



SOCIAL SECURITY
Office of the Chief Actuary

July 9, 2013

Senator Jeff Sessions
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Sessions:

Thank you for your letter of May 7 requesting further information related to estimates for S. 744 (The Border Security, Economic Opportunity, and Immigration Modernization Act) and to our recent Actuarial Note Number 151 on the effects of undocumented immigration under present law. Our letter to Senator Rubio dated May 8, 2013 has been public since that time. In addition, our letter of June 28 provided further analysis and long-range estimates for the Bill as passed by the Senate. I believe that these letters may have answered some of your questions and I apologize for the delay in answering any questions not addressed in these letters. It has been a pleasure working with Tori Gorman of your staff in understanding the features of the Bill as introduced and the questions you have posed.

In your letter, you suggest that enactment of the Bill “will provide legal status and a pathway to citizenship to more than 30 million individuals over the course of the next decade - many of whom are low-skill, low-wage workers.” Our estimates suggest that about 8 million individuals who were residing in the U.S. without current legal documentation at the end of 2011 would receive RPI status. In order to gain legal permanent resident status, these individuals would generally need to remain in RPI status for 10 years, and would not be eligible to apply for citizenship until several years after that. While in RPI status, these individuals would not be eligible for means-tested benefits (like SSI and Medicaid). However, from the point of application for RPI status, the Bill would provide legal work authorization and, thus, would increase substantially the number of workers in the country who are paying payroll taxes to the Social Security trust funds and income and other taxes to Federal, State and local governments. We do project that these individuals would, over time, gain insured status for Social Security benefits, but that these benefits would be modest, commensurate with their earnings level and abbreviated working career under Social Security coverage.

Please see below answers to specific questions you raised in your letter:

- In Actuarial Note Number 151, *Effects of Unauthorized Immigration on the Actuarial Status of the Social Security Trust Funds*, the Office of the Chief Actuary (OACT) suggests that there are two types of unauthorized workers who currently reside in the United States: (1) those who do not pay into Social Security (3.9 million workers), (2) those who use a Social Security number (SSN) that does

not match their name but still remit FICA taxes (1.8 million workers). In addition, the average wage of the latter group is about 80 percent of the average wage, or about \$34,000 in 2010.

- What assumption does your model make regarding the wage and earnings profile of the 3.9 million unauthorized workers in the underground economy? Logic suggests that these workers would earn a lower wage than their "documented" cohorts would.

Answer: We assume that unauthorized workers who work in the underground economy earn 70 to 75 percent of the average wage level.

- How do these wage profiles change as a result of S. 744, and what are the avenues that produce this change in wages?

Answer: Under enactment of S. 744, for those individuals who move to RPI status, become legal work authorized, and move into the "above ground economy," we assume they will begin to receive higher annual earnings, rising to 80 to 85 percent of the average wage while in this status. Once granted legal work authorization, currently unauthorized workers will have greater opportunity to seek employment of their choice with optimal pay and benefits. For those who eventually gain permanent legal resident status, or become citizens, we assume that their annual earnings level will approximate the average earnings level in the U.S. economy.

- **Further Information:** In addition, please note that in Actuarial Note Number 151 we identified a total of four groups of residents without current legal work authorization who were working in 2010. The additional two groups not listed above are: (3) those with a valid Social Security number issued under a temporary visa, but had overstayed the period they were authorized to work (0.6 million workers), and (4) those who used a false Social Security number obtained using fraudulent birth certificates (0.7 million workers).

- S. 744 includes a process for unauthorized workers to become eligible for federal entitlement benefits including Social Security. Included in that process is a requirement that workers maintain a level of financial security during the period before they become eligible for federal benefits. Specifically, the worker must be able to demonstrate that they are not likely to become a public charge or have income or resources that are equivalent to at least 125 percent of the federal poverty level during the period when they have provisional status. (This financial self-sufficiency test is not applied at the point of the initial application, but only when the application is renewed.) However, these requirements are insufficiently low and have limited ability to restrict the availability of federal benefits to aliens with very low incomes.¹

¹ The current criteria are overly broad to the point that most means-tested programs are not included in the assessment. Guidance from the State Department and the Department of Homeland Security specifically prevents immigration officials from considering the likelihood that an alien will qualify for Medicaid, Supplemental Nutrition Assistance Program (SNAP or food stamps), child-care benefits, and

- Given that current unauthorized workers with very low incomes might eventually become eligible for federal benefits, what assumptions does the OCACT make about 1) the number of these workers who will be ineligible for federal benefits due to their inability to satisfy tests of financial security, and 2) the likelihood that unauthorized workers will eventually become eligible for Social Security (both old-age and survivors insurance, as well as disability insurance)?

Answer: We assume that roughly 5 percent of those granted RPI status initially for 6 years will, upon reapplication, be denied continued RPI status due to failing to meet the financial security requirements. For those who meet these requirements and maintain RPI status, they will have the opportunity to receive Social Security benefits in the future based on earnings that have been credited to their account, on which they and their employer have paid payroll taxes. For those who remain in the country, complete the period in RPI status and become legal permanent residents (or citizens), we project that they will be nearly as likely to attain insured status and receive benefits under the Social Security program as native born citizens.

- S. 744 incorporates the DREAM Act, which would provide expedited U.S. citizenship to 2-3 million illegal immigrants of any age who claim to have been brought to the country as children.
 - What assumptions does your model make regarding the impact of the DREAM Act on chain migration (family members of those who are eligible for DREAM Act amnesty who would also be granted citizenship)?
Answer: Our estimates incorporate “chain migration” for individuals attaining citizenship and legal permanent resident status. In the case of individuals eligible under the “Dream” portion of the Senate Bill, entry into the U.S. is required under the age of 16. As a result, chain migration for this group is small. With entry into the country under age 16, siblings and parents generally also entered and so would already be in the U.S. and eligible as Dreamers or RPI in their own right.
 - What is the impact of this chain migration on the OASDI trust funds?
Answer: Chain migration is a substantial part of total legal immigration. Historically, the unlimited category of immediate relatives of U.S. citizens represented about 40 percent of new legal permanent residents each year. The roughly 5 million individuals expected to gain LPR status over the next 10 years under Merit Track 2 are largely individuals who have already been waiting for

other means-tested entitlements when determining whether they would be considered a public charge. In fact, the only two programs considered as evidence for the likelihood of becoming a public charge are Supplemental Security Income (SSI) and Temporary Assistance for Needy Families (TANF) cash assistance. In addition, S. 744 does not specify what should be included as a “resource.” However, one can assume that resources would include bank deposits and investments, stocks and bonds, insurance policies, and other liquid assets. Therefore, an alien who is “asset rich” but with a very low wage income (or even no wage) would pass the income and resource test for becoming eligible for federal benefits.

years to enter the U.S. under the family preference limits. This additional number in the next 10 years entering the country, along with the chain migration expected for the future (ultimately at about 40 percent of total legal immigration is a substantial source in immigration) that contributes to our population and labor force. Chain migration not only adds relatively young workers who will work and pay taxes for years before receiving benefits, but they also have children that further add to our population and improve the financial status of the Trust Fund. The mechanism through which increased immigration improves the financial status of the Trust Funds is the same as the effect for additional births. Increases in births and in young immigrants alters the age distribution of our overall population toward younger ages, which is beneficial to the cost of the Social Security and Medicare programs expressed as a share of our tax base, the earnings of American workers. The implication of both increased immigration and increased birth rates is shown in the sensitivity analysis of the 2013 Trustees Report.

- How will DREAM-related chain migration affect the number of individuals eligible for SSI?
Answer: As described above, we estimate very little chain migration associated with “Dreamers.”
- Two exogenous assumptions will have outside influence on the budgetary and economic projections associated with immigration reform: (1) the impact of low-skill, low-wage immigration on the productivity of native-born high-skilled workers, and (2) the degree to which new, low-skill, low-wage immigrants displace native-born workers with similar skills.
 - What assumptions does your model make regarding the impact of S. 744 on productivity among higher-skilled workers and the displacement of similarly skilled native-born workers?
Answer: The Bill as passed by the Senate provides a combination of reduction in inflows of undocumented immigrants who have lower than average skills, and a more than offsetting increase in legal immigration with a mix of low and high skills. On balance, we estimate no net effect on overall productivity of the U.S. workforce and no displacement of current workers. The added net immigration will, in addition to increasing the labor force, increase demand for goods and services and therefore employment and GDP.
 - How sensitive are the results of your analysis to changes in these exogenous variables?
Answer: As indicated in our two letters to Senator Rubio, and the sensitivity analysis in the Trustees Reports, the actuarial status and the amount of GDP and economic growth are all positively affected by increases in net immigration. Over the long run, productivity in the U.S. economy is certainly enhanced through innovation that results from the diverse workforce resulting from past and future immigration. Historically, labor productivity (real GDP per hour

worked) has increased at about 1.7 percent per year. The intermediate assumptions of the Trustees Report reflect a continuation of this trend into the future.

I hope the answers provided above will be helpful. Please let us know if we may be of further assistance in any way.

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive style with a large initial 'S' and a distinct 'G'.

Stephen C. Goss
Chief Actuary

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May 7, 2013

Mr. Stephen C. Goss
Office of the Chief Actuary
Social Security Administration
700 Altmeyer Building
6401 Security Boulevard
Woodlawn, MD 21235

Dear Mr. Goss:

The Senate Judiciary Committee has initiated a review of S. 744, The Border Security, Economic Opportunity, and Immigration Modernization Act. This bill would fundamentally change our nation's immigration laws, giving millions of illegal immigrants a pathway to U.S. citizenship—and access to federal income support and entitlement programs.

As the ranking member on the Senate Budget Committee, I am very concerned about the budgetary and economic effects of this proposed legislation, which will provide legal status and a pathway to citizenship to more than 30 million individuals over the course of the next decade—many of whom are low-skill, low-wage workers. Our gross federal debt already exceeds 100 percent of GDP, our federal entitlement programs face looming insolvency, and the economy suffers daily from the diversion of productive resources used by government for welfare and other redistribution programs. Any realistic assessment of the impact of S. 744 must account for the burden of adding millions of immigrants to our already-strained welfare and entitlement programs.

The Senate will rely on you and your staff to analyze the impact of the immigration bill on Social Security's old-age and survivors insurance trust fund (OASI), the disability insurance (DI) trust fund, and eligibility for Supplemental Security Income (SSI). However, I am worried that your analysis may not take into account the income and education levels of illegal immigrants who would be legalized under the plan. To have a better understanding of the results of your forthcoming analysis, I ask the following questions:

- In Actuarial Note Number 151, *Effects of Unauthorized Immigration on the Actuarial Status of the Social Security Trust Funds*, the Office of the Chief Actuary (OCACT) suggests that there are two types of unauthorized workers who currently reside in the United States: (1) those who do not pay into Social Security (3.9 million workers), and (2) those who use a Social Security number (SSN) that does not match their name but still remit FICA taxes (1.8 million workers). In addition, the average wage of the latter group is about 80 percent of the average wage, or about \$34,000 in 2010.
 - **What assumption does your model make regarding the wage and earnings profile of the 3.9 million unauthorized workers in the underground economy? Logic suggests that these workers would earn a lower wage than their “documented” cohorts.**
 - **How do these wage profiles change as a result of S. 744, and what are the avenues that produce this change in wages?**
- S. 744 includes a process for unauthorized workers to become eligible for federal entitlement benefits including Social Security. Included in that process is a requirement that workers maintain a level of financial security during the period before they become eligible for federal benefits. Specifically, the worker must be able to demonstrate that they are not likely to become a public charge or have income or resources that are equivalent to at least 125 percent of the federal poverty level during the period when they have provisional status. (This financial self-sufficiency test is not applied at the point of the initial application, but only when the application is renewed.) However, these requirements are insufficiently low and have limited ability to restrict the availability of federal benefits to aliens with very low incomes.¹
 - **Given that current unauthorized workers with very low incomes might eventually become eligible for federal benefits, what assumptions does the OCACT make about 1) the number of these workers who will be**

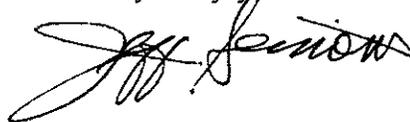
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ineligible for federal benefits due to their inability to satisfy tests of financial security, and 2) the likelihood that unauthorized workers will eventually become eligible for Social Security (both old-age and survivors insurance, as well as disability insurance)?

- S. 744 incorporates the DREAM Act, which would provide expedited U.S. citizenship to 2-3 million illegal immigrants of any age who claim to have been brought to the country as children.
 - **What assumptions does your model make regarding the impact of the DREAM Act on chain migration (family members of those who are eligible for DREAM Act amnesty who would also be granted citizenship)?**
 - **What is the impact of this chain migration on the OASDI trust funds?**
 - **How will DREAM-related chain migration affect the number of individuals eligible for SSI?**
- Two exogenous assumptions will have outside influence on the budgetary and economic projections associated with immigration reform: (1) the impact of low-skill, low-wage immigration on the productivity of native-born high-skilled workers, and (2) the degree to which new, low-skill, low-wage immigrants displace native-born workers with similar skills.
 - **What assumptions does your model make regarding the impact of S. 744 on productivity among higher-skilled workers and the displacement of similarly skilled native-born workers?**
 - **How sensitive are the results of your analysis to changes in these exogenous variables?**

I appreciate your efforts and those of your staff, and I look forward to your timely response. If you have any questions about my inquiry, please contact me or Tori Gorman, a member of my staff, at 202-224-0642.

Very truly yours,



Jeff Sessions
Ranking Member