

# **The Economic Benefits of Fixing Our Broken Immigration System: Impacts for California Families**

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## **Commonsense immigration reform will strengthen California's economy and creates jobs.**

- According to Regional Economic Models, Inc., a set of reforms that – like the Senate bill – provides a pathway to earned citizenship and expands a high-skilled and other temporary worker programs would together boost California's economic output by \$7.3 billion and create approximately 77,070 new jobs in 2014. By 2045, the boost to California's economic output would be around \$35.8 billion, in 2012 dollars.
- Immigrants already make important contributions to California's economy. For example, California's labor force is 34.4% foreign-born. In 2009, immigrants accounted for 34% of total economic output in the Los Angeles metropolitan area.

## **Commonsense immigration reform fosters innovation and encourages job creation in California.**

- 36.6% of California business owners are immigrants. These businessmen and women generate \$34.3 billion in income for California each year.
- In California, 38.3% of science, technology, engineering, and math (STEM) graduates at the state's most research-intensive schools are foreign-born. Also, 56.5% of the state's engineering PhDs are foreign-born.

## **Commonsense immigration reform increases workers' income, resulting in new state and local tax revenue.**

- Providing a pathway to earned citizenship and expanding high- and low-skilled visa programs will increase total personal income for California families by \$29.1 billion in 2020, according to Regional Economic Models, Inc.
- Commonsense immigration reform would have increased the state and local taxes paid by immigrants in California by approximately \$327 million in 2010, according to one study.

## **Commonsense immigration reform will contribute to the recovery of California's housing market and will strengthen California's technology, agriculture, and tourism industries, among others.**

- Immigrants significantly increased home values in California between 2000 and 2010 - in Los Angeles County, the increase was \$3,278 for the median home.
- There are 81,033 farms in California that sell approximately \$33.9 billion in agricultural products. Noncitizen farmworkers accounted for 73% of all farmworkers in California between 2007 and 2011. According to one study, in 2020 an expanded temporary worker program – like the one provided by the Senate bill – would mean 9,426 new jobs for U.S. citizens and immigrants (including jobs not only in agriculture, but also retail trade, construction, and other sectors) in California, and increase California's real personal income by \$489 million in 2012 dollars.
- These provisions will increase tourism to the U.S., including to California - which saw approximately 6,134,000 overseas visitors in 2011.

## **Many California residents and stakeholders support comprehensive immigration reform.**

- President of the California Farm Bureau, Paul Wegner: He warns that if House GOP members block comprehensive immigration reform it would be bad for California business, in part because the current immigration system does not provide enough work visas to meet California's farm labor needs.
- President of California Chamber of Commerce, Allan Zaremberg: "comprehensive immigration reform...is probably more important to California's economy than that of any other state. Technology, agriculture, and tourism, among others, must have comprehensive immigration reform to survive."

## *Overview of Economic Benefits to the U.S. and California:*

America has always been a nation of immigrants, and throughout the nation's history, immigrants from around the globe have kept our workforce vibrant, our businesses on the cutting edge, and helped to build the greatest economic engine in the world. However, America's immigration system is broken and has not kept pace with changing times. Today, too many employers game the system by hiring undocumented workers and there are 11 million people living and working in the shadow economy. Neither is good for the U.S. economy or California families.

The bipartisan Border Security, Economic Opportunity and Immigration Modernization Act (S. 744) passed by the Senate represents a good opportunity for our country to modernize its broken immigration system. This commonsense legislation, drafted by both Democrats and Republicans, has four pillars: (1) continue to strengthen our borders; (2) crack down on companies that hire undocumented workers; (3) hold undocumented immigrants accountable before they can earn their citizenship (this means requiring undocumented workers to pay pass background checks, pay penalties and pay their taxes, learn English, and go to the back of the line); and, (4) streamline the legal immigration system for families, workers, and employers.

It is time to act to fix the broken immigration system in a way that requires responsibility from everyone—both from unauthorized workers and from those who hire them—and guarantees that everyone is playing by the same rules. To this end, the President urges the House of Representatives to take action and stands willing to work with all parties to make sure that commonsense immigration reform becomes a reality as soon as possible.

Economists, business leaders, and American workers agree – we must take advantage of this historic opportunity to fix our broken immigration system in a comprehensive way. Together we can build a fair, effective and common-sense immigration system that lives up to our heritage as a nation of laws and a nation of immigrants. At stake is a stronger, more dynamic, and faster growing economy that will foster job creation, higher productivity and wages, and entrepreneurship.

### **Commonsense immigration reform will strengthen the U.S. economy and creates jobs.**

Independent studies affirm that commonsense immigration reform will increase economic growth by adding more high-demand workers to the labor force, increasing capital investment and overall productivity, and leading to greater numbers of entrepreneurs starting companies in the U.S.

- The nonpartisan Congressional Budget Office (CBO) estimated that, relative to current law projections, enacting the Senate immigration reform bill will **increase national real GDP by 3.3 percent in 2023 and 5.4 percent in 2033** – increasing the size of the economy by roughly \$700 billion in 2023 and \$1.4 trillion in 2033 in today's dollars.<sup>1</sup>
- According to Regional Economic Models, Inc., a set of reforms that – like the Senate bill - provides a pathway to earned citizenship and expands a high-skilled and other temporary worker programs would together boost California's economic output by \$7.3 billion and create approximately 77,070 new jobs in 2014. By 2045, the boost to California's economic output would be around \$35.8 billion, in 2012 dollars.<sup>2</sup>

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<sup>1</sup> The Economic Impact of S. 744, Border Security, Economic Opportunity, and Immigration Modernization Act, Congressional Budget Office Report (June 2013), <http://cbo.gov/sites/default/files/cbofiles/attachments/44346-Immigration.pdf>.

<sup>2</sup> Treyz, Frederick, Stottlemeyer, Corey, and Motamedi, Rod. "Key Components of Immigration Reform: An Analysis of the Economic Effects of Creating a Pathway to Legal Status, Expanding High-Skilled Visas, & Reforming Lesser-Skilled Visas." Regional Economic Models, Inc (REMI). July 17, 2013. <http://www.remi.com/immigration-report>

- The bipartisan Senate bill will **increase size of the labor force** by 3.5 percent in 2023 and 5 percent in 2033, according to CBO, which will boost capital investment and lead to increased **productivity and higher overall average wages**.
- Immigrants already make important contributions to California’s economy. The Migration Policy Institute found that 34.4% percent of California’s labor force is foreign-born.<sup>3</sup> In 2009, immigrants accounted for 34% of total economic output in the Los Angeles metropolitan area.<sup>4</sup>

**Commonsense immigration reform would reduce the federal deficit and strengthen Social Security.**

According to CBO, the additional taxes paid by new and legalizing immigrants would much more than offset the estimated costs of the bill — in fact, enacting the bill would actually **improve the federal budget outlook** in both the short- and long-term. Additional immigration would help balance out an increase in retirees-per-worker as the baby boom generation retires, strengthening the Social Security program.

- CBO found that the enacting the Senate immigration reform bill will **reduce the federal budget deficit by nearly \$850 billion** over the next 20 years.
- CBO projects that enacting commonsense immigration reform will both decrease federal deficits **and** generate additional economic growth, a fiscal win-win. Based on CBO’s analysis of the bill’s budgetary and economic effects, enacting the Senate bill would **reduce the federal debt as a share of the economy by three percentage points in 2023**, relative to current law.
- The independent SSA Actuary estimates that the Senate’s immigration reform bill will **add nearly \$300 billion to the Social Security Trust Fund over the next decade** and would improve Social Security’s finances over the long run, **extending Social Security solvency by two years**.<sup>5</sup>

**Commonsense immigration reform fosters innovation and encourages more job creation and job growth in the U.S.**

The bipartisan Senate bill makes meaningful improvements to the existing employment-based green card system and would strengthen California’s ability to attract and retain highly-skilled talent from around the world. Recent studies have shown that immigrants promote productivity and innovation, both directly and indirectly through positive spillover effects on American workers.

- The Fiscal Policy Institute found that, nationally, immigrant-owned small businesses **generated a total of \$776 billion** in receipts and employed an estimated **4.7 million people** in 2007.<sup>6</sup>
- The Partnership for a New American Economy found that immigrants started **28 percent of all new U.S. businesses** in 2011, despite accounting for only 13 percent of the U.S. population.

<sup>3</sup> Data from the Migration Policy Institute’s (MPI) “Data Hub: US Historical Immigration Trends.” <http://www.migrationinformation.org/DataHub/historicaltrends.cfm#children>

<sup>4</sup> Fiscal Policy Institute (FPI), “Immigrants and the Economy: Contribution of Immigrant Workers to the Country’s 25 Largest Metropolitan Areas.” December 2009. [http://www.fiscalpolicy.org/ImmigrantsIn25MetroAreas\\_20091130.pdf#page=18](http://www.fiscalpolicy.org/ImmigrantsIn25MetroAreas_20091130.pdf#page=18)

<sup>5</sup> Office of the Chief Actuary, Social Security Administration. “Response to The Honorable Marco Rubio’s request for estimates of the financial effects on Social Security of S. 744, the ‘Border Security, Economic Opportunity, and Immigration Modernization Act.’” June 28, 2013. [http://www.ssa.gov/OACT/solvency/MRubio\\_20130627.pdf](http://www.ssa.gov/OACT/solvency/MRubio_20130627.pdf)

<sup>6</sup> Fiscal Policy Institute (FPI), “Immigrant Small Business Owners: A Significant and Growing Part of the Economy.” June 2012. <http://fiscalpolicy.org/wp-content/uploads/2012/06/immigrant-small-business-owners-FPI-20120614.pdf>

36.6% of California business owners are immigrants. These businessmen and women generate \$34.3 billion in income for California each year.<sup>7</sup>

- Notably, more than **40 percent of Fortune 500 companies were founded by immigrants or children of immigrants**. These American companies represent **7 of the 10 most valuable brands globally**, collectively employ more than 10 million people and generate annual revenue of \$4.2 trillion.<sup>8</sup>
- The Senate bill would **eliminate the existing backlogs for employment-based green cards** by exempting certain employment-based categories from annual numerical limitations on such green cards and by easing restrictions on the number of immigrants admitted from populous nations like India and China. It also **exempts STEM PhD and Master’s graduates from the annual numerical limitations**, allowing STEM graduates with advanced degrees from U.S. colleges and universities and job offers in the U.S. to stay and work in the U.S. as permanent residents.
- The Senate bill creates a new startup, or INVEST, visa that **helps foreign entrepreneurs build their businesses in the U.S.** by creating temporary visa and permanent green card options for those **entrepreneurs who attract investment from qualified U.S. investors or revenue from U.S. customers and create jobs for American workers**.
- According to the Partnership for a New American Economy, in California, 38.3% of science, technology, engineering, and math (STEM) graduates at the state’s most research-intensive schools are foreign-born. Also, 56.5% of the state’s engineering PhDs are foreign-born.<sup>9</sup>

**Commonsense immigration reform increases the productivity of workers and adds new protections for American workers.** According to CBO and other independent studies, immigration reform will increase overall U.S. productivity, ultimately resulting in higher GDP and higher wages. The bipartisan Senate bill also provides a host of protections for California workers and includes new worksite enforcement and border security measures that will deter unauthorized immigration in the future.

- CBO estimates that, overall, **real wages will be 0.5 percent higher in 2033** — the equivalent to an additional \$250 of income for the median American household — as a result of enacting the Senate bill. According to an independent study by Regional Economic Models Inc., providing a pathway to earned citizenship and expanding high- and low-skilled visa programs (as the bipartisan Senate bill would do) will increase total personal income for California families by \$29.1 billion in 2020.
- Enacting the Senate bill will **raise the “wage floor”** for all workers—particularly in industries where large numbers of low-wage, easily exploited, unauthorized immigrants currently work. According to the Institute on Taxation and Economic Policy, commonsense immigration reform would have increased state and local taxes paid by California’s immigrants by approximately \$327 million in 2010 – from \$2.24 billion to \$2.67 billion.<sup>10</sup>

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<sup>7</sup> Data from Partnership for a New American Economy’s “Map the Impact” project. <http://www.maptheimpact.org/>

<sup>8</sup> Partnership for a New American Economy, “The New American Fortune 500,” June 2011, <http://www.renewoureconomy.org/sites/all/themes/pnae/img/new-american-fortune-500-june-2011.pdf>.

<sup>9</sup> Data from Partnership for a New American Economy’s “Map the Impact” project. <http://www.maptheimpact.org/>

<sup>10</sup> Institute on Taxation and Economic Policy (ITEP), “Undocumented Immigrants’ State and Local Tax Contributions.” July 2013. <http://www.itep.org/pdf/undocumentedtaxes.pdf>

- Studies of the 1986 immigration reform law found that **newly-legalized immigrants saw wage gains of about 10 percent**, due in part to **increases in workers' productivity**, which benefits the economy as a whole.<sup>11</sup>

**Commonsense immigration reform will contribute to our housing market recovery and strengthens the U.S. technology, agriculture, and tourism industries, among others.** In addition to the benefits described above – increasing total economic growth, boosting worker productivity, increasing innovation, and strengthening our fiscal health – the bipartisan Senate bill would bring specific benefits to a range of economic sectors.

- A recent study from the Americas Society/Council for the Americas and Partnership for a New American Economy found that the 40 million immigrants currently in the U.S. have created \$3.7 trillion in housing wealth. Immigrants significantly increased home values in California between 2000 and 2010—in Los Angeles County, the increase was \$3,278 for the median home.<sup>12</sup>
- According to a USDA simulation of a similar policy, increasing the number of agriculture temporary workers, under certain conditions, would **increase long-run agricultural output** by between 0.2 percent and 2.0 percent, depending on the crop, and would **increase agricultural exports** by between 0.2 percent and 3.2 percent. And CBO found that the Senate bill would allow 1.5 million agricultural workers and their dependents to obtain legal status (and eventually citizenship), which would provide a skilled and reliable workforce for the industry. There are 81,033 farms in California that sell approximately \$33.9 billion in agricultural products. Noncitizen farmworkers accounted for 73% of all farmworkers in California between 2007 and 2011.<sup>13</sup> These California farms and farmworkers will benefit from the Senate bill's earned citizenship program for farmworkers and new temporary worker program. According to one study, in 2020 an expanded temporary worker program – like the one provided by the Senate bill – would add 9,426 jobs for U.S. citizens and immigrants (including jobs in agriculture, retail trade, construction, and other sectors) in California, and increase California's real personal income by 489 million in 2012 dollars.<sup>14</sup>
- Travel and tourism comprise the **largest service-export industry** in the U.S., setting a record \$165.6 billion in exports and supporting 7.8 million jobs in 2012, according to the International Trade Administration. The industries' continued growth depends on America's ability to compete with other countries for international tourists (particularly those from emerging economies). The Senate bill contains numerous provisions that will facilitate travel and tourism to the United States while simultaneously strengthening our national security. These provisions will increase tourism to the U.S., including to California - which saw approximately 6,134,000 overseas visitors in 2011.<sup>15</sup>

#### **U.S. and California residents and stakeholders support comprehensive immigration reform.**

- John Arensmeyer, Small Business Majority: "Small business owners understand that fixing our country's immigration system will help them foster better workforces, which will bolster their

<sup>11</sup> See for example, Sherrie A. Kossoudji and Deborah Cobb-Clark. "Coming Out of the Shadows: Learning about Legal Status and Wages from the Legalized Population." *Journal of Labor Economics*. July 2002.

<sup>12</sup> Data from the Americas Society/Council of the Americas, "Interactive: The Impact of Immigration on the Housing Market." <http://www.as-coa.org/interactive-impact-immigration-housing-market>

<sup>13</sup> USDA-ERS analysis of American Community Survey Public Use Microdata Sample files, 2007-11

<sup>14</sup> Treyz, Frederick, Stottlemeyer, Corey, and Motamedi, Rod. (2013)

<sup>15</sup> U.S. Department of Commerce, "Overseas Visitation for U.S. States, Cities, and Census Regions: 2011." International Trade Administration, Office of Travel and Tourism Industries. 2011.

[http://tinet.ita.doc.gov/outreachpages/download\\_data\\_table/2011\\_States\\_and\\_Cities.pdf](http://tinet.ita.doc.gov/outreachpages/download_data_table/2011_States_and_Cities.pdf)

bottom lines and our economy as a whole. ... Everyone benefits when we encourage hard-working immigrants to bring their skillsets to the U.S. and let previously undocumented immigrants legally join our workforce, pay taxes and contribute in a meaningful way to our economy.”

- U.S. Chamber of Commerce: “Immigration reform is one of the compelling challenges of our time. The Chamber will continue to utilize its resources and promote support among our members for broad immigration reform because America cannot compete and win in a global economy without the world’s best talent, hardest workers, or biggest dreamers.”
- Steve Case, Chairman and CEO of Revolution: “The Senate's bill will attract the world's best entrepreneurs and innovators and be a key ingredient to sustaining America's long-term competitive edge.”
- National Council of La Raza: “Our economy will grow, the deficit will shrink, jobs will be created and our taxpaying labor force will expand so that we have more workers contributing to our tax system. All of these positives should demonstrate to lawmakers working on reform that we shouldn’t delay passage of an immigration bill which will provide our nation with additional economic benefits.”
- SEIU: “Passing commonsense, accountable immigration reform is also about a shared commitment to strengthening our economy. Lifting 11 million undocumented workers out of the underground economy would lift wages for every American while generating billions in additional tax revenue.”
- American Farm Bureau: “The Senate’s passage today of a balanced immigration reform bill that includes a fair and workable farm labor provision is welcomed by America’s farmers and ranchers...A comprehensive agricultural labor plan that works for all sectors of agriculture and across all regions of our nation is long overdue. We commend the Senate for addressing this very important issue, which will help ensure the continued success of agriculture in our nation.”
- National Committee to Preserve Social Security and Medicare: “We agree with both the Congressional Budget Office and the Chief Actuary of the Social Security Administration (SSA) that comprehensive immigration reform is good for all Americans. The new members of the national family brought in by this bill will contribute to the growth of the economy and at the same time will help strengthen Social Security.”
- President of the California Farm Bureau, Paul Wegner: He warns that if House GOP members block comprehensive immigration reform it would be bad for California business, in part because the current immigration system does not provide enough work visas to meet California’s farm labor needs.
- President of California Chamber of Commerce, Allan Zaremborg: “comprehensive immigration reform...is probably more important to California’s economy than that of any other state. Now is the time for California’s congressional delegation to take the lead to ensure California’s critical industries have the workers and talent they need to create necessary California jobs. Technology, agriculture, and tourism, among others, must have comprehensive immigration reform to survive.”