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COMPREHENSIVE IMMIGRATION REFORM: GOVERNMENT PERSPECTIVES ON IMMIGRATION STATISTICS (CONTINUED)

HEARING

BEFORE THE

SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP, REFUGEES, BORDER SECURITY, AND INTERNATIONAL LAW

OF THE

COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

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COMPREHENSIVE IMMIGRATION REFORM: GOVERNMENT PERSPECTIVES ON IMMIGRATION STATISTICS (CONTINUED)

TUESDAY, JUNE 19, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP,
REFUGEES, BORDER SECURITY, AND INTERNATIONAL LAW
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 4:02 p.m., in Room 2237, Rayburn House Office Building, the Honorable William Delahunt (acting Chair of the Subcommittee) presiding.

Present: Representatives Delahunt and King.

Staff Present: Ur Mendoza Jaddou, Chief Counsel; Benjamin Staub, Professional Staff Member; George Fishman, Minority Counsel; and Sharon Hoffman, Minority Counsel.

Mr. DELAHUNT. This hearing of the Subcommittee on Immigration, Citizenship, Refugees, Border Security, and International Law will come to order. This is a continuation of our hearing on June 6, scheduled at the request of minority Members pursuant to clause 12(j), parenthesis 1 of House Rule 11, so as to provide additional perspectives on the topic of that hearing. Our witnesses today have been chosen by the minority, and we look forward to hearing their testimony. The Chair now recognizes the Ranking minority Member, Steve King, for his opening statement.

Mr. KING. Thank you, Mr. Chairman. I appreciate this hearing here today, and I appreciate the witnesses coming forward. The subject of this hearing is government perspectives and immigration statistics, and so as a backdrop as a framework for this, I pulled out an op-ed that is a published op-ed humbly written by me. I would like to read this to you as my opening statement, because I think it frames the subject matter that is before us in this hearing. The title is "The Voyage to Amnestistan Aboard the Clipper Ship 'America.'"

This giant American economy is like an enormous clipper ship with passengers and crew numbering some 300 million. We are the fastest sailing ship on the high seas, tempest-tossed by gusts and gales, clipping our way through the swells and spray. The crew of the "U.S.S. America," 144 million strong, trims the sails, swabs the deck, cooks in the galley, cares for the sick, bails the bilge, and steers the course. The passengers on this giant clipper ship number 156 million, including the retired who had their turn, at the ores, the children who will get their turn, the unemployed who want

their turn and the welfare recipients who are unenthusiastic about taking their turn. But the largest untapped group by far are the 70 million working age passengers who are simply not in the workforce.

Then there are the stowaways, the illegal immigrants, totaling some 12 to 20 million or more. Five of twelve stowaways are passengers in steerage, only seven of twelve are swabbing the deck or trimming the sails of "America." The Open Borders Lobby wants Americans to believe our economy would collapse without cheap labor, legal or illegal, and we must import by tens of millions to provide this labor. Theirs is a selfish and shortsighted attempt to expand their power at the expense of our Nation's sovereignty. If they succeed in granting amnesty to illegal aliens, they will sink this Nation, the giant clipper ship "America."

Two decades have passed since the 1986 amnesty "to end all amnesties." The Immigration Reform and Control Act was intended to put an end to open borders by giving amnesty to a million people who were in the United States illegally. At the time, I was appalled that Congress and the President could so flagrantly discount the rule of law, that they would pardon a million lawbreakers and reward them with the very objective of their crimes. Years later, we learned the 1 million illegal aliens intended to be pardoned by the amnesty to end all amnesties quickly became 3 million. The 300 percent increase was the result of fraud accelerated by a counterfeit document industry which immediately sprung up to meet the new demand. Today, there are probably more than 20 million illegal aliens in the United States. That number might have been less than a million if the most essential pillar of American Exceptionalism, the rule of law, had been respected and protected from 1986 through today.

Still, with a straight face, we debate granting amnesty to the 12 to 20 million illegals as if amnesty for tens of millions of lawbreakers was a simple business transaction. A pardon for tens of millions of lawbreakers is not the equivalent of a friendly corporate acquisition of another company. It is a corporate raid on the American people. The stakes are high because America is much, much more than a sanctuary for pirate companies who lure stowaways and broker the profits from their labor at the expense of the rule of law. Then, they passed the billions in added social costs of their cheap labor on to the taxpayer. America may have become a welfare state since Lyndon Johnson's Great Society was launched, but we have no obligation to issue a paid-up debit card awarding the benefits of citizenship to anyone who was able to sneak into our country.

Today, the scene on the bridge of "U.S.S. America" is the ship's elected senior officers, Congress, debating a recommendation from the captain, President Bush, that "America" needs more crew to take care of the growing number of retiring passengers. The captain and his Open Borders Lobby ensigns argue that "America" should sail off the constitutionally chartered rule of law course to take on willing crewmen from the foreign country of "Amnestistan." The captain argues that trimming sails, bailing, and swabbing is something that 70 million working age "America" passengers cannot and will not do. Regardless, they say, we have 12, perhaps 20,

million undocumented passengers and crew—stowaways—who would refuse to get off the boat at the next dock if we ask them to. But the captain and the Open Borders Lobby ensigns have made it clear they will not order them off the ship even though 90 percent of the illegal drugs abused on board were smuggled from "Amnestistan." They will not order them off even though 28 percent of court-martial convictions are stowaways. They will not order them off "America" even though the 7 percent who are stowaways produce only 2.2 percent of the work. The rule of law officers need recruit only 1 in 10 working age passengers to replace all of the 7 million working stowaways.

Instead, the captain and the Open Borders Lobby officers want to issue an all inclusive ticket to every stowaway, except those in the brig, so they can eat in the mess hall alongside the paying passengers or with the documented crew.

Having charted a proper course, the rule of law officers argue the sum total of strength, vitality and stability of "America" is directly proportional to the average individual productivity of the crew and the passengers. These officers also argue the free market design of "America" requires a higher ratio of crew to passenger and high productivity from each crew member in order to guarantee a far more seaworthy vessel and to ensure safe passage for the stakeholders. Taking on too many passengers or unskilled crew will slow and eventually sink "America." But none of these facts have been enough to sway the captain and Open Borders Lobby ensigns, some of whom maintain a good side business smuggling stowaways onto the ship.

If we simply enforce our current laws, millions of stowaways, both those working and those along for the ride, will voluntarily disembark at the next port of entry. Their departure would immediately reduce the burden on the ship's supplies and crew. Conversely, those Americans who are now riding along as passengers but who join the crew will provide a two-for-one benefit to all 300 million. By making the switch from passenger to crew, they will lift the burden off those who are carrying them and help shoulder the load of the millions who would still be passengers.

"America" has pulled into port at Amnestistan six times since the amnesty to end all amnesties. Each time Congress punched a ticket for the stowaways who were overlooked in 1986 or who qualified due to misfortune. This time the captain and the Open Borders Lobby crowd mean to forever sail off the course of the rule of law, taking aboard every willing traveler. This time their experiment will be at least 20 times greater in number than ever amnestied before. This time it will truly be an amnesty to end all amnesties. Because this time, if the Open Borders Lobby wins the debate on the bridge, they will sink "America" to the deep, dark depths of the third world, on the shoals of Amnestistan.

Mr. Chairman I look forward to testimony and I yield back the balance of my time.

[The prepared statement of Mr. King follows:]

PREPARED STATEMENT OF THE HONORABLE STEVE KING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA, AND RANKING MEMBER, SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP, REFUGEES, BORDER SECURITY, AND INTERNATIONAL LAW

The Voyage to Amnestistan Aboard The Clipper Ship "America"

This giant American economy is like an enormous clipper ship with passengers and crew numbering some 300 million. We are the fastest sailing ship on the high seas, tempest-tossed by gusts and gales, clipping our way through the swells and spray. The crew of the "U.S.S. America," 144 million strong, trims the sails, swabs the deck, cooks in the galley, cares for the sick, bails the bilge, and steers the course. The passengers number 156 million, including the retired who have had their turn at the oars, the children who will get their turn, the unemployed who want their turn, and welfare recipients who are unenthusiastic about taking their turn. But the largest untapped group by far are the 70 million working age passengers who are simply not in the workforce. They occupy a cabin or bunk in first class or steerage, depending upon their means. Then there are the stowaways—illegal immigrants—totaling some 12–20 million. We do know that not all stowaways are working as crew. Five of twelve stowaways are passengers in steerage. Only seven of twelve are swabbing the deck or trimming the sails of "America."

The Open Borders Lobby (OBL) wants Americans to believe our economy would collapse without cheap labor, legal or illegal, and that we must import more by the tens of millions. Theirs is a selfish and shortsighted attempt to expand their power at the expense of our nation's sovereignty. If they succeed in granting amnesty to illegal aliens, they will sink this nation, the giant clipper ship "America."

Two decades have passed since the 1986 amnesty "to end all amnesties." Congress passed, and President Reagan signed, the Immigration Reform and Control Act, which was intended to put an end to open borders by giving amnesty to a million people who were in the United States illegally. At the time, I was appalled that Congress and the President could so flagrantly discount the Rule of Law, that they would pardon a million lawbreakers and reward them with the very objective of their crimes. A million people rewarded for breaking the law!

Years later, we learned the one million illegal aliens, intended to be pardoned by the "amnesty to end all amnesties," quickly became three million. The 300% increase was the result of fraud, accelerated by a counterfeit document industry which immediately sprung up to meet the new demand. Today, there are probably more than 20 million illegal aliens in the United States. That number might have been less than a million if the most essential pillar of American Exceptionalism, the Rule of Law, had been respected and protected from 1986 through today.

Still, with a straight face, we debate granting amnesty to the 12–20 million illegals as if amnesty for tens of millions of lawbreakers was a simple business transaction. A pardon for tens of millions of lawbreakers is not the equivalent of a friendly corporate acquisition of another company. It is a corporate raid on the American people. The stakes are high because America is much, much more than a sanctuary for pirate companies who lure stowaways, and broker the profits from their labor at the expense of the Rule of Law. Then, they pass the billions in added social costs of their cheap labor on to the taxpayer. America may have become a welfare state since Lyndon Johnson's "Great Society" was launched, but we have no obligation to issue a paid-up debit card the benefits of citizenship to anyone who was able to sneak into our country. It is not as though they are Katrina survivors with a claim to prior contributions to the system.

Today, the scene on the bridge of "U.S.S. America" is the ship's elected senior officers—Congress—debating a recommendation from the captain—President Bush—that "America" needs more crew to take care of the growing number of retiring passengers. The captain and his OBL ensigns argue that "America" should sail off the constitutionally charted Rule of Law course, to take on "willing crewmen" from the foreign country of "Amnestistan."

The captain argues that trimming sails, bailing, and swabbing is something 70 million working age "America" passengers cannot or will not do. Regardless, they say, we have 12, perhaps 20, million "undocumented passengers and crew" (stowaways) who would refuse to get off the boat at the next dock if we ask them to. But the captain and the OBL ensigns have made it clear they will not order them off the ship even though 90% of the illegal drugs abused on board were smuggled from "Amnestistan." They will not order them off even though 28% of court-martial convictions are stowaways. They will not order them off "America" even though the 7% who are stowaways produce only 2.2% of the work. The Rule of Law officers need recruit only one in ten working age passengers to replace all of the 7 million working stowaways. Instead, the captain and OBL officers want to issue an all in-

clusive ticket to every stowaway—except those in the brig—so they can eat in the mess hall along side the paying passengers or with the documented crew.

Having charted a proper course, the Rule of Law officers argue the sum total of strength, vitality, and stability of "America" is directly proportional to the average individual productivity of the crew and the passengers. These officers also argue the free market design of "America" requires a higher ratio of crew to passenger and high productivity from each crew member in order to guarantee a far more seaworthy vessel. The only way to increase the capacity of the ship and to ensure safe passage for the stakeholders is to increase the average productivity of everyone on board. Taking on too many passengers or unskilled crew will slow and eventually sink "America." But none of these facts have been enough to sway the captain and OBL ensigns, some of whom maintain a good side business smuggling stowaways onto the ship.

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Mr. DELAHUNT. Thank you Mr. King. Let me just note that I enjoyed the maritime metaphor, coming from America's most pristine coastal district, Cape Cod, Nantucket and Martha's Vineyard, it was most enjoyable. As I indicated pursuant to House Rule 11 clause 2(j)(1), the minority in the Subcommittee is entitled, "upon request to the chairman by a majority of them—'them' meaning the minority—before the completion of the hearing to call witnesses selected by the minority to testify with respect to the measure or matter during at least 1 day of hearing thereon." On Wednesday, June 6, the Subcommittee held a hearing on "Comprehensive Immigration Reform: Government Perspectives on Immigration Statistics." At the request of the Ranking Member and the majority of the minority on this Subcommittee, today the Immigration Subcommittee is holding a minority hearing to continue the discussion. In the interest of proceeding to our witnesses, I would ask that other Members of the Committee submit their statements for the record within 5 legislative days.

And without objection, all opening statements will be placed into the record. Without objection, the Chair is authorized to declare a recess of the hearing.

[The prepared statement of Ms. Jackson Lee follows:]

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS, AND MEMBER, SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP, REFUGEES, BORDER SECURITY, AND INTERNATIONAL LAW

Today we continue these series of hearings dealing with comprehensive immigration reform. This subcommittee previously dealt with the shortcomings of the 1986 and 1996 immigration reforms, the difficulties employers face with employment verification and ways to improve the employment verification system. On Tuesday May 1, 2007, we explored the point system that the United Kingdom, Canada, Australia, and New Zealand utilize, and on May 3, 2007 the focus of the discussion was on the U.S. economy, U.S. workers and immigration reform. After that we examined

further another controversial aspect of the immigration debate: family based immigration.

Today we continue the vital task of eliminating the myths and seeking the truth. Last Wednesday's hearing dealt with probably the most crucial aspect underlying the immigration debate, an immigrant's ability to integrate, and assimilate into American society. Last Thursday we tackled another pressing topic, the practical issue of the impact of immigration on States and Localities. On Friday May 18, 2007 we discussed the issue of the "Future of Undocumented Immigrant Students," and on May 24, 2007 we examined the "Labor Movement Perspective" on comprehensive immigration reform. Today we will examine the perspectives of the business community.

Much of the rhetoric that those in the anti-immigrant camp have repeated in their efforts to deter comprehensive immigration reform is based in pure ignorance. Webster's dictionary defines ignorance as, "1. without knowledge or education. 2. Displaying lack of knowledge or education. 3. Unaware or uninformed: Oblivious." When I hear the rhetoric of those individuals in the anti-immigrant camp this very definition comes to mind, because either these individuals are actually without knowledge, willfully display a lack of knowledge, are simply uninformed, or just oblivious to the facts.

Individuals in the anti-immigrant camp consistently promote misconceptions about the undocumented population that serve this debate no justice. For example many argue that illegal immigrants are a burden on our social services, they are criminals, they are "taking" American jobs, they hate America, and they are harming our economy, and depressing the wages of American workers.

Over the last two months we have debunked all of these myths. Fact of the matter is that most illegal immigrants do not utilize social service programs out of fear of being detected; they have an incarceration rate that does not compare to those of native born individuals; the concept that they are taking jobs conflicts with all the data that suggest that there is a labor shortage in the agriculture, construction, and service industries; individuals who come here to live the American dream cherish the opportunity and their children are as American as apple pie; and we have heard testimony before this subcommittee that illustrates the fact that immigration benefits our economy, and the impact of immigration on wages is small if any.

Along those same lines the biggest dispute regarding immigration statistics is the actual number of undocumented workers who are present here in the United States, the estimates range from 12 million to 20 million. Two weeks ago, we heard from Dr. Ruth Ellen Wasem of the Congressional Research Service, which agency has studied this subject in detail.

The CRS reports that according to the Census Bureau there were 36 million foreign born people who resided in the United States in 2005. A further look at this population reveals that 34.7% of these individuals were naturalized; 32.7% were legal permanent residents; 2% were temporary; and 30.7% were unauthorized. These statistics seem to verify the fact that there are about 12 million undocumented workers here in the United States as opposed to 20 million.

The witnesses testifying today have been called to this hearing held at the request of the minority to challenge the Government's statistical analyses. An opposing view will be presented by the following witnesses:

Steven Camarota
Director of Research
Center for Immigration Studies

Robert Rector
Senior Research Fellow
The Heritage Foundation

Shannon Benton
Executive Director
TREA Senior Citizens League

I look forward to the testimony of these witnesses, Madam Chairwoman, I yield back my time.

Mr. DELAHUNT. We will now proceed to hear the testimony of the witnesses before us today. First, we would like to welcome Steven A. Camarota, Director of Research at the Center For Immigration Studies in Washington, D.C. He holds a doctorate from the University of Virginia in public policy analysis and a master's degree in political science from the University of Pennsylvania.

Next we would like to welcome back Mr. Robert Rector, a senior research fellow at the Heritage Foundation. Mr. Rector graduated with a bachelor's degree from the College of William & Mary and a master's degree from Johns Hopkins University.

Finally, I would like to extend our welcome to Shannon Benton, the executive director of the TREA Senior Citizens League. Prior to her work at TREA, she had a 14-year military career as a medical corpsman in the U.S. Army. She holds a bachelor's of science degree in management.

Each of your written statements will be made part of the record in its entirety. I would ask that you now summarize your testimony in 5 minutes or less. To help you stay within that time, there is a timing light at the table. When 1 minute remains, the light will switch from green to yellow, and then to red when the 5 minutes are up.

Mr. DELAHUNT. Dr. Camarota, please begin.

TESTIMONY OF STEVEN A. CAMAROTA, Ph.D., DIRECTOR OF RESEARCH, CENTER FOR IMMIGRATION STUDIES

Mr. CAMAROTA. I would like to thank the Subcommittee for inviting me, and my name is Steve Camarota. I am Director of Research at the Center for Immigration Studies. Let me first talk about illegal aliens and the retirement programs. Illegals are mostly of working age and cannot collect benefits, thus they are currently a net positive for Social Security and Medicare. Illegals paid out $7 billion to these programs or an amount equal to about 1.5 percent of the programs' expenditures. That $7 billion figure, I should point out, is my estimate, and it is sometimes erroneously attributed to others, but, in fact, it is my estimate.

Although illegals are a benefit to retirement programs, in that same research where I estimated the $7 billion, I also found that the illegal aliens are a net drain on the rest of the Federal budget. So all of the net benefit they create for Social Security and Medicare is eaten up by the drain they create in the rest of the budget. The net fiscal drain, all taxes paid minus all services used, was about $10 billion in 2002. It is also important to understand that even the relatively tiny positive effect they have on Social Security and Medicare is partly due to their inability to collect benefits. If legalized, they would represent a long-term drain because illegal aliens are overwhelmingly individuals with very little education and thus have low incomes. Social Security pays more generous benefits to low-income workers than what it pays to higher income workers.

So if legalized, you would be adding a lot of low income poor folks to the system and further straining it. Let me talk more generally about immigrants and Social Security. All the research shows that immigration is only a tiny impact on the solvency of the program. According to the Social Security Administration, if legal immigration was cut by 41 percent from 800,000 to 470,000, it would increase the program's projected deficit by only 2.5 percent. And it is not clear that even this tiny benefit exists because the Social Security Administration assumes that legal immigrants have exactly the same wages as native-born individuals from the moment they

arrive and thus, make tax payments roughly similar. This runs contrary to a large body of literature.

Immigration has such a tiny impact on Social Security because immigration is only a tiny impact on the aging of American society. The 2000 census showed that if all post-1980 immigrants and all of their U.S.-born children were not counted, the working age share of the population, 15 to 64, would be about 66 percent. If we count all the immigrants in the 2000 Census, the working age share of the U.S. population is exactly the same, about 66 percent. Looking to the future, Census Bureau projections show immigration, regardless of its level, has only a tiny impact on the aging of society because immigrants age just like everyone else. They are not that much younger to start, and their fertility, while somewhat higher, converges with native fertility pretty quickly.

To put it a different way, immigration adds to the working age population and it also adds to the population too old or too young to work. No serious demographer argues that immigration makes America much younger.

Finally, I would like to talk about the labor market and the idea that we are desperately short of less educated workers. There is no evidence of a labor shortage, especially at the bottom of the labor market. If there were, wages and benefits and employment should all be increasing very fast as employers bid up benefits and so forth for workers in a desperate attempt to retain and attract workers who don't have a lot of education. That is not what is happening. The share of native-born Americans who don't have a high school degree, who are in the labor force, has been declining. It even declined from 2005 and 2006. The share of Americans who only have a high school degree has been declining, again within the last year. There are 23 million adult natives with a high school degree or less who are either unemployed or not in the labor force right now. There are 10 million teenagers 15 to 17 who are unemployed or not in the labor force right now.

In comparison, there are about 7 million illegal aliens holding jobs. If we look for a labor shortage while looking at wages, again we find the same pattern. Hourly wages for men with less than a high school education and hourly wages have for men with only a high school education have actually stagnated, and in some cases, declined in real terms in the last 5 years, all of which is a strong indication that there is no labor shortage.

It is very hard to find an economic reason to allow in large numbers of less educated immigrants. We seem to have a lot of such workers. Such workers tend to a net drain on public coffers. Immigration, legal or illegal, cannot fix the problem of an aging society. We will have to look elsewhere to deal with that issue.

Mr. DELAHUNT. Thank you, Mr. Camarota. That was extraordinarily well done.

Mr. CAMAROTA. Thank you.

[The prepared statement of Mr. Camarota follows:]

PREPARED STATEMENT OF STEVEN A. CAMAROTA

Immigration, Social Security and The Labor Market

Testimony Prepared for the House Judiciary Committee
Subcommittee on Immigration and Claims
June 19, 2007

by Steven A. Camarota
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Overview:

Illegal Aliens and Retirement Programs:

- Illegals are mostly of working age, and cannot collect Social Security or Medicare, thus they are currently a net positive for Social Security and Medicare. Illegals pay about $7 billion into the two programs, or an amount equal to about 1.5% of the programs expenditures. (The $7 billion figure is my estimated; it is sometimes erroneously attributed to others.)

- However, illegal aliens are a net fiscal drain on the non-Social Security (SS) and Medicare parts of the federal budget, so all of the net benefit they create for SS and Medicare is offset by the drain they create in the rest of the Federal Budget. The net fiscal drain (all taxes paid minus all services used) is over $10 billion.

- Even the relatively tiny positive effect they currently have on (SS) and Medicare is partly due their inability to collect benefits. If legalized, they would represent a long term drain because illegals overwhelming have little education, and thus have low average incomes. Because Social Security pays more generous benefits to low-income workers relative to what they pay in, legalization would add millions of low-income workers to the system, further straining it.

Legal Immigrants and Retirement Programs:

- Legal immigration has only a tiny impact on the solvency of the Social Security System. According to the Social Security Administration (SSA), if legal immigration was reduced 41 percent, from 800,000 to 470,000, it would increase the program's projected deficit by just 2.5 percent of the funding deficit and 3.6 percent of the deficit, if one assumes the trust fund is a real asset.

- It is not clear that even this tiny benefit exists, because SSA assumes legal immigrants have earnings and resulting tax payments as high as natives from the moment they arrive, which is contrary to a large body of research.

- SAA estimates also ignore the fact that legal immigrants are about twice as likely to receive the Earned Income Tax Credit as natives, which according to the IRS was specifically created to "offset the burden of Social Security taxes" on low-income workers.

Immigration and the Aging of American Society:

- The main reason immigration cannot save retirement programs is that it has a small effect on the aging of American society.

- In 2000 the average age of an immigrant was 39, which is actually about four years older than the average age of a native-born American. Immigrants age like everyone else.

- The 2000 Census shows that if all post-1980 immigrants and their US-born children are not counted, the working-age share of the population (ages 15 to 64) would be 65.9

percent, almost exactly the same as the 66.2 percent when they are all counted.

- Looking to the future, Census Bureau projections indicate that if net immigration averaged 100,000 to 200,000 annually, the working age share would be 58.7 percent in 2060, while with net immigration of roughly 900,000 to one million, it would be 59.5 percent.

Immigration and Less-Educated Workers:

- There is no evidence of a labor shortage, especially at the bottom end of the labor market where immigrants, especially illegals, are concentrated. If there was, wages, benefits, and employment should all be increasing fast, the opposite of what has been happening.

- Employment has declined significantly for the less-educated. The share of adult natives (18 to 64) without a high school diploma in the labor force fell from 59 to 56 percent between 2000 and 2006, and fell from 78 to 75 for those with only a high school diploma. This means they are neither working nor looking for work.

- There are 23 million adult natives with a high school degree or less unemployed or not in the labor force. There are 10 million native-born teenagers (15 to 17) unemployed or not in the labor force. There are 4 million college students unemployed or not in the labor force. In comparison, there are an estimated 7 million illegal aliens holding jobs.

- Wages and benefits have generally stagnated or declined for the less-educated. Hourly wages for men with less than a high school education grew just 1 percent between 2000 and 2005. Hourly wages for men with only a high school degree declined by .5 percent between 2000 and 2005. The share of employers providing health insurance has also declined.

Introduction

Supporters of high levels of immigration often assert that we need immigration to save Social Security. They argue that without large-scale immigration, legal and illegal, there will not be enough people of working age to support the economy or pay for government.

Actually, a good deal of research has been done on these questions by actual demographers, the people who study human populations, and there is widespread agreement that immigration has very little impact on the aging of American society. It is true that immigrants tend to arrive relatively young, and it is also true that they tend to have more children than native-born Americans. But immigrants age just like everyone else; moreover the differences with natives are not large enough to significantly alter the nation's age structure.

The Social Security System

The discussion of Social Security that follows is drawn mainly from an April 2005 report published by the Center for Immigration Studies.[1] Because payments to current retirees come from current workers, adding workers through immigration, advocates argue, will significantly extend the solvency of the program. While there is an inherent plausibility to this line of thinking, it turns out to be mistaken.

Overview of Social Security System. To understand immigration's impact, it first helps to understand the size and scope of Social Security's problem. In the 1980s, Congress increased Social Security taxes in order to create a surplus that could be used, in theory, to pay benefits in the future when there will be a surge in retirees as baby boomers turn 65. The accumulated surplus is called the trust fund. According to the 2004 report of the Social Security trustees, expenditures will exceed revenue in 2018, but continuing tax payments plus money in the trust fund can pay out benefits until 2042. However, Congress has taken out all the money in the fund to cover the costs of other programs — $1.5 trillion so far, leaving IOUs from the federal government to itself in the form of U.S. Treasury bonds.[2] This fact is important because if immigrants did create a net benefit for the Social Security system, but a large net drain on the rest of the federal budget, then any money in the Trust Fund would by law have to be used to cover the drain created by immigrants in the rest of the budget. Thus looking at only the Social Security system makes little sense. The real issue is the impact of immigration on the entire budget, not one part of the budget.

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[1] The entire report can be found at: www.cis.org/articles/2005/back505.html

[2] Its worth noting that the government even counts the several hundred billion dollars in interest the government owes itself on the these bonds as part of the Trust Fund.

In dollar terms the system will need some $ 3.7 trillion dollars over the next 75 years to pay retirees, assuming no benefit cuts. If one does not treat the trust fund as a real asset, then the actual shortfall is $5.3 trillion. Again, all these figures are from the 2004 Trustee's report. I use the 2004 figures because that was the last time the Social Security Administration provided detailed estimates of the impact of different levels of immigration. The overall numbers do not change much from year to year, so the figures for 2004 are very similar for those from 2006.

How much can immigration solve this problem? The Social Security Administration runs projections assuming different levels of legal immigration. They don't really deal with illegal immigration. But, their estimates do provide insight into immigration generally. For its baseline projections they assume legal immigration of 800,000 a year. According to SSA, if legal immigration was reduced 41 percent from 800,000 to 470,000, it would increase the deficit by $133 billion over 75 years. A seemingly large number, but this comes to just 0.4 percent of the program's 75-year projected expenditures, 2.5 percent of the funding deficit, and 3.6 percent of the deficit, if one assumes the trust fund is real.

What might this mean for average taxpayers? To make up the difference for cutting legal immigration by 41 percent, taxes would have to be increased by $21 a year for the average worker making $33,000 a year, or $42 if one assumes that workers bear the costs of taxes levied on employers. Reducing immigration from 800,000 to 470,000 a year would be substantial. But doing so would have only a tiny effect on Social Security.

SSA projections also show what would happen if legal immigration was doubled from 800,000 to 1.6 million annually over the next 75 years. This would reduce the deficit by $346 billion over 75 years. This is equal to only 6.6 percent of the funding shortfall, or 9.4 percent if the trust is treated as real. Putting aside how unlikely an increase in legal immigration of this size is, if doubling legal immigration leaves more than 90 percent of problem in place, then it makes no sense to tout it as a significant part of the long-term solution to the problem.

Low-Income Workers are a Problem for Social Security. In truth, it's not even clear that the small projected benefits from legal immigration actually exist. In its projections the SSA assumes that immigrants will have wages and resulting tax payments as high as the existing population at the same age. The existing population is, of course, overwhelmingly native-born. So, in effect, SSA is assuming newly arrived immigrants will have parity with natives in terms of tax payments from the moment the immigrants arrive. This is contrary not only to common sense but also a very large body of research showing that legal immigrants are significantly poorer than natives on average, resulting in lower tax payments. This matters for a number of reasons, not the least of which is that Social Security is redistributive in nature. For example, a new retiree in 2004 with average earnings receives benefits equal to roughly 40 percent of his working income. In contrast, a worker with half the average income receives 50 percent of his

earnings. By treating them as average from the moment they arrive, SSA is significantly overestimating the positive impact of immigrants both in terms of their immediate impact on the system and their long-term effect. In fairness, SSA is aware of this problem — they simply are not sure how to deal with it in their projections.

The lower income of immigrants also matters because of the Earned Income Tax Credit (EITC), which pays cash to low-income workers. As the IRS states on its web site, the credit was created to "offset the burden of Social Security taxes" on low-income workers. My own research shows that legal immigrants are more than twice as likely as natives to receive the credit. While not directly part of the Social Security system, one cannot ignore the fact that so many legals immigrants, in effect, get all or most of their Social Security taxes refunded through the EITC.

Even if one ignores the EITC, and the significant differences in immigrant and native lifetime earnings, and tax payments, the fact remains that SSA's own projections show a small impact from legal immigration on the system relative to its size.

Illegal Immigration and The Social Security System

The discussion above makes clear that legal immigration has only a very modest effect on the solvency of the program over the long term. It's not even clear that the effect is positive, when one considers the redistributive nature of the program, and the fact that immigrants have much lower lifetime earnings than natives, something that SSA does not take into account in its estimates. But, what of illegal aliens?

There are three things to keep in mind when considering illegal aliens and Social Security and Medicare: First, because they are mostly of working age, and because they cannot collect Social Security, they are presently a net positive to the Social Security system. Second, they are a net drain on the non-Social Security parts of the federal budget, so all of the net benefit they create for the Social Security and Medicare is offset by the drain they create in the rest of the Federal Budget. Put a different way, all the money they pay into Social Security and Medicare is immediately taken out in order to cover the drain they cause in the federal budget in areas other than Social Security. Third, even the positive effect they have on the Social Security and Medicare systems is mainly due to the fact that they are illegal aliens and cannot collect benefits. If legalized, they would represent a long term drain on the program.

Current Net Positive Effect. It is often pointed out that illegal aliens pay some $8 billion in Social Security and Medicaid taxes, which it must be emphasized is my estimate. Although, it is sometimes erroneously attributed to the SSA or the National Academy of Sciences, in fact, the figures are from a 2004 report I authored and published by the Center for

Immigration Studies entitled, *The High Cost of Cheap Labor*.[3] In that report I found that illegal aliens households pay almost $5.2 billion in Social Security tax and nearly $1.7 billion in Medicaid tax. In total, illegal alien-headed households create paid almost 7 billion into the too programs. They also used about $1 billion in services for net gain to the two programs of about 6 billion. This net benefit is equal to less than 2 percent of total expenditures on these two programs. Thus any benefit to these programs is very small relative to their size. Moreover, they created a large fiscal drain in the rest of the budget that used up all the benefit they created for Social Security and Medicare.

Even with Social Security Illegals Are a Net Drain. In addition to Social Security and Medicare my study also found that illegal alien households paid $7.9 billion in other taxes, including income and excise taxes. In total illegal alien households paid nearly $16 billion in taxes to the federal government. However, they imposed costs on the federal government of $26.3 billion for a net fiscal drain of over $10 billion. This means that all the money they paid into Social Security and Medicare was, in effect, immediately taken out in order to cover the drain they created in the rest of the federal budget. Federal law requires that any money in the Social Security trust fund be taken out and used for other expenses if the non-Social Security parts of the budget are in deficient. Thus focusing on retirement programs would seem to make little sense because they are not separate programs. Funds in the Social Security system are available to be used for other programs. Thus, any gains to the Social Security from illegal aliens to is illusionary.

Why Legalizing Creates a Larger Fiscal Drain. If we just focus on the Social Security and Medicare systems we can see that having workers who pay into the system who can never access benefits cannot help but be a fiscal benefit, thought the benefit is trivial relative to the size of these programs. Of course, one would have to ignore the net drain on the rest of the budget, which would eat up the benefit to Social Security. But even the tiny benefit for Social Security/Medicare only exists in the long run if illegal aliens remain illegal and are thus unable to receive payments. If legalized, then they would be able access the program. Legalization would be a significant problem for the program in the long run because illegal aliens are overwhelming individuals with little education. Between 50 and 60 percent have not completed high school, and another 20 to 25 have only a high school education. Education is the single best predictor of income and resulting tax payments. As already discussed, Social Security is redistributive in nature, paying relatively more generous benefits to lower income workers than it pays to higher income workers. Legalization would add large numbers of less-educated workers to the system, which will cause the system to go bankrupt sooner.

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[3]The entire report can be found at www.cis.org/articles/2004/fiscal.html.

A 1997 study by the National Academy of Sciences entitled *The New Americans*, estimated that an immigrant with less than a high school education is a lifetime net fiscal drain (taxes paid minus serviced used) of $89,000 at all levels of government. If the immigrant has only a high school education the net fiscal drain was estimated at $31,000. It is also worth noting that my study cited earlier, that estimated the Social Security and other tax payments of illegals, also found that if alien aliens were legalized and began to pay taxes and use services like legal immigrants with the same level of education, the net fiscal costs for the federal government would increase about $16 billion, to a drain of $29 billion.

Immigration's Impact on Aging of Society

On the larger question of whether immigrants can solve the problem of too few workers relative to dependents, my own research for the Center for Immigration Studies as well as the work of others shows that immigration has only a small impact on aging.[4] While it may be surprising to some, in the 2000 Census, which included legal immigrants and most illegals as well, the average age of immigrants was 39 years compared to 35 years for native-born Americans. This reminds us of an obvious fact, often overlook by immigration enthusiasts: even immigrants age. If we look at only those immigrants who arrived after 1980, their average age is somewhat less, 33 years in 2000. But if I remove all 22 million post-1980 immigrants from the Census, the average age of the population increases by only 4 months. In other words, two decades of the heaviest immigration in American history didn't make us significantly younger.

Another way to look at this question is to examine the share of the population who are of working age, usually defined as 15 to 64. In 2000, two-thirds of the population was of working-age with or without post-1980 immigrants. Looking at the full impact of post-1980 immigrants shows that if they and all their U.S.-born children are not counted, the working-age share in 2000 was still two-thirds. It must be remembered that immigration adds to both the working-age population and the population too young or too old to work.

What About the Future? One way to measure immigration is to examine birth rates. After all, children born today will live here for decades to come. In 2000 women in America had 2.1 children on average, compared to 1.4 for Europe. But if all immigrants are excluded, the U.S. rate would still have been about 2 children. Americans do have significantly more children on average than women in other developed countries, but the reason for this is not the presence of immigrants.

The Census Bureau has actually projected the combined impact of new immigrants and

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[4] The discussion that follows drawns from a April 2005 report entitled, *Immigration in an Aging Society* which can be found at: www.cis.org/articles/2005/back505.html

their descendants over the next century. They find that if "net immigration," the number coming minus the number leaving, averaged 200,000 a year, the working age share would be 59 percent in 2060, almost exactly the same as if net immigration averaged roughly one million. In other words, admitting about 50 million more immigrants has very little effect on the age structure. As the Census Bureau itself states in a 2001 report, immigration is a "highly inefficient means" for increasing the working age share of the population in the long run.

There is no doubt that the aging of the nation's population will create very real challenges. But the level of immigration is almost entirely irrelevant to this problem. America will simply have to look elsewhere to met these challenges.

No Evidence of a Shortage of Less-Educated Workers

There is no evidence of a labor shortage, especially at the bottom end of the labor market where immigrants are most concentrated. If there was, wages, benefits, and labor force participation should all be increasing fast, the opposite of what has been happening. This is especially true for the kinds of workers illegal aliens compete with. My research and that of the Pew Hispanic Center indicated that 50 to 60 percent of illegals have not completed high school and another 20 to 25 percent have only a high school degree. All of the data collected by the government indicates that there is surplus of labor of this kind in the county.

Employment Has Declined Significantly for the Less-Educated. The share of adult natives (18 to 64) without a high school diploma in the labor force fell from 59 to 56 percent between 2000 and 2006, and fell from 78 to 75 percent for those with only a high school diploma. This means they are neither working nor looking for work. Two recent studies find that immigration is harming the employment of native-born workers. Andrew Sum and his colleagues at Northeastern University have also published several reports showing that all or almost all job growth from 2000 to 2005 went to immigrants. A recent paper by Andrew Sum and his colleagues found that the arrival of new immigrants (legal and illegal) in a state results in a decline in employment among young native-born workers in that state. Their findings indicate that young native-born workers are being displaced in the labor market by the arrival of new immigrants.[5] In another recent paper published by the National Bureau of Economic Research

[5]"The Impact of New Immigrants on Young Native-Born Workers, 2000-2005," September 2006, Center for Immigration Studies, by Andrew Sum, Paul Harrington, and Ishwar Khatiwada. www.cis.org/articles/2006/back806.html

the authors found that a 10-percent, immigrant-induced increase in the supply of a particular skill group reduced the wages of black men by 3.6 percent, lowered the employment rate of black men by 2.4 percentage points, and increased the incarceration rate of black men by almost a full percentage point. Overall the authors concluded that immigration was responsible for 40 percent of the decline in black employment between 1980 and 2000.[6] Whether immigration is harming less-educated natives or not, the fact remains that the employment data runs completely contrary to the argument that the nation is desperately short of less-educated workers.

There are 23 million adult natives with a high school degree or less unemployed or not in the labor force. There are 10 million native-born teenagers (15 to 17) unemployed or not in the labor force. There are 4 million college students unemployed or not in the labor force. In comparison, there are an estimated 7 million illegal aliens holding jobs.

Wages Show No Evidence of Labor Shortage. When we look at wages and benefits we find the same basic pattern as in employment. Wages and benefits have generally stagnated or declined for the less-educated. According to the Economic Policy Institute, hourly wages for men with less than a high school education grew just 1 percent between 2000 and 2005. Hourly wages for men with only a high school degree declined by .5 percent between 2000 and 2005. The share of employers providing health insurance has also declined. There is good deal of research showing that immigration has contributed to the decline in employment and wages for less-educated natives. But even putting aside this research, the fact remains the wages and benefits data run completely contrary to the idea that there is a significant shortage of less-educated workers in the country.

Other factors have also adversely impacted wages and employment opportunities for less-educated natives, such as technological change and globalization. But labor-saving devices and access to imports make allowing in less-educated workers all the more unnecessary economically and only adds more pressure on the less-educated. Immigration levels are something we can actually change, unlike technological innovation or globalization. All research indicates that less-educated immigrants consume much more in government services than they pay in taxes. Thus, not only does such immigration harm America's poor, it also burdens taxpayers.

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[6]"Immigration and African-American Employment Opportunities: The Response of Wages, Employment, and Incarceration to Labor Supply Shocks," NBER Working Paper 12518,

Mr. DELAHUNT. Mr. Rector.

TESTIMONY OF ROBERT RECTOR, SENIOR RESEARCH FELLOW, THE HERITAGE FOUNDATION

Mr. RECTOR. Thank you for the opportunity to be here today. I am going to talk about the long-term fiscal effects of granting amnesty to the current illegal population. When we start with that, we have to recognize that one of the predominant characteristics of this illegal immigrant population, aside from the fact that they are very poorly educated, is that there are very few of them that are elderly, virtually no elderly people among that group.

So one of the effects that you get by granting them legal status is that immediately, for example, in the Senate bill from the moment they get a probationary Z visa, they have a Social Security number, they begin to contribute into Social Security and earn entitlement to Social Security and Medicare that they categorically don't have now. And that means that about 30 years from now, they will be taking out from those programs as well as ancillary programs from the elderly, such as Supplemental Security Income and Medicaid.

So if we assume there are 12 million illegals, about 10 million of those are adults, we must assume that looking at the current types of benefits received by that type of immigrant when they turn elderly, they will receive a minimum of about $17,000 a year in net benefits each year after retirement, and they will live, according to current projections, at least 18 years into retirement.

So that comes to a net cost in retirement years of over $300,000 from a group that will have contributed very little in taxes during its working years. In fact, they are almost certainly net fiscal takers even during their working years. But when you take those figures and multiply them by the 10 million adults that we would give amnesty to, allowing for certain attrition and mortality, you come up to a net cost on the taxpayer in retirement of over $2.5 trillion. That is an extraordinary sum.

Another way of thinking about this is if we are talking about adding 5 to 10 percent on an increase in Social Security beneficiaries and 30 years from now at a point in which Social Security will already be running an annual deficit of $200 billion that we can't even possibly begin to imagine how we will pay for.

So we are going to add on another $8, $9 million predominantly high school dropout beneficiaries. I guess if you are already bankrupt, you don't actually have to take into consideration the cost of what you are doing. There are certain factors that could actually lead this estimate to be considerably on the low ball. One is that the way that I costed for that estimate, the cost of an elderly immigrant retiree was based on 2004 data. But all data showed that, for example, medical costs and the Medicaid and Medicare programs expanded roughly 2 percent faster than the consumer price index. So that in real deflated terms, those benefits for the retirees 30 years from now would probably be about 50 percent higher in today's dollars than the ones that I used.

Also the bill does not have a provision at the present time to allow spouses to enter from abroad. If an illegal immigrant has a spouse or a child abroad, we are to assume that they will be kept

there forever. That does not sound like the way that we make decisions in this country, and I expect that we will also allow in spouses and children from abroad. That can add as much as an additional 4 or 5 million immigrants on top and that will add to the additional cost. And then there is the issue of fraud. Fraud could be extensive and also move up the number of people entering into the system and costing the system.

On the other hand, there are some factors that might bring this down. For example, if the second generation children of these immigrants themselves become net taxpayers, that could reduce the cost somewhat. What I would say fundamentally is that there are two arguments that I have seen advanced against this. One is to quote the Social Security study itself. It shows that immigrants are a net positive. That study, as Mr. Camarota has mentioned, is based on assuming the immigrant has the skill level and earnings of the average American. The second is that you simply cannot analyze Social Security in isolation. It is true that low-skill immigrants contribute maybe $3,000 a year to Social Security. But if they draw down 10 times that much in benefits from other programs and other revenue sources, the government is not better off.

This will become dramatically clear about 10 years from now when Social Security costs will increasingly be funded not by Social Security taxes but by general revenue. If there is a drawdown on general revenue because a working-age immigrant is drawing more in, say, welfare benefits or other types of benefits, then that puts additional strain on funding the retirement system. It doesn't make it better. Overall granting amnesty to illegal immigrants is not only profoundly unfair, it will be profoundly costly to the U.S. taxpayers.

Mr. DELAHUNT. Thank you, Mr. Rector.

[The prepared statement of Mr. Rector follows:]

PREPARED STATEMENT OF ROBERT RECTOR

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CONGRESSIONAL TESTIMONY

The Long-Term Fiscal Costs of Amnesty

Testimony before
The Subcommittee on Immigration
Committee on the Judiciary
United States House of Representatives

June 19, 2007

Robert Rector
Senior Research Fellow

Domestic Policy Studies
The Heritage Foundation

My name is Robert Rector. I am Senior Research Fellow for Welfare and Family Issues at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

The Senate is currently considering a massive immigration reform bill, the "Secure Borders, Economic Opportunity and Immigration Reform Act of 2007" (S. 1348). This bill would grant amnesty to nearly all illegal immigrants currently in the United States.

The fiscal consequences of this amnesty will vary depending on the time period analyzed. It is expected that many illegal immigrants who are currently working "off the books" and paying no direct taxes will begin to work "on the books" after receiving amnesty, and therefore tax payments will rise immediately. By contrast, under S. 1348, benefits to these immigrants from Social Security, Medicare, and most means-tested welfare programs (such as Food Stamps, public housing, and Temporary Assistance to Needy Families) will be delayed for many years. In consequence, then, the increase in taxes and fines paid by amnesty recipients may initially exceed slightly the increase in government benefits received. In the long run, however, the opposite will be true. In particular, the cost of retirement benefits for amnesty recipients is likely to be very large. Overall, the net cost to taxpayers of retirement benefits for amnesty recipients is likely to be at least $2.6 trillion.

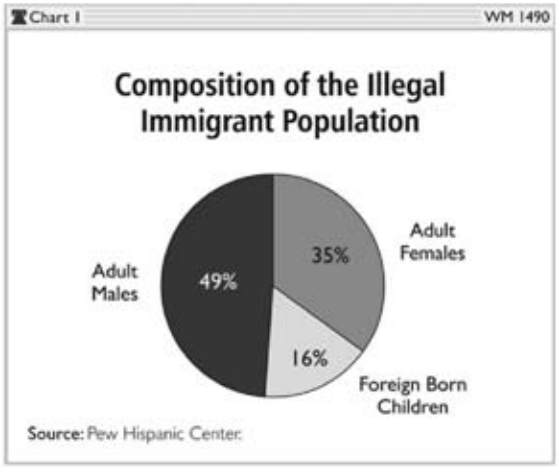
Who Are the Illegal Immigrants?

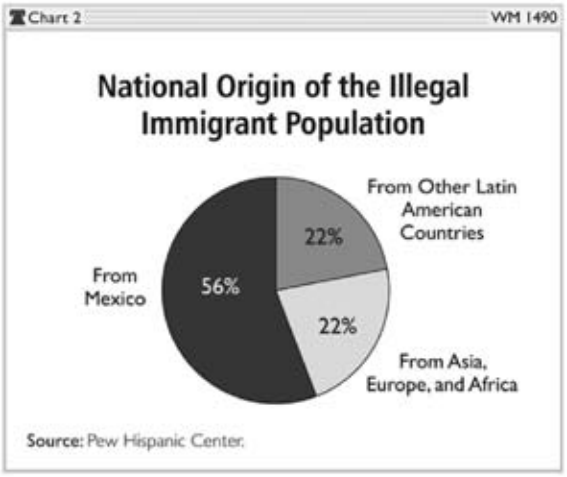
According to the most widely accepted estimates, there were 11.5 million to 12 million illegal immigrants in the United States in the spring of 2006.[1] Because the number of illegal immigrants has, on average, increased by roughly 500,000 each year, the number of illegal immigrants in the U.S. in 2007 is probably around 12 million to 12.5 million; however, these estimates are uncertain, and the actual number of illegal immigrants may be higher.

As Chart 1 shows, some 49 percent of illegal immigrants are adult males, 35 percent are adult females, and 16 percent are foreign-born children. Living in illegal immigrant families are another 3.1 million U.S.-born children of illegal immigrant parents.[2] Because they were born inside the U.S., these children are considered citizens, not illegal immigrants.

Illegal immigrants now make up about 4 percent of the U.S. population, meaning that about one in twenty-five persons currently in the U.S. is here unlawfully. Illegal immigrants make up nearly one-third of the foreign-born population in the U.S.

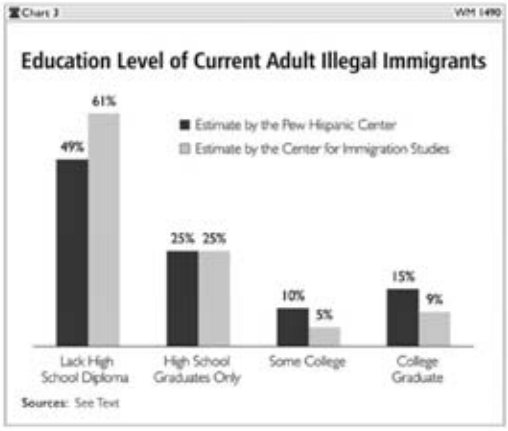
As Chart 2 shows, more than half (56 percent) of illegal immigrants come from Mexico. Another 22 percent come from other Latin American countries, and 22 percent come from Asia, Europe, and Africa.[3]



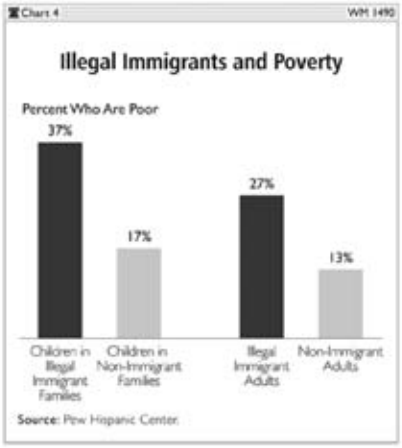


Education of Illegal Immigrants. Illegal immigrants generally have very low education levels. As Chart 3 shows, 61 percent of illegal immigrant adults lack a high school diploma, 25 percent have only a high school diploma, 5 percent have attended some college, and 9 percent are college graduates, according to the Center for Immigration Studies' estimates.[4] The Pew Hispanic Center estimates slightly higher education levels: 49 percent without a high school diploma, 25 percent with a high school diploma only, 10 percent with some college, and 15 percent with college degrees.[5]

Overall, 49 to 61 percent of adult illegal immigrants lack a high school diploma, compared to 9 percent of native-born adults.



Illegal Immigrants and Poverty. Because of their low education levels, illegal immigrants have a poverty rate that is roughly twice that of native-born Americans. As Chart 4 shows, the poverty rate of children in illegal immigrant families is 37 percent, compared to 17 percent among children in non-immigrant families. The poverty rate among adult illegal immigrants is 27 percent, compared to 13 percent among non-immigrant adults.



S. 1348 and the Amnesty Process

The Senate's immigration reform bill would offer amnesty and a path to citizenship to the 12 million to 12.5 million illegal immigrants currently in the U.S. In addition, its lax evidentiary standards would encourage millions more to apply for amnesty fraudulently. Because there is no numeric limit on the number of amnesties that could be granted under the bill, the actual number who would receive amnesty under the bill could be far higher.

In general, under S. 1348, any person who was illegally present inside U.S. borders on January 1, 2007, is eligible for Z visa status, amnesty, and ultimately citizenship. Excluded from this rule are illegal immigrants subject to a formal deportation order issued prior to enactment of the legislation and illegal immigrants convicted of a felony or three misdemeanors prior to enactment. The amnesty process consists of four stages leading to citizenship.

Stage One: Probationary Z Visas. Within 180 days of enactment of the bill, the Secretary of Homeland Security would begin accepting applications for Z visa status from illegal immigrants. The Secretary can accept applications for up to two years. The Secretary must grant "probationary Z visa" status to all amnesty applicants who pass a background check that must be completed within one business day. Except for those failing the one-day background check, applicants will automatically be granted probationary status and issued appropriate documents on the day after their application, even if the background check has not been completed.[6]

Stage Two: Permanent Z Visas. The Secretary must issue a permanent Z visa to every applicant who is determined to have met four conditions: the individual was inside the U.S. unlawfully on January 1, 2007; has not left the U.S. for more than six months since then; is employed or is the spouse or child of an employed applicant; and has passed more thorough criminal background checks that may be required. Each Z visa is good for four years and can be renewed indefinitely for the rest of the Z visa holder's life.[7] The Secretary cannot grant permanent Z visas unless the modest enforcement trigger provisions of S. 1348 have been met.[8]

Stage Three: Legal Permanent Residence (LPR). All Z visa holders who pay a $4,000 fine and pass an English test would become eligible for legal permanent residence (also known as green card status). Z visa holders must go abroad to apply for LPR status but may return to the U.S. the same day. No later than 8 years after enactment, the Secretary of Homeland Security must determine the number of Z visa holders who are eligible for legal permanent residence and grant LPR status to all such persons over the following five years at a rate of 20 percent per year.[9]

During this process, Z visa holders would be granted their own special "supplemental allocation" of green cards and would not be required to compete with other visa seekers.[10] In the 13th year after enactment, the Secretary must provide an additional allotment of green cards to Z visa holders who are qualified for Z visa status.

Stage Four: Expanded Eligibility for Government Benefits. During the initial years an immigrant is in LPR status, access to government welfare programs may be limited; however, after five years in LPR status, individuals become eligible for nearly all welfare programs. Legal permanent residents may also apply for U.S. citizenship at this point.

Eligibility for Government Benefits

The following outlines eligibility for government benefits at each stage of the amnesty process. In each case in the following text, eligibility for a benefit means that the former illegal immigrant or his family member obtains the same eligibility for that program as a U.S. citizen would have; that is, he will receive the benefits if income limits and other normal eligibility standards applying to U.S. citizens are met.

Probationary and Permanent Z Visa Status. All children born within U.S. borders to illegal immigrants, Z visa holders, or legal permanent residents are automatically U.S. citizens. As such, these children are potentially eligible for all U.S. welfare benefits from the moment of birth through the rest of their lives. All children of Z visa holders (both foreign- and native-born) have the right to attend U.S. public schools and to receive Head Start and daycare assistance.[11] In addition, adult Z visa holders and their foreign-born children will be eligible for medical care under the Medicaid Disproportionate Share Program.

All individuals placed in probationary Z visa status will be given lawful Social Security numbers,[12] which makes the Z visa holder immediately eligible for two refundable tax credits: the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC). These credits provide cash welfare assistance to low-income parents. Upon receipt of a lawful Social Security number, Z visa holders will also be granted the right to earn entitlement to future Social Security and Medicare benefits. After 10 years of employment, they will become fully eligible for Social Security and Medicare benefits, although in most cases the benefits will not commence until the individual reaches age 67.

Legal Permanent Residence. Upon obtaining LPR status, the non-citizen children of former Z visa holders will become eligible for Food Stamp benefits.[13] All legal permanent residents who have a 10-year work history in the U.S. are automatically eligible for Food Stamps, Medicaid, Supplemental Security Income, Temporary Assistance for Needy Families (TANF), and other welfare programs.[14] Many legal residents without a work history are eligible for Medicaid in 22 states, including California and New York.[15] Irrespective of employment history, amnesty recipients will become eligible for 60 different federal welfare programs five years after receiving legal permanent residence.

Citizenship. After obtaining citizenship, individuals become eligible for Supplemental Security Income, a means-tested cash aid program for disabled and elderly persons.

To summarize this process, all Z visa holders will be eligible for medical care benefits under the Medicaid Disproportionate Share Program. Foreign-born children of Z visa holders will be eligible to attend public schools and receive Head Start and daycare assistance. Children born inside the U.S. to illegal immigrant parents and Z visa holders will be eligible for public schooling and all means-tested welfare programs. Many state and local governments may also provide benefits and services to Z visa holders.

Upon obtaining a probationary Z visa, amnesty applicants will receive a lawful Social Security number, which makes Z visa holders potentially eligible for the EITC and the ACTC. In addition, they will begin to earn entitlement to Social Security and Medicare benefits. Roughly eight years after enactment, amnesty recipients will begin to enter LPR status and non-citizen children will become eligible for Food Stamps. Legal permanent residents with a 10-year work history in the U.S. will be eligible for most federal welfare programs subject to income limits and other admission criteria. No later than five years after receiving LPR status, amnesty recipients will be eligible for nearly all means-tested welfare programs.

The initial limitation on receipt of means-tested welfare will have only a small effect on governmental costs. Welfare is only 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 recipients' eligibility for means-tested welfare will be constrained for the first 10 to 15 years, they will be fully eligible for welfare during the last 30 to 40 years of their lives. Use of welfare during these years is likely to be heavy.[16]

In addition, if S. 1348 is enacted, many state and local governments are likely to begin giving benefits and services to Z visa holders that are greater than those currently provided to illegal immigrants. State governors of both parties will pressure Congress to relax the eligibility restrictions barring Z visa holders from receiving most federal means-tested benefits as a way of relieving fiscal pressure on state and local governments. In the present political climate, these efforts are likely to prove successful.

The Net Retirement Costs of Amnesty

Giving amnesty to illegal immigrants will greatly increase long-term costs to the taxpayer. Granting amnesty to illegal immigrants would, over time, increase their use of means-tested welfare, Social Security, and Medicare. Fiscal costs would rise in the intermediate term and increase dramatically when amnesty recipients reach retirement. Although it is difficult to provide a precise estimate, it seems likely that if 10 million adult illegal immigrants currently in the U.S. were granted amnesty, the net retirement cost to government (benefits minus taxes) could be over $2.6 trillion.

The calculation of this figure is as follows. As noted above, in 2007 there were, by the most commonly used estimates, roughly 10 million adult illegal immigrants in the U.S. Most illegal immigrants are low-skilled. On average, each elderly low-skill immigrant imposes a net cost (benefits minus taxes) on the taxpayers of about $17,000

per year. The major elements of this cost are Social Security, Medicare, and Medicaid benefits. (The figure includes federal state and local government costs.) If the government gave amnesty to 10 million adult illegal immigrants, most of them would eventually become eligible for Social Security and Medicare benefits or Supplemental Security Income and Medicaid benefits.

However, not all of the 10 million adults given amnesty would survive until retirement at age 67. Normal mortality rates would reduce the population by roughly 15 percent before age 67. That would mean 8.5 million individuals would reach age 67 and enter retirement.

Of those reaching 67, their average remaining life expectancy would be around 18 years.[17] The net cost to taxpayers of these elderly individuals would be around $17,000 per year.[18] Over 18 years, the cost would equal $306,000 per elderly amnesty recipient. A cost of $306,000 per amnesty recipient multiplied by 8.5 million amnesty recipients results in a total net cost of $2.6 trillion.

These costs would not occur immediately. The average adult illegal immigrant is now in his early thirties; thus, it will be 25 to 30 years before the bulk of amnesty recipients reaches retirement. At their peak level, it appears the amnesty recipients will expand the number of beneficiaries under Social Security by 5 to 10 percent. This will occur at a point when Social Security will already be running deficits of over $200 billion annually.

This is a rough estimate. More research should be performed, but policymakers should examine these potential costs very carefully before rushing to grant amnesty, "Z visas," or "earned citizenship" to the current illegal immigrant population.

Factors That Could Increase Future Costs

The $2.6 trillion figure is a rough estimate of future costs that would result from putting 10 million adult illegal immigrants on a guaranteed pathway to citizenship. There are a number of factors that could raise or lower these future costs. Among the factors that could increase the net cost (benefits received minus taxes paid) well above $2.6 trillion are the following:

1. **The actual number of illegal immigrants may be greater than 12 million.** The estimated cost of $2.6 trillion in future retirement costs outlined above assumes that the number of illegal immigrants in the U.S. in 2007 was around 12 million, based on data from the Pew Hispanic Center. While the Pew Hispanic Center is the most widely used source for demographic information about illegal immigrants, its data assume that some 90 percent of illegal immigrants appear in the Census Bureau's Current Population Survey (CPS).[19] It is possible that many illegal immigrants do not appear in the CPS and that the total number of illegal immigrants is substantially higher than 12 million. Some estimates place the number of illegal immigrants as high as 20 million. Clearly, if the illegal

immigrant population is greater than 12 million, then the net retirement costs resulting from amnesty would be, *ceteris paribus*, higher as well.

2. **There is a huge potential for amnesty fraud.** In order to receive amnesty and a Z visa and be put on a pathway to citizenship, an illegal immigrant must demonstrate that he or she was in the U.S. illegally and employed on January 1, 2007. However, the standard to demonstrate residence is very loose. The illegal immigrant need merely produce two affidavits from non-relatives asserting that he or she was working in the U.S. on the appropriate date. The affidavits could even come from other illegal immigrants. It is doubtful that the Department of Homeland Security has any real capacity to separate true affidavits from bogus ones, especially in the crush of processing millions of applications in the space of a year or two. Consequently, the potential for amnesty based on fraudulent documents is very high. In the 1986 amnesty, an estimated 25 percent of the amnesties granted were fraudulent.[20] In the last 20 years, the underground industry producing fraudulent documents has grown vastly larger and more sophisticated. In this round of amnesty, the fraud rate could be as high as or higher than in 1986, resulting in millions of additional amnesties.

3. **Spouses and children living abroad may be added to the amnesty population.** In its present form, the bill grants amnesty to employed illegal immigrants who were in the U.S. on January 1, 2007. Any spouses, children, and parents of employed illegal immigrants who were residing in the U.S. on that date will also receive Z visas and amnesty. However, many illegal immigrants have spouses and children living abroad; under S. 1348, while illegal immigrants and their families inside the U.S. are put on a path to citizenship, families living abroad are not. Family members living abroad would be denied Z visas and would not be permitted to reside in the U.S. for the foreseeable future. Presumably, the Z visa holder could have his family join him when he achieves legal permanent residence, but this would not occur until eight years after he is initially given the Z visa.

   The designers of the bill appear to have excluded spouses and children living abroad from eligibility for Z visas in order to lower the apparent number of amnesty recipients, but pressure will build to eliminate this exclusion. At some point, either before or after the bill's passage, a "technical correction" will almost certainly be introduced allowing spouses and children living abroad to obtain Z visas and get on the pathway to citizenship. For every 10 illegal immigrants living in the U.S., there may be four dependents living abroad; if the current illegal population is 12 million, the number of additional dependents who could be brought permanently into the country should the exclusion be eliminated may be as high as five million.[21] The overall number of amnesty recipients and dependents could easily reach 17 million.

4. **Medicaid and Medicare costs are likely to rise faster than the rate of general inflation.** To project the future governmental costs of amnesty recipients during

retirement, this paper has used the current net governmental costs for elderly immigrants with skill levels similar to the amnesty population. These net governmental costs amount to $17,000 per person per year in 2004; half of this cost was medical care expenditures under the Medicare and Medicaid programs. The cost of government Medicaid and Medicare benefits has tended to escalate rapidly both because medical cost inflation has been greater than the general rate of inflation in the economy and because the range of medical services provided by these programs has expanded. The cost of Medicare and Medicaid services is likely to continue to increase more rapidly than inflation for the foreseeable future. As a consequence, the actual retirement costs for amnesty recipients will almost certainly be greater than $2.6 trillion, even after adjusting for general inflation.

Factors That Could Reduce Future Costs

By contrast, three factors could reduce the future costs estimated in this paper:

1. **Not all illegal immigrants will get amnesty.** The cost estimate in this paper assumes that all illegal immigrants residing in the U.S. will receive amnesty. In reality, not every illegal immigrant who was present in the U.S. on January 1, 2007, will actually receive amnesty. Some will not apply for a Z visa. Some will be found ineligible due to lack of proof of residence, despite the lax evidentiary standards. Some illegal immigrants will fail the criminal background checks and be rejected.

2. **Some amnesty recipients will return to their native countries.** Granting amnesty and creating a pathway to citizenship creates powerful financial incentives for illegal immigrants to remain in the U.S. permanently. Nonetheless, some Z visa holders and legal permanent residents will return to their native countries before reaching old age. Even in this case, some amnesty recipients will have earned eligibility for Social Security benefits and thereby will impose governmental costs even after leaving the nation. To the extent that amnesty recipients leave the U.S. at some point in the future rather than living out their full lives in the U.S., future governmental costs will be reduced. This, however, simply underscores the fact that illegal immigrants, on average, are a fiscal burden. The longer they remain in the U.S., the greater the burden.

3. **The net taxes paid by second-generation immigrants may offset some costs.** The average amnesty recipient will reach retirement age in 30 to 35 years. By that time, many of the children of amnesty recipients will have reached adulthood and will be receiving benefits in their own right and paying taxes. This second generation will have better education and higher incomes than their parents. In consequence, their government benefits will be lower and their tax payments will be higher than those of their parents. It is possible that, on average, these second-generation immigrants will be net fiscal contributors; the taxes they pay could exceed the benefits they receive. If this is the case, their net tax payments may

offset some the government retirement costs of their parents; however, in calculating the fiscal contributions of second-generation families, it is essential to count more than Social Security taxes paid. A family that pays $3,000 in Social Security taxes while receiving $30,000 in a variety of government benefits does not contribute to governmental solvency. At present, it is uncertain to what extent, if any, the children of potential amnesty recipients will be net fiscal contributors (paying taxes exceeding total benefits). Further, even if they are net contributors, these second-generation families would have to make very large contributions in order to significantly offset the $17,000 per year net cost of their parents.

One final factor should be considered: Some illegal immigrants may become citizens, and thereby impose costs on taxpayers, even without amnesty. Under current law, a child born inside the U.S. to illegal immigrant parents is deemed a U.S. citizen. Upon reaching age 21, this child can petition for his illegal immigrant parents to be given legal permanent residence. In most cases, the petition is automatically accepted. Upon receiving LPR, the parents could begin to gain eligibility to Social Security and Medicare; within five years, the parents would become eligible for most means-tested welfare programs.

This means that, even without amnesty, some current illegal immigrants could become eligible in their retirement years for the type of benefits described in this study. Consequently, some of the costs estimated in this paper may occur without amnesty. How many illegal immigrant parents would, under current law, be placed on the pathway to citizenship by the petitions of their native-born children is unknown. Certainly the path to entitlement through the amnesty provided in S. 1348 is easier and more attractive. Nonetheless, the fact that some illegal immigrants can obtain access to government benefits under current law does not reduce the fiscal costs estimated in this paper; it simply means that a portion of these costs may occur even if S. 1348 is not enacted.

Congressional Budget Office Estimate of S. 1348

At first glance, the figures presented in this paper appear to differ from the cost estimates of S. 1348 by the Congressional Budget Office (CBO).[22] However, the CBO has estimated only the changes in benefits and revenues that would occur in the first 10 years after enactment of S. 1348. By contrast, the retirement costs analyzed in this paper will not really begin until 25 to 30 years after passage of the legislation. The current paper and the CBO study thus analyze very different impacts from the bill.

Currently, very few illegal immigrants are elderly, and virtually none receive Social Security and Medicare. A major result of S. 1348 would be to make illegal immigrants eligible for Medicare, Medicaid, and Social Security during their retirement years. CBO does not address these retirement costs at all.

The CBO report does conclude that in the first 10 years after enactment of S. 1348, federal taxes and other revenues paid by Z visa holders would increase by $63 billion while federal benefits would increase by $33 billion. This should not be surprising

since, as this paper has pointed out, under S. 1348, increases in tax revenues would occur immediately while increases in benefits, for the most part, would not begin for 10 years or more. However, in subsequent decades, benefits received by amnesty recipients would increase significantly. When the amnesty recipients reach retirement age, total benefits received will outstrip taxes paid by roughly seven to one. Thus, while amnesty may reduce government net costs slightly in the short run, in the long run, the fiscal effects will be substantially negative.

There are other limitations to the CBO study. First, it covers only federal benefits and revenues and ignores state and local government costs. Second, it covers only changes in spending and revenue that would result from S. 1348 and ignores the government benefits currently received by illegal immigrant families. Finally, the CBO report does not analyze the total fiscal balance of amnesty recipient families either before or after amnesty. (The total fiscal balance of a family equals total federal state and local benefits received by the family minus total taxes paid.) Similarly, it does not analyze the total fiscal balance of amnesty recipients either before or after retirement.

Policy Discussion: Reducing the Costs of Immigration Reform

Amnesty is not only very expensive, but it also violates the rule of law and is manifestly unfair. It gives the inestimable gift of U.S. citizenship to millions of individuals whose sole qualification for receiving citizenship is that they broke U.S. laws. Consider that on January 1, 2007, there were hundreds of thousands of foreigners in the U.S. on a variety of temporary visas. Because these individuals were here lawfully, none will be granted citizenship under S. 1348. By contrast those who were in the U.S. illegally on that same day will be given the privilege of citizenship.

Consider two foreigners who were in the U.S. on temporary visas that expired in December 2006. One of these individuals lawfully returned home upon expiration of his visa; the other chose to remain in the U.S. unlawfully. Under S. 1348, which of these individuals will be granted the privileges and benefits of citizenship? The one who broke the laws, while the individual who respected the law will have little chance for citizenship. Is this fair? Of all the people in the world who wish to come to America, why should any American feel compelled to place those who broke the laws on a guaranteed path to citizenship?

It is often argued that it is unfair to expect illegal immigrants who have spent years in the U.S. and have begun to raise families here to uproot their families and return home. But S. 1348 makes no distinction between illegal immigrants who have been in the U.S. for decades and those that have been here only a few days. Everyone who was here illegally on January 1, 2007, is potentially eligible for citizenship.

In order to constrain fiscal costs, immigration reform should include three policies:

1. **Emphasize enforcement.** In 1986, the U.S. granted amnesty to some three million illegal immigrants as a quid pro quo for a prohibition on the future hiring

of illegal immigrants. The amnesty was granted, but the prohibition on the future hiring of illegal immigrants was never enforced. S. 1348 repeats the same mistake; mass amnesty will be granted, but the border and employment enforcement provisions of the act are hollow and will probably never be enforced. To avoid repeating the mistakes of 1986, enforcement must come first.[23]

2. **Do not grant amnesty.** Amnesty is unfair and would be very expensive. Proponents of S. 1348 will argue that there is no feasible alternative to giving citizenship to all the illegal immigrants in the U.S. But serious, phased enforcement of a ban on hiring illegal immigrants would cause many, if not most, illegal immigrants to voluntarily leave the U.S. and return to their native countries. To minimize economic disruption, it might be possible to give some current illegal immigrants temporary work visas, with the explicit provision that they must return home over time. Such temporary visas would not grant access to welfare, Social Security, Medicare, or citizenship. If necessary, the exiting illegal workers could be replaced by legitimate temporary workers or by permanent immigrants who have never violated U.S. laws.[24]

3. **Close the "anchor baby" loophole.** As explained above, under current law, when U.S.-born children of illegal immigrants turn 21, they can petition the government to grant their illegal immigrant parents legal permanent residence, thereby conferring an automatic path to welfare entitlements and citizenship upon the parents (hence the term "anchor baby"). The popular concept of "birthright citizenship"—that anyone born in the United States is automatically a U.S. citizen—is historically and legally inaccurate and ought to be corrected by Congress.[25] Regardless, this backdoor path to citizenship for illegal immigrant parents should be closed.[26]

Conclusion

There are currently at least 12 million illegal immigrants in the U.S. The immigration reform bill currently being debated in the Senate would grant amnesty to these individuals and would likely result in the entry of 4 to 5 million dependents living abroad into the U.S. as permanent residents. Illegal immigrants receiving amnesty will immediately begin earning eligibility for Social Security and Medicare benefits and, after approximately 10 years, gain access to a wide variety of means-tested welfare programs, such as Medicaid, Food Stamps, and public housing.

Because amnesty recipients have very low education levels (75 to 85 percent have only a high school diploma or less), they are likely to receive more in government benefits than they pay in taxes through most of their lives. When they reach retirement age, amnesty recipients will impose a large net cost on taxpayers, receiving each year at least $17,000 more per person in benefits than they pay in taxes. The illegal immigrants granted amnesty under S. 1348 are likely to impose a net cost of at least $2.6 trillion on U.S. taxpayers during their retirement years. Policymakers should carefully consider the potential long-term fiscal costs before enacting the amnesty provisions of this bill.

Proponents of S. 1348 will emphasize that amnesty recipients will pay Social Security taxes during their working years, thereby presumably helping to alleviate the great burden already on the government retirement system. Given their low skill levels, the Social Security tax payments of amnesty recipients will, on average, be 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 will be paid but the overall fiscal balance (total federal state and local benefits received minus all taxes paid) of amnesty recipients. If the net benefits taken by amnesty recipients and their families exceed the Social Security and other taxes paid, the amnesty recipients will undermine rather than strengthen the financial support for U.S. retirees, even before they reach retirement age themselves.

Finally, if S. 1348 is enacted, the public should expect to see a broad array of new spending proposals and programs designed to help amnesty recipients move upward economically and socially. Many of these programs are likely to be enacted into law, further increasing fiscal pressures.

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[1] Jeffry S. Passel, "The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey," Pew Hispanic Center, March 7, 2006, p.1.

[2] *Ibid.*

[3]*Ibid.*, p. 5.

[4] Steven A. Camarota, "Immigrants at Mid-Decade," Center for Immigration Studies, December 2005, p. 23, and other information provided by Steven Camarota.

[5] Jeffry S. Passel, "Unauthorized Migrants: Numbers and Characteristics."Pew Hispanic Center, June 14, 2005, p. 23.

[6] Title VI, Section 601 (h)(2). J

[7] Title VI, Sections 601 (k)(1) and 601 (k)(2).

[8] Title I, Section 1 (a)(ii).

[9] Title V, Section 503 (f)(2), and Title V, Section 501 (b). Title V of the Act states that the Secretary shall begin bestowing legal permanent residence on Z visa holders eight years after enactment. By contrast, Section 602 (a)(2)(B)(5) states that Z visa holders will not be given legal permanent residence until the entire backlog of family reunification applicants has been granted legal permanent residence. If it takes more than eight years to reduce the backlog of family-based applicants, it is not clear which provision would take precedence.

[10] Title V, Section 501 (b), inserting (d) 1 C ii.

[11] Ron Haskins, "The Goal of Limiting Welfare Benefits for Non-citizens: The Emergence of Compromises" The Brookings Institute, p. 3.

[12] Title VI, Section 606.

[13] Ruth Ellen Wasem, "Non-citizen Eligibility for Federal Public Assistance: Policy Overview and Trends," *CRS Report for Congress,* January 19, 2007, p. 18.

[14] *Ibid.*

Mr. DELAHUNT. Ms. Benton, please proceed.

TESTIMONY OF SHANNON BENTON, EXECUTIVE DIRECTOR, THE RETIRED ENLISTED ASSOCIATION SENIOR CITIZENS LEAGUE

Ms. BENTON. Congressman Delahunt, Ranking Member King, and guests, thank you for having me here today to present testimony. My name is Shannon Benton, and I am the executive director of The Senior Citizens League, also known as TSCL. Our organization is a proud affiliate of The Retired Enlisted Association. TSCL is under the direction of our chairman, Ralph McCutchen and an all volunteer board of trustees comprised of retired veterans. We have more than 1 million active senior citizen members and supporters nationwide who are concerned about the protection of their Social Security Medicare, veterans and retiree military benefits. Allow me to make clear right here at the beginning, TSCL is in no way opposed to lawful immigration. We believe it is a vital part of the foundation of our country. Some estimates, including those by the Pew Hispanic Center, have suggested there are nearly 12 million illegal immigrants in the United States from all over the world. Seemingly, the lack of law enforcement and the potential for a better life have led to staggering numbers of immigrants coming to the U.S. both illegally and legally. TSCL applauds Congress for attempting to address the immigration issue.

However, we fear that a little-known loophole in the Social Security Protection Act of 2004 has not been addressed in Senate immigration bill S. 1348, and that not addressing this will result in significant damage to the already strained Social Security trust fund. In fact, TSCL previously estimated this loophole could cost more than $966 billion in Social Security benefits by the year 2040. Because of this loophole, we believe noncitizens who worked illegally without authorization currently or at some time in the past could become entitled to Social Security benefits.

According to the Government Accountability Office as of 2003, the Social Security Administration had issued a total of more than 7 million nonwork Social Security numbers. Audits by the Social Security Inspector General have found that these nonwork numbers are widely abused by illegal workers. According to the GAO, and I quote, "There are millions of noncitizens assigned nonwork Social Security numbers before 2004 who may qualify for benefits in the coming years," unquote, because the Social Security Protection Act of 2004 does not affect them.

Some noncitizens enter the country with work authorization but then overstay their visas once their temporary work authorization expires, essentially continuing to work in the United States illegally. Because of this, TSCL recently released a projection of the cost of benefits based on illegal work. The estimate which was produced by an independent Social Security and Medicare policy analyst for TSCL found that more than 2 million nonwork Social Security number holders could become eligible for Social Security benefits.

For a complete explanation of all the assumptions that were used to calculate the cost, we would ask that you please refer to our written testimony. However, in a nutshell, the equation used to cal-

culate the $966 billion dollar cost to Social Security from 2008 to 2040 is 2,065,594 persons with nonwork Social Security numbers which was adjusted annually for mortality, and multiplied by $15,642, the annual low-income family benefit that was adjusted annually also for a 2.2 percent COLA equals $966 billion. We have attached to our written testimony our detailed analysis, titled "Cost of Illegal Work: Immigrants With NON-Work Social Security Numbers."

Although S. 1348 in its original text does not address the loophole, an amendment was offered by Senator Kay Bailey Hutchison that would prevent Social Security credit for periods without work authorization from being counted from the start date of January 1, 2004.

Although this amendment passed, it does not cover Social Security numbers issued between 1974 and 2003. TSCL believes that the Social Security Protection Act of 2004 should be amended to close the apparent loophole, allowing credit earned while using a nonwork or invalid Social Security number. There have been several pieces of legislation introduced that would do just that, including House resolution bill 736, the No Social Security For Illegal Immigrants Act.

In closing, TSCL respectfully encourages Members of Congress to request that the Congressional Budget Office conduct a realistic long-term study of the effectiveness loophole that it could have on Social Security's trust fund. Our mission, and we believe that of Congress as well, is to ensure the solvency of Social Security for retirees and the disabled who live in the United States. Again, it is important to us that we stress TSCL is not anti-immigration. We are for protecting solvency in the Social Security trust fund. Thank you for your time and opportunity to present testimony about the possible $966 billion hemorrhage to the Social Security trust fund. I would be happy to address any questions you may have.

[The prepared statement of Ms. Benton follows:]

PREPARED STATEMENT OF SHANNON BENTON

Testimony of Shannon Benton

Executive Director

The Senior Citizens League

Before the

House Committee on the Judiciary

Subcommittee on Immigration, Citizenship, Refugees,

Border Security, and International Law

Comprehensive Immigration Reform:

Government Perspectives on Immigration Statistics Hearing

June 19, 2007

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Introduction

Chairman Lofgren, Ranking Member King, and distinguished Members of the Committee, thank you for inviting me to present testimony today. My name is Shannon Benton, and I am the Executive Director for The Senior Citizens League (TSCL), a proud affiliate of The Retired Enlisted Association (TREA). TSCL is under the direction of an all volunteer board of trustees comprised of retired veterans. Our Chairman is Mr. Ralph McCutchen. TSCL has more than 1 million active senior citizen members and supporters concerned about the protection of their Social Security, Medicare, and veteran or military retiree benefits. Based in Alexandria, Virginia, TSCL is a non-profit, nonpartisan, educational organization, and our mission is to promote and assist members and supporters, to educate and alert senior citizens about their rights and freedoms as U.S. citizens, and to protect and defend the benefits senior citizens have earned and paid for.

We were happy to learn of this hearing, because we feel that the pending immigration reform will have far reaching effects on many issues. Of these many issues, the solvency of the Social Security Trust Fund particularly concerns us. Allow me to make clear, TSCL is in no way opposed to lawful immigration. We believe it is a vital part of the foundation of our country. However, there are current laws in place to maintain control of immigration numbers and to promote national security that are not being enforced. Some estimates, including those by the Pew Hispanic Center, have suggested there are nearly 12 million illegal immigrants in the United States from all over the world. Seemingly, the lack of law enforcement and the potential for a better life have led to staggering numbers of immigrants coming to the U.S. both legally and illegally.

TSCL is pleased that Congress and the President are realizing that this situation is not going to go away and should be addressed sooner rather than later. In fact, the Senate introduced and started debate on immigration reform earlier this year. While TSCL applauds Congress for attempting to address this issue, we fear that a little-known loophole not addressed in the Senate immigration bill, S. 1348, will result in significant damage to the already strained Social Security Trust Fund. In fact, as TSCL previously

estimated, this loophole could cost more than $966 billion in Social Security benefits by the year 2040.

The Loophole: How Non-Citizen Illegal Workers Can Become Entitled to Social Security

The Social Security Protection Act of 2004 imposed new restrictions on the payment of Social Security benefits to illegal immigrants. Nevertheless, non-citizens who worked illegally without authorization currently, or at some time in the past, could become entitled to Social Security benefits.[1] According to the Congressional Research Service, under the 2004 law, non-citizens who apply for benefits with a Social Security number assigned after 2003 must have work authorization at the time their Social Security number is assigned, *or at some later time,* before applying for benefits, in order to become entitled.[2]

Despite tightening the law for persons who received their Social Security number after 2003, Congress did not fix an apparent loophole in the law. When determining entitlement for insured status and in calculating the initial retirement benefit amount, the Social Security Administration uses *all* reported earnings from covered employment in the United States, even if the earnings are from illegal or "unauthorized" work.[3] Thus, workers who receive work authorization at some later point (for example, possibly under future immigration reform) could become entitled to, and receive, Social Security benefits based on illegal work.

Furthermore, the provisions of the Social Security Protection Act do not appear to affect aliens with Social Security numbers assigned prior to January 1, 2004.[4] They could become entitled to Social Security benefits without ever having worked with legal authorization, if they can show evidence of employment and wages earned although, they cannot collect such benefits unless they are either legally present in the United States, or living in a country where the Social Security Administration is authorized to pay them benefits.[5]

Social Security Numbers Issued to Non-Citizens

In order to lawfully work in the United States, non-citizens must have *both* a valid Social Security number *and* legal work authorization from the Department of Homeland Security (DHS).[6] Nevertheless, millions of non-citizens are working in this country without legal authorization, and their employers are reporting their wages to the Social Security Administration (SSA).[7]

Government data suggest that millions of non-citizens are working with neither a valid Social Security number nor work authorization. There are also millions who have worked, at least for some part of the time, under a valid Social Security number but without legal work authorization. In addition to widespread document fraud (use of counterfeit or stolen Social Security numbers), non-citizens work by using Social Security numbers that are not authorized for work purposes, known as "non-work" Social Security numbers. Aliens may also work illegally under Social Security numbers issued for temporary work visas that have expired.

Invalid and Fraudulent Social Security Numbers

Each year, the SSA receives millions of W-2s from employers. When the name and Social Security number do not match the SSA records, the W-2 is held in the Earnings Suspense File (ESF). Data from the Social Security Administration indicate that in recent years the ESF is growing at an unprecedented pace and the cumulative wages represent a total of $585 billion.[8] These wages apparently can later be reinstated to valid Social Security numbers when immigrants gain legal work authorization, as they potentially could under "guest worker" immigration reform, unless legislation specifically bans credit for unauthorized work. As we understand it, once non-citizen workers obtain a valid Social Security number, they can provide the SSA with evidence of earnings reports from unauthorized employment prior to receiving their Social Security number and those earnings will be reinstated under their valid Social Security number.

Non-Work Social Security Numbers

According the Social Security Inspector General, the Social Security Administration assigns non-work Social Security numbers to non-citizens who do not have work authorization from the Department of Homeland Security (DHS) but who have valid reasons for the Social Security numbers. Specifically, a federal statute or regulation requires that the non-citizen provide his/her Social Security number to obtain or receive a particular benefit or service to which he or she has established entitlement or a requirement of State or local law.[9] Examples include Supplemental Security Income (SSI), Medicaid and Food Stamps.[10]

Initially, the SSA issued the same type of Social Security card to everyone, regardless of whether they were legally authorized to work. In 1974, SSA began assigning Social Security numbers for non-work purposes, but the cards were not specifically annotated as such. It was not until eight years later, in May of 1982, that the SSA started issuing cards clearly printed with "NOT VALID FOR EMPLOYMENT" to non-citizens not authorized to work.[11] According to the Government Accountability Office (GAO), as of 2003, the SSA had issued a total of more than 7 million non-work Social Security numbers.[12]

Audits by the Social Security Inspector General have found that these non-work numbers are widely abused by illegal workers.[13] According to the GAO, "there are millions of non-citizens assigned non-work Social Security numbers *before 2004* who may qualify for benefits in the coming years" because the Social Security Protection Act of 2004 does not affect them.[14]

The Social Security Administration maintains a Non-Work Alien file of wage reports (W-2) received for persons illegally working under these numbers. According to a 2006 review of the Non-Work Alien file by Social Security's Inspector General's Office, nearly two-thirds of the individuals whose numbers appear in the file had no change in work authorization status, and were working illegally.[15]

Department of Homeland Security-Work Authorized Social Security Numbers

A much less common type of Social Security number is issued to non-citizens who are eligible to work temporarily in the U.S. The cards are inscribed with "VALID

FOR WORK ONLY WITH DHS AUTHORIZATION." Some non-citizens enter the country with work authorization, but then overstay their visas once their temporary work authorization expires.

The Cost of Social Security Benefits Based on Non-Work Social Security Numbers Issued Prior To January 1, 2004

Because non-citizens who received Social Security numbers issued prior to January 1, 2004, apparently do not need work authorization in order to claim benefits, and the impact that could have on Social Security, TSCL recently released a projection of the cost of benefits based on illegal work. The estimate, which was produced by an independent Social Security and Medicare policy analyst for TSCL, found that more than 2 million non-work Social Security number holders could become eligible for Social Security benefits at a cost of $966 billion through 2040.

The estimate used the following assumptions:

- 7,000,000 "non-work" Social Security numbers were issued prior to January 1, 2004[16]
- Because jobs are a major reason for immigration to begin with, the above number was adjusted to assume that 80%, or 5,600,000, of the persons who received these numbers worked without authorization at some point using non-work numbers.
- Currently, we are aware of no official published data on the amount of money paid into the Social Security system by aliens, whether legal or illegal.[17] Social Security's Chief Actuary, Stephen C. Goss, however, has been quoted in *The New York Times* as saying that about three quarters of "other–than–legal" immigrants pay payroll taxes.[18] The above number was further adjusted to assume 75%, or 4,200,000, had had payroll taxes withheld from their wages.
- The above number was also adjusted to assume 66% or 2,772,000 have no change in work authorization status.[19]
- Finally, the number was adjusted to assume a 2% mortality rate prior to starting benefits, leaving a total of 2,716,560 persons. This number was then further adjusted by a mortality rate of 2% per year over the survey period of 2008 through 2040. This yielded 2,065,594 beneficiaries through 2040.
- The study assumed the oldest beneficiaries, who may have received Social Security numbers as early as 1974, would start retiring as early as 2008.
- The study used a low family benefit of $1,303.50 per month for the initial benefit amount. The family benefit is the maximum amount a retiree, and the dependents on the retiree's account, could receive in Social Security.[20]

Simplified, the equation used to calculate the $966 billion cost to Social Security, from 2008 to 2040, is as follows: 2,065,594 persons with non-work Social Security

numbers (adjusted annually for mortality) **multiplied by** $15,642.00 (annual low income family benefit, adjusted annually for 2.2%COLA) **equals $966 billion.** For a detailed analysis, see the attachment titled, "Cost of Illegal Work: Immigrants With Non-Work SSNs Family."

TSCL is extremely concerned by the information summarized above and contained in the study. Although, S. 1348, in its original text, does not address the loophole, an amendment was offered Senator Kay Bailey Hutchinson (TX) that would prevent Social Security credit for periods without work authorization from being counted with a start date of January 1, 2004. Although this amendment passed, it does not cover Social Security numbers issued between 1974 and 2003.

Solutions

TSCL believes that the Social Security Protection Act of 2004 should be amended to close the apparent loophole allowing credit earned while using a non-work or invalid Social Security number. There have been several pieces of legislation introduced that would do just that. For example, Representative Dana Rohrabacher (CA-46) introduced H.R. 736, the No Social Security for Illegal Immigrants Act. As reported on THOMAS, this bill would "amend title II of the Social Security Act to exclude from creditable wages and self-employment income wages earned for services by aliens illegally performed in the United States and self-employment income derived from a trade or business illegally conducted in the United States."

More importantly, TSCL would encourage Members of Congress to request that the Congressional Budget Office (CBO) conduct a realistic, long-term study of the effect this loophole could have on the Social Security Trust Fund.

Conclusion:

In summation, TSCL is not opposed to immigration, but welcomes thoughtful legislative proposals that take all Americans into account. However, we are concerned about the effect any such legislative proposal could have on the longevity of Social Security and the fairness of the Social Security system. If studies show that immigration reform results in a detriment to the Social Security program, we would normally be

opposed to that reform. Thus, we are alarmed by the apparent loophole summarized above. For the benefit of the entire Congress, TSCL strongly encourages a study be compiled by the CBO to determine what the costs could be if this loophole is not closed.

Furthermore, if such a CBO study were to find results similar to those determined in the TSCL study, TSCL would recommend that Congress modify the law to prohibit the use of work credits based on unauthorized earnings from being used to determine entitlement for Social Security benefits. Our mission, and we believe that of Congress as well, is to ensure the solvency of Social Security for retirees and the disabled who live in the U.S. and pay into the system legally. TSCL is working hard to support that goal, and to keep Americans informed about its progress.

Again, thank you for your time and the opportunity to present testimony about the apparent $966 billion hemorrhage the Social Security Trust Fund is facing. I would be happy to address any questions you may have.

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[1] Additional Actions Needed to Prevent Improper Benefit Payments Under Social Security Protection Act," GAO, April 2006, GAO-06-196, page 16.
[2] "Social Security Benefits For Non-citizens," Congressional Research Service, July 20, 2006, RL 32004.
[3] Ibid.
[4] Additional Actions Needed to Prevent Improper Benefit Payments Under Social Security Protection Act," GAO, April 2006, GAO-06-196, page 16.
[5] "Proposed Totalization Agreement With Mexico Presents Unique Challenges," GAO, September 2003, GAO-03-993.
[6] "Social Security Numbers," GAO, February 16, 2006, GAO-06-458T.
[7] "Better Coordination Among Federal Agencies Could Reduce Unidentified Earnings Reports," GAO, February 2005, GAO 05-154.
8 "The Growing Cost of Illegal Immigration to Social Security," Mary Johnson, The Senior Citizens League, March 2007.
[9] "Employers With The Most Wage Items In the Non-work Alien File," Inspector General Audit Report, Social Security Administration, June 2006, A-08-05-15138.
[10] "Procedures for Issuing Numbers and Benefits to the Foreign-Born," GAO, March 2, 2006, GAO-06-253T.
[11] Statement of Martin H. Gerry, Social Security Administration, Before Subcommittee on Social Security of the House Committee on Ways and Means, March 2, 2006.
[12] Ibid.
[13] "Employers With The Most Wage Items In the Non-work Alien File," Inspector General Audit Report, Social Security Administration, June 2006, A-08-05-15138.
[14] Additional Actions Needed To Prevent Improper Benefit Payments, GAO, April 2006, GAO-06-196, pages 13 & 14.
[15] "Employers With The Most Wage Items In the Non-work Alien File," Office of the Inspector General, SSA, June 2006, A-08-05-15138.

[16] "Procedures For Issuing Numbers And Benefits To The Foreign-Born," Statement of Barbara D. Bovbjerg, GAO, March 2, 2006, GAO-06-253T, page 9.
[17] "Social Security Benefits for Noncitizens: Current Policy and Legislation," Congressional Research Service, July 20, 2006, RL32004.
[18] "Illegal Immigrants Are Bolstering Social Security With Billions," Eduardo Porter, *The New York Times*, April 5, 2005.
[19] "Employers With The Most Wage Items In the Non-work Alien File," Office of the Inspector General, SSA, June 2006, A-08-05-15138.
[20] "2007 CCH Social Security Explained," Avram Sacks, J.D., Wolters, Kluwer, page 295.

TSCL's efforts are taken in an effort to educate and protect Americans, and particularly senior citizens. However, we are not a think tank and do not have either the budget or the staff to conduct regular studies about many important subjects, including the possible consequences to Social Security of certain government policies or proposed legislation. But we try very hard, particularly on certain issues that appear to be critical issues for senior citizens. It can be difficult, especially when the government is not forthcoming with information.

One recent experience we had with two government agencies may help to illustrate the point. Beginning in 2003, TSCL sought disclosure of the United States - Mexico Social Security Totalization Agreement and other related documents from the Social Security Administration and the U.S. State Department.

Yet, the Administration failed to release the Agreement, which SSA had signed in 2004 but which must be signed by the President and submitted for Congressional review before becoming law. This led to a legal battle in which TSCL filed a series of FOIA requests with both the State Department and the SSA, which were largely ignored, followed by TSCL filing two lawsuits in federal court to obtain release of the Agreement and related documents. TSCL finally obtained a copy of the Agreement and made it available to the public.

When the Totalization Agreement was finally released to TSCL in December 2006, that copy was the first and only public copy of the agreement known to exist. Previously, its release had been denied, reportedly even to members of Congress who had requested it.

TSCL's study of the Totalization Agreement, coupled with a 2003 report by the Government Accountablity Office ("GAO") demonstrating that SSA's estimate about the probable cost of the Agreement on Social Security was woefully deficient, caused TSCL to fear that the Totalization Agreement, if enacted into law, could result in illegal Mexican workers being paid billions of dollars in Social Security benefits, bankrupting an already strained Social Security Trust Fund.

TSCL still does not know all of the answers with respect to the Totalization Agreement. But what it has been told — including that there have been no government studies subsequent to the critical GAO report criticizing SSA's estimate about the probable costs to Social Security — makes it imperative to get the message out, to Americans and their representatives in Congress, that this kind of arrangement seems contrary to the interests of most Americans. TSCL has those interests in mind, and is doing the best it can to discover the truth. Which brings us to the subject of this testimony, which is also about possible dangers to our Social Security system.

Cost of Illegal Work : Immigrants With NON-Work SSNs Family

Year	Benefit Retiree	% COLA Effective Following Yr.	sCOLA Effective Following Yr.	Annual Benefits	Number Adjusted by Mortality Pre 1/01/04 SSN	Cost Per Year Pre 1/01/04 SSN
2008	$1,303.50	2.2%	$28.68	$15,642.00	84,900	$1,328,005,800.00
2009	$1,332.18	2.2%	$29.31	$15,986.12	168,102	$2,687,299,416.65
2010	$1,361.48	2.2%	$29.95	$16,337.82	249,640	$4,078,572,413.75
2011	$1,391.44	2.2%	$30.61	$16,697.25	329,547	$5,502,531,574.54
2012	$1,422.05	2.2%	$31.29	$17,064.59	407,856	$6,959,899,236.55
2013	$1,453.33	2.2%	$31.97	$17,440.01	484,599	$8,451,413,633.80
2014	$1,485.31	2.2%	$32.68	$17,823.69	559,807	$9,977,829,246.51
2015	$1,517.98	2.2%	$33.40	$18,215.81	633,511	$11,539,917,158.54
2016	$1,551.38	2.2%	$34.13	$18,616.56	705,741	$13,138,465,422.67
2017	$1,585.51	2.2%	$34.88	$19,026.12	776,526	$14,774,279,433.95
2018	$1,620.39	2.2%	$35.65	$19,444.70	845,895	$16,448,182,311.20
2019	$1,656.04	2.2%	$36.43	$19,872.48	913,878	$18,161,015,286.97
2020	$1,692.47	2.2%	$37.23	$20,309.68	980,500	$19,913,638,106.03
2021	$1,729.71	2.2%	$38.05	$20,756.49	1,045,790	$21,706,929,432.67
2022	$1,767.76	2.2%	$38.89	$21,213.13	1,109,774	$23,541,787,266.90
2023	$1,806.65	2.2%	$39.75	$21,679.82	1,172,479	$25,419,129,369.89
2024	$1,846.40	2.2%	$40.62	$22,156.78	1,233,929	$27,339,893,698.68
2025	$1,887.02	2.2%	$41.51	$22,644.23	1,294,151	$29,305,038,850.54
2026	$1,928.53	2.2%	$42.43	$23,142.40	1,353,168	$31,315,544,517.03
2027	$1,970.96	2.2%	$43.36	$23,651.53	1,411,004	$33,372,411,948.08
2028	$2,005.09	2.2%	$44.11	$24,061.10	1,467,684	$35,314,089,940.36
2029	$2,049.20	2.2%	$45.08	$24,590.44	1,523,230	$37,456,908,432.38
2030	$2,094.29	2.2%	$46.07	$25,131.43	1,577,666	$39,648,999,748.51
2031	$2,140.36	2.2%	$47.09	$25,684.32	1,631,012	$41,891,451,214.96
2032	$2,187.45	2.2%	$48.12	$26,249.38	1,683,292	$44,185,374,084.28
2033	$2,235.57	2.2%	$49.18	$26,826.86	1,734,526	$46,531,904,061.79
2034	$2,284.75	2.2%	$50.26	$27,417.06	1,784,736	$48,932,201,843.54
2035	$2,335.02	2.2%	$51.37	$28,020.23	1,833,941	$51,387,453,666.08
2036	$2,386.39	2.2%	$52.50	$28,636.68	1,882,162	$53,898,871,868.39
2037	$2,438.89	2.2%	$53.66	$29,266.68	1,929,419	$56,467,695,466.14
2038	$2,492.55	2.2%	$54.84	$29,910.55	1,975,731	$59,095,190,738.56
2039	$2,547.38	2.2%	$56.04	$30,568.58	2,021,116	$61,782,651,828.30
2040	$2,603.42	2.2%	$57.28	$31,241.09	2,065,594	$64,531,401,354.37

Totals		
	2008-2012	$20,556,308,441.49
	2013-2040	$945,529,669,931.14
		$966,085,978,372.62

SS-NWAFAM-M060707
Cost of Illegal Work: Immigrants With Non-Work SSNs — Family, Mary Johnson, TSCL, June 7, 2007.

Mr. DELAHUNT. Thank you, Ms. Benton. We will now proceed to questions for the witnesses, and I will begin by recognizing Mr. King for 5 minutes.

Mr. KING. Thank you, Mr. Chairman. Thanks for your testimony, all of you. And Ms. Benton, first I would ask you if you could elaborate for this panel about the extent that you went through to get a copy of the totalization agreement, that degree of difficulty, and why you think it was so difficult.

Ms. BENTON. Well, we don't want to speculate on why it was so difficult. That would be—anybody's guess would probably be as good as ours. We requested through routine Freedom of Information Act channels to receive a copy of the totalization agreement approximately 4½ years ago. Back in December, ironically just before the long New Year's Eve weekend, we were notified that we did, indeed, get a copy of that. Prior to that though, we did have to file a lawsuit against the Department of State and the Social Security Administration before a copy of it would be released.

Mr. KING. Was it a FOIA Act?

Ms. BENTON. Yes, it was, sir.

Mr. KING. Thank you, Ms. Benton. And I should say that in a free country, you shouldn't have to jump through all those hoops to get access to information that could turn the destiny of America. Thanks for doing that.

Ms. BENTON. Yes, sir.

Mr. KING. It is a service to everybody in this country to have access to real information. Somebody had to take the initiative, and you did. Mr. Rector, I just reflected on the last time you testified before this Committee, and I believe that at the conclusion of that Committee some of your conclusions, in fact, some of your statistics were challenged. And the numbers of illegals who would be granted amnesty at that time; the version of the Senate bill was challenged. There was also a report introduced into the record by the Immigration Policy Center. I actually didn't know who they were and still don't. I asked for their report. I found one that was 10 years old.

I didn't find the report that was current that contradicted your statistics or your conclusions that you had drawn. What I did find was an opinion that was written against yours. But it didn't bring any other stats into play that I could see. Would you care to comment on that? You know, I will agree with the comment that was made by the Chair of the time. We are entitled to our opinions, but not to the facts, or our choice of the facts at least. Would you please provide for this Committee your response to that?

Mr. RECTOR. I think that that study basically made two points. One was a point that is often repeated, that immigrants have restricted access to welfare. Therefore, everything that I have to say must be inaccurate because I show immigrants getting a lot of welfare. And the 1996 Welfare Reform Act basically meant that low-skill immigrants could no longer be a fiscal burden. I find that rather humorous since I played a very large role in writing that act, including the immigration provisions.

And that criticism is simply unfounded because they didn't bother to read the actual methodology, provided I think on page 9 of the report where the way that I calculate immigrant receipt of any benefit, including means tested welfare benefits, is simply to go

into the Census record, find the immigrant, and ask, does the immigrant report receiving food stamps? Does the immigrant report receiving women, infants, and children assistance? Does it report receiving Medicaid? Does it report receiving the public housing benefits or TANF benefits or anything like that? There are a few cases where receipt of benefits is imputed by Census rather than based on self-report by the immigrants themselves. The principle one, there is the earned income tax credit, and I specifically adjusted the conclusions to allow for the fact that illegal immigrants would be less likely to get the earned income tax credit.

So you know, it is simply inaccurate. The reality is that low-skilled workers in the United States, on average their households, receive about $10,000 a year in means-tested welfare. They tend to receive that at every stage of the life cycle. It is not always the same program. And that is based on what they told us they got. And it doesn't matter whether it is an immigrant or a non-immigrant.

Mr. KING. I will point out, we had testimony before this Committee, the majority's witness who represented Los Angeles County, that they make their own distinction between legal and illegal. I would ask a quick question of Dr. Camarota. I just appreciate what you brought here with regard to how America doesn't get younger with immigration. That seems to be relatively unique. Could you expound on that little bit, how you came to that curiosity that brought you to this conclusion.

Mr. CAMAROTA. Well, you can look at projections, or the Census Bureau's projections, you can look at the actual Census data taken on all the illegal immigrants, recalculate it for age, recalculate the share of the population that is of working age. Here is a way of thinking about it, you take a June current population survey. The total fertility in the United States is about 2.1 children per woman. Take out all the immigrants, and recalculate it. You know what it is, it is 2. Immigration slightly increases the total fertility rate in the United States. Whether we do current data or whether we do projections in the future, immigration has only a tiny effect on the aging of American society because the immigrants age like everyone else.

Mr. KING. Thank you, Dr. Camarota. I yield back.

Mr. DELAHUNT. You don't have to yield back, Mr. King because your time is expired.

I am going to ask just very few questions. But before I do, and we adjourn for the day, I want to thank the witnesses for their testimony today. We appreciate you adding your useful perspectives to the important issues we are now considering as we work on reforming our Nation's immigration laws.

I have a question that has just popped into my mind. Let me address it to Dr. Camarota. And I think you indicated validly that in terms of Medicaid and Social Security, the reason for the net plus, if you will, is predicated on the fact that the illegals are reluctant in the vast majority of the cases, many of whom presumably assume false names, don't collect for fear of apprehension and the ensuing proceedings.

Mr. CAMAROTA. And the young age. Right, most of them are under 65. Even if they were legal, they wouldn't be getting it.

Mr. DELAHUNT. Right. And then I was thinking, you know, most employers hopefully are acting in good faith. And they withhold income tax. Has there ever been a study done in terms of the income taxes withheld from a paycheck to an illegal? Because presumably I am inferring that the illegal would be reluctant to seek a refund, if you will. For example, the earned income tax credit, et cetera. Has that ever been discussed in the literature at all?

Mr. CAMAROTA. Yes. I have an estimate for how much illegal aliens pay in everything from excise taxes to income taxes. It is a lot. It is $4,200 per family. The problem is, they created about $7,000 in costs for the Federal Government for a net drain. The other thing is that I should tell you that——

Mr. DELAHUNT. Can I ask the question?

Mr. CAMAROTA. Sure. Go ahead.

Mr. DELAHUNT. What is the income—I am just curious, what is the net, if there is a net, positive in terms of the Federal Government withholding, if you have calculated that. In other words, I am saying, we all get our paychecks. There is a certain amount withheld, I would presume illegals do not file income taxes. That amount of withholdings, has that ever been calculated? I mean, if they were legal, presumably it would be refundable.

Mr. CAMAROTA. Yes. I should say that the Inspector General of the Treasury Department didn't look—but they tried to pick out all the illegals who filed income tax returns, and I believe the figure for 2004 was that they refunded about $10 billion to illegal aliens in that year.

Mr. DELAHUNT. How much did the government make off of the failure to——

Mr. CAMAROTA. Per household, I have estimated that illegals pay about $1,400 a year to the Federal Government in income tax. They also pay other taxes as well.

Mr. DELAHUNT. I appreciate the answer to that, $1,400. Again, I think it was you, Dr. Camarota, that talked about the second generation—maybe it was Mr. Rector. But let me direct the question to you.

Presumably those who come to this country legally are similarly situated in terms of their education level. Is that a fair statement?

Mr. CAMAROTA. The legal immigrant population is very diverse. There are a whole lot of folks who come with graduate degrees, but according to the new immigrant survey, about 38 percent of new legal immigrants also haven't graduated high school. Now people improve their education after they get here too, so keep that in mind. But a very large share of legal immigrants also have——

Mr. DELAHUNT. I guess the point that I am saying, that first generation of legal immigrants to this country, do they pose a deficit or a net plus in terms of——

Mr. CAMAROTA. It is a good question. Let me give you an answer this way——

Mr. DELAHUNT. Or do we wait for the second generation?

Mr. CAMAROTA. Our hope is the second generation. We are not sure how that is going to work out. Basically, what seems to matter is not your legal status, but your education. If you are legal and come without a high school degree, you are more of a fiscal burden. If you are legal and come with a college degree, you are large fiscal

benefit. That is sort of the answer. It appears that at the Federal level, legal immigrants are actually somewhat of a benefit. And at the State and local level, somewhat of a drain. If you want sort of the best—but what seems to matter most is the education level, not the legal status.

Mr. DELAHUNT. Thank you. And without objection, Members will have 5 legislative days to submit any additional written questions to you, which we will forward and ask that you answer them as promptly as feasible to be made part of the record. Without objection, the record will remain open for five legislative days for the submission of any other additional materials. And with that, this hearing is adjourned. Thank you.

[Whereupon, at 4:40 p.m., the Subcommittee was adjourned.]