



*The Real Cost of
President Bush's
Guest Worker Program*

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The Real Cost of President Bush's Guest Worker Program

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Last year the Bush administration proposed a broad immigration-reform plan. The President's proposal has three key components. First, it would give three-year, renewable work visas "to the millions of undocumented men and women now employed in the United States." As many as 10 million illegal alien workers may be eligible for the visa. They, and their family members, constitute an illegal alien population as high as 20 million.

Second, these visas would be available to persons now living abroad who have been offered employment by an American employer. As the White House put it, the plan would "match willing foreign workers with willing U.S. employers when no American can be found to fill the job." The clear implication: Many American workers will face increased competition from foreign workers, reducing native incomes while increasing dependency on public benefit programs.

Third, the program would expedite issuance of Green Cards for temporary workers, allowing more of them to become permanent citizens. In other words, to minimize the backlog that would inevitably occur when millions of illegals apply for guest worker visas, the Administration would facilitate their becoming naturalized U.S. citizens. In Mexico this is widely interpreted to mean that once Mexican citizens cross illegally into the U.S. they would be able to stay and eventually gain permanent residence.

Flawed Assumption: Guestworkers Will Go Home

A major selling point of the Bush proposal is its "as needed" feature.

In his January 7th 2004 speech introducing the proposal, the president said "This program expects temporary workers to return permanently to their home countries after their period of work in the United States has expired."

History shows that such promises are empty gestures and that the "guests" stay long after the party is over. The Bracero program from Mexico, for example, was enacted as a temporary expedient during wartime. Yet once

American farmers became addicted to cheap Chicano labor they lobbied hard for its continuance – and prevailed. Thus the “wartime” measure remained in place until 1964.

[Ironically, the years after 1964 were a golden age for U.S. agriculture. Cut off from cheap foreign labor, the agricultural sector invested in new equipment and technology. Breakthroughs in genetic engineering increased yield per acre, and the output of U.S. farms skyrocketed despite fewer farm workers.]

Overseas the story is the same. Germany reluctantly enacted a guestworker program to offset declining labor force growth in the decades following World War II. The number of workers from Turkey, Yugoslavia, and Italy peaked at 2.6 million in 1973, when a slowing economy prompted the German government to stop recruiting guestworkers. But unemployed guestworkers did not migrate to their home countries as the German government expected. The social safety net in Germany – like that of the U.S. – is available to guestworkers and their families, and is more generous than those in most other countries. As a result, the number of foreigners in Germany rose 82% between 1973 and 1999.

Flawed assumption: More Guestworkers = Fewer Illegal Immigrants

We have been here before. The Immigration Reform and Control Act, passed by Congress in 1986, was touted as a quid pro quo: amnesty for illegals already here in return for strict prohibitions against future illegal entrants.

IRCA gave amnesty to what was then considered a very large number of illegal aliens (2.7 million!) in exchange for the establishment of employer sanction program that was supposed to dissuade U.S. companies from hiring illegals.

IRCA stipulated that employers would be fined up to \$10,000 for every illegal alien they hired, and repeat offenders could be sent to jail. These harsh measures reflected the widespread belief that employer sanctions were the only way to stem the tide. “We need employer sanctions to reduce the attraction of jobs in the U.S.,” an INS spokesman declared as Congress debated the bill. When President Reagan signed it, he called the sanctions the “keystone” of the law. “It will remove the incentive for illegal immigration by eliminating the job opportunities which draw illegal aliens here,” he said.

Making it a crime for a company to hire an illegal was regarded as a dramatic step. Many worried over the consequences. Phil Gramm, then a Republican Senator from Texas, said the legislation “holds out great peril, peril that employers dealing in good faith could be subject to criminal penalties and in fact go to jail for making a mistake in hiring an illegal alien.”

But companies had little to fear. Neither Reagan nor subsequent Presidents or Congresses were eager to enforce the law. A single statistic attests to this. In 2002 the former Immigration and Naturalization Service (INS) issued orders levying fines on only 13 employers for hiring illegal aliens, a minuscule portion of the thousands of offenders. Non-enforcement of employer sanctions has been called the equivalent of hanging out a help wanted sign for illegals.

In March 2005 Walmart was fined \$11 million for hiring contractors who used illegal immigrant workers. To our knowledge, the Walmart case is the only major fine levied by Homeland Security against companies hiring illegal immigrants. It involved 246 illegal immigrant workers out of an estimated 5 million currently working in the U.S.

The fate of one provision in the 1986 act is revealing. A telephone-verification system that employers could use when hiring workers was to be part of IRCA’s enforcement apparatus. The system would allow employers to tap into a national data bank to determine the legal status of job applicants. Only those with legitimate documentation would be approved. Employers would no longer have the excuse that they couldn’t verify the validity of a potential worker’s legal status.

A telephone-verification system is still not available to U.S. employers. A small-scale pilot project was established in 1992, but it covered only nine companies in five states. In 1996 Congress enacted yet another immigration-reform bill, which provided another, more advanced, telephone-verification program called Basic Pilot. An employer who signed up could call an 800 number and provide the name, Social Security number or the alien ID number of a new hire. The employer would receive either confirmation that the number and name were valid or an indication that called for further checking.

The technology works fine. Unfortunately, employers are not required to sign up; Basic Pilot was voluntary. Since most employers know immediately if a new hire is an illegal alien, they really have no need for verification unless they want to turn the person over to the authorities. But breaking the law is a rational choice for employers when sanctions are rarely enforced and the cost savings from hiring cheap immigrant labor are enormous.

By contrast, when an ordinary American fails to file a tax return it usually leads to big trouble. In a year or so the IRS catches up with you. It prepares a substitute return, estimates your income, calculates the tax you owe, tacks on interest and penalties, and sends you the bill. You can appeal, but if you lose, you must pay. If you do not the agency can seize your bank accounts, your car, and whatever else you have of value.

The IRCA amnesty sent an unambiguous message to all those who live outside the U.S. – especially in Mexico – that a new round of amnesty will materialize for the benefit of those who missed the boat the first time – just keep a low profile. Ten years after IRCA’s enactment – in 1996 - the INS estimated the illegal immigrant population was more than 5 million, roughly the same level as it was in 1986. In effect, though 2.7 million illegal immigrants had received amnesty, another 2.7 million had taken their place.

Border Crossings Since the Bush Announcement

Data collected by Homeland Security following Bush’s guest worker announcement show the same type of response, i.e., a surge in illegal cross-border traffic. In June 2004 U.S. Border Patrol official statistics revealed that there had been 135,468 apprehensions along the southwest border during April 2004, an 80% increase over the April 2003 figure. A May 23, 2004 *New York Times* article states that after a four-year drop, apprehensions were up 30% along the entire southern border, with 660,000 people detained from October 1, 2003 through the end of April 2004.

More recent data show no let up in apprehensions:

Southwest Border Apprehensions

<u>FY 2003</u>	<u>FY2004</u>	<u>Increase</u>	<u>%Increase</u>
905,065	1,139,282	234,217	25.9
<u>FY2004</u> (Through January)	<u>FY2005</u> (Through January)	<u>Increase</u>	<u>%Increase</u>
259,420	282,363	22,943	8.8

Source: Dept. of Homeland Security.

Some of these apprehensions can be attributed to increased Border Patrol staffing, but since additional staffing has grown only slightly - to more than 9,900 today up from 8,600 in 2000 - it is likely that the increase reflects an increase in illegal crossings. The prospect of a Bush amnesty appears to be the major impetus. Ranchers, local law officers and others say that is the story they have heard over and over from border crossers. Rancher George Morin, who operates a 12,000-acre spread a few miles from the border, is quoted in a seminal *Time*

magazine immigration expose: “All these people say they are coming for the amnesty program. [They] have been told if they get 10 miles off the border, they are home free.”

In truth, the Border Patrol is no match for the onslaught. From October 2003 through August 2004 it apprehended nearly 1.1 million illegals in all its operations around the U.S. But for every person apprehended, several more make it into the country safely. The apprehension rate has been variously estimated at 1 out of 4 (per Border Patrol) to 1 out of 10 (per Border Patrol agents.) If the latter rate is correct it translates to 16 million illegals entering and evading apprehension in 2004 alone.

The illegal alien population also includes those whose visas have expired, rendering them “illegal” in the eyes of U.S. law. Harder to estimate is an accurate figure for the total number of illegals who return home voluntarily, although evidence suggests that since 9/11 more are opting to stay here and send for their families.

Flawed Assumption: The Underground Economy Will Shrink after Amnesty

Recent research indicates that the number of illegal immigrants and the underground economy they inhabit is far larger than we had been lead to believe. No one knows exactly how many illegal immigrants live in the U.S. What *is* known is that the government routinely increases its estimates of the illegal immigrant population. Private researchers think the official illegal alien counts are still too low.

The Census Bureau estimates that 8.7 million people are residing illegally in the United States, while the Urban Institute puts this figure at 9.3 million. The Current Population Survey (CPS), a joint project of the Bureau of Labor Statistics and the Census Bureau, puts the number at 9.2 million. In November 2004 a Center For Immigration Studies (CIS) report concluded that CPS undercounted illegals by 10%, suggesting a total illegal population of 10 million.

Robert Justich, a senior managing director at Bear Sterns Asset Management in New York, makes a persuasive case that the illegal immigrant population actually numbers 18 to 20 million. In his critique of Census Bureau methodology Justich makes several observations:

- 1 Illegal immigrants generally do not respond to the questionnaires on which Census Bureau bases its population figures.
- 2 CPS, the Urban Institute, and other groups start with Census Bureau figures in developing their own estimates of the illegal immigrant population. Thus there is a circularity to the different estimates.
- 2 Remittances to Mexico surged 199% between 1995 and 2003, yet the official tally of Mexicans climbed 56% and their median wages rose by only 10% over that period.
- 3 Housing permits increased 6-fold in several “gateway” towns in New Jersey from 1990 to 2003, while official statistics indicate total population grew only 5.6% and the illegal population by 110%.
- 4 School districts throughout the nation report far stronger growth in immigrant students than would be plausible based on legal immigration trends. Only half of illegal immigrant children actually attend school, making the enrollment increase even more telling.

The disconnect between “official” population counts and anecdotal evidence of illegal immigrant inflows is likely to grow wider. Thus, in quantifying the fiscal impact of the Bush amnesty proposal we are confident that 20 million illegal immigrants is not an unreasonable figure on which to base our calculations.

Amnesty Hurts Native-born Workers

A complete fiscal accounting of Bush guest-worker/amnesty program must consider its likely impact on future immigrant inflows, as well as its impact on the incomes – and therefore, tax payments and benefits - received by the native workers who are displaced by the new immigrants.

Since the 1986 amnesty illegal aliens have become the largest contributor to U.S. labor force growth. Immigrant inflows – about one-third to one-half of which are comprised of illegal immigrants - accounted for almost half of U.S. labor force growth in recent years, and even more in certain areas and industries.

Employers will undoubtedly regard newly amnestied workers as being more “substitutable” for low-skilled natives, thereby increasing the adverse impact on native incomes. Newly amnestied workers would also likely be eligible for publicly funded education and training programs. This would increase taxes paid by natives, ensuring that their after tax income falls by more than their gross income.

Ultimately the impact of immigration on the income of native workers depends on the size of the immigrant workforce relative to the native workforce. Unpublished BLS data show a rapid growth in the foreign-born share of the U.S. labor force:

Foreign-born U.S. Labor Force, 1980-2050

(Annual averages; Levels in 1,000s)

	<u>Total</u>	<u>US Born</u>	<u>Foreign Born</u>	<u>% Foreign Born</u>
1980	106,940	98,492	8,448	7.9
1990	125,840	113,508	12,332	9.8
2000	140,863	123,158	17,705	12.6
2001	141,815	123,400	18,415	13.0
2002	144,863	124,585	20,279	14.0
2003	146,510	125,393	21,117	14.4
2004	147,390	125,282	22,109	15.0
Projections (a)				
2010	159,386	128,536	30,850	19.4
2025	208,002	208,002	70,956	34.1
2050	436,871	152,499	284,373	65.1

SOURCE: 1980, 1990: Census.

2000-2003: Current Population Survey (CPS), unpublished data sent to co-author by Abraham Mosisa, Census Bureau, (202) 691-6346.

2004: CPS, as reported in Andrew Sum, Northeastern University.

(a) Projections extrapolate average annual growth rate, 2000-04, for native and foreign born.

The foreign-born share of the U.S. labor force rose from 9.8% in 1990 to 15.0% in 2004, and will reach 34.1% in 2025 if the growth rates of the past few years continue. Illegal aliens account for perhaps one-quarter of the recent rise in the foreign-born share of the U.S. labor force. If these relationships are maintained, about 5% of the U.S. labor force in 2025 will consist of illegal immigrants who have entered the nation since 2005.

By 2025 the influx of illegal aliens triggered by the Bush amnesty can reasonably be expected to account for 5% of the U.S. labor force.

The additional competition in the labor market will reduce wages of native workers. Exactly how much of a reduction cannot be known with certainty. A study by Harvard University Professor George Borjas concludes, however, that a 10% increase in the U.S. labor force due to immigration reduces wages of native workers by about 3.5%.

Thus the increase in the U.S. labor force attributable to the Bush amnesty could reduce native wages by approximately 1.75% (50% of 3.5%).

The 1.75% is an average. Among natives without a high school education, who roughly correspond to the poorest tenth of the workforce, the impact will be larger – perhaps 3%. Similarly, the negative effect on native-born black and Hispanic workers is significantly larger than on whites because a larger share of minorities are in direct competition with immigrants.

Immigration does more than just lower the incomes of natives. Immigration also induces a substantial redistribution of wealth away from workers who compete with foreign-born workers and toward corporations and well-to-do Americans who derive most of their income from dividends and capital gains. Immigration is a major reason for the increasingly skewed income distribution in the United States.

Revenues Lost Due to Lower Native Income

The displacement of U.S.-born workers by illegal aliens in the wake of a Bush amnesty will exert a large negative impact on certain taxes. Individual income taxes, payroll taxes, sales, and excise taxes will fall. By contrast, corporate income taxes will probably rise because low wage alien workers mean higher profits.

A “quick and dirty” technique for estimating lost revenues is to assume that the taxes sensitive to personal income decline at the same percentage rate as personal income. If U.S.-born workers suffer a 1.75% reduction in income, total U.S. personal income will fall by about 1.5% - the difference reflecting the fact that native-born workers receive 88% percent of U.S. personal income.

Using this model, a 1.75% reduction in income of U.S.-born workers will generate the following revenue losses:

Tax Revenues From Displacement of U.S.- Born Workers in the Wake of a Bush Amnesty (\$ Billions)

	<u>Total Revenues</u>	<u>Revenue Loss</u>	<u>Percentage Loss</u>
		<i>Federal Tax Revenues (2004)</i>	
Individual Income Taxes	\$809.0	-\$12.1	-1.5%
Social Security Taxes	733.4	-11.0	-1.5%
Excise Taxes	69.9	-1.0	-1.5%
Subtotal Federal	\$1,612.3	-\$24.1	-1.5%
		<i>State and Local Tax Revenues (2002)</i>	
Individual Income Taxes	\$202.8	-\$3.0	-1.5%
Sales and Use Taxes	324.0	-4.9	-1.5%
Subtotal State and Local	\$526.8	-\$7.9	-1.5%
TOTAL (Fed., State, Local)	\$2,139.1	-\$32.0	-1.5%

Source: Federal revenues (2004) OMB; State and Local Tax Revenues (2002): Tax Foundation.

We estimate the revenue loss from displaced native-born workers following a Bush amnesty would be \$32 billion per annum. This is a long-term figure, based on the projected growth in the illegal alien workforce to the year 2025.

Remember, this is the loss attributable solely to the Bush amnesty. The income and revenue loss stemming from all foreign-born workers in 2025 will be about seven-times larger. Most of these individuals would have been already working in the U.S. anyway, so their economic costs cannot be attributed to the Bush guest worker program.

The ultimate impact of amnesty depends not only how newly amnestied immigrants adapt, but also on the adjustment process experienced by their offspring. The historical record gives us little reason for optimism. The skill levels of immigrants has declined relative to that of natives. In 1960 the average immigrant man living in the United States actually earned about 4% more than the average native man. By 1998, the average immigrant earned 23% less. Successive waves of immigrants had fewer years of education and correspondingly lower incomes than natives.

Although the wage gap narrows for children and grandchildren of immigrants, it never closes completely. In rough terms, about half the immigrant-native wage differential of the first generation persists in second-generation immigrants, and half of the differential remaining in the second generation persists into the third.

It follows that today's immigrants will depress average incomes and tax revenues for generations.

A Fiscal Benefit: Higher Tax Revenues

Illegal aliens cannot avoid paying sales and excise taxes. Income and payroll taxes are another matter, however. There is evidence that half of all illegal aliens are paid "off the books." That is, income and payroll taxes are not withheld from their pay. The untaxed wages of illegal immigrants could be costing the Federal government **\$35 billion** a year in unpaid taxes according to Bear Stearns Asset Management.

An amnesty, by "getting these illegal aliens into the system," will increase both the income and taxes paid by illegal aliens.

The revenue benefits are indeed considerable. Federal taxes paid by a typical illegal alien household would increase from about \$4,200 to \$7,450 - an increase of \$3,250 or 77% - following an amnesty. That translates to \$16.25 billion in additional Federal tax revenues (This assumes 5 million illegal immigrant households, a figure consistent with recent reports putting the illegal immigrant population at 20 million.)

Unfortunately, costs would increase even more. At the Federal level, per household costs would more than double, rising from approximately \$6,950 to \$15,100. Total federal costs would thus be about \$40.5 billion higher, and the net federal deficit arising from amnesty would be about \$24 billion.

State and local governments potentially face even larger net deficits from amnesty. A major study sponsored by the National Research Council, while it did not explicitly compare illegal and legal immigrants, concluded that the net fiscal deficit of immigrant households in California in 1994-95 was \$(-3,463) at the state and local government level and \$(-2,682) at the Federal level. State and local government expenditures include their share of K-12 education and means-tested programs like Medicaid, AFDC (now TANF), SSI, and other transfer programs.

Costs rise because amnestied illegals would have access to many programs that are currently off limits to them. Even if newly legalized illegal aliens were declared ineligible for some means-tested benefits, they would still be far more likely to apply for benefits on behalf of their U.S.-born children. Understandably, they would be less fearful of deportation or other government sanctions once an amnesty is in place.

We know this because legal immigrants with the same levels of education and income as illegal immigrants

Table 1
Additional Welfare Costs Under a Guest Worker Amnesty

State	Average Welfare Benefit (b)				Total
	Illegal Immigrant Households (a)	Per Legal Immigrant Household	Per Illegal Immigrant Household	Increased Welfare Costs Per Amnestied Household (c)	
Alabama	17,158	\$2,098	\$982	\$1,116	\$19,144,158
Alaska	3,574	\$3,700	\$1,732	\$1,968	\$7,034,478
Arizona	202,316	\$1,546	\$261	\$1,285	\$259,976,448
Arkansas	19,302	\$2,175	\$1,018	\$1,157	\$22,336,190
California	1,579,211	\$2,948	\$1,426	\$1,522	\$2,403,559,129
Colorado	102,945	\$1,393	\$1,100	\$293	\$30,163,001
Connecticut	27,881	\$2,289	\$1,072	\$1,218	\$33,954,082
Delaware	7,149	\$1,888	\$884	\$1,005	\$7,181,406
Florida	240,921	\$1,465	\$835	\$630	\$151,780,120
Georgia	162,997	\$1,687	\$790	\$898	\$146,302,225
Hawaii	1,430	\$2,109	\$987	\$1,122	\$1,604,113
Idaho	13,583	\$1,794	\$839	\$954	\$12,959,496
Illinois	308,836	\$953	\$750	\$203	\$62,693,747
Indiana	32,170	\$1,961	\$918	\$1,043	\$33,558,786
Iowa	17,158	\$2,057	\$963	\$1,094	\$18,773,008
Kansas	33,600	\$1,672	\$782	\$889	\$29,876,799
Kentucky	10,723	\$2,674	\$1,252	\$1,422	\$15,254,137
Louisiana	3,574	\$1,687	\$790	\$898	\$3,208,263
Maine	625	\$3,153	\$1,476	\$1,677	\$1,048,905
Maryland	40,034	\$2,006	\$939	\$1,067	\$42,730,469
Massachusetts	62,196	\$2,703	\$896	\$1,807	\$112,388,493
Michigan	50,043	\$2,222	\$1,040	\$1,182	\$59,138,292
Minnesota	42,894	\$3,411	\$1,597	\$1,815	\$77,834,475
Mississippi	5,719	\$2,550	\$1,194	\$1,357	\$7,759,422
Missouri	15,728	\$2,214	\$1,036	\$1,178	\$18,519,649
Montana	625	\$1,666	\$780	\$886	\$554,412
Nebraska	17,158	\$2,232	\$1,045	\$1,187	\$20,370,921
Nevada	72,205	\$1,258	\$589	\$669	\$48,327,162
New Hampshire	625	\$1,870	\$875	\$995	\$622,070
New Jersey	157,993	\$1,336	\$643	\$693	\$109,488,864
New Mexico	27,881	\$2,560	\$1,198	\$1,362	\$37,970,377
New York	349,585	\$4,114	\$1,776	\$2,338	\$817,330,693
North Carolina	147,269	\$2,134	\$999	\$1,135	\$167,167,208
North Dakota	625	\$2,318	\$1,085	\$1,233	\$771,305
Ohio	28,596	\$2,427	\$1,136	\$1,291	\$36,917,495
Oklahoma	32,885	\$2,075	\$971	\$1,104	\$36,293,889
Oregon	64,341	\$2,653	\$1,242	\$1,411	\$90,788,326
Pennsylvania	35,030	\$2,648	\$1,239	\$1,408	\$49,339,600
Rhode Island	11,438	\$3,570	\$1,671	\$1,899	\$21,721,798
South Carolina	25,736	\$2,443	\$1,143	\$1,300	\$33,446,206
South Dakota	625	\$1,797	\$841	\$956	\$597,721
Tennessee	32,885	\$2,547	\$1,192	\$1,355	\$44,562,157
Texas	744,209	\$1,904	\$1,200	\$704	\$523,923,442
Utah	46,468	\$1,603	\$750	\$853	\$39,633,156
Vermont	625	\$2,790	\$1,306	\$1,484	\$928,196
Virginia	73,635	\$1,480	\$693	\$787	\$57,966,076
Washington	97,226	\$2,359	\$1,104	\$1,255	\$121,983,920
West Virginia	625	\$2,653	\$1,242	\$1,411	\$882,603
Wisconsin	29,311	\$2,327	\$1,089	\$1,238	\$36,284,664
Wyoming	625	\$1,731	\$810	\$921	\$575,844
U.S.	5,000,000	\$2,222	\$1,040	\$1,182	\$5,910,000,000

are far more likely to receive means-tested programs like Medicaid. In addition, direct costs for programs like the Earned Income Tax Credit (EITC) would grow dramatically after an amnesty. Right now illegals need a Social Security number and must file a tax return in order to receive the tax credit.

From a purely fiscal point of view, the major problem with President Bush's guest worker proposal is that low-income illegal immigrants would become low-income legal immigrants. Legalization will increase the menu of public programs available to erstwhile illegal aliens. Legalization will not alter the low education levels of illegal aliens or change the fact that the American labor market offers limited opportunities to unskilled workers no matter what their legal status.

Fiscal Costs of Amnesty

Welfare

Since the New Deal, and especially since the Great Society, the U.S. has erected an elaborate anti-poverty safety net. The major beneficiaries of this net, almost by definition, are families and individuals least able to compete in the job market. Evidence suggests that immigrants as a whole – and especially new arrivals likely to take advantage of the Bush amnesty – depend heavily on government social programs.

The Bush amnesty, insofar as it will benefit mainly illegals from Mexico, will severely burden state and local governments. Due to their low levels of education, Mexican immigrants experience limited economic mobility in the United States. The poverty rate for Mexican immigrants (24.4% in 2002) is one-third higher than that of all immigrants (16.1%) and more than twice that of persons born here (11.1%).

Pervasive poverty guarantees high levels of welfare use. An analysis of Census Bureau survey data reveals 33.9% of households headed by a legal Mexican immigrant and 24.9% headed by an illegal Mexican immigrant receive at least one major welfare program. By contrast, 14.9% of native households receive welfare. More troubling still is the persistence of dependency among immigrant households. Years after they come to the U.S. Mexican immigrants remain far more dependent on welfare than natives.

Welfare benefits vary from state to state. The income thresholds and rules regarding eligibility of illegal households are also left to state welfare departments. In the wake of an amnesty, however, it is reasonable to expect states to treat their newly amnestied illegals no differently than they now treat legal immigrants.

Equal treatment portends a significant increase in welfare costs, however. Households headed by illegal aliens received approximately \$1,040 in benefits and cash payments in 2001, mainly in the form of Medicaid for their U.S.-born children. By contrast, legal immigrant households received an average \$2,222.

Implication: welfare costs will rise \$1,200 for every amnestied illegal immigrant household. Assuming there are 5 million such households, this implies an additional \$6 billion in welfare expenditures if each takes advantage of the amnesty program. In Table 1 we allocate the \$6 billion in amnesty-related welfare costs among the 50 states.

Notes for Table 1

Welfare programs include TANF/general assistance, Medicaid, SSI, and food stamps.

a. Assumes 20 million illegal aliens and 4-person households. The percentage distribution of illegal aliens among the states is based on the 2000 Census. See Center for Immigration Studies (CIS), "Remaking the Political Landscape: The Impact of Illegal and Legal Immigration on Congressional Apportionment," October 2003 (Table 4).

b. California, New York, Texas, Florida, Colorado, New Jersey, Massachusetts, Illinois, and Arizona: CIS, "Back Where We Started: An Examination of Trends in Immigrant Welfare Use Since Welfare Reform," March 2003 (Table 7). Benefits for all other states are estimated by scaling the national average benefit for legal and illegal immigrant households (as estimated in the aforementioned CIS study) up or down, based on the state's per capita welfare expenditure relative to the national average.

c. Assumes illegals will receive benefits equal to that of legal immigrants after amnesty.

The states with the heaviest concentrations of illegals – notably California and New York – also offer the most generous welfare benefits. In California, for example, legal immigrant households receive benefits worth an average of \$2,948 – or \$728 above the national average. Moreover, the legal-illegal benefit differential is \$1,522, or \$440 more than the national average. (See Table 1.) Similarly, legal immigrant households in New York State receive benefits worth \$4,114, or nearly twice the national average. The differential benefit paid to legals in New York, \$2,336, is the highest in the nation.

Not surprisingly, amnesty costs are disproportionately concentrated in those two states: California and New York are home to 39% of the nation’s illegal immigrants, but they account for 54% of the additional welfare costs attributable to amnesty.

Education

Elementary and secondary education is the most expensive item funded by state and local government. In 2001 more than 40% of local government general expenditures, or about \$392 billion, was spent on K-12 education.

Thanks to a 1982 Supreme Court ruling, the children of illegal immigrants are entitled to a public education. An estimated 1.1 million school-aged children of illegal immigrants are living in the United States according to the Urban Institute. That figure, however, is based on a total illegal immigrant population of 8.5 million. Using the Bear Stearns estimate – 20 million – the school-age population of illegals could easily reach 2.5 million.

At \$8,745 per pupil (the average cost of K-12 education in the U.S.) the cost of educating illegal immigrant children comes to \$21.9 billion. ESL, bilingual education, and other immigrant-oriented programs can raise per pupil costs by 15 to 25%. That pushes the cost of educating illegals to \$27 billion.

It is reasonable to ask whether the cost of educating illegal alien children is offset by their parents. Study after study shows that the cost of providing public services to immigrants exceeds the taxes they pay. This is especially true in the case of public education, which relies heavily on local property taxes. Even illegals that work “on the books” are unlikely to own property.

Amnesty will have no immediate impact on education costs: illegals are already in the public education system. In the long-run, however, the Bush amnesty will accelerate the influx of new illegals, whose U.S.-born children must be educated at public expense. In the end this may be the largest direct government expense associated with amnesty.

Beyond the dollars, there is also the possibility that an increasing share of teacher class time will be devoted to the special needs of immigrant children. This will inevitably diminish the educational experience for native children.

Prisons

Criminal aliens – illegal immigrants convicted of crimes – are a growing drain on scarce criminal justice resources. On June 30, 2003, 34,456 criminal aliens were held in Federal jails, representing 23.5% of all prisoners in Federal custody. The illegal alien share of the Federal prison population is about four-times greater than their share of the total U.S. population.

Holding criminal aliens in Federal prisons cost taxpayers \$891 million in 2002, according to figures available from the Bureau of Justice Statistics. Following an amnesty the number of criminal aliens in U.S. prisons will increase, as will the public costs of their incarceration.

Ironically, the number of non-citizen criminals has trended downward since 2000, when a record 36,090

Table 2: Cost of Non-U.S. Citizens in Local Jails

State	Estimated Annual Operating Expenditures per Inmate, 1999 (a)	Confirmed Number of Inmates 1999 (b)	Non-U.S. Citizen Inmates		Expenditures on non-Citizen Inmates
			Number	Percent	
TOTAL	\$21,618	605,943	24,231	4%	\$525,510,132
<i>Northeast</i>	<u>\$30,794</u>	<u>90,716</u>	<u>3,704</u>	<u>4%</u>	<u>\$109,056,279</u>
Maine	\$35,801	1,113	27	2%	\$966,629
Massachusetts	\$27,614	10,774"	317	3%	\$8,753,677
New Hampshire	\$22,131	1,592	260	16%	\$5,754,065
New Jersey	\$32,681	16,830	207	1%	\$6,764,952
New York	\$30,188	33,411	1,549	5%	\$46,761,850
Pennsylvania	\$29,803	26,996	1,344	5%	\$40,055,106
<i>Midwest</i>	<u>\$23,278</u>	<u>97,652</u>	<u>1,730</u>	<u>2%</u>	<u>\$40,977,815</u>
Illinois	20,551	16,880	246	1%	\$5,055,487
Indiana	21,440	12,787	590	5%	\$12,649,397
Iowa	21,438	2,998	104	3%	\$2,229,503
Kansas	23,621	4,378	147	3%	\$3,472,288
Michigan	29,807	15,629	101	1%	\$3,010,523
Minnesota	40,170	5,002	147	3%	\$5,905,012
Missouri	13,628	6,940	68	1%	\$926,676
Nebraska	23,652	2,189	101	5%	\$2,388,832
North Dakota	18,218	588	20	3%	\$364,351
Ohio	20,829	16,638	89	1%	\$1,853,782
South Dakota	18,890	1,064	31	3%	\$585,584
Wisconsin	29,493	12,559	86	1%	\$2,536,381
<i>South</i>	<u>16,289</u>	<u>284,742</u>	<u>8,207</u>	<u>4%</u>	<u>\$127,948,618</u>
Alabama	8,482	11,418	167	2%	\$1,416,526
Arkansas	14,168	4,832	64	1%	\$906,761
DC	22,616	1,653	78	5%	\$1,764,075
Florida	18,401	51,080	1,453	4%	\$26,737,051
Georgia	16,921	32,835	565	2%	\$9,560,278
Kentucky	17,332	10,373	258	3%	\$4,471,615
Louisiana	13,067	25,631	880	5%	\$11,498,826
Maryland	23,626	10,945	379	4%	\$8,954,373
Mississippi	11,848	8,886	90	1%	\$1,066,290
North Carolina	26,872	13,279	193	2%	\$5,186,255
Oklahoma	11,258	6,743	179	3%	\$2,015,229
South Carolina	14,844	8,780	27	0%	\$400,776
Tennessee	24,324	19,629	163	1%	\$3,964,820
Texas	12,972	57,930	3,300	8%	\$42,808,689
Virginia	17,317	18,235	331	2%	\$5,731,918
West Virginia	18,314	2,493	80	3%	\$1,465,135

Table 2 continued on next page

Table 2: Cost of Non-U.S. Citizens in Local Jails
(continued)

	Estimated Annual Operating Expenditures per Inmate, 1999 (a)	Confirmed Number of Inmates 1999 (b)	<i>Non-U.S. Citizen Inmates</i>		Expenditures on non-Citizen Inmates
			Number	Percent	
<i>West</i>	<u>23,398</u>	<u>132,833^b</u>	<u>10,593</u>	<u>11%</u>	<u>\$247,527,420</u>
Alaska	34,425	68	0	0%	\$0
Arizona	20,275	10,320	400	5%	\$8,109,857
California	22,711	77,142	8,183	14%	\$185,843,049
Colorado	22,323	9,004	167	4%	\$3,727,981
Idaho	17,286	2,809	146	7%	\$2,523,781
Montana	22,070	1,521	17	1%	\$375,198
Nevada	16,323	4,898	339	13%	\$5,533,477
New Mexico	31,319	5,217	269	7%	\$8,424,930
Oregon	33,811	6,283	351	7%	\$11,867,624
Utah	34,367	4,024	142	4%	\$4,880,168
Washington	28,315	10,542	559	7%	\$15,828,110
Wyoming	20,662	1,005	20	2%	\$413,245

a. Estimated by increasing 1996 State Prison Expenditures by CPI inflation, 1996 to 1999.

b. Census of Jails, 1999.

NOTE: Five states - Connecticut, Delaware, Hawaii, Rhode Island, and Vermont - have combined state-local prison systems, i.e., no local jails. They are excluded from this chart.

criminal aliens were in Federal custody. From midyear 2000 to midyear 2003 the number of aliens in Federal prisons fell by 4.5%. The reduction reflects changed priorities of Federal law enforcement authorities, with drug interdiction yielding to anti-terrorism.

We estimate that another \$525 million is spent incarcerating non-citizen inmates in state and local jails. (See **Table 2.**) Only 5% of jail inmates, or about 24,000, are non-U.S. citizens. This relatively low percent reflects the fact that most non-U.S. citizens are convicted of federal crimes such as immigration violations, and sent to federal prison.

Naturally, the cost of holding non-citizen inmates is greater in some states than in others. Perhaps surprisingly, the state with the largest share of its inmates consisting of non-citizens is New Hampshire, at 16%. The next four states ranked on non-citizen shares of the inmate population are California (14%), Nevada (13%), Texas (8%), and New Mexico (7%). They will suffer the largest relative increase in state and local jail costs following an amnesty.

IRCA authorized the INS (now Homeland Security) to take into custody and detain criminal aliens upon completion of the prison sentence. Deportation hearings are supposed to be held while the alien inmate is in prison so they can be expeditiously deported upon their release. A 1997 GAO report found a shocking number of convicted illegal aliens were allowed to remain in the country following their release:

“.....INS did not identify many deportable criminal aliens before their release from prison. For the second half of fiscal year 1995, this resulted in nearly 2,000 criminal aliens, including some aggravated felons, being released into U.S. communities without an INS determination of the risk they posed to public safety. GAO asked INS to determine whether there had been post-release criminal activity by 635 of these criminal aliens. INS determined that

23 percent had been rearrested for crimes, including 183 felonies.”

Only one-third (32 percent) of the 17,320 foreign-born inmates released in the last half of 1995 were deported. Nearly 6,000 of these criminal aliens were never in any sort of deportation proceedings – i.e., they fell through the INS processing cracks entirely.

Clearly the costs imposed on society by criminal aliens do not end when they are released from custody.

Conclusion

The public costs of President Bush’s proposed guestworker program are likely to be enormous. Taxpayers in this country already shell out an estimated \$27 billion to educate illegal alien children, and at least \$10 billion to cover welfare, health, and the costs of incarcerating illegal immigrants. Exact costs are impossible to calculate as they depend on the number of illegals, and that figure is believed to be anywhere between 8.5 to 20 million. If history is any guide, the Bush guestworker amnesty will accelerate the influx of illegals into the U.S.

An amnesty would bring illegals “into the system,” thus increasing the likelihood that they will pay their share of Federal, state, local taxes. Yet the marginal costs of amnesty would far exceed the marginal revenues. Legal immigrant households, for example, are far more likely to receive welfare benefits than illegal immigrant households. The low levels of education and high poverty rates associated with foreign-born households would not change.

But the largest cost of amnesty is rarely discussed. It is the loss of income suffered by native-born workers who compete with immigrant workers. We estimate that the Bush guestworker proposal will depress the average income of native-born workers by 1.75%, and reduce their income tax payments by \$32 billion per annum. This is a long-term figure, based on the projected growth in the illegal alien workforce to the year 2025.

