



SOCIAL SECURITY
Office of the Chief Actuary

June 27, 2007

The Honorable Edward M. Kennedy
Chairman, Committee on Health, Education, Labor, and Pensions
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

As you requested, we have produced a preliminary estimate of the effect on the financial status of the Social Security program of the immigration bill that is currently under consideration in the Senate. The bill was taken up as S. 1348, but was replaced with Amendment 1150, and then was further modified with the adoption of several amendments including 1169, 1190, 1316, and 1415. The new bill, S. 1639, introduced on June 19, 2007, appears to be consistent with the combined effects of amendments cited above. Chris Chaplain, Alice Wade, and I have developed a preliminary estimate for S. 1639 (or, equivalently, amendments to S. 1348 adopted to this point) indicating a net change that would improve the current actuarial balance by 0.01 percent of taxable payroll. More details are provided below. All estimates are based on the intermediate assumptions of the 2007 Trustees Report.

Provisions that will increase net immigration tend to improve the financial status of the OASDI program both because of the immigrants themselves and their children. This effect is much like the effect of increased birth rates, which also have positive effects on the financial status of the program. In considering the estimates provided below, note that the values for the 75-year period are the average level of the effect over the period, and that actual effects can be concentrated more in the early or later years of the period.

Because the taxable payroll is estimated at about \$5.3 trillion for 2007, a provision with a long-range effect of 0.01 percent of taxable payroll may be said to have an average annual effect equivalent to \$530 million in 2007. Over the next 10 years, the average long-range effect of 0.01 percent of taxable payroll would be equivalent to about \$650 million.

We estimate that the immigration bill, S. 1348, as amended only by Senate Amendments 1150 and 1169, would improve the long range actuarial balance of the OASDI program by about 0.03 percent of taxable payroll. Amendment 1190 further modified the bill by requiring payment of any Federal taxes due but not paid for periods before 2007 for individuals applying for a Z visa. We estimate this amendment would improve the actuarial balance by a negligible amount. We estimate Amendment 1316, which would make the provision for guest workers time limited to the period ending 5 years after the first Y visa is granted would lessen the positive effect of the bill by 0.01 percent of payroll. Finally, we estimate that Amendment 1415, which would modify rules for crediting earnings for OASDI benefit purposes, would have a net negligible effect on the OASDI actuarial balance. The combination of these three amendments reduces the positive

effect of the bill by an amount between 0.01 and 0.02 percent of taxable payroll. Therefore, we estimate the total effect for the bill including all amendments mentioned above would improve the OASDI actuarial balance by 0.01 percent of taxable payroll.

Sincerely,

A handwritten signature in cursive script that reads "Stephen C. Goss".

Stephen C. Goss

Enclosure



SOCIAL SECURITY

MEMORANDUM

Date: June 27, 2007

Refer To: TCA

From: Stephen C. Goss, Chief Actuary
Alice H. Wade, Deputy Chief Actuary
Chris Chaplain, Supervisory Actuary

Subject: Estimated Financial Effects on the OASDI Program from Enactment of the Proposed Senate Immigration Reform Bill S. 1639--INFORMATION

We have produced a preliminary estimate of the effect on the financial status of the Social Security program of the immigration bill (S. 1639) that is currently under consideration in the Senate. The bill was taken up as S. 1348, but was replaced with Amendment 1150, and then was further modified with the adoption of several amendments including 1169, 1190, 1316, and 1415. The new bill, S. 1639, introduced on June 19, 2007, appears to be consistent with the combined effects of amendments cited above.

We estimate the total effect for the bill would improve the OASDI actuarial balance by 0.01 percent of taxable payroll. All estimates are based on the intermediate assumptions of the 2007 Trustees Report. The balance of this memorandum provides some detail on the estimates for provisions included in S. 1639, reflecting the succession of amendments cited above that have led to the current bill.

Legalization of Current Unauthorized Immigrants

The provision in the current bill that permits legalization of current unauthorized residents would allow all undocumented immigrants in the U.S. on January 1, 2007 to apply for a Z visa that would permit legal residence and work status for 4 years. To qualify the immigrant would need to be working at the time of application, or to be a spouse or child dependent of such a worker. Total fees of \$3,000 for workers and \$2,000 for family members would be required. In addition, a special provision for legalization would be provided for agricultural workers. The bill would not require proof of past work, but Amendment 1190 would require payment of past-due Federal taxes.

Of the roughly 11 million unauthorized immigrants residing in the United States on January 1, 2007, we estimate that about 4.5 million would apply for and receive a Z visa and an additional 1.5 million would receive a ZA (agricultural) visa. The number estimated for Z visas is 0.5 million lower than earlier computed because of the requirement to pay back taxes in Amendment 1190. Our preliminary estimate of the effect of this provision (legalization of current unauthorized immigrants plus Amendment 1190) on the long range OASDI actuarial

balance for the current bill is an improvement in the long-range OASDI actuarial balance by about 0.01 percent of taxable payroll.

Guest Workers and Limits on Legal Permanent Residents

The guest worker provision of the current bill would allow for up to 200,000 individuals per year (as revised by Senate Amendment 1169) to gain guest worker status for a period of two years in Y-visa status. A maximum of three such stays would theoretically be permitted with a minimum separation of one year between stays. Each stay as a guest worker would count against the 200,000 limit in the year the stay starts. However, Amendment 1316 made this provision temporary, such that Y visas would no longer be granted starting 5 years after the first Y visa is issued. Thus in practice even the earliest guest workers would be allowed at most two 2-year periods of Y-visa status.

We estimate that the limits for guest workers would be fulfilled with about 140,000 of these guest workers per year representing additional individuals who would not have entered the country in the absence of the provision. The current bill provides an allocation of 10,000 to attain legal permanent residence (LPR) specifically from Y-visa status. However, the current bill also provides for an increase in H-1B visas of almost 100,000 per year, with no ending date for such admissions. We estimate that between the additional H-1B visas, the Y-visa guest workers, and the increases in the LPR limit for employment-based preference (ultimately from 140,000 per year to 380,000 per year), the total increase in the number of individuals attaining LPR status under the current bill would be about 200,000 per year for the 5 years in which Y-visa holders would be available and ultimately at the level of about 180,000 per year thereafter. As a result, we estimate that the effect on the long range actuarial balance for the guest worker and H-1B provisions, along with the change in the LPR limit, would be an improvement of about 0.05 percent of taxable payroll. This estimated effect is reduced by 0.01 percent of payroll due to the sunset of the guest worker provision after 5 years.

Limits on Family Preference, Diversity Immigrants, and H-2B Nonimmigrants

The current bill would, ultimately, lower the limit for family sponsored immigrants from 226,000 to 87,000 per year. In addition, a limit on parents of U.S. citizens of 40,000 would be imposed, reducing the number of such immigrants by an estimated 40,000 per year. Also, the diversity visa program would be eliminated reducing legal permanent immigration by about 40,000 per year. These provisions are estimated to worsen the long range actuarial balance by about 0.05 percent of taxable payroll.

In addition, for seasonal, non-agricultural temporary workers (H-2B visas), the current bill would raise the annual caps from 66,000 up to a maximum 200,000 per year. Because employer demand is high for these H-2B visas, we believe that this 200,000 cap will be met going forward. We estimate that this provision would result in a negligible increase in the long-range actuarial balance (i.e., by less than 0.005 percent of taxable payroll.).

Enforcement and Employment Verification

The bill includes provisions for creating additional physical barriers and additional personnel to reduce unauthorized immigration into the country. In addition, the bill calls for efforts to enhance the requirements and means for employers to verify the legal status of employees. We estimate that these efforts will reduce the annual numbers of unauthorized immigrants entering the country significantly, but will also reduce the number leaving the country due to the greater difficulty of returning. The employment verification has the potential of significantly reducing the incentive to enter the country in unauthorized status. We estimate that net annual unauthorized immigration would ultimately be reduced by between 10,000 and 20,000 due to these provisions, with the effect of worsening the long-range OASDI actuarial balance by about 0.01 percent of taxable payroll. However, depending on the effectiveness of employment verification the effect could be significantly higher (or lower).

Limits on Crediting Earnings for Benefits

The base bill (amendment 1150 Section 607) imposed restrictions on crediting earnings for eligibility and benefits under Social Security and Medicare. These restrictions precluded credit for earnings in years before a valid social security number (SSN) was issued when the SSN was issued after 2007. This provision was estimated to reduce long-range Social Security benefit cost by about 0.01 percent of taxable payroll.

Amendment 1415 to the bill eliminates Section 607 and provides a different restriction that would preclude credit for earnings in years without legal work authorization after 2003 where the worker had a valid SSN that was issued after 2003. The net effect of this amendment is estimated to be a negligible change in the long-range OASDI actuarial balance.



Stephen C. Goss



Alice H. Wade



Chris Chaplain