



Research

# The Fiscal Implications of the DACA Program

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## EXECUTIVE SUMMARY

- An often-disputed component of the DACA debate is the program's economic and fiscal implications.
- New AAF research finds that DACA recipients contribute, on net, roughly \$3.4 billion annually to the federal balance sheet.
- Previous AAF research found that DACA recipients currently contribute nearly \$42 billion to the annual U.S. GDP, with an average economic contribution of \$109,00 per worker.
- Previous AAF research further found that physically removing all DACA recipients would cost between \$7 billion and \$21 billion and reduce U.S. GDP by 0.4 percent.

## INTRODUCTION

A federal judge recently blocked the Trump Administration's efforts to wind down Deferred Action for Childhood Arrivals (DACA). [1] This is the latest development in the ongoing debate over the Obama-era program providing legal protections to undocumented immigrants who arrived in the United States as children. DACA has shielded 800,000 undocumented immigrants in total from deportation, with 690,000 individuals currently protected by the program.[2]

Often disputed in the DACA debate is the program's economic and fiscal impact: How much do these protected individuals either contribute to or harm the U.S. economy and the federal budget? Some argue that DACA recipients and other undocumented immigrants drain the economy by using public benefits like education without contributing. Others contend that DACA recipients are a net positive to both the economy and the federal budget, and that removing these undocumented immigrants would impose significant economic and fiscal costs.

This study aims to shed light on the question of DACA recipients' fiscal impact by comparing American Action Forum (AAF) research on the economic contributions of employed DACA recipients to previous research on the cost of undocumented immigrants. It estimates that DACA recipients contribute a net \$3.4 billion annually to the U.S. Treasury.

## FISCAL IMPACTS

Several other studies have attempted to estimate the fiscal impact of undocumented immigrants and DACA recipients. For instance, the Center for Immigration Studies calculated last year that undocumented immigrants cost the government nearly \$750 billion throughout their lifetimes. [3] However, the report does not take into

account the economic benefits of undocumented immigrants as both workers and consumers in the U.S. economy.

Another study by the Cato Institute found quite the opposite: removing DACA recipients from the United States would impose a fiscal cost of \$283 billion over 10 years.<sup>[4]</sup> This considers both the cost of physically removing DACA recipients from the country and their lost productivity. However, it does not consider the fiscal costs DACA recipients impose on the government while living in the United States.

To fill in the gaps and produce a more balanced estimate, this AAF study compares both the costs and benefits of DACA recipients. Specifically, it compares the costs of DACA recipients to the U.S. government with the additional tax revenues generated by their economic activity.

For the purposes of this paper, one study provides a particularly useful analysis. Last September, the Federation for American Immigration Reform (FAIR) estimated that undocumented immigrants impose almost \$135 billion in annual costs at the state, local, and federal levels.<sup>[5]</sup> Included in this estimate are costs attributed to immigration enforcement and removals, Medicaid, welfare programs, and public education. FAIR used the most recently available data in its calculation, which was from 2014, 2015, or 2016, depending on the source.

FAIR's cost estimate is likely an upper bound. It contends that 12.5 million undocumented immigrants live in the United States, which is higher than conventional estimates of around 11 million. To arrive at this number, FAIR counts undocumented immigrants who have qualified for legal status through executive action. Furthermore, FAIR argues that undocumented immigrants receive nearly \$9 billion in welfare benefits each year, but included in this calculation is the cost of welfare benefits received by U.S. citizen children of undocumented immigrants.

In this report we apply FAIR's cost estimate to the population of DACA recipients, shown in Table 1 below. This estimate, as an upper bound, provides a useful starting point for a conservative estimate of the net fiscal impact of DACA recipients. By proportionately adjusting the annual cost for 12.5 million undocumented immigrants to the cost for 690,000 DACA recipients, assuming all else equal, we estimate that DACA recipients cost approximately \$7.4 billion at the federal, state, and local levels.

*Table 1: The Annual Cost of DACA Recipients, Based on Calculations from the Federation for American Immigration Reform*

Total Cost Undocumented Immigrants	Number of Undocumented immigrants	Number of DACA Recipients	Cost of DACA Recipients
\$134.9 B	12.5 M	690,000	\$7.4 B

This cost estimate has some limitations. First, as noted, it is an upper-bound estimate, meaning the actual cost of DACA recipients is likely lower. Second, because DACA recipients came to the United States as minors and have continuously lived here since, many of their characteristics are very similar to U.S.-born natives. For example, 55 percent of DACA recipients are employed, compared to 57 percent of the total U.S. population.<sup>[6]</sup> Because DACA recipients often resemble the U.S. population at large, they may exhibit different characteristics than other undocumented immigrants and thus cost a different (and likely lower) amount.

Next, this paper measures DACA recipients' fiscal contributions by estimating the increase in tax collection that occurs because of their economic activity. We apply to this analysis data from the Organisation for Economic Co-operation and Development (OECD) and previous AAF research.

AAF recently estimated the contributions to Gross Domestic Product (GDP) made by employed DACA recipients. DACA recipients are employed in every U.S. industry, ranging from hospitality to healthcare. Based on 2016 data, a total of 382,200 employed DACA recipients contribute an average of \$109,000 each to annual GDP. Together, this amounts to \$41.7 billion of economic contributions from DACA recipients each year.<sup>[7]</sup>

According to the OECD, tax revenue made up 26 percent of U.S. GDP in 2016.<sup>[8]</sup> This ratio has been relatively stable over the past 50 years, floating between 23 and almost 28 percent. Applying this ratio to the GDP contributions of DACA recipients results in a fiscal benefit of \$10.8 billion each year. These results are displayed in Table 2 below.

*Table 2: DACA Recipients' Contributions to GDP and the Additional Taxes Generated, 2016*

Annual Tax Receipts as a Percentage of GDP	Annual GDP Generated by DACA Recipients	Additional Taxes Generated
26.0%	\$41.7 B	\$10.8 B

Comparing the fiscal costs of DACA recipients to their direct and indirect contributions, we estimate that current DACA recipients have a net positive fiscal impact of \$3.4 billion. Removing these individuals would not only reduce overall GDP by nearly \$42 billion, but would cause a net loss to the federal government of \$3.4 billion.

## PREVIOUS RESEARCH

Previous AAF research estimates the economic impact of the entire population of undocumented immigrants as well as DACA recipients in particular. This research found that nearly 7 million undocumented immigrant workers in the private sector contribute between \$328 billion and \$623 billion to annual GDP. Removing these individuals would create a U.S. labor shortage of at least 4 million, disproportionately harming the agriculture, construction, and leisure and hospitality industries.<sup>[9]</sup> AAF research has also found that removing all 11 million undocumented immigrants living in the United States would cost between \$400 and \$600 billion and reduce GDP by \$1.6 trillion.<sup>[10]</sup>

More recently, AAF research estimated the economic impacts of both DACA recipients and the DACA-eligible population. It found that physically removing all DACA recipients would cost between \$7 billion and \$21 billion and reduce GDP by 0.4 percent. If all DACA-eligible undocumented immigrants were removed, it would cost between \$18 billion and \$52 billion and reduce GDP by \$72 billion (1.0 percent).<sup>[11]</sup> Additionally, AAF determined that over 380,000 employed DACA recipients currently contribute nearly \$42 billion to annual GDP, with an average economic contribution of \$109,00 per worker.<sup>[12]</sup>

## CONCLUSION

Today, the fate of the DACA program lies in the hands of Congress, the courts, and the president. Among the myriad issues these decision makers must consider are the program's economic and fiscal impacts. AAF research estimates suggest that DACA recipients have a net positive fiscal impact of \$3.4 billion each year and contribute nearly \$42 billion to annual GDP. Failing to extend DACA protections would eliminate these benefits, and physically removing DACA recipients would impose an additional cost of between \$7 and \$21 billion.

[1] Josh Gerstein, "Judge blocks Trump wind-down of Dreamers program," Politico, January 9, 2018, <https://www.politico.com/story/2018/01/09/trump-dreamers-daca-judge-333143>

[2] U.S. Citizenship & Immigration Services, "Approximate Active DACA Recipients as of September 4, 2017 by Month Validity Expires and Status of Associated Renewal as of September 7, 2017 (If Submitted)", <https://www.uscis.gov/sites/default/files/USCIS/Resources/Reports%20and%20Studies/Immigration%20Forms%20Data>

[3] Steven A. Camarota, "Deportation vs. the Cost of Letting Illegal Immigrants Stay," Center for Immigration Studies, August 3, 2017, <https://cis.org/Report/Deportation-vs-Cost-Letting-Illegal-Immigrants-Stay>

[4] Ike Brannon, "The Economic and Fiscal Impact of Repealing DACA," Cato Institute, January 18, 2017, <https://www.cato.org/blog/economic-fiscal-impact-repealing-daca>

[5] Matt O'Brien & Spencer Raley, "The Fiscal Burden of Illegal Immigration on United States Taxpayers," Federation for American Immigration Reform, September 27, 2017, <https://fairus.org/issue/publications-resources/fiscal-burden-illegal-immigration-united-states-taxpayers>

[6] Jie Zong, Ariel G. Ruiz Soto, Jeanne Batalova, Julia Gelatt, & Randy Capps, "A Profile of Current DACA Recipients by Education, Industry, and Occupation," Migration Policy Institute, November 2017, <https://www.migrationpolicy.org/research/profile-current-daca-recipients-education-industry-and-occupation>

[7] Jacqueline Varas & Usama Zafar, "Estimating the Economic Contributions of DACA Recipients," American Action Forum, December 21, 2017, <https://www.americanactionforum.org/research/estimating-economic-contributions-daca-recipients/>

[8] Organisation for Economic Co-operation and Development, "Revenue Statistics – OECD countries: Comparative tables," <https://stats.oecd.org/Index.aspx?DataSetCode=REV>

[9] Ben Gitis & Jacqueline Varas, "The Labor and Output Declines From Removing All Undocumented Immigrants," American Action Forum, May 5, 2016, <https://www.americanactionforum.org/research/labor-output-declines-removing-undocumented-immigrants/>

[10] Ben Gitis & Laura Collins, "The Personnel and Infrastructure Needed to Remove All Undocumented Immigrants in Two Years," American Action Forum, February 28, 2016, <http://americanactionforum.org/research/the-budgetary-and-economic-costs-of-addressing-unauthorized-immigration-alt/>

[11] Ben Gitis, "The Budgetary And Economic Costs of Ending DACA," American Action Forum, September 7, 2017, <https://www.americanactionforum.org/research/budgetary-economic-costs-ending-daca/>

[12] Jacqueline Varas & Usama Zafar, "Estimating the Economic Contributions of DACA Recipients,"

American Action Forum, December 21, 2017, <https://www.americanactionforum.org/research/estimating-economic-contributions-daca-recipients/>