0.35
Food Stamps	\$0.77	\$0.44	\$0.25
General Assistance	\$0.11	\$0.06	\$0.04
Lost Tax Payments	\$0.95	\$0.16	\$0.14
TOTALS	\$6.84	\$3.50	\$2.08

Note: Labor force participation rates are as follows: Legal immigrants, 58.9%; Illegal immigrants, 61.6%; and Amnesty immigrants, 67.8% (See 1995 Study Methodology, Exhibits 3, 5, and 7).

* The labor force participation rates, skills profile of legal and illegal immigrants entering after 1994, and the displacement factor of 23 percent will continue.

* All projected costs and tax payments are stated in 1994 dollars.

There is considerable evidence, however, that would support even higher projections for legal and illegal immigration. The Center for Immigration Studies finds that there were 1.21 million new immigrants nationally in 1993, if asylum applicants and other humanitarian entrants are included. The Center expects this number to continue rising.⁷ The Census Bureau's high projection of all immigration is 1.37 million annually by 2080. Demographers Ahlburg and Vaupel find total immigration of one million nationally in 1990, projecting it to rise to two million in 2080, an increase of eight-tenths of one percent annually.⁸ A reasonable consensus projection for national immigration would be 11.0 million for the decade.

Legal and illegal immigration, including children born to immigrants after arrival, accounted for 46.5 percent of U.S. population growth in 1994. Legal immigration into the United States has grown by an average of 5.2 percent a year since 1970, even with the exclusion of immigrants legalized. Annual refugee admissions have increased 77 percent over the 1984-1994 period. Special humanitarian admissions (asylum seekers, temporary protected status, humanitarian parolees) have also grown rapidly. The world-wide waiting list for legal admission numbered 3.7 million in 1994. The Immigration Act has no sunset provision; unless there are changes in law and policy, numbers and costs can be expected to continue rising accordingly.

CUMULATIVE COSTS: THE NEXT TEN YEARS

These projections (Methodology Exhibits 14-20) show the annual net costs of public assistance (inclusive of displacement costs) to legal immigrants and the U.S. workers they displace will total \$419.73 billion in 1995-2004 in 1994 dollars. Comparable costs for illegal immigrants will total \$268.33 billion in 1995-2004. The total net cost of assistance and services to immigrants and the U.S. workers they displace for the ten-year period will be \$688.06 billion in 1994 dollars. Table 7 summarizes the detailed projections provided in Exhibit 14 of the Methodology.

Table 7: Total Net Public Assistance and Displacement Costs for Immigrants -- 1995-2004 in Billions of 1994 Dollars:

COSTS/ REVENUES	LEGAL IMMIGRANTS	ILLEGAL IMMIGRANTS	TOTALS
PUBLIC ASSISTANCE	\$312.12	\$224.95	\$537.07
DISPLACE- MENT COST	\$107.61	\$ 43.38	\$150.99
TOTAL	\$419.73	\$268.33	\$688.06

POLICY CONSIDERATIONS: AVOIDING FUTURE COSTS WITH REDUCED FLOWS, MORE SELECTIVITY, AND IMPROVED ENFORCEMENT

The current and prospective costs of education and public assistance for immigrants and those they displace is a massive diversion of federal and state resources from alternative investments with greater potential return (see *Appendix B: Methodology Notes: 3. Costs and Contributions Not Addressed* for a list of items not estimated in this study). Hardest hit by the state and local shares of these costs are California, New York, Texas, Florida, New Jersey, and Illinois, where nearly 80 percent of immigrants settle. Since the late 1980's, the

federal government has actually cut back its contribution to state-run assistance programs to refugees and other humanitarian entrants, while increasing the numbers admitted.

The Republican-controlled Congress elected in 1994 proposes to eliminate all forms of welfare assistance to legal immigrants, though resistance to this measure has developed among some powerful pro-immigration legislators. In its budget-cutting mode, Congress is also planning to cut such programs as AFDC, food stamps, and Medicaid for all Americans. One of their methods to freeze the growth of federal outlays is to provide the federal share of those programs to the states as block grants. Major immigrant settlement states have reason to fear that they will have to take up the federal slack as their immigrant populations continue rising.

Federal proposals to cut entitlements for immigrants, if passed at all, are likely to be laced with exceptions and may well be weakened by the courts. The best alternative cost-saving strategies and remedies available now would be:

- * better enforcement at all levels of government of public charge and financial responsibility laws on immigrants and their sponsors;
- * substantial reductions of future immigration flows below current levels, beginning with a halt to all illegal immigration; and
- * more careful selection of legal immigrants for skills and economic self-sufficiency, reducing future flows by about two-thirds.

Alternative Uses of Immigrant Assistance Funds -- If the public assistance, education and displacement costs of illegal immigrants yet to come could thus be avoided \$71.54 billion would be saved during the decade ending in 2004. If all currently settled illegal immigrants were barred from the job market and removed from public assistance and services rolls beginning in 1995 and no further settlement of illegal immigrants permitted, the total savings over the decade on illegal immigrants alone would rise to \$268.33 billion.

But 61 percent of national projected costs will result from legal, not illegal, immigration. Accepting only skilled or professional legal immigrants beginning in 1995 would reduce the projected cost of maintaining legal immigrants by \$123.45 billion. (This study looks only at the next ten years. If no action is taken to change the law or improve enforcement, the continued growth of the immigrant population and the steadily increasing per capita cost will require progressively larger outlays in subsequent decades).

Projected savings to the country for the decade from halting all future illegal immigration and admitting only skilled or professional immigrants beginning in 1995 would be \$194.99 billion. Invested, this could:

* provide full medical insurance coverage (\$6000 per year) for ten years to 3,249,833 uninsured low-income families; or

* create and maintain public works and services jobs (\$26,000 per year) for 749,962 workers for ten years; or

* provide parents with an \$8000 per year tax credit for up to 6,093,438 dependent full-time college students, for four years.

Additionally, reducing the cost of the stock of illegal aliens by 40% due to cuts in public services and more effective employer sanctions would save \$270 billion. This would render the \$270 billion in Medicare cost reduction proposed by the Republican Congress unnecessary.

The built-in momentum of established, unselective legal immigration policies, with their preference for family reunification and humanitarian admissions, unless changed, will increase the settlement of low-skill, dependent immigrants in the coming years. No major legislative changes are needed, however, to be more vigilant toward illegal immigration and more prudent in making *ad hoc* humanitarian admissions. Such measures alone could reduce costs by scores of billions between now and 2004.

In any case, environmental and other social and economic costs must be considered in addition to those costs examined here in deciding on a level of immigration that is fair to citizens, lawful resident immigrants, and future generations of Americans.

This study and the two preceding studies done by Dr. Huddle for Carrying Capacity Network are now supported by other careful studies, and decisively refute the claim that immigration is cost free.⁹

APPENDIX A:
**Why Immigrant Net Costs Increased Between
the Cost Studies for 1993 and 1994**

In a study conducted in 1993 of the public sector cost in 1992 of immigrants entering the country since 1970, Dr. Donald Huddle of Rice University found that the 19.3 million immigrants caused direct and indirect public assistance and service costs of \$42.5 billion in excess of the \$20.2 billion they paid in taxes. The following year, Dr. Huddle's updated study found that for 1993 alone, the net cost was \$44.18 billion in excess of taxes paid.

With the release this most recent 1995 study, the net annual cost of immigration in 1994 increased to over \$51 billion. Why this 16% increase?

Normal increases in the number of immigrants, (about 5%), combined with increasing costs of the programs, (about 6%), account for \$5 billion of the \$7 billion increase. The rest of the increase is attributable to the following:

1. Several new cost categories were added to the 1994 report such as the following:
 - Interest cost of financing assistance and income transfer programs;
 - Federal and state government employee benefits and disability costs for immigrants employed by federal or state government;
 - Medicare Plan B, supplemental medical insurance, including aged and disabled benefits. Medicare A was previously included under general Social Security costs. In this study, it is included as part of total Medicare costs;
 - Veterans benefits for immigrants;
 - Miscellaneous costs including additional refugee and asylee costs;
 - New higher levels of public service expenditures on immigrants for Disability Insurance and Aid to Families with Dependent Children found by the GAO for the year 1994.
2. Improved methodologies, such as the following, also added net costs or lowered tax revenues in the study of 1994 costs:
 - A new adjustment of immigrant income to separate out earnings income from welfare income which results in a lowering of net federal, state, and local income taxes to allow for untaxed benefits.

- Adjustment due to the displacement cost calculation of native-born Americans and pre-1970 immigrants being displaced by immigrants. Displacement lowers the earnings of those displaced, resulting in lower tax payments by displaced workers.
 - An adjustment in the measurement of immigrant employment which takes into account actual immigrant unemployment rather than using civilian labor force participation as the measure of actual employment. The result is less immigrant employment and earnings in 1994, and, consequently, lower tax payments.
3. Other adjustments and the addition of new tax categories were added which resulted in greater revenues and/or lower costs for immigrants.
- The cost of county and city government services to immigrants and the taxes paid by immigrants were charged at net levels rather than gross levels that included intergovernmental revenues. This lowered both costs and revenues from taxes as compared to the 1994 study of 1993 costs.
 - Unemployment taxes were added as a source of revenue from employers of immigrants. It was assumed that 50% of the tax was paid by the employer and 50% shifted down to consumers.
 - The displacement rate was lowered from 25% to 23% in the 1995 study of 1994 costs to reflect a 9% fall in the unemployment rate of low-skill native born between 1993 and 1994. This results in lower displacement costs.
 - The cost of displacement charged to illegal and legal immigrants was adjusted for the lesser employment rate of all immigrants, determined from their unemployment rates. This resulted in lower displacement costs.

**APPENDIX B:
Notes on Methodology**

1. ASSESSING IMMIGRANT POVERTY AND THE USE OF PUBLIC ASSISTANCE

Costs for the legal, illegal and amnesty immigrant sub-populations were estimated in a two-step process:

Step one involved:

- 1) calculation of an annual average nationwide cost per beneficiary -- citizen and immigrant - for each program, using 1993 government data, or the most recent available, adjusted for inflation;
- 2) determination of the probability of immigrant recipiency in each program. Thus, the combination of the per recipient cost data in step one with the probable number of immigrant recipients in each assistance program yielded the immigrant cost estimates.

Step two was to calculate the probability of immigrant public assistance use based on:

- 1) determination of the overall national recipiency rate stated as a percentage of the particular sub-population at risk, such as over 65, school-age children, persons in the labor force, and so on;
- 2) estimation of the extent to which the recipiency rate of immigrants varies from the general use rate, based on variables such as income, poverty status and propensity to use public assistance.

Thus, the combination of the per recipient cost data in step one with the probable number of immigrant recipients in each assistance program yielded the cost estimates for immigrants.

Data on poverty and public assistance use was taken from a variety of sources:

- o Samples of the 1990 U.S. Census microdata and Census Bureau publications on conditions of the foreign born in 1990:¹⁰
- o Studies of immigration researchers such as George Borjas, Leif Jensen, Frank Bean, and those of the Center for Immigration Studies (CIS), and the Rand Corporation.¹¹

2. ASSESSING IMMIGRANT TAX CONTRIBUTIONS

Tax payments of the various immigrant sub-populations in this study were estimated by using

individual and household income and tax data from the Census Bureau and Internal Revenue Service, *Statistics of Income*, adjusted to 1994. Federal income tax payments were calculated by grouping immigrant households according to income categories. The effective tax rate for each category times the number of tax-paying immigrant households in it yielded the tax contribution. To estimate federal excise tax payments, the author determined the average amount of excise tax paid for each \$1000 of income. This rate was applied to the average adjusted gross income of immigrants in each income category (See Methodology Exhibits 2, 4, 6, and 8).

State and local tax payments were calculated by determining an adjusted national average of state, county and city taxes paid per \$1000 of income. These rates were then applied to the per capita income of each immigrant sub-population. The resulting individual average tax contributions were generalized to all households in the study population (See Methodology Exhibits 2, 4, 6, and 8).

3. COSTS AND CONTRIBUTIONS NOT ADDRESSED

The study does not address the following costs associated with immigration:

Fraud and Misrepresentation - Costs of public assistance obtained by ineligible immigrants through misrepresentation.

Administration - Costs of screening, admitting, and administering immigrants in such federal departments as Justice, Health and Human Services, Labor and State, and special immigrant coordinating agencies of state governments.

Non-Immigrants - Costs of social services and education for immigrants legally residing in "non-immigrant" (i.e. temporary) status. Such categories, in large part students and temporary workers, now comprise an estimated 800,000 to one million persons nationally and have varying degrees of eligibility for assistance and services.

Commuter Immigrants - Costs in border counties and states of subsidized education for foreign commuter students receiving residential tuition rates in public schools and colleges under formal and informal arrangements.

Costs to the Environment - Environmental costs that accompany population growth, such as compliance costs with clean air and clean water acts, preservation of wetlands and toxic waste disposal. One example of such costs are the uncompensated environmental and resource costs of operating motor vehicles. This cost, which is estimated at .30 cent per mile for all legal, legalized and illegal immigrants totaled \$31.4 billion in 1994. Source: 1995 Study & Tables (See Methodology Exhibits 22 and 23).

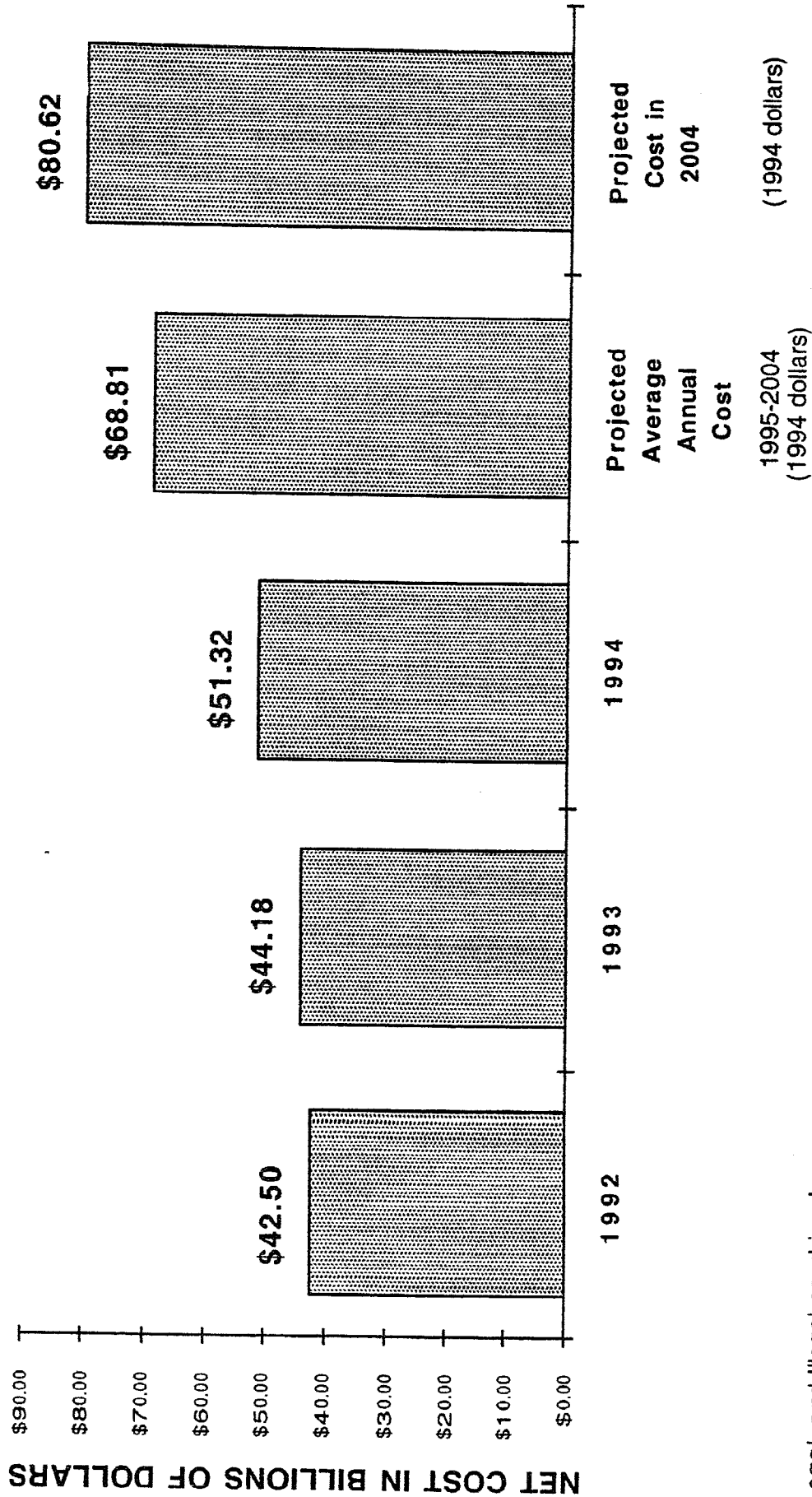
APPENDIX C:
Comparison of Total Costs for All
Post-1969 Immigrants for the Years 1992, 1993,
1994, and 2004 (Projected) in 1994 dollars

The table and chart following show the breakdown and growth in components of the total net cost of immigration over the study years of 1992, 1993, and 1994, as well as the projected cost for 2004. All figures are reported in 1994 dollars.

Table 8: Cost Comparison for Various Study Years (in 1994 Dollars)

	1992	1993	1994	2004
Total Costs (Direct Services)	\$53.88	\$112.42	\$113.53	\$187.27
Less: Taxes Paid	\$21.44	\$79.20	\$74.63	\$123.74
Cost of Direct Services	\$32.44	\$33.23	\$38.90	\$63.53
Displacement Costs	\$12.61	\$12.28	\$12.42	\$17.09
Net Costs	\$45.15	\$45.51	\$51.32	\$80.62

TREND IN NET NATIONAL IMMIGRATION COSTS*



* Legal and Illegal combined.
 All figures are net costs, i.e. after subtracting taxes immigrants pay.
 Projections assume current law and enforcement policy remain unchanged.
 Figures are not adjusted for inflation.

Endnotes

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5. See Immigration and Naturalization Service. *Immigration Reform and Control Act: Report on the Legalized Alien Population*. Washington, DC: Government Printing Office, 1992.
6. Robert Warren. *Estimates of the Unauthorized Immigrant Population Residing in the United States, by Country of Origin and State of Residence: October 1992*. Washington, DC: Statistics Division, Immigration and Naturalization Service, April 1994.
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8. Dennis Ahlburg and James Vaupel. "Alternative Projections of the U.S. Population." *Demography*, Vol. 27, No. 4., 1990.
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11. See George Borjas. *Friends or Strangers: The Impact of Immigrants on the U.S. Economy*. New York: Basic Books, 1990;
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Note on all tables: Figures may not always add up due to rounding of the last decimal.