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THE POWER OF REFORM: CBO Reports Quantify the Economic Benefits of the Senate Immigration Bill

According to the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT), the fiscal and economic effects of the Senate immigration reform bill (S. 744) would be overwhelmingly positive. If enacted, the bill would help reduce the federal budget deficit by approximately \$1 trillion over 20 years, would boost the U.S. economy as whole without negatively affecting U.S. workers, and would greatly reduce future undocumented immigration. These are the conclusions laid out in three reports released in June and July 2013. On June 18, the CBO issued two reports on the version of S. 744 that was reported out of the Senate Judiciary Committee on May 28. The [first one](#) analyzes (or “scores”) the fiscal impact of the bill over the next 20 years¹ and the [second one](#) focuses on the impact that some aspects of the bill would have on the U.S. economy.² On July 3, the CBO issued a [revised](#) score on the version of the bill that passed the Senate on June 27.³ This version includes the Corker-Hoeven “border surge” amendment, which calls for a significant increase in border-enforcement spending.

What is a CBO score and what are its main implications?

Nearly every bill that is approved by a full committee of either house of Congress is subject to a formal cost estimate by the CBO. The report produced as a result of this analysis is known as the CBO “score.” The purpose of this analysis is to aid in economic and budgetary decisions on a wide assortment of programs covered by the federal budget. In general, the CBO estimates what the net fiscal impact of a bill would be, considering both the costs and the benefits associated with its implementation.

The CBO analysis of S. 744: What is at stake?

S. 744 would enable millions of undocumented immigrants to earn legal status and would revamp the legal immigration system. It also proposes new border and interior enforcement measures. All these components would have an effect on government finances and are therefore analyzed separately by the CBO. The bill would result in additional government revenue and new public expenses. At the same time, the different components of the bill would clearly have an impact on the economy. The CBO score may affect the type of amendments offered to the bill, any increase or decrease of programs offered, and the rhetorical arguments used to support or oppose the bill.

How would S. 744 affect the federal budget in the first 10 years after enactment?

According to the CBO’s [revised score](#), enacting S. 744 would lead to a net savings of about \$135 billion over the 2014-2023 period. This figure results from subtracting the costs of implementing the legislation (\$23 billion) from the expected reduction in the federal budget deficit (\$158 billion).⁴

How would S. 744 affect the federal budget in the second 10 years after enactment?

S.744 would produce net savings of at least \$905 billion over the 2024-2033 period. This figure results from:

- a. Subtracting the costs of implementing the legislation (between \$75 billion and \$80 billion) from the expected reduction in the federal budget deficit (\$685 billion), which yields net savings in the range of \$605 billion to \$610 billion. These figures are contained in the CBO's [revised score](#) of the bill.⁵
- b. Adding an additional \$300 billion in deficit reduction stemming from broader effects of the bill on the U.S. economy that are not considered in the CBO's cost estimate. This figure is contained in the CBO's [economic impact](#) analysis of the bill that was reported out of the Senate Judiciary Committee.⁶ According to the revised cost estimate, the economic effects of the bill passed by the Senate would differ only slightly from those estimated for the earlier version of the bill.⁷

What explains the overall fiscal gains that would result from S. 744?

The net fiscal gains (\$1 trillion over the 20-year period analyzed) would result from the fact that federal revenues would exceed spending. The boost in revenues is mostly attributable to the expansion of the size of the labor force and secondarily to the legalization of current undocumented workers. These changes would lead to additional collection of income and payroll taxes.⁸

How would S. 744 affect the U.S. economy?

S. 744 would boost the output of the U.S. economy. According to CBO estimates, the bill would [increase](#) the U.S. Gross Domestic Product (GDP) by 3.3 percent (\$700 billion) in 2023 and 5.4 percent (\$1.4 trillion) in 2033.⁹

How would S. 744 affect wages?

S. 744 would produce an [increase](#) in average wages by 2025. The CBO anticipates “that average wages for the entire labor force would be 0.1 percent *lower* in 2023 and 0.5 percent *higher* in 2033 under the legislation.” The initial miniscule drop in average wages would be fueled largely by the presence in the labor force of new immigrants who make less than the average wage. According to the CBO, “the estimated reductions in average wages...do not necessarily imply that current U.S. residents would be worse off, on average, under the legislation than they would be under current law.”¹⁰

How would S. 744 affect unemployment?

The CBO [predicts](#) that S. 744 “would raise the unemployment rate over the next five years by up to roughly 0.1 percentage point,” but would “have no effect on the unemployment rate after 2020.” The initial marginal increase in the unemployment rate would occur as “the economy adjusted to the increased inflow of immigrants.”¹¹

To what extent would S. 744 deter illegal immigration?

According to the CBO's [revised score](#), under S. 744 the net annual inflow of unauthorized residents would decrease “by between one-third and one-half compared with the projected net inflow under current law.”¹² However, the methodology behind the CBO's estimate is unknown.

It appears that the CBO underestimates the impact of S. 744 in reducing illegal immigration because it looks only at measures in the bill designed to deter illegal border crossings and employment in the United States. It fails to account for the incentives built into future-flow programs to encourage people to migrate legally and to depart on time. Taking these incentives into account, illegal immigration should decline significantly as new worker programs become fully implemented.

How does the CBO estimate the size of future unauthorized flows?

The anticipated one-third to one-half reduction in the net annual flow of unauthorized residents is based on two main assumptions: (a) that enforcement would make it more difficult for unauthorized immigrants to immigrate; and (b) that employment-verification requirements would make it difficult for unauthorized residents to find employment while unauthorized. However, the CBO does not present its methodology in detail.¹³

What does the CBO fail to include when estimating the magnitude of future unauthorized flows?

The CBO does not account for the fact that the bill provides a structure of positive incentives for people to come to (or stay in) the country legally:

- a) Through the new W visa, the bill creates stronger channels for lower-skilled workers when the economy is growing. This is crucial because past trends show that illegal immigration increases when the economy is expanding.
- b) Workers on nonimmigrant visas would have the opportunity to apply for a green card through the point system (tier 2). This would lessen the likelihood of temporary workers staying in the country illegally after their nonimmigrant visas expire.
- c) The tier 2 track of the new point system would make available between 60,000 and 125,000 visas each fiscal year for immigrants in high-demand less-skilled occupations.
- d) The cap for employment-based immigrant visas allocated to “other workers” (less-skilled workers) would be raised significantly.
- e) Under the Senate bill, spouses and minor children of Legal Permanent Residents (LPRs) would have an expedited process for immigrating to the United States. This would serve as an additional incentive to avoid illegal immigration related to family separation.

Based on these mechanisms, we can anticipate that these measures would reduce the number of unauthorized immigrants at a much higher rate than the CBO estimate.

Endnotes

¹ Congressional Budget Office, [*Cost Estimate: S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act as reported by the Senate Committee on the Judiciary*](#), June 18, 2013.

² Congressional Budget Office, [*The Economic Impact of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act*](#), June 2013.

³ Congressional Budget Office, [*Cost Estimate: S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act as Passed*](#), July 3, 2013.

⁴ *Ibid.*, pp. 1-2.

⁵ *Ibid.*, pp. 6-7.

⁶ Congressional Budget Office, [*The Economic Impact of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act*](#), June 2013, pp. 2-3.

⁷ Congressional Budget Office, [*Cost Estimate: S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act as Passed*](#), July 3, 2013, p. 2.

⁸ Congressional Budget Office, [*Cost Estimate: S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act as reported by the Senate Committee on the Judiciary*](#), June 18, 2013, pp. 2, 12.

⁹ Executive Office of the President, [*The Economic Benefits of Fixing Our Broken Immigration System*](#), July 2013, p. 2 {analyzing the estimates of the Congressional Budget Office, [*The Economic Impact of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act*](#), June 2013, p. 3}.

¹⁰ Congressional Budget Office, [*The Economic Impact of S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act*](#), June 2013, pp. 3-4, 6-8.

¹¹ *Ibid.*, pp. 9-10.

¹² Congressional Budget Office, [*Cost Estimate: S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act as Passed*](#), July 3, 2013, p. 5.

¹³ Congressional Budget Office, [*Cost Estimate: S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act as reported by the Senate Committee on the Judiciary*](#), June 18, 2013, p. 23; Congressional Budget Office, [*Cost Estimate: S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act as Passed*](#), July 3, 2013, p. 5.