



SOCIAL SECURITY

Office of the Chief Actuary

May 8, 2013

The Honorable Marco Rubio
United States Senate
Washington, D.C. 20510

Dear Senator Rubio:

I am writing in response to your request for estimates of the financial effects on Social Security of S. 744, the “Border Security, Economic Opportunity, and Immigration Modernization Act,” as referred to the Committee on the Judiciary on April 17, 2013. We have worked closely with Jon Baseline of your staff to understand the specifics and the intent of the proposal. The preliminary estimates provided in the enclosed Table 1 are based on the intermediate assumptions of the 2012 Trustees Report, with additional assumptions about the evolution of immigration under the proposal. The estimates presented reflect the combined efforts of many in our office, but particularly Alice Wade, Michael Morris, Pat Skirvin, Danielle Huston, Mark Bye, and Christopher Chaplain.

The proposal includes extensive provisions for the treatment of individuals living in the United States without current legal documentation as of December 31, 2011. We estimate that there were about 11.5 million such individuals, of whom about 8 million will apply for and be granted Registered Provisional Immigrant (RPI) status. Many of these individuals already work in the country in the underground economy, not paying taxes, and will begin paying taxes upon application for RPI. After 6 years, those with RPI status are required to meet certain requirements to renew RPI status. We assume these requirements will diminish the number applying for RPI status initially and will result in a small decline in the number with RPI status after 2021.

The bill also makes very substantial changes in legal immigration classifications and limits. We have done our best to estimate the effects of these changes with the help of Jon and many others who are working to analyze the bill. We estimate a significant increase in both the population and the number of workers paying taxes in the United States as a result of these changes in legal immigration limits.

Finally, we estimate that the measures in the bill for enforcement of border control and for employment verification will have significant effects on the future number of individuals entering the country without legal authorization. We estimate these provisions will reduce the number entering the country without authorization by about half a million per year by the time the measures are fully implemented.

Please note that these estimates are preliminary and are subject to change in the future as we further develop our estimates. In particular, we are working to develop full 75-year estimates of

the implications of the bill as quickly as possible. Over this longer time frame, benefits will become more significant for those with additional earnings taxed and credited. However, over this same longer time frame, the additional births for the increased population under this bill will have substantial positive effects. Overall, we anticipate that the net effect of this bill on the long-range OASDI actuarial balance will be positive. This positive effect for increased immigration is consistent with the sensitivity analysis contained in the 2012 Trustees Report.

Please let us know if we may be of any further assistance. We will provide the expanded long-range estimates as soon as possible.

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 'C' and 'G'.

Stephen C. Goss
Chief Actuary

Enclosure

Table 1: S744 Senate Immigration Bill as Introduced April 17, 2013
SUMMARY--Changes from 2012 TR Baseline

PRELIMINARY Estimate of 10-Year Effect on U.S. Population, OASDI and HI Payroll Tax Covered Workers and Payroll Tax Revenue, and

	OASDI Beneficiaries and Cost											Total 2014-24
	Calendar Year											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Change in U.S. Resident Population												
	<i>millions</i>											
For those Undocumented in U.S. December 31, 2011	0.309	0.464	0.620	0.776	0.931	1.085	1.329	1.573	1.814	1.948	2.103	
Nonimmigrants H1, H2, W2, W3, W (including those adjust to LPR)	0.025	0.147	0.275	0.407	0.538	0.653	0.756	0.853	0.946	1.027	1.102	
Merit-based Visas(backlog reduction) + Employment - Diversity	0.000	0.575	1.118	1.628	2.104	2.585	3.046	3.514	3.480	3.488	3.542	
Family-sponsored Visas & Immediate Relatives	0.075	0.144	0.213	0.281	0.344	0.400	0.456	0.513	0.569	0.625	0.681	
<u>Enforcement effect (reduction in future undocumented entry)</u>	<u>0.000</u>	<u>-0.095</u>	<u>-0.271</u>	<u>-0.515</u>	<u>-0.813</u>	<u>-1.151</u>	<u>-1.421</u>	<u>-1.636</u>	<u>-1.810</u>	<u>-1.957</u>	<u>-2.090</u>	
Total	0.409	1.235	1.955	2.577	3.104	3.571	4.166	4.816	4.999	5.132	5.339	
Change in Number of Workers Paying FICA/SECA (for OASDHI)												
	<i>millions</i>											
For those Undocumented in U.S. December 31, 2011	0.09	0.98	1.87	2.76	2.80	2.84	2.91	2.97	3.03	2.94	2.97	
Nonimmigrants H1, H2, W2, W3, W (including those adjust to LPR)	0.00	0.12	0.23	0.34	0.44	0.54	0.63	0.71	0.79	0.86	0.93	
Merit-based Visas(backlog reduction) + Employment - Diversity	0.00	0.43	0.84	1.22	1.58	1.94	2.28	2.64	2.61	2.62	2.66	
Family-sponsored Visas & Immediate Relatives	0.00	0.09	0.13	0.17	0.21	0.24	0.27	0.31	0.34	0.38	0.41	
<u>Enforcement effect (reduction in future undocumented entry)</u>	<u>0.00</u>	<u>-0.02</u>	<u>-0.05</u>	<u>-0.10</u>	<u>-0.16</u>	<u>-0.23</u>	<u>-0.28</u>	<u>-0.33</u>	<u>-0.36</u>	<u>-0.39</u>	<u>-0.42</u>	
Total	0.09	1.60	3.01	4.38	4.87	5.33	5.81	6.30	6.41	6.40	6.55	
Change in FICA/SECA OASDI Tax Revenue												
	<i>millions</i>											
For those Undocumented in U.S. December 31, 2011	\$366	\$4,181	\$8,338	\$12,905	\$13,735	\$14,552	\$15,531	\$16,525	\$17,523	\$17,635	\$18,502	\$139,791
Nonimmigrants H1, H2, W2, W3, W (including those adjust to LPR)	\$0	\$520	\$1,023	\$1,589	\$2,202	\$2,816	\$3,445	\$4,106	\$4,798	\$5,460	\$6,119	\$32,079
Merit-based Visas(backlog reduction) + Employment - Diversity	\$0	\$1,840	\$3,740	\$5,713	\$7,741	\$9,929	\$12,208	\$14,660	\$15,073	\$15,684	\$16,535	\$103,123
Family-sponsored Visas & Immediate Relatives	\$0	\$368	\$569	\$789	\$1,012	\$1,229	\$1,463	\$1,710	\$1,971	\$2,248	\$2,544	\$13,902
<u>Enforcement effect (reduction in future undocumented entry)</u>	<u>\$0</u>	<u>-\$81</u>	<u>-\$242</u>	<u>-\$482</u>	<u>-\$798</u>	<u>-\$1,179</u>	<u>-\$1,519</u>	<u>-\$1,820</u>	<u>-\$2,091</u>	<u>-\$2,346</u>	<u>-\$2,602</u>	<u>-\$13,160</u>
Total	\$366	\$6,827	\$13,428	\$20,514	\$23,891	\$27,347	\$31,128	\$35,181	\$37,275	\$38,680	\$41,098	\$275,736
Change in FICA/SECA HI Tax Revenue												
	<i>millions</i>											
For those Undocumented in U.S. December 31, 2011	\$86	\$978	\$1,950	\$3,018	\$3,212	\$3,403	\$3,632	\$3,865	\$4,098	\$4,124	\$4,327	\$32,693
Nonimmigrants H1, H2, W2, W3, W (including those adjust to LPR)	\$0	\$122	\$239	\$372	\$515	\$659	\$806	\$960	\$1,122	\$1,277	\$1,431	\$7,502
Merit-based Visas(backlog reduction) + Employment - Diversity	\$0	\$430	\$875	\$1,336	\$1,810	\$2,322	\$2,855	\$3,429	\$3,525	\$3,668	\$3,867	\$24,117
Family-sponsored Visas & Immediate Relatives	\$0	\$86	\$133	\$185	\$237	\$287	\$342	\$400	\$461	\$526	\$595	\$3,251
<u>Enforcement effect (reduction in future undocumented entry)</u>	<u>\$0</u>	<u>-\$19</u>	<u>-\$57</u>	<u>-\$113</u>	<u>-\$187</u>	<u>-\$276</u>	<u>-\$355</u>	<u>-\$426</u>	<u>-\$489</u>	<u>-\$549</u>	<u>-\$608</u>	<u>-\$3,078</u>
Total	\$86	\$1,597	\$3,140	\$4,798	\$5,588	\$6,396	\$7,280	\$8,228	\$8,717	\$9,046	\$9,612	\$64,487
Change in Number of OASDI Beneficiaries												
	<i>thousands</i>											
For those Undocumented in U.S. December 31, 2011		15	56	105	130	157	188	220	254	276	310	
Nonimmigrants H1, H2, W2, W3, W (including those adjust to LPR)		2	7	13	21	30	40	53	66	81	97	
Merit-based Visas(backlog reduction) + Employment - Diversity		6	25	47	73	107	147	195	218	246	277	
Family-sponsored Visas & Immediate Relatives		1	4	6	10	13	18	23	29	35	43	
<u>Enforcement effect (reduction in future undocumented entry)</u>		<u>0</u>	<u>-2</u>	<u>-4</u>	<u>-8</u>	<u>-13</u>	<u>-18</u>	<u>-24</u>	<u>-30</u>	<u>-37</u>	<u>-44</u>	
Total		24	91	167	227	295	375	467	537	601	683	
Change in OASDI Cost												
	<i>millions</i>											
For those Undocumented in U.S. December 31, 2011		\$111	\$441	\$852	\$1,091	\$1,367	\$1,695	\$2,068	\$2,489	\$2,815	\$3,285	\$16,212
Nonimmigrants H1, H2, W2, W3, W (including those adjust to LPR)		\$14	\$54	\$104	\$173	\$260	\$366	\$494	\$648	\$824	\$1,022	\$3,958
Merit-based Visas(backlog reduction) + Employment - Diversity		\$49	\$198	\$377	\$615	\$933	\$1,332	\$1,835	\$2,141	\$2,503	\$2,936	\$12,918
Family-sponsored Visas & Immediate Relatives		\$10	\$30	\$52	\$80	\$115	\$160	\$214	\$280	\$359	\$452	\$1,752
<u>Enforcement effect (reduction in future undocumented entry)</u>		<u>-\$2</u>	<u>-\$13</u>	<u>-\$32</u>	<u>-\$63</u>	<u>-\$111</u>	<u>-\$166</u>	<u>-\$228</u>	<u>-\$297</u>	<u>-\$374</u>	<u>-\$462</u>	<u>-\$1,748</u>
Total		\$181	\$709	\$1,353	\$1,896	\$2,564	\$3,386	\$4,384	\$5,261	\$6,126	\$7,233	\$33,093
Cumulative Number Applied/Approved for RPI Status (includes those subsequently adjusted to LPR)												
	<i>millions</i>											
For those Undocumented in U.S. December 31, 2011 ^{1/}		2.65	5.30	7.95	7.95	7.95	7.95	7.95	7.95	7.55	7.55	
Spouses and children of adult RPI not in U.S. on December 31, 2011		0.00	0.00	0.00	0.00	0.00	0.09	0.18	0.28	0.26	0.30	
Total		2.65	5.30	7.95	7.95	7.95	8.04	8.13	8.22	7.81	7.85	
Change in Total U.S. Employment and GDP												
	<i>millions</i>											
Change in total U.S. employment (millions)	0.23	0.88	1.38	1.78	2.10	2.36	2.67	3.03	3.05	3.12	3.22	
Percent change in level of U.S. Employment	0.13%	0.51%	0.79%	1.01%	1.17%	1.31%	1.47%	1.67%	1.67%	1.70%	1.75%	
Percent change in level of GDP	0.11%	0.49%	0.78%	1.02%	1.16%	1.28%	1.41%	1.58%	1.58%	1.60%	1.63%	

1/ Assuming that half of 1.8 million undocumented in the country since December 31, 2011 who would adjust to LPR under PL would become RPI under the Bill