



Effects of the Immigration Surge on the Federal Budget and the Economy

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Summary

The number of people entering the United States has increased sharply in recent years. Most of the increase comes from a surge in people whom the Congressional Budget Office categorizes as other foreign nationals. Some of them have received permission to enter or remain in the country, and some have not; more detail on the composition of immigrants in that category is provided below. On the basis of pre-2020 trends, CBO would have expected the net immigration of people in that category to average around 200,000 per year.¹ In the agency's projections, the net immigration of other foreign nationals exceeds that rate by a total of 8.7 million people over the 2021–2026 period.

In this report, CBO describes how that 2021–2026 surge in immigration affects its baseline budget and economic projections for the 2024–2034 period. That is, this report looks at the incremental impact of the immigration surge and not at the effects of all people who immigrated in those years or who previously immigrated and were already residing in the United States. In addition, only the surge's effects on federal revenues, mandatory spending, and interest on the debt are examined in detail. The report provides a broad assessment of possible effects on federal discretionary funding; it does not include estimates of the surge's effects on state and local budgets.

To isolate the effects of the increase in immigration in its baseline budget projections and the economic forecast that underlies them, CBO constructed a counterfactual scenario in which that increase does not occur; instead, from 2021 to 2034, the net immigration of people in the other-foreign-national category totals 200,000 people per year (which, from 2027 on, is the same as in the baseline projections). The agency then created economic and budget projections for that counterfactual scenario and compared those outcomes with its economic forecast and baseline budget projections. The differences between outcomes under the two scenarios represent CBO's estimates of the effects of the surge in immigration.

CBO's estimates of the effects of the immigration surge on the federal budget and the economy are very uncertain. The agency will continue to evaluate new data and other information as it becomes available.

Budgetary Effects

The increase in immigration boosts federal revenues as well as mandatory spending and interest on the debt in CBO's baseline projections, lowering deficits, on net, by \$0.9 trillion over the 2024–2034 period (see Table 1).² Some of the effects on the budget result from the increase in the number of people paying taxes and collecting federal benefits. Other budgetary effects stem from changes in the economy over that period that are brought on by the surge, including increases in interest rates and in the productivity of workers who are not part of the surge.

1. The net immigration of other foreign nationals is the number of people newly categorized as other foreign nationals in a given year (whether they entered the country during the year or already resided in the United States under a temporary status that expired) minus the people who are no longer in that category because they emigrated or because they obtained a legal immigration status and are thus accounted for in another category. Net immigration rates exclude deaths of people in the category.

2. Mandatory spending consists of outlays for most federal benefit programs—Social Security and Medicare, for example—and for certain other payments to people, businesses, nonprofit institutions, and state and local governments. Mandatory spending is generally governed by statutory criteria and is not normally constrained by the annual appropriation process.

Table 1.

Estimated Effects of the Immigration Surge on Deficits

Billions of dollars

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total	
												2024–2028	2024–2034
Increases in revenues													
From taxes paid by immigrants in the surge population	31	41	53	59	65	72	79	86	94	101	108	249	788
From changes in the economy	11	13	18	27	33	36	40	45	49	54	60	103	387
Total	42	55	71	86	99	108	119	131	143	155	167	352	1,175
Increases and decreases (-) in mandatory outlays and net spending for interest													
From benefits provided to immigrants in the surge population and their children	7	11	13	14	15	16	17	19	20	21	23	61	177
From changes in the economy	-1	-2	-2	*	1	3	9	16	23	27	27	-4	101
Total	6	9	11	14	16	19	27	35	43	48	50	56	278
Decrease (-) in the deficit													
Net effect of taxes paid by and benefits provided to immigrants in the surge population and their children	-24	-30	-39	-45	-50	-56	-61	-68	-74	-79	-85	-189	-611
From changes in the economy	-12	-16	-20	-26	-33	-33	-31	-29	-26	-27	-33	-107	-285
Total	-36	-46	-60	-72	-83	-89	-92	-96	-99	-107	-117	-296	-897

Data source: Congressional Budget Office. See www.cbo.gov/publication/60165#data.

* = between -\$500 million and \$500 million.

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CBO estimates that the immigration surge will add \$1.2 trillion in federal revenues over the 2024–2034 period. The annual increase in revenues grows over time and reaches \$167 billion (or 2.2 percent of total revenues) in 2034 in the agency's projections. Individual income taxes and payroll taxes paid by immigrants who are part of the surge are responsible for most of the effects on revenues. In addition, the surge is projected to boost economic activity and, in turn, tax revenues.

The immigration surge adds \$0.3 trillion to outlays for federal mandatory programs and net spending for interest on the debt over the 2024–2034 period in CBO's projections. Annual outlays for certain mandatory programs increase over time as more immigrants in the surge population and their children who are born in the United States receive benefits. In 2034, those benefits add \$23 billion (or 0.4 percent) to total mandatory spending. In addition, the economywide effects of the surge boost annual spending by growing amounts that reach \$27 billion in 2034. Most notably, spending for interest on the government's debt increases, primarily because of the higher interest rates resulting from the surge in immigration. In total, projected outlays in 2034 are boosted by \$50 billion because of the surge.

Those estimates do not include any effects on discretionary spending (which is controlled by appropriation acts), though CBO expects the immigration surge will put pressure on the budgets of many programs and activities funded through discretionary appropriations, including some administered or undertaken by the Department of Homeland Security and the Office of Refugee Resettlement (in the Department of Health and Human Services). Funding for certain discretionary activities related specifically to immigration totaled \$37 billion in 2024—an increase of \$1 billion from the 2019 amount after the effects of inflation are removed—and the Administration has requested additional funding for 2024.

In addition, the surge is likely to affect other discretionary programs whose operations are affected by the size of the population, including those that provide funding for elementary and secondary education, income support, and infrastructure. If discretionary funding for the broad budget categories that are likely to be affected by a larger population was increased in proportion to the increase in the population from the surge, those funding increases would total \$24 billion in 2034 and \$0.2 trillion over the 2024–2034 period, CBO estimates.

The reason CBO's estimates do not include discretionary funding is that such funding will depend on future actions taken by lawmakers. Increasing funding for certain purposes could be accomplished by boosting total appropriations or by shifting resources from other areas.

The surge in immigration will also affect the budgets of states and localities; its impact will vary among jurisdictions. Research has generally found that increases in immigration raise state and local governments' costs more than their revenues, and CBO expects that finding to hold in the case of the current immigration surge. The surge population shares some characteristics with the immigrant populations examined in the existing research studies but differs from them in other ways, and CBO has not fully analyzed the effects of the immigration surge on the budgets of state and local governments. (See Box 1 for further discussion.)

Economic Effects

Some of the projected budgetary effects of the immigration surge stem from broader changes in the economy that the surge is expected to bring about. In CBO's projections, the surge boosts total nominal gross domestic product (GDP) by \$1.3 trillion (or 3.2 percent) in 2034 and by \$8.9 trillion over the 2024–2034 period. The surge increases the total amount of wages paid each year

by a percentage that grows steadily over that period and reaches about 3 percent in 2034. Those additional wages are a major contributor to the boost in revenues because they are subject to both payroll and income taxes. In addition, two main factors resulting from the surge—faster growth of the labor force and greater demand for residential investment—boost the rate of return on capital and put upward pressure on interest rates. The increases in interest rates are a major contributor to the boost in federal spending.

In the labor market, wages for workers in the surge population start out below the wages of other people in the United States with similar levels of education, on average, and converge over time in CBO's estimates. Through 2026, the average wage growth of people in the United States who are not part of the surge is slightly less than it would have been without the surge because the surge slows the growth of wages of people with 12 or fewer years of education. That pattern reverses in later years as the average wage growth of people who are not part of the surge increases slightly because of higher innovation-related productivity and because the increase in the number of less-educated workers boosts the demand for more-educated people to work with them.

CBO's Population Categories

CBO's estimates of the size of the immigration surge are derived from its projections of the Social Security area population, which includes all residents of the 50 U.S. states and the District of Columbia and civilian residents of U.S. territories.³ The other-foreign-national category that this analysis focuses on is one of four categories into which CBO groups that population.

The first category, **U.S. nationals**, comprises U.S. citizens and people who were born or whose parents were born in American Samoa or on Swains Island on or after the date that the United States acquired those territories.

The remaining three categories consist of people who are not U.S. nationals—people who are defined under the Immigration and Nationality Act (INA) as aliens. CBO groups them as follows:

- The **LPR+** category consists of lawful permanent residents (LPRs, also known as green-card holders) plus people who are eligible to apply to become LPRs
3. That population also includes federal civilian employees and members of the U.S. armed forces living abroad and their dependents, U.S. citizens living abroad, and noncitizens living abroad who are eligible for Social Security benefits on the basis of their earnings while in the United States.

Box 1.

The Effects of the Immigration Surge on State and Local Governments' Spending and Revenues

The effects of the surge in immigration on the budgets of state and local governments differ from those on the federal budget. The research literature has generally found that increases in immigration raise state and local governments' spending—particularly on education, health care, and housing—more than their revenues. The impact, which depends on the size of the immigrant population and local policy choices about spending and taxation, varies greatly across jurisdictions.

The Congressional Budget Office does not produce baseline projections of state and local revenues or spending that would allow for the same type of analysis that the agency has undertaken for the federal budget. For this report, CBO focused on key areas of states' spending and reviewed recent research.

Spending

According to the National Association of State Budget Officers, education and Medicaid account for almost half of states' spending.¹ State and local governments begin incurring education and health care costs for new immigrants soon after their arrival.

Most school-age children who are part of the immigration surge will impose costs on state and local governments. All states have a law making elementary and secondary education compulsory, and they cannot exclude children from public education because of their immigration status.² Although the federal government provides some support for education, one study

found that in 2021, 89 percent of funding for elementary and secondary education came from state and local governments.³

States pay a portion of Medicaid costs, known as the state match. (That portion varies by state and from year to year but averages about 35 percent of Medicaid spending.)⁴ Immigrants are eligible for emergency benefits without a waiting period, and 35 states have opted to provide full benefits to children under Medicaid or the Children's Health Insurance Program without a waiting period.

States and localities face additional budgetary costs from immigration that will probably vary among jurisdictions. For example, New York City spent \$4.3 billion from July 2022 to March 2024 to accommodate immigrants and comply with existing local and state housing policies.⁵ In addition, 25 states have policies offering in-state college tuition to unauthorized immigrant students.⁶ Depending on how prepared they are to receive large numbers of new immigrants, state and local

1. National Association of State Budget Officers, *2023 State Expenditure Report: Fiscal Years 2021–2023* (2023), www.nasbo.org/reports-data/state-expenditure-report.

2. *Plyler v. Doe*, 457 U.S. 202 (1982).

3. Peter G. Peterson Foundation, "How is K-12 Education Funded?" (August 25, 2023), <https://tinyurl.com/bdhu6e47>.

4. Congressional Budget Office, "Details About Baseline Projections for Selected Programs: Medicaid" (June 2024), www.cbo.gov/publication/51301.

5. City of New York, Mayor's Office of Management and Budget, *The City of New York Executive Budget, Fiscal Year 2025: Message of the Mayor* (April 2024), www.nyc.gov/assets/omb/downloads/pdf/mm4-24.pdf.

6. National Immigration Law Center, *Basic Facts About In-State Tuition for Undocumented Immigrant Students* (June 2024), www.nilc.org/issues/education/basic-facts-instate.

Continued

on the basis of their current immigration status. LPRs include those who are granted that status while in the United States as well as people who have gained admission from abroad. People can become eligible for LPR status by becoming an immediate relative of a U.S. citizen; through family-sponsored preferences, employment-based preferences, or diversity visas (from countries with low rates of immigration to the United States); or by meeting certain other requirements. People who are eligible (or soon will become eligible) to apply to become LPRs include certain immediate relatives of a U.S. citizen—such as a spouse or person to whom the citizen is engaged to be married—and those granted refugee status,

asylum, or another status that may allow them to adjust their status to that of a lawful permanent resident (for example, victims of human trafficking and certain parolees).⁴

- The INA **nonimmigrant** category comprises temporary workers, student exchange visitors, qualifying family

4. Department of Homeland Security, "Immigrant Classes of Admission" (accessed July 19, 2024), <https://tinyurl.com/dy2jn95c>. People who have been persecuted or have a well-founded fear of persecution can seek refuge in the United States under two programs: a refugee program for people outside the country and an asylum program for people in the United States (and their immediate relatives).

Box 1.

Continued

The Effects of the Immigration Surge on State and Local Governments' Spending and Revenues

governments may face even greater budgetary pressure as a result of the immigration surge.

Revenues

The surge in immigration is expected to boost the revenues of state and local governments. All immigrants will pay state and local sales taxes in jurisdictions that collect such taxes. As is the case with federal income taxes, most immigrants will pay state income taxes, though CBO expects that immigrants without work authorization are less likely to do so than the rest of the population. Furthermore, the additional demand for housing stemming from the immigration surge is expected to increase receipts from property taxes.

Studies that have considered the effects of immigration on the federal government and on state and local governments have generally found that the revenues that state and local governments collect from immigrants amount to between 50 percent and 60 percent of the federal revenues collected from that population. That is, in part, because state and local tax systems are smaller than the federal tax system, together raising between 50 percent and 55 percent of the revenues that the federal tax system raises in a typical year.

Relevance of Existing Research to the Surge

Researchers have generally found that increases in immigration tend to raise the federal government's revenues more than its costs but increase state and local governments' costs more than their revenues.⁷ CBO expects that general pattern to hold for

the immigration surge considered in this report—the additional 8.7 million people in the other-foreign-national category who migrate to the United States or remain in the country after an authorized stay from 2021 to 2026 and their U.S.-born children.

But the existing estimates quantifying the effects of immigration on state and local budgets are based on scenarios that are not directly comparable with the immigration surge. The surge population differs from the entire population of foreign-born people who are living in the United States and from the more specific populations, such as refugees and asylees, that previous studies have examined.

Research also indicates that the effects on state and local budgets will vary over the life cycle of the members of the surge population. For example, during the period covered in this report, the surge population is made up predominately of working-age people. State and local governments generally spend less on working-age people than on children or older people and collect more in taxes from them. Thus, the surge's effects on state and local budgets could be very different from the existing estimates of immigration's effects on such budgets. CBO continues to analyze the effects of immigration on the budgets of state and local governments and is working on updating its 2007 report on the topic.⁸

Sarah Eckhardt, and Michael Howard, *The Fiscal Impact of Immigration in the United States* (Cato Institute, March 2023), <https://tinyurl.com/e36rxyhh>; and National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration* (National Academies Press, 2017), <https://doi.org/10.17226/23550>.

8. Congressional Budget Office, *The Impact of Unauthorized Immigrants on the Budgets of State and Local Governments* (December 2007), www.cbo.gov/publication/41645.

members, and others admitted as nonimmigrants under the INA—for example, officials of foreign governments—while they remain in that status.⁵

- The **other-foreign-national** category consists of people in the United States who are not in the U.S. national, LPR+, or INA nonimmigrant categories. The category includes people in the following groups who have not subsequently

become U.S. citizens or received LPR, asylee, or nonimmigrant status: people who entered the United States illegally, people who entered legally in a temporary status and then remained after that legal status expired, and people who were permitted to enter despite not being admissible as an LPR, asylee, refugee, or nonimmigrant—which typically occurs through the use of parole authority. The category also includes people awaiting proceedings in immigration court, such as those released on their own recognizance or under other alternatives to detention. Under several laws (such as the one that authorizes temporary protected status) and policies (such as

5. Sec. 101(a)(15) of the Immigration and Nationality Act, 8 U.S.C. § 1101(a)(15) (2024); and Department of Homeland Security, “Nonimmigrant Classes of Admission” (accessed July 19, 2024), <https://tinyurl.com/ms3yh9kv>.

deferred action), the government might choose not to seek the removal of people in this category for a specified or indefinite period. Parole provides legal permission to enter and remain in the country during the period of parole, but unlike LPR or nonimmigrant status, parole is not a legal admission to the country as defined by the INA. Some people in the other-foreign-national category are eligible to apply for employment authorization through several channels (such as by receiving temporary protected status or by having a pending application for asylum).

In this report, the term *immigrant* is used to refer to people in the LPR+ and other-foreign-national categories. The surge population comprises only people in the latter category.

CBO's Projections of the Immigration Surge

In CBO's assessment, to date, most people in the surge population have entered the country in the following ways:

- Some of them encountered the Border Patrol, a component of Customs and Border Protection (CBP), between ports of entry on the southwestern border of the United States and were granted parole under section 212(d)(5) of the Immigration and Nationality Act or were placed in removal proceedings and issued a notice to appear before an immigration judge at a later date. The likelihood of the Border Patrol's paroling people has declined since 2021, in part in response to court decisions.
- Other people in the surge population arrived at official ports of entry—either at the border or in the interior—and were granted parole by CBP's Office of Field Operations through one of several parole processes created by the Administration since 2021 under section 212(d)(5) of the INA.⁶ Some of those people who were granted parole were also placed in removal proceedings and issued a notice to appear before an immigration judge at a later date.
- Some people in the surge population entered the country without encountering CBP officials.

6. For example, the Office of Field Operations grants parole to up to 1,450 people per day at the southwestern border of the United States through its CBP One mobile app and up to 30,000 people per month through the parole processes for Cubans, Haitians, Nicaraguans, and Venezuelans. See Customs and Border Protection, "CBP One Appointments Increased to 1,450 per Day" (June 30, 2023, updated July 14, 2023), <https://tinyurl.com/mr372ykj>; and U.S. Citizenship and Immigration Services, "Processes for Cubans, Haitians, Nicaraguans, and Venezuelans" (July 16, 2024), www.uscis.gov/CHNV.

In addition, some people in the surge population were nonimmigrants who became immigrants in the other-foreign-national category by remaining in the United States after an authorized period of stay.

Size of the Surge Population

Over the 2021–2026 period, the net immigration of people in the other-foreign-national category averages 1.7 million people per year in CBO's projections, resulting in net immigration over that period that is a total of 8.7 million people greater than it would have been if the annual net immigration of that population was 200,000 people. By comparison, over that same period, net immigration averages 750,000 per year for the LPR+ category and 70,000 per year for the INA nonimmigrant category.

Of the total increase of 8.7 million people—the surge in immigration described in this report—roughly half is estimated to have occurred from 2021 to 2023, and half is projected to occur from 2024 to 2026 (see Figure 1). In CBO's projections, the number of people in the surge in 2024 is the same as in 2023, and then the net immigration of other foreign nationals declines over the next three years, returning to the agency's long-term projection of 200,000 per year in 2027. Those projections are the result of CBO's applying its standard method of using information consistent with historical experience for its long-term projections; they do not reflect assumptions about specific policies or predictions about migration patterns.

The estimated effects of the immigration surge stem from the immigrants that the surge is defined to include as well as from their children who are born in the United States. In CBO's projections, about 2 million children are born in the United States to immigrants in the surge population from 2021 to 2034. After those births and mortality and emigration among the surge population are accounted for, the total U.S. population in 2034 is about 10 million people (or nearly 3 percent) greater in CBO's baseline projections than it is in the counterfactual scenario.

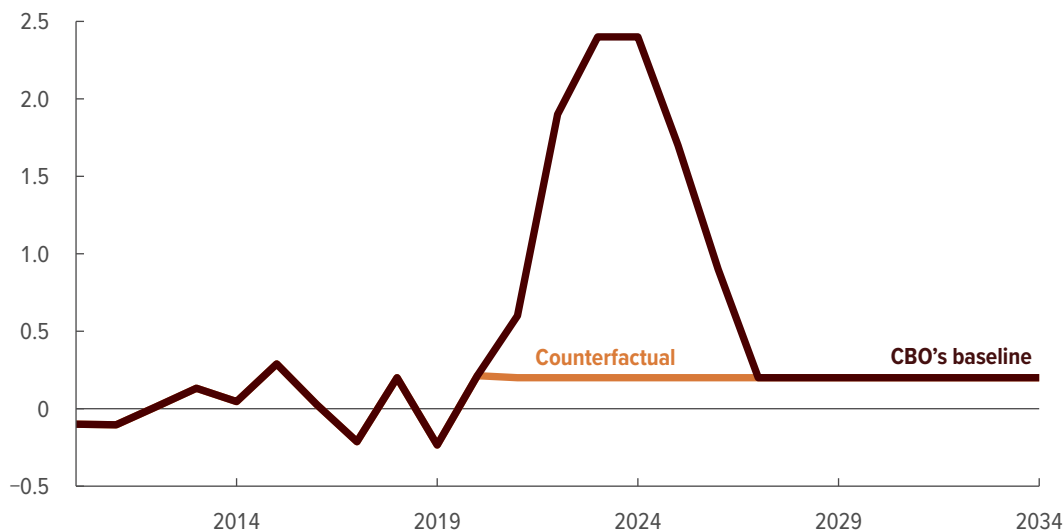
The analysis in this report is based on the population projections that CBO published in January 2024.⁷ Those estimates are based in part on data from the Department of Homeland Security that indicate that the number of people in the United States who are in the other-foreign-national category has increased in recent years. In addition, data from the Current Population Survey show

7. Congressional Budget Office, *The Demographic Outlook: 2024 to 2034* (January 2024), www.cbo.gov/publication/59697. For information about how CBO projects the net immigration of people in the other-foreign-national category, see Appendix B of that report.

Figure 1.

Net Immigration of Other Foreign Nationals in CBO's Baseline and Counterfactual Projections

Millions of people



The net immigration of other foreign nationals over the 2021–2026 period is 8.7 million people greater in CBO's baseline projections than it is under the counterfactual scenario in which the net immigration of people in that category equals 200,000 people annually.

Data source: Congressional Budget Office. See www.cbo.gov/publication/60165#data.

The other-foreign-national category consists of people in the United States who are not in the U.S. national, LPR+, or INA nonimmigrant categories. For definitions of those categories, see the section "CBO's Population Categories" in the text.

The net immigration of other foreign nationals is the number of people newly categorized as other foreign nationals in a given year (whether they entered the country during the year or already resided in the United States under a temporary status that expired) minus the people who are no longer in that category because they emigrated or because they obtained a legal immigration status and are thus accounted for in another category. The net immigration rate excludes deaths of people in the category.

increases in the foreign-born portion of the population in 2022 and 2023 that are broadly consistent with an increase in the net immigration of other foreign nationals, although those data do not provide information about people's legal status. The agency has not yet analyzed the effects of the recent executive actions affecting immigration that were signed on June 4 and June 18, 2024.

Eligibility for Benefits

To analyze the budgetary effects of the immigration surge, CBO estimated the portion of the surge population that could qualify for federal benefits. Since the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, eligibility for many federal benefit programs—including Medicaid and the Supplemental Nutrition Assistance Program (SNAP)—has generally been limited to qualified aliens as defined by that law. Most of those people become eligible only after a five-year waiting period. (For more detailed information about how immigrants' interactions with the government affect their eligibility for federal benefits, see the appendix.)

Qualified Aliens. Most qualified aliens living in the United States are LPRs and thus are not in the

other-foreign-national category in CBO's population projections. Some people who are in that category and part of the immigration surge in CBO's projections are, or will become, qualified aliens through several channels, including the following:

- **Parole.** Some immigrants in the surge population are paroled into the United States for one year or more under section 212(d)(5) of the Immigration and Nationality Act (codified at 8 U.S.C. § 1182(d)(5)).
- **Cuban-Haitian entrant status.** Some immigrants are qualified aliens because they are a Cuban-Haitian entrant under section 501(e) of the Refugee Education Assistance Act of 1980 (codified at 8 U.S.C. § 1522 note).
- **Asylum.** Some of the other foreign nationals in the surge population will eventually be granted asylum.

Cuban-Haitian entrants, who represent about 15 percent of the surge population in CBO's projections, as well as certain Afghan and Ukrainian parolees, are not required to wait five years before becoming eligible for benefits: As long as they meet a program's other requirements, they qualify for benefits immediately.

People Who Are Lawfully Present. To be eligible to receive Social Security benefits and the premium tax credits provided under the Affordable Care Act, federal law requires that, in addition to meeting other eligibility criteria, a person be lawfully present. The criteria used to determine whether an individual is lawfully present for the purposes of Social Security benefits are outlined in regulations issued by the Department of Homeland Security. Under those regulations, qualified aliens and nonimmigrants under the INA (that is, temporary residents, such as students with an F-1 visa and high-skilled workers with an H-1B visa) are lawfully present for purposes of Social Security eligibility. Recently arrived other foreign nationals may be lawfully present for purposes of Social Security through several other avenues, including the following:

- They have had an application for asylum pending for at least 180 days and either have been granted employment authorization on the basis of that application or are under the age of 14,
- They have been granted temporary protected status under 8 U.S.C. 1254a, or
- They have been granted deferred action.

The criteria to be considered lawfully present for purposes of premium tax credits, which are outlined in regulations issued by the Department of Health and Human Services, are similar to those for Social Security.⁸

Ultimately, the agencies that determine eligibility for program benefits—the Social Security Administration for Social Security and the Department of Health and Human Services for premium tax credits—determine whether individuals meet the criteria for lawful presence outlined in regulations.

CBO's Estimates. About 35 percent of the 8.7 million people who are part of the immigration surge over the 2021–2026 period in CBO's projections are qualified aliens upon arrival. The remaining 65 percent are unlawfully present and thus are initially ineligible for all but child nutrition and emergency health care benefits.

Over time, more immigrants who are part of the surge are expected to become eligible for benefits, mostly through two channels—by receiving asylum or by

receiving employment authorization. In CBO's projections, in 2034, about 60 percent of people in the surge population are eligible for some or all federal benefits (40 percent as qualified aliens and 20 percent as people who are lawfully present but are not qualified aliens). The remaining 40 percent are unlawfully present.

Children who are born in the United States to immigrants in the surge population are citizens by birth and are thus eligible for all federal benefit programs.

In its analysis of benefit eligibility, CBO relied on data from federal agencies for fiscal years 2021 to 2023. Those data include information from the Department of Homeland Security about monthly encounters, custody and transfers, grants of parole, asylum applications and grants, and employment authorizations, as well as data from the Executive Office for Immigration Review about asylum cases.⁹ CBO also used federal data published by nongovernmental organizations that were obtained through Freedom of Information Act requests.¹⁰

CBO expects that two recent developments will lead to changes in the composition of people in the surge population who enter the country in fiscal years 2024 to 2026 compared with those who entered from 2021 to 2023. First, hundreds of thousands of people encountered by the Border Patrol between ports of entry in fiscal years 2022 and 2023 were issued parole, but that practice was discontinued after May 2023, and CBO does not expect it to resume. Second, during fiscal year

9. See, for example, Customs and Border Protection, "Nationwide Encounters" (June 20, 2024), <https://tinyurl.com/5b2pzzh2>; "Southwest Land Border Encounters" (June 20, 2024), <https://tinyurl.com/379xb4rn>; "Custody and Transfer Statistics" (June 20, 2024), <https://tinyurl.com/4r86dpw9>, and "CBP Releases May 2024 Monthly Update" (press release, June 20, 2024), <https://tinyurl.com/3f8dpwvu>; U.S. Citizenship and Immigration Services, "Immigration and Citizenship Data: Asylum" (accessed June 25, 2024), <https://tinyurl.com/4fkdw44m>, "Immigration and Citizenship Data: Employment Authorization Document (Form I-765)" (accessed June 25, 2024), <https://tinyurl.com/yck2fy7w>; and Department of Justice, Executive Office for Immigration Review, "Workload and Adjudication Statistics" (July 10, 2024), <https://tinyurl.com/3jh7ktpw>.

10. See, for example, Transactional Records Access Clearinghouse, "Stopping 'Inadmissibles' at U.S. Ports of Entry: CBP Data Through July 2023" (accessed June 20, 2024), <https://trac.syr.edu/phptools/immigration/cbpinadmiss>; and data from CBP about aliens who were released into the country by the Office of Field Operations after they used the CBP One app to schedule an appointment that were published by the Center for Immigration Studies (September 2023), <https://tinyurl.com/evdn6vet>.

8. For more information about the benefit eligibility of foreign-born individuals, see Congressional Budget Office, *The Foreign-Born Population, the U.S. Economy, and the Federal Budget* (April 2023), Table 1, Table 2, and the supplemental data posted along with the report, www.cbo.gov/publication/58939.

2023, the Office of Field Operations increasingly granted parole through the new parole processes for Cubans, Haitians, Nicaraguans, and Venezuelans and to people who scheduled an appointment using the CBP One app. CBO anticipates that many people will continue to be paroled through those initiatives in 2024. Thereafter, the inflows of people who enter the country through those initiatives—like other inflows—taper off in CBO’s projections until the net immigration of other foreign nationals returns to the 200,000 per year that the agency would have expected on the basis of pre-2020 trends.

Eligibility for Employment Authorization

CBO estimates that about half of the people in the surge population will receive employment authorization and that they will do so about six months after entering the United States, on average. That estimate is based on data from U.S. Citizenship and Immigration Services (USCIS) about applicants approved for employment authorization through fiscal year 2023 as well as on CBO’s own estimates of the percentage of people in the surge population who are eligible to apply for employment authorization or who receive it without applying.

People eligible to apply for employment authorizations include parolees under section 212(d)(5) of the INA, applicants for temporary protected status who appear upon initial review of their case to be eligible, and people with asylum applications that have been pending for at least 180 days. Applicants granted temporary protected status, asylum, and some forms of parole receive employment authorization with that status and do not have to separately apply for it—that is, they are eligible to work “incident to status.” (See the appendix for more information about how immigrants’ interactions with the government affect their eligibility for employment authorization.)

In fiscal year 2023, USCIS approved 2.0 million initial applications for employment authorization. About 1.3 million of those applications were for people in the categories that immigrants in the surge population are likely to be in, such as asylum applicants and parolees.

Other Characteristics

In addition to information about their eligibility for benefits and employment authorization, other characteristics of the people who are part of the immigration surge are important for understanding their impact on the economy and the federal budget.

Age and Sex. In CBO’s projections, most of the immigrants in the surge population are younger than 55 when

they enter the country and are therefore likely to participate in the labor force. In addition, a larger percentage of those immigrants than of the native-born population are male.

Because of those characteristics, the immigration surge increases the size of the labor force in CBO’s projections and thus boosts economic growth and revenues. That the surge population is younger also affects projected spending on federal benefits—for example, over the 2024–2034 projection period, the people in that population will be more likely to qualify for Medicaid and refundable tax credits than for programs that serve the elderly or disabled, such as Social Security and Medicare. (That holds true even for those who work enough to meet the work history requirements of those programs.)

Education and Income. On average, adults in the surge population are less educated than those in the general population in CBO’s projections. About half of the people age 16 or older in the surge population have only a high school education or less upon arrival; that portion is smaller for the general population—about 40 percent. Roughly half of adults in the surge population have some college education or more, whereas about 60 percent of adults in the general population do.

In addition, the average income of the surge population in CBO’s projections is less than the average income of the population overall throughout the projection period and especially in immigrants’ initial years in the country. The average earnings of people in the surge population are expected to increase the longer they live in the United States.

CBO estimated the education levels, labor force behavior, and income of the surge population by using two main data sources published by the Census Bureau: the American Community Survey (ACS) and the Annual Social and Economic Supplements of the Current Population Survey (CPS ASEC).

Specifically, the agency used 2021 and 2022 ACS data to estimate the educational attainment and the labor force participation rate shortly after arrival of all people who immigrate to the United States in each year of the projection period. Because the makeup of the surge population in terms of immigrants’ country of origin differs from that of the population of recent arrivals in the survey data, CBO reweighted those data by country of origin to better represent the composition of the surge population. The agency also used those data to estimate how the income of each cohort of immigrants would change over a 10-year period.

CBO maintains a model to estimate the immigration status of people in the CPS ASEC.¹¹ The estimates of labor force participation and the income distribution for other foreign nationals in the 2019 CPS ASEC inform CBO's projections of how those characteristics evolve over a longer period.

Revenues Collected From and Spending on Benefits for Immigrants in the Surge Population and Their Children

In its analysis of the effects of the surge, CBO considered the effects on the budget stemming from taxes paid and benefits received by the surge population and their U.S.-born children as well as the budgetary effects of the changes in the economy caused by the surge.

The largest effects on the federal budget stem from individual income and payroll taxes paid by immigrants. In CBO's baseline projections, the people in the surge population pay \$788 billion in taxes over the 2024–2034 period. The participation of those immigrants and their children in federal programs adds \$177 billion to mandatory spending over the period (see Table 2).

Revenues

The amounts of income and payroll taxes attributable to the immigration surge will be affected by several factors, including tax law, the characteristics of immigrants in the surge population (such as their income and family structure), and the immigrants' compliance with the tax system.

Taxation and Immigration. Earnings of people in the other-foreign-national category earned in the United States are subject to individual income and payroll taxes.¹² Two notable income tax benefits do *not* apply to all people in the surge population: the earned income tax credit (EITC) and the child tax credit. Those credits are subject to certain restrictions that can prevent immigrants from receiving them. In the case of the EITC, the taxpayers (the primary filer and spouse, if applicable) and any children claimed for the credit must have a Social

Security number (SSN) that is valid for work.¹³ To claim the child tax credit, the taxpayers must have an SSN or an individual taxpayer identification number (ITIN), and any children claimed for the credit must have an SSN that is valid for work. The SSN requirement for children is scheduled to expire at the end of tax year 2025; thereafter, children will qualify for the child tax credit with an SSN or an ITIN under current law.

Characteristics of Immigrants in the Surge Population.

CBO's estimates of immigrants' federal tax liabilities are based on several expected characteristics of the surge population, including income, age, sex, and marital status. In CBO's projections, the surge population earns less income, on average, than the general population (though the income of each cohort of immigrants increases the longer they live in the United States). The surge population is also younger, and a larger portion of it is male. The marriage rates of the surge population are similar to those of the native-born population, CBO estimates.

To estimate the revenue effects of the immigrants who are part of the surge, CBO used its individual tax microsimulation model.¹⁴ That model estimates taxes by projecting the income and taxes of a representative sample of taxpayers into the future. CBO assigned a probability of being part of the immigration surge to each taxpayer in the model on the basis of differences between the baseline and the counterfactual population projections. Those probabilities reflect the expected age, sex, and marital status of the surge population. CBO then reweighted the taxpayers in its model whom it estimated to represent immigrants to reflect their lower expected income.

Those Immigrants' Compliance With the Tax System.

Tax collections from the earnings of immigrants in the surge population will depend on how many of them receive authorization to work, how those who are not authorized to work participate in the labor market, and whether immigrants with and without authorization file a tax return. In CBO's estimation, rates of compliance among the surge population are 15 percent lower for income taxes and 10 percent lower for payroll taxes, on average, than those among the total population.

11. See Julia Heinzl, Rebecca Heller, and Natalie Tawil, *Estimating the Legal Status of Foreign-Born People*, Working Paper 2021-02 (Congressional Budget Office, March 2021), www.cbo.gov/publication/57022.

12. For more information about the U.S. taxation of aliens or non-U.S. nationals, see Internal Revenue Service, *U.S. Tax Guide for Aliens*, Publication 519 (February 2024), www.irs.gov/pub/irs-pdf/p519.pdf.

13. For more information about the EITC rules, see Internal Revenue Service, *Earned Income Credit (EIC)*, Publication 596 (December 2023), www.irs.gov/pub/irs-pdf/p596.pdf.

14. For more information about CBO's tax microsimulation model, see Congressional Budget Office, "An Overview of CBO's Microsimulation Tax Model" (June 2018), www.cbo.gov/publication/54096.

Table 2.

Effects on Revenues and Mandatory Outlays of Taxes Paid by and Benefits Provided to Immigrants in the Surge Population and Their Children

Billions of dollars

												Total	
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024–2028	2024–2034
Increases and decreases (-) in revenues													
Income and payroll taxes													
On-budget	16	21	28	33	36	40	45	50	55	59	64	135	447
Off-budget	15	20	25	27	30	32	35	37	40	42	45	117	348
Premium tax credits ^a	*	*	-1	-1	-1	-1	-1	-1	-1	-1	-1	-2	-7
Total	31	41	53	59	65	72	79	86	94	101	108	249	788
Increases in mandatory outlays													
Premium tax credits ^a	3	5	5	6	6	6	5	5	6	6	7	24	59
Earned income tax credit, child tax credit, and other tax credits	2	3	3	3	3	4	4	5	5	5	6	14	43
Medicaid and the Children’s Health Insurance Program	1	2	2	3	3	4	4	5	5	5	6	12	40
Supplemental Nutrition Assistance Program	*	1	1	1	1	1	2	2	2	2	2	4	15
Child nutrition programs	1	1	1	1	1	1	1	1	1	1	1	5	13
Supplemental Security Income	*	*	*	*	*	*	*	1	1	1	1	1	4
Social Security (off-budget)	*	*	*	*	*	*	*	*	*	*	*	*	1
Medicare	*	*	*	*	*	*	*	*	*	*	*	*	1
Pell grants and student loans ^b	*	*	*	*	*	*	*	*	*	*	*	*	1
Total	7	11	13	14	15	16	17	19	20	21	23	61	177
Total decrease (-) in the deficit													
On-budget	-9	-10	-15	-18	-21	-24	-27	-30	-34	-37	-40	-72	-264
Off-budget	-15	-20	-25	-27	-30	-32	-35	-37	-40	-42	-44	-117	-347

Data source: Congressional Budget Office. See www.cbo.gov/publication/60165#data.

Off-budget amounts are included in the budget totals in CBO's projections and in the budget deficits that are commonly reported, but they are excluded for the purposes of some budget enforcement procedures. The revenues and outlays of the two Social Security trust funds (the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund) and the transactions of the Postal Service are off-budget.

Unless otherwise noted, all effects in this table are on-budget.

* = between -\$500 million and \$500 million.

a. Premium tax credits are federal subsidies for health insurance purchased through the marketplaces established by the Affordable Care Act.

b. Estimates include only changes to mandatory outlays. Eighty percent of funding for the Pell Grant program is discretionary: It is provided and controlled by appropriation acts. Costs for the federal student loan program are estimated using the procedures established in the Federal Credit Reform Act of 1990. Changes to the estimated costs of outstanding loans are shown in 2024.

Most income and payroll taxes are paid through employers' withholding of those taxes from their employees' pay.¹⁵ Employers report that income and remit those taxes to the federal government. At the end of the year, employees may

be required to file a tax return to pay additional income tax owed, to receive a refund if too much income tax was withheld, or to claim certain tax credits. Thus, a key determinant of whether immigrants pay taxes is whether their employers withhold taxes as required.

15. Certain types of income (such as self-employment earnings) are not subject to withholding. Taxpayers with those types of income are required to pay estimated taxes on a quarterly basis. For more information on withholding and estimated taxes, see Internal Revenue Service, *Tax Withholding and Estimated Tax*, Publication 505 (March 2024), www.irs.gov/pub/irs-pdf/p505.pdf.

CBO estimates that about half of adults in the surge population will receive employment authorization and that they will be equally likely to pay taxes on their income as the rest of the population. Because those

people are authorized to work, employers will have no reason to treat them differently than the rest of their employees. Also, those people will have an incentive to pay taxes ahead of future immigration hearings to maximize the likelihood of a favorable outcome.

CBO expects that immigrants who do not receive authorization to work but still find work will be less compliant with the tax system but nevertheless pay some taxes on their earnings.¹⁶ Some of those workers will use another person's Social Security number. In such cases, payroll taxes are withheld by employers, but workers have more control over whether and how much income taxes are withheld. Others may work as independent contractors, in which case taxes will not be withheld but the income may be reported to the IRS. Still others will find employment that pays in cash; generally, no taxes are withheld under such arrangements. Some immigrants without authorization to work, especially those who had income taxes withheld, may choose to file tax returns and pay taxes at the end of the year if their income has been reported to the IRS, or if they perceive that filing a return would increase their chances of a favorable outcome at a future immigration hearing.

Another reason to file a tax return is to claim credits that can reduce an individual's tax obligation. Certain credits are at least partially refundable, meaning that if the amount of the credit exceeds the tax owed for the year, the taxpayer will receive all or part of the difference as a lump sum payment from the federal government. The most important refundable credits for taxpayers are currently the child tax credit and the EITC. Certain restrictions apply to those credits that can prevent people in the surge population from receiving them. Over time, as more of them become eligible for those credits (particularly after the child tax credit's SSN requirement for children expires at the end of 2025), immigrants will have greater incentive to file an income tax return.

Income and Payroll Taxes Paid by Those Immigrants.

In CBO's projections, immigrants in the surge population pay \$788 billion in income and payroll taxes over the 2024–2034 period. Those amounts grow rapidly through the first half of the projection period as immigrants' income increases.

Income Taxes. CBO estimates that the surge population will pay \$345 billion in income taxes from 2024 to 2034, implying an average individual income tax rate of 9.7 percent for that population. By contrast, the average individual income tax rate for the rest of the population is projected to be 15.8 percent. The lower rate paid by the surge population in part reflects the agency's assessment that, on average, immigrants will earn less income than the overall population, especially in their initial years in the country. Thus, because of the progressive nature of the individual income tax system, immigrants in the surge population are expected to pay a smaller share of their income in taxes.

Payroll Taxes. The surge population is projected to pay \$443 billion in payroll taxes over the 2024–2034 period. Receipts from Social Security taxes, which are classified as off-budget and are dedicated to the Social Security trust funds, account for \$348 billion of that amount.¹⁷ Immigrants in the surge population will pay an average of 12.9 percent of their earnings in payroll taxes, CBO estimates. By contrast, the rest of the population faces an average payroll tax rate of 12.8 percent. Because some payroll taxes apply only to earnings below a specified threshold and immigrants' average earnings are less than the overall population's, people in the surge population, on average, pay a slightly larger share of their income in payroll taxes.

Mandatory Spending

Benefits received by immigrants who are part of the surge and their U.S.-born children account for \$177 billion of the mandatory spending over the 2024–2034 period in CBO's baseline projections. Most of those outlays are for premium tax credits, other refundable tax credits, and Medicaid. SNAP, child nutrition programs, Supplemental Security Income (SSI), Social Security, Medicare, and assistance for higher education account for smaller amounts.

To estimate the number of people in the surge population and their children who will receive benefits under each federal program, CBO first estimated how many people will meet the criteria for each program that pertain specifically to immigrants. CBO then considered other criteria for eligibility—such as age and income—that vary by program. Finally, the agency estimated participation rates among those immigrants and their children as well as the average benefits that they will receive.

16. For estimates of the payroll taxes paid by earlier waves of unauthorized workers, see Stephen Goss and others, *Effects of Unauthorized Immigration on the Actuarial Status of the Social Security Trust Funds*, Actuarial Note 151 (Social Security Administration, Office of the Chief Actuary, April 2013), www.ssa.gov/oact/NOTES/pdf_notes/note151.pdf.

17. Off-budget amounts are included in the budget totals in CBO's projections and in the budget deficits that are commonly reported but are excluded for the purposes of some budget enforcement procedures.

Premium Tax Credits. Premium tax credits help subsidize the cost of health insurance purchased through the marketplaces established under the Affordable Care Act. People who are deemed by regulation to be lawfully present and have household income between 100 percent and 400 percent of the federal poverty guidelines (commonly known as the federal poverty level, or FPL) are eligible for those credits if they are not eligible for public coverage such as Medicaid and do not have an affordable offer of employment-based coverage.¹⁸ Furthermore, people with household income below 100 percent of the FPL who do not have access to Medicaid because of their immigration status may receive a premium tax credit if they meet other eligibility criteria.

To estimate the number of people in the surge population who will have access to health insurance through an employer and therefore be ineligible for premium tax credits, CBO used its health insurance microsimulation model, HISIM2.¹⁹ People in the surge population who are eligible for premium tax credits are expected to be less likely to purchase insurance through the marketplaces than the rest of the population.

In 2024, the immigration surge will increase the number of people receiving premium tax credits by about 600,000, CBO and the staff of the Joint Committee on Taxation (JCT) estimate; in 2034, about 800,000 more people are projected to receive premium tax credits than would receive them if the surge did not occur.²⁰ In CBO's projections, the portion of the surge population receiving those credits declines over the 2024–2034 period, mostly because the number of people eligible for Medicaid increases as their immigration status changes and because a temporary policy that makes the premium tax credits more generous expires at the end of 2025.

The average per-person cost of premium tax credits for those additional enrollees is about \$6,300 in 2024 and \$9,700 in 2034 in CBO and JCT's projections. In all, premium tax credits claimed by people in the surge population add \$66 billion to the cumulative deficit for the 2024–2034 period; that amount reflects an increase in mandatory spending of \$59 billion and a decrease in revenues of \$7 billion.

Other Refundable Tax Credits. To estimate the effects of the surge in immigration on refundable tax credits other than the premium tax credits—primarily the EITC and child tax credit—CBO used its individual tax microsimulation model. The agency's estimates reflect the expected income, age, sex, and family structure of the surge population. Because of certain eligibility requirements, many immigrant families whose income and family structure would otherwise qualify them for refundable credits are ineligible to receive them. Over time, more of those families will become eligible because the SSN requirement for children for whom the child tax credit is claimed expires at the end of tax year 2025. (Thereafter, children who do not have an SSN will qualify for the credit with an ITIN.) Children of immigrants in the surge population who are born in the United States are generally eligible for credits, and they account for a growing portion of the population. Total outlays over the 2024–2034 period for those credits for families who are part of the immigration surge are projected to be about \$43 billion.

Medicaid and the Children's Health Insurance

Program. Qualified aliens can generally participate in Medicaid after a five-year waiting period. That waiting period is waived for some groups, such as asylees, Cuban-Haitian entrants, and certain Afghan and Ukrainian parolees. In addition, under the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), states can choose to provide full benefits under Medicaid and the Children's Health Insurance Program (CHIP) to some people (for example, children and pregnant mothers) who are within the five-year waiting period or are otherwise ineligible. (To date, 35 states have chosen to expand coverage for children under CHIPRA, and 26 states have expanded coverage for pregnant mothers.) States may also opt to provide full CHIP benefits to unborn children from conception to birth or choose to use state-only Medicaid funds to offer full coverage for other foreign nationals. Medicaid covers emergency medical treatment for people who would qualify for full benefits if not for their immigration status or the five-year waiting period.

18. The American Rescue Plan Act of 2021 (Public Law 117-2) and the 2022 reconciliation act (P.L. 117-169) increased the size of premium tax credits for people who were previously eligible for those credits and extended eligibility to people with income of more than 400 percent of the FPL through 2025.

19. For details about HISIM2, see Caroline Hanson and others, "Health Insurance for People Younger Than Age 65: Expiration of Temporary Policies Projected to Reshuffle Coverage, 2023–33," *Health Affairs*, vol. 42, no. 6 (May 2023), Appendix, www.healthaffairs.org/doi/suppl/10.1377/hlthaff.2023.00325.

20. For additional information about how CBO and JCT collaborate to analyze the budgetary effects of changes in health insurance, see Congressional Budget Office, "How CBO and JCT Analyze Major Proposals That Would Affect Health Insurance Choices" (January 2020), www.cbo.gov/publication/56053.

The immigration surge will increase the number of people eligible for either full Medicaid or CHIP benefits as well as the number eligible for emergency benefits, CBO estimates. The agency expects people in the surge population to enroll in Medicaid and CHIP at lower rates than the rest of the population. In addition, on the basis of its analysis of spending by otherwise-eligible immigrants, CBO expects average per-person costs for that coverage to be less than the average costs for other Medicaid and CHIP enrollees.

In CBO's projections, an additional 300,000 people are enrolled in Medicaid and CHIP with full benefits in 2024 as a result of the surge. That number grows to 900,000 in 2034. Over the 2024–2034 period, about 65 percent of those enrollees are projected to be children. In addition, over that period, an average of 300,000 of the people who are part of the immigration surge receive emergency Medicaid benefits per year.

The surge adds about \$40 billion to total federal spending for Medicaid and CHIP over the 2024–2034 period in CBO's projections. Roughly 80 percent of that amount is attributable to an increase in the number of Medicaid and CHIP enrollees who receive full benefits; the remaining 20 percent is attributable to an increase in spending for emergency benefits. Approximately 15 percent of the spending on full benefits is for children and pregnant women who are eligible for coverage because they live in states that extended coverage to them under CHIPRA. The average per-person cost for new enrollees in the agency's projections is about \$2,200 in 2024 and \$4,600 in 2034.

Supplemental Nutrition Assistance Program. Qualified aliens can generally participate in SNAP after a five-year waiting period. That waiting period is waived for some groups, such as asylees, Cuban-Haitian entrants, certain Afghan and Ukrainian parolees, and children younger than 18. To estimate the portion of the surge population that will receive SNAP benefits, CBO considered the expected income of people in that population and examined data on the number of otherwise-eligible immigrants who currently participate in the program.

In the agency's projections, about 200,000 people who are part of the immigration surge receive SNAP benefits in 2024, and about 800,000 receive those benefits in 2034. The average per-person cost of the benefits in CBO's projections is about \$190 per month in 2024 and about \$240 per month in 2034. Over the 2024–2034 period, spending for the surge population accounts for about \$15 billion of spending for SNAP.

Child Nutrition Programs. CBO estimated the additional participation in child nutrition programs on the basis of the expected age and income of people in the surge population. Although the federal government reimburses participating schools for at least part of the cost of each meal served, the reimbursements are larger for free or reduced-priced meals served to students from households with income below 185 percent of the FPL. Students in households with income above that threshold receive relatively small meal subsidies.

In CBO's projections, 600,000 more students participate in free or reduced-price meals in 2024 as a result of the immigration surge, and nearly 900,000 more students do so in 2034. Over the 2024–2034 period, the surge accounts for a total of \$13 billion of federal spending in child nutrition programs.

Supplemental Security Income. Provided they meet the other qualifying criteria, some people in the country as a result of the immigration surge—including asylees, Cuban-Haitian entrants, certain Afghan and Ukrainian parolees, and the U.S.-born children of immigrants in the surge—will be immediately eligible for SSI benefits. Others will need to amass 40 quarters of coverage (the basic unit for determining eligibility for Social Security) and spend five years as a qualified alien to receive SSI.²¹ CBO expects that few of them will meet those requirements during the 2024–2034 period.

To estimate the immigration surge's effects on spending for SSI, CBO used information about overall SSI claim rates by age in the current U.S. population and the age and income of people in the surge population. In the agency's projections, the surge accounts for 62,000 SSI recipients in 2034 (mostly disabled people, including children and adults). Those beneficiaries receive about \$1,000 per month. Over the 2024–2034 period, benefits provided to immigrants in the surge population and their U.S.-born children account for \$4 billion of outlays for SSI.

Social Security. Immigrants in the surge population become more likely to collect Social Security benefits the longer they are in the country. Not only do they grow older—and thus more likely to become disabled or to retire—but they also accumulate the quarters of coverage

21. A person earns quarters of Social Security coverage (or credits) for working and paying payroll taxes. The amount of earnings required to earn one quarter of coverage is adjusted annually; in 2024, it is \$1,730. No more than four quarters of coverage can be earned in a year.

that are required to collect benefits. CBO expects that almost no one who is part of the immigration surge will qualify for Social Security during their first two years in the United States. Although some of those people may start to claim *disability* benefits in their third year after arrival, none of them will begin claiming *retirement* benefits until at least their tenth year in the country, CBO estimates. On the basis of analysis of data from the CPS ASEC and the Social Security Administration, CBO projects that in 2034, about 12,000 people in the surge population will receive disability benefits and 11,000 will receive retirement benefits.

In CBO's projections, immigrants in the surge population who collect Social Security benefits receive roughly \$1,500 per month, on average, in 2034—much less than the average benefit for native-born citizens or long-established immigrants. Over the 2024–2034 period, spending for Social Security benefits for the surge population amounts to \$1 billion; that spending is off-budget. Roughly 10 percent of those benefits are for spouses and children.

Medicare. Because of the close links between Social Security and Medicare eligibility, the number of additional Medicare enrollees resulting from the immigration surge will essentially equal the number of additional Social Security beneficiaries with a two-year lag. (That lag reflects the waiting period between a person's becoming eligible for disability benefits under Social Security and becoming eligible for Medicare on the basis of that disability and the average gap between a person's claiming retirement benefits and turning 65, the age at which most people become eligible for Medicare.)

In 2034, annual Medicare spending for the additional beneficiaries resulting from the surge averages about \$28,000 per beneficiary in CBO's projections. Over the 2024–2034 period, total Medicare spending for those beneficiaries is \$0.6 billion.

Pell Grants and Student Loans. Eligibility for federal programs that provide aid for higher education is generally limited to qualified aliens. CBO estimated participation in those programs on the basis of the expected age, income, and educational attainment of qualified aliens in the surge population. In the agency's assessment, most of those people will be less likely than the overall population to enroll in postsecondary education but more likely to be eligible for means-tested federal loans and Pell grants to help fund their education. However, those who enroll in higher education will be more likely to enroll in two-year programs than the overall population, CBO

estimates. As a result, they will be less likely to take out federal loans to finance their education, and those who do will borrow smaller amounts.

The bulk of funding for the Federal Pell Grant Program is discretionary, but about 20 percent of the program's funding is mandatory. In CBO's projections, the surge accounts for about \$0.5 billion of mandatory spending for Pell grants over the 2024–2034 period. The surge also accounts for about \$0.1 billion of mandatory spending for federal student loans over the same period.

Budgetary Effects of Changes in the Economy Stemming From the Immigration Surge

In addition to the direct effects that taxes paid by and benefits for people in the surge population will have on revenues and mandatory spending, the immigration surge will also affect revenues and spending through certain effects it has on the economy, such as increasing innovation-related productivity (and thus income) and interest rates. In CBO's projections, changes in the economy stemming from the surge increase revenues by \$387 billion and spending by \$101 billion (see Table 3). Thus, on net, those economic changes reduce the cumulative deficit for the 2024–2034 period by \$285 billion.

Revenues

CBO expects the surge in immigration to increase economic activity and, in turn, boost tax revenues. For example, businesses that see increased demand for their products because of the immigration surge will probably hire more workers and invest in more machinery. In turn, their profits might rise. Furthermore, innovation-related productivity is expected to be higher, leading to higher income from both labor and capital. In CBO's projections, those effects add a total of \$387 billion in revenues over the 2024–2034 period: \$229 billion in individual income and payroll taxes and \$157 billion in other taxes, including corporate income taxes.

To estimate the effects that the broad economic changes brought on by the surge would have on individual income and payroll taxes, CBO used its individual tax microsimulation model. Specifically, CBO compared the model's results for the baseline population and economic forecast that includes the immigration surge (adjusted to account for the lower expected income of immigrants) with the results for the counterfactual scenario that excludes the boost to the economy resulting from the immigration surge. That comparison includes the effects on various parameters of the tax system stemming from changes in inflation and average

Table 3.

Budgetary Effects of Changes in the Economy Stemming From the Immigration Surge

Billions of dollars

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total	
												2024–2028	2024–2034
Increase in revenues	11	13	18	27	33	36	40	45	49	54	60	103	387
Increases and decreases (-) in outlays													
Net interest	*	-2	-2	-1	-1	1	7	13	20	24	24	-5	84
Mandatory	-1	-1	*	1	2	2	2	3	3	3	3	1	17
Total	-1	-2	-2	*	1	3	9	16	23	27	27	-4	101
Total decrease (-) in the deficit	-12	-16	-20	-26	-33	-33	-31	-29	-26	-27	-33	-107	-285

Data source: Congressional Budget Office. See www.cbo.gov/publication/60165#data.

* = between -\$500 million and \$500 million.

wages. CBO then subtracted its estimate of the revenue effects attributable to taxes paid by people in the surge population from the total difference in revenues under the baseline and counterfactual scenarios to arrive at its estimate of the effects that the broad economic changes stemming from the surge have on individual income and payroll tax revenues in its baseline projections.

CBO used its budgetary feedback model to estimate the effects that the broad economic changes have on other revenue sources, including the corporate income tax.²² The agency uses that model to estimate the revenue implications of changes to the overall economy when sufficient detail is lacking to use its wider array of revenue models.

Net Spending for Interest and Mandatory Spending

The economywide changes stemming from the immigration surge add \$101 billion to net interest costs and mandatory spending over the 2024–2034 period in CBO's projections. Most of that amount is for interest on federal debt, which is greater than it would have been if the surge did not occur, primarily because of the higher interest rates resulting from the surge. (Those effects are partially offset by a reduction in annual deficits and the federal debt.) CBO estimates that net interest costs will

be \$84 billion higher over the projection period because of the economywide effects of the surge.

The \$17 billion increase in noninterest spending is the net effect of several changes, mostly small in magnitude, that affect spending for mandatory programs. For example, in CBO's projections, prices are slightly higher because of the surge; those higher prices increase cost-of-living adjustments in programs that apply them (including federal retirement programs, SSI, and Social Security) and payment rates in health care programs.

In CBO's projections, the economywide effects of the surge account for about \$8 billion of outlays for unemployment insurance from 2024 to 2034. (That amount is partially offset by a \$4 billion increase in revenues over the period that results from states' increasing their unemployment taxes to maintain a balance in their unemployment trust fund accounts.) The agency expects that with the expansion of the labor force brought on by the surge, more people will be unemployed at some point in the projection period. In all, CBO estimates that in each year of the 2024–2034 period, between 100,000 and 200,000 more people will collect unemployment benefits as a result of the surge. The agency did not estimate how many of those beneficiaries would be part of the surge population. (Some immigrants who are part of the surge will be eligible to receive benefits if they become unemployed, as long as they are legally authorized to work and meet other criteria for eligibility as determined by their state.)

22. For more information about CBO's budgetary feedback model, see Nathaniel Frentz and others, *A Simplified Model of How Macroeconomic Changes Affect the Federal Budget*, Working Paper 2020-01 (Congressional Budget Office, January 2020), www.cbo.gov/publication/55884.

Some economywide changes reduce mandatory spending in CBO's projections. Higher income for people outside the surge population reduces outlays for premium tax credits. In addition, outlays for Social Security are lower because the surge reduces economywide average wages, which are used to index past earnings when calculating initial benefits. That reduction occurs because lower wages among the surge population outweigh the increases in wages among other workers.

Effects of the Immigration Surge on Discretionary Appropriations

Activities of the government that are funded with discretionary appropriations will also be affected by the surge in immigration. Such activities related specifically to immigration include those of the Department of Homeland Security, the Office of Refugee Resettlement, and the immigration courts within the Department of Justice. In addition, programs that provide benefits to individuals—such as housing assistance programs and the Special Supplemental Nutrition Program for Women, Infants, and Children—will face greater budgetary pressure as a result of the population increase brought on by the surge. State and local governments will probably seek additional federal resources to help them cover added costs, such as those for elementary and secondary education. And the surge could affect the demand for funding for other activities—improving infrastructure, for example—that are not directly tied to immigration but that may ultimately be affected by an increase in the size of the population.

CBO did not include the effects of changes to discretionary funding in the estimates of the immigration surge's effects on federal deficits presented in this report because changes in the costs for specific discretionary activities, unlike changes in mandatory spending and revenues, do not affect the deficit unless lawmakers change the amount of funding provided, and no clear basis exists for projecting how the immigration surge will affect funding decisions. In its cost estimates, CBO distinguishes the effects of legislative proposals on mandatory spending and revenues, which directly affect the deficit, from possible effects on spending subject to appropriation, which, because they depend on future legislative action, do not.

To provide some perspective on the amount of discretionary funding in budget accounts directly related to immigration that may have resulted from the surge thus far, CBO examined the total amount of funding

in those accounts in 2019, before the surge, and in 2024, during the surge. Those accounts include several within the Department of Homeland Security, such as Customs and Border Protection and Immigration and Customs Enforcement (ICE). They also include the Office of Refugee Resettlement, immigration courts, and the Office of English Language Acquisition within the Department of Education.

A total of about \$37 billion was provided for those accounts in 2024; that amount was 23 percent greater than the roughly \$31 billion that was provided in 2019—more than the 20 percent inflation, as measured by the price index for GDP, experienced over the same period.²³ Adjusted to remove the effects of inflation, annual funding for those accounts increased by about \$1 billion from 2019 to 2024. It is unclear how much of that increase stems from the surge and how much of it would have occurred without the surge.

There are other indications that the surge in immigration has put pressure on the budgets of programs related directly to immigration. For example, the Administration requested supplemental appropriations of about \$7 billion in 2024 to help the Department of Homeland Security respond to the increase in immigration. In addition, the number of full-time employees of CBP and ICE increased by about 6,400 (or 10 percent) from 2019 to 2023.

One way to examine how the immigration surge might put budgetary pressure on discretionary programs and activities over the 2024–2034 period is to estimate the increase in funding for a group of broad budget categories likely to be affected by the surge that was proportional to the population increase resulting from the surge.²⁴ If discretionary funding for that group of budget categories was increased at a rate comparable to the increase in the size of the population attributable to the surge, the funding increases would total roughly \$200 billion over the 2024–2034 period.

23. The Office of Refugee Resettlement received significantly more funding in 2022 and 2023 than it did in 2019 and 2024: Whereas it received \$13 billion in 2022 and \$11 billion in 2023, it received \$5 billion in 2019 and \$7 billion in 2024. For the other accounts examined, the amounts of funding provided in the years between 2019 and 2024 generally rose more steadily over that period.

24. Total funding provided for the programs and activities included in this analysis has generally risen more than would be expected on the basis of inflation and population growth.

To calculate those amounts, CBO first summed its discretionary baseline projections for the major budget functions that are likely to be affected, at least to some extent, by the increase in the size of the population.²⁵ The total amount includes funding for programs related to income security, education, transportation, natural resources, and agriculture, as well as funding for the budgets of many federal agencies; it excludes funding for national defense, veterans' benefits, international affairs, and general science and energy research.²⁶ CBO then multiplied the total amount by the percentage of the total population that the surge population and their U.S.-born children account for (about 1 percent in 2024 and nearly 3 percent in 2034).²⁷ Some of the programs in those budget functions would be affected by the surge population more than others. For this illustrative calculation, CBO did not assess the extent of the differences.

Lawmakers could choose to raise total discretionary funding to provide those amounts to account for the larger population, in which case, overall discretionary funding would increase by the amounts described above. (Although limits on discretionary funding are in place for 2024 and 2025, lawmakers could designate any additional funding as an emergency requirement and still comply with those limits.) Alternatively, they could leave total

discretionary funding unchanged from the amounts in CBO's baseline by increasing funding for programs and activities affected by the surge and reducing funding for other programs and activities by the same amount. Some combination of those approaches, in which funding increased overall but by less than the amounts described above, could also occur. If programs and activities that were affected by the increase in the population resulting from the surge did not receive an increase in funding, a smaller percentage of the population would be served or per-person benefits and services would be smaller than they would have been without the surge. Ultimately, decisions about funding for those activities will depend on many factors, some related to the activity in question and some involving broader considerations, such as statutory caps or spending targets set in budget resolutions.

Long-Term Budgetary Effects of the Immigration Surge

CBO anticipates that in the decade after 2034, the effects of the immigration surge on revenues and on mandatory spending for benefits will grow. Overall, increases in revenues are expected to continue to outpace increases in mandatory spending for benefits in those years. By 2044, interest rates are forecast to be lower than they would have been if the surge did not occur, which would ultimately reduce net outlays for interest and thus further reduce deficits.

Revenues

CBO anticipates that the pace of growth in revenues attributable to the surge will slow substantially after 2034. That is because, in the agency's estimation, the immigration surge's effects on population growth will continue to wane and the surge population's income will stabilize at a level closer to the rest of the population after increasing rapidly during their initial years in the country. Revenue growth is expected to exceed the growth of the overall economy after 2034 because CBO anticipates that the surge will continue to push economywide productivity upward in the long-term.

Net Spending for Interest and Mandatory Spending

By 2044, CBO anticipates, interest rates will be lower than they would have been if the immigration surge did not occur because federal debt as a percentage of GDP will be smaller. That reduced ratio of debt to GDP stems from revenues' increasing substantially more than spending as a result of the surge and from greater GDP. Therefore, in the long run, net interest costs are projected to be lower than they otherwise would have been—a reversal of the surge's earlier effect on interest rates.

25. CBO's baseline for discretionary appropriations incorporates the limits on such funding for 2024 and 2025 (as specified in the Fiscal Responsibility Act of 2023) and then reflects the assumption, as required by law, that appropriations grow each year with inflation once those caps expire. Those limits reduce nondefense discretionary funding in CBO's projections by \$55 billion in 2025, by \$68 billion in 2034, and by a total of \$611 billion over the 2025–2034 period. For this analysis, the amounts cited reflect the assumption that those reductions are applied proportionately to budget functions according to their share of nondefense discretionary funding.
26. Budget functions are the 20 subject categories into which budgetary resources are grouped. The following budget functions are included in this analysis: 300 (natural resources and environment), 350 (agriculture), 370 (commerce and housing credit), 400 (transportation), 450 (community and regional development), 500 (education, training, employment, and social services), 550 (health), 570 (Medicare), 600 (income security), 650 (Social Security), 750 (administration of justice), and 800 (general government).
27. For example, in CBO's baseline projections, discretionary funding in the budget functions that are likely to be affected by the larger population is \$839 billion in 2034. (Total discretionary funding in that year is \$2.3 trillion; the largest excluded category is national defense.) If discretionary funding in those budget functions was increased by a percentage comparable to the increase in the size of the population, the funding increase would total \$24 billion. Those amounts include budgetary resources provided by obligation limitations for certain transportation programs.

After 2034, the immigration surge's effect on mandatory spending for federal benefit programs is expected to continue to increase, as people in the surge gain eligibility for Social Security and Medicare and become increasingly likely to have health conditions or disabilities that qualify them for other programs, such as Supplemental Security Income and Medicaid. Most of the anticipated changes in eligibility after 2034 will result from the surge population's meeting programs' age requirements or work requirements (namely, amassing 40 quarters of Social Security coverage), not from further changes in their immigration status. (Some people who pay payroll taxes will never become eligible for Social Security or Medicare and will never receive benefits.)

Economic Effects of the Immigration Surge

The budgetary effects that CBO attributes to broader economic changes arise from the immigration surge's effects on these aspects of the economy in particular: GDP and income, the labor market, interest rates, and inflation.

GDP and Income

Over the next decade, in CBO's projections, GDP is greater than it would have been if the surge did not occur. Income—including wages and salaries and domestic corporate profits—closely tracks GDP. Those increases in income generate additional revenues.

In all, projected nominal GDP over the 2024–2034 period is \$8.9 trillion greater because of the surge in immigration. The key drivers of that increase are as follows (see Figure 2):

- **A \$7.8 trillion increase from the larger population.** This estimate accounts only for the additional number of people in the country because of the immigration surge. This part of the surge's total effect on GDP was calculated as though the surge population's characteristics were the same, on average, as the overall population.
- **A \$1.5 trillion increase from the greater labor force participation of the surge population.** This estimate accounts for how the labor force participation of the surge population differs from that of the population as a whole because of differences between those groups in terms of age, sex, and participation rates by age and sex.
- **A \$1.1 trillion decrease from the different employment composition of the surge population.** This estimate accounts for the differences in education and experience (which are consistent with

differences in occupation and industry) between the surge population and the overall population.

- **A \$0.6 trillion increase from greater productivity related to innovation.** This estimate captures the effect that workers in the surge who are in the fields of science, technology, engineering, or mathematics (STEM) have on total factor productivity (TFP, the average inflation-adjusted output per unit of combined labor and capital services).
- **A \$0.1 trillion increase from transitory factors.** This estimate accounts for the difference between CBO's estimates of the surge's effect on actual output and of its effect on potential output (the maximum sustainable output of the economy). It represents the effects of factors such as the temporary boost to residential investment caused by the increased demand for housing.

The estimates for all the key drivers other than transitory factors add up to the total effect on potential output. They all include an associated effect on capital services that was determined by proportionally allocating the total increase in the capital services component of potential output that is attributable to the surge. (Capital services are the services provided by capital assets, such as equipment, software, factories, and homes.)

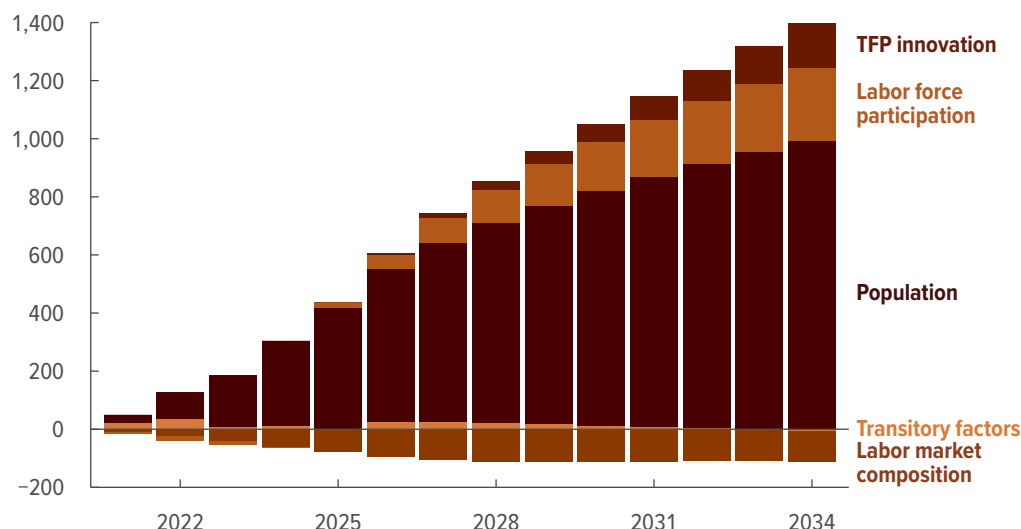
CBO estimates that 3 percent of adults in the immigration surge will be employed in STEM fields. On the basis of existing research on the relationship between immigration, rates of innovation, and economic growth, the agency estimates that such immigrants will begin contributing to innovation-related activity shortly after their arrival and that their innovations will have the greatest effect on economic growth between 5 and 15 years after their arrival.²⁸ Because the increases in population stemming from the surge are spread out over time, the overall effect of innovation-related activity

28. For examples of the studies underlying those estimates, see Shai Bernstein and others, *The Contribution of High-Skilled Immigrants to Innovation in the United States*, Working Paper 30797 (National Bureau of Economic Research, December 2022), www.nber.org/papers/w30797; Marta Prato, *The Global Race for Talent: Brain Drain, Knowledge Transfer, and Growth* (SSRN, November 2022), <https://doi.org/10.2139/ssrn.4287268>; Keith W. Crane and others, *Economic Benefits and Losses From Foreign STEM Talent in the United States*, IDA Document D-31855 (Institute for Defense Analyses, Science & Technology Policy Institute, October 2021), <https://tinyurl.com/bdd5heaj>; and Leonid Kogan and others, "Technological Innovation, Resource Allocation, and Growth," *Quarterly Journal of Economics*, vol. 132, no. 2 (May 2017), pp. 665–712, <https://doi.org/10.1093/qje/qjw040>.

Figure 2.

Key Drivers of the Increases in Nominal GDP Attributable to the Immigration Surge

Billions of dollars



The increase in the size of the population is by far the largest driver of the growth in nominal GDP attributable to the surge, accounting for \$7.8 trillion of the \$8.9 trillion the surge adds to GDP from 2024 to 2034.

Data source: Congressional Budget Office. See www.cbo.gov/publication/60165#data.

The effects driven by changes in population, labor force participation, labor market composition, and TFP innovation add up to the total change in potential GDP (that is, the maximum sustainable output of the economy). The effects driven by transitory factors account for the difference between increases in potential GDP and nominal GDP.

GDP = gross domestic product; TFP = total factor productivity.

on economic growth builds up slowly. That increase in innovation-related productivity and a decrease in productivity stemming from the different employment composition of the surge population affect the change in potential TFP in CBO's projections. After 10 years, the two effects roughly offset each other (see Figure 3).

CBO also examined the effects of the surge on the components of GDP as measured in real terms (that is, adjusted to remove the effects of inflation). In 2034, real GDP is 2.9 percent greater in CBO's projections because of the immigration surge. From 2024 to 2029, growth in personal consumption expenditures accounts for about one-half of the total growth in real GDP stemming from the immigration surge (see Figure 4). Between 20 percent and 30 percent of the additional GDP growth over that period is attributable to nonresidential fixed investment, and roughly 20 percent, to residential investment. Investment grows as firms acquire equipment for the larger labor force and build more housing for those workers and their families. By 2034, consumption's contribution to annual growth in real GDP increases to about 70 percent, and nonresidential fixed investment's and residential investment's contributions each drop to

about 10 percent as the economy adjusts to the surge and investment patterns return to their historical averages.

Labor Market

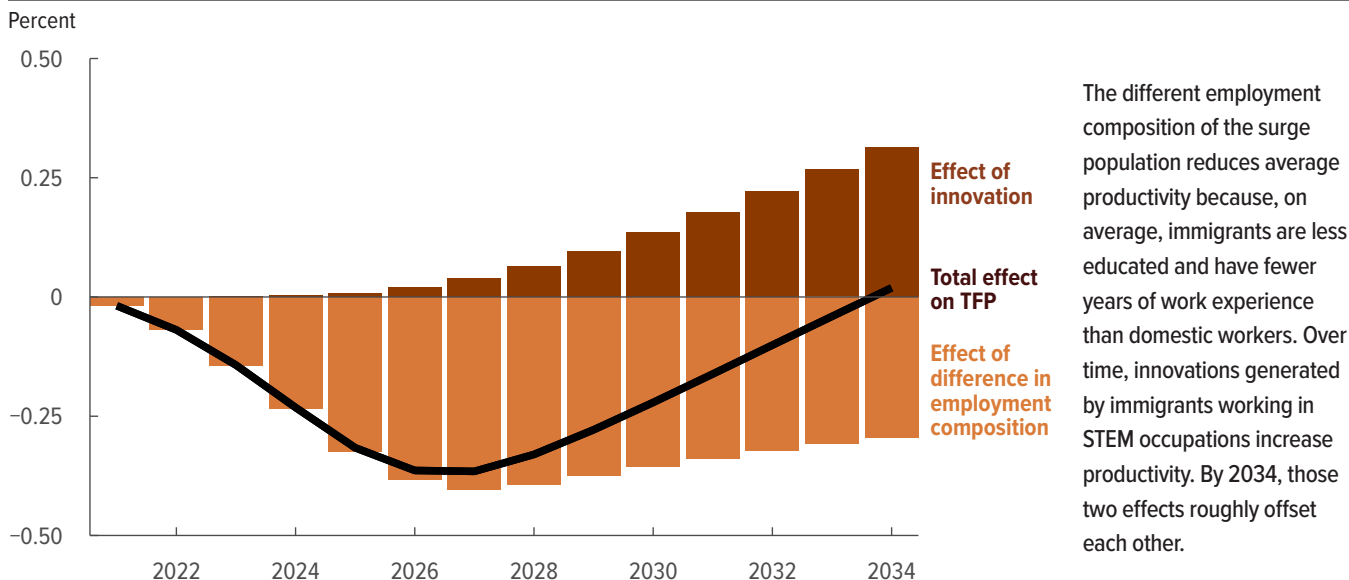
The surge boosts the size of the labor force, slightly lowers the unemployment rate, and, initially, reduces average wage growth in CBO's economic projections. The agency's projections of outlays for unemployment insurance are particularly sensitive to changes in labor market conditions.

The surge adds to the working-age population (mostly between the ages of 16 and 54), and CBO estimates that within a year after their arrival—when most applications for employment authorization have been processed—men over the age of 30 will participate in the labor force at rates that are roughly 10 percent higher than those of other men in the country of the same age. As a result, the overall labor force participation rate in the economy increases in CBO's projections starting in 2025.

The overall unemployment rate is mostly unaffected by the immigration surge because two factors offset one another. In 2024, during the peak of the surge in CBO's projections, the unemployment rate of new arrivals is relatively

Figure 3.

Factors Contributing to the Immigration Surge's Effects on Total Factor Productivity



Data source: Congressional Budget Office. See www.cbo.gov/publication/60165#data.

STEM = science, technology, engineering, and mathematics; TFP = total factor productivity.

high (because it takes them time to find work), which increases the overall unemployment rate. That effect is offset by an increase in the demand for goods and services following the surge in immigration, which reduces the unemployment rate. On average, the unemployment rate is about one basis point lower from 2024 to 2034 because of the surge. (A basis point is one one-hundredth of a percentage point.) Although the unemployment *rate* is largely unaffected, the number of people who are unemployed in the economy increases as the labor force grows.

In the agency's projections, growth in average compensation per hour from 2024 to 2031 is about one and one-half basis points slower as a result of the surge, mainly because the recent arrivals have less education, on average, and earn below-average wages. Within educational groups, the average wages of people in the surge population converge with those of the total population over an eight-year period. After 2031, growth in average compensation per hour is faster because of that convergence and because of an overall increase in TFP growth stemming from innovation attributable to new arrivals who work in STEM fields.

Wage growth of people in the United States who are not part of the surge—primarily U.S. citizens—is also

affected by the immigration surge in CBO's projections; the size of the effect varies for people with different levels of educational attainment:

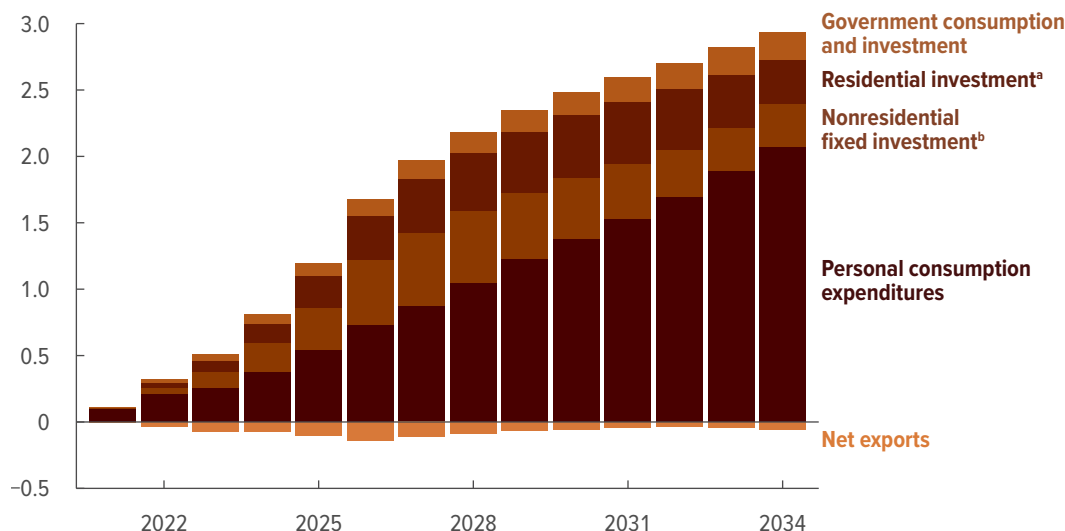
- For people with 12 or fewer years of education, wage growth slows from 2024 to 2026 because the increase in the supply of workers with similar skills puts downward pressure on that growth.
- Workers who have more than 12 years of education see little change in their wage growth in the initial years of the surge. The increase in workers with less education increases the demand for more-educated people to work with them, and the resulting upward pressure on wage growth roughly offsets the downward pressure that stems from a greater supply of workers with similar skills.

After 2026, wage growth of people in the United States who are not part of the surge increases slightly, on average, in CBO's projections, because of higher overall productivity from the immigration surge. That increase in productivity boosts wage growth for all groups of workers in the longer term, more than offsetting short-term reductions in wage growth for some groups.

Figure 4.

Contributions of Changes in the Components of GDP to the Overall Increase in Real GDP Resulting From the Immigration Surge

Percentage points



At the end of the projection period in 2034, real GDP is 2.9 percent greater in CBO's projections because of the immigration surge. Most of that increase comes from the surge's effects on personal consumption expenditures.

Data source: Congressional Budget Office. See www.cbo.gov/publication/60165#data.

Real values are nominal values that have been adjusted to remove the effects of changes in prices.

GDP = gross domestic product.

a. Includes home construction, renovations, and brokers' commissions.

b. Also known as business fixed investment. Includes businesses' purchases of equipment, structures, and intellectual property products, such as software.

To inform its estimate of the effects of the immigration surge on the labor market, CBO used a model that accounted for how the supply and demand of workers differs by workers' level of educational attainment as well as for differences between the labor market for immigrants in the surge and those for other workers. The economic output of workers and the growth in the wages they receive in CBO's projections are affected through the following channels:

- Innovation-related productivity growth boosts output and wage growth.
- As the size of the labor force expands, output from each additional hour of labor declines, putting downward pressure on wage growth.
- The growth of the labor force boosts the return to capital and thus encourages greater investment. That increase in investment in turn raises output per additional hour of labor and puts upward pressure on wage growth.

- Changes in the relative scarcity of different types of labor and in the bargaining power of workers affect wage growth in various ways.

Interest Rates

In general, interest rates are projected to be slightly higher because of the immigration surge. In CBO's projections, the surge's effect on the 10-year Treasury note rate, for example, increases by about one basis point per year over the next decade, so in 2034, that rate is about 0.1 percentage point higher than it would have been without the surge. (Initially, the Federal Reserve responds to a marginally weaker labor market in 2024 and 2025 by keeping short-term rates about the same as they would have been in the absence of the surge.)

Higher interest rates affect the federal budget primarily by boosting the costs of servicing federal debt. They have competing effects on credit programs, such as student loan programs: They increase the interest collected from borrowers (and thus reduce the costs of the programs),

but they also decrease the present value of future principal repayments.²⁹

Interest rates from 2024 to 2034 in CBO's projections are generally higher than they would have been if the surge did not occur because the rate of return on capital is greater. Three main factors boost that rate: faster growth of the labor force, faster growth of TFP, and greater demand for residential investment. Over time, those forces attenuate and are more than offset by the reduction in government debt measured as a share of GDP that stems from the surge; thus, by 2044, interest rates are projected to be lower than they would have been without the surge.

Inflation

In CBO's projections, from 2024 to 2034, inflation is almost unchanged by the surge in immigration. Prices grow more quickly economywide by an average of about one basis point per year because of the surge. The greatest upward pressure on prices comes from increased demand for housing.

Although small, those increases in inflation, which reflect offsetting effects of increases in both supply and demand, affect the federal budget through several channels:

- Increased nominal income boosts tax revenues;
- Higher prices for medical care boost outlays for health care programs;
- Larger cost-of-living adjustments boost outlays for Social Security, Supplemental Security Income, and other programs with such adjustments; and
- Higher food prices boost outlays for SNAP.

Although prices increase, on average, the effects vary over time and by type of good or service. For example, after 2027, higher interest rates boost the value of the dollar and make imports less expensive, thereby slowing the growth of prices for services other than energy and housing.

29. For student loans, the projected flow of future payments is recorded in the federal budget in terms of an equivalent lump sum received at the time the loan is made. That amount, referred to as a present value, depends on the rate of interest that is used to translate future cash flows into current dollars.

Uncertainty

CBO's estimates of the budgetary effects of the immigration surge are highly uncertain. Much of that uncertainty stems from factors related to the surge, and some of it is inherent in forecasting economic and budgetary outcomes.

Major sources of uncertainty include the following unknowns:

- The number of other foreign nationals in the immigration surge, including the number of people who become other foreign nationals and the number of people who leave that group because their immigration status subsequently changes or because they emigrate or die;
- The duration of the surge, which may depend on some combination of changes in the conditions in immigrants' countries of origin, decisions by other foreign nationals to enter or leave the United States, and actions by the Administration or immigration judges;
- The initial immigration status of people in the surge population, which depends on administrative policies, practices, and resources, as well as on decisions made by the immigrants themselves;
- How the immigration status of people in the surge population will change over time, which, again, depends on actions taken by the government and by individuals;
- Characteristics of the people in the surge population, including their age, family composition, education, and skills;
- How the immigration patterns of family members of people in the immigration surge are affected;
- How quickly the new arrivals will obtain employment authorization (which could depend on administrative policies as well as other factors) and how their earnings and income will change over time;
- How immigrants will affect economywide productivity;
- The extent to which immigrants will comply with tax laws; and
- How many people in the surge will be eligible for and will claim federal benefits, such as premium tax credits.

Appendix: How Immigrants' Interactions With the Government Affect Their Eligibility for Benefits and Employment Authorization

The people in the surge population enter the United States under different circumstances and interact with the federal government in a variety of ways. The details of their entry and subsequent interactions determine whether they are eligible for certain federal benefits at a given point as well as whether they are eligible for employment authorization; thus, those details are key factors in estimating the effects of the immigration surge on the federal budget.

The Immigration and Nationality Act (INA) defines the term *alien* as an individual who is not a U.S. national. It also defines the immigration status of such people. In this report, the Congressional Budget Office refers to immigrants' interactions with the federal government as their immigration status, although many of those people may not have a formal legal immigration status under the INA.

Interactions at Entry

How people in the surge population initially enter the United States or otherwise become immigrants in the other-foreign-national category has implications for their eligibility for federal benefits and for employment authorization.

CBP Encounter Resulting in Parole Under Section 212(d)(5).

People who seek to enter the United States between ports of entry may be encountered by the Border Patrol, which is part of Customs and Border Protection (CBP). Those who seek to enter the United States at a port of entry are inspected by CBP's Office of Field Operations. A CBP official who finds a person inadmissible under the INA may nonetheless permit that person to enter the United States under a grant of parole in accordance with section 212(d)(5) of that law.

Parolees are immediately eligible to apply for employment authorization. If the initial period of parole is at least one year, parolees are "qualified aliens"—that is, as long as they meet other program-specific criteria, they are eligible for certain federal benefits after a waiting period. If the initial period of parole is less than one year, they are not. The Office of Field Operations frequently paroles people for more than one year through such initiatives as the parole processes for Cubans, Haitians, Nicaraguans, and Venezuelans; Operation Allies Refuge and its successor, Operation Allies Welcome (both of which assisted Afghan nationals); and Uniting for Ukraine (which assists

Ukrainian citizens and their immediate family members). That office has also paroled a significant number of individuals who have scheduled appointments at a port of entry through the CBP One mobile app. Some of those people have also been placed in removal proceedings and issued a notice to appear (NTA) before an immigration judge at a later date.

CBP Encounter That Does Not Result in Parole Under

Section 212(d)(5). People who are encountered by the Border Patrol and are not granted parole under section 212(d)(5) may be issued an NTA before an immigration judge and released into the country under section 236 of the INA. (Referred to as conditional parole, parole under section 236 of the INA is legally distinct from parole under section 212(d)(5).) Such people are not qualified aliens or lawfully present for purposes of federal benefit eligibility, nor are they eligible to apply for employment authorization without some subsequent interaction.

Entry Without Inspection. Aliens who evade CBP and enter the United States illegally are said to have entered without inspection. People who enter without inspection are not qualified aliens or lawfully present for purposes of federal benefit eligibility, nor are they eligible to apply for employment authorization without some subsequent interaction.

Overstay. People who arrive in the United States legally for a temporary stay and then remain after their authorized period of stay are called overstay. Such people might enter the United States lawfully as nonimmigrants in one year and become immigrants in the other-foreign-national category in a subsequent year. Most commonly, overstay are people who remain after an authorized visit for business or pleasure (either with a B nonimmigrant visa or through the Visa Waiver Program). Some are students and exchange visitors who remain in the country after their authorized stay has ended. Overstay are not qualified aliens or lawfully present for purposes of federal benefit eligibility, nor are they eligible to apply for employment authorization.

Subsequent Interactions

Regardless of how people enter the country, their subsequent interactions with the U.S. government can affect their eligibility for benefits and employment authorization. This discussion focuses on those interactions that, in CBO's estimation, are most likely to affect the surge population.

Continued

Continued

Appendix: How Immigrants' Interactions With the Government Affect Their Eligibility for Benefits and Employment Authorization

Asylum. Regardless of their status or means of arrival, aliens who are physically present in the United States may apply for asylum under section 208 of the INA. They are granted asylum if they prove that they have been persecuted or have a well-founded fear of persecution because of their race, religion, nationality, membership in a particular social group, or political opinion. People in removal proceedings (other than unaccompanied alien children, or UACs) must apply for asylum before an immigration judge. UACs and people not in removal proceedings (including those present on parole) can initially apply with U.S. Citizenship and Immigration Services.

People who are granted asylum receive employment authorization and generally become eligible immediately for all federal benefit programs for which they otherwise qualify; unlike most other qualified aliens, they face no waiting period for any federal benefit program. One year after receiving asylum, an asylee is eligible to apply to become a lawful permanent resident (LPR); eventually, asylees can apply to become naturalized American citizens.

Pending Asylum Application. People with asylum applications that have been pending for at least 180 days are eligible for employment authorization; recipients of employment authorization based on their pending asylum application are deemed by regulation to be lawfully present for purposes of eligibility for Social Security benefits and premium tax credits, which help subsidize the cost of purchasing health insurance in the marketplaces established under the Affordable Care Act.

Withholding of Removal. Aliens who are ineligible for asylum but who cannot be repatriated because their lives or freedom would be threatened on the basis of their race, religion, nationality, membership in a particular social group, or political opinion may be granted withholding of removal. The legal standard to qualify for withholding of removal is higher than that for asylum. Like asylees, people granted withholding of removal are eligible for employment authorization and for all federal benefit programs for which they otherwise qualify. Unlike asylum, withholding of removal does not provide a path to LPR status.

Temporary Protected Status. Aliens granted temporary protected status or who appear upon initial review of their case to be eligible for that status are eligible to apply for employment

authorization.¹ Those granted temporary protected status are lawfully present for purposes of eligibility for Social Security benefits and premium tax credits.

U and T Nonimmigrant Status. Aliens who are victims of certain crimes may apply for U nonimmigrant status. Victims of human trafficking may apply for T nonimmigrant status. People granted U or T nonimmigrant status (or who have passed an initial screening called a bona fide determination) are eligible to apply for employment authorization and, like all nonimmigrants in an authorized period of stay, are lawfully present for purposes of eligibility for Social Security benefits and premium tax credits. Because of the lengthy wait for approval for U nonimmigrant status (which can be granted to only 10,000 alien crime victims per year), most applicants for U nonimmigrant status receive employment authorization based on a pending determination. Eventually, some U and T nonimmigrants become LPRs.

Lawful Permanent Resident Status. Some people in the surge population may find a path to LPR status other than those already discussed—asylum and U and T nonimmigrant status. For example, under the Cuban Adjustment Act of 1966, Cubans who have been paroled into the United States may adjust to LPR status after one year. Parolees who continuously maintained their parole and did not work unlawfully may be eligible to adjust to LPR status while living in the United States if they can qualify under an existing immigration category, such as the immediate relative category, which includes spouses of U.S. citizens. People who overstay a temporary visa and seek LPR status as immediate relatives of U.S. citizens may also become LPRs, even if they lack legal status or worked unlawfully. Other people who are ineligible to adjust their status (because they entered without being admitted or paroled, for example) may apply for waivers of various grounds of inadmissibility (such as unlawful presence). Once granted a waiver, such people could, depending on the specific waiver path involved, adjust their status in the United States or depart the country to apply for an immigrant visa at a consular post.

1. For a definition of that status and its eligibility requirements, see U.S. Citizenship and Immigration Services, “Temporary Protected Status” (July 11, 2024), <https://tinyurl.com/yck2d87a>.

This report supplements *An Update to the Budget and Economic Outlook: 2024 to 2034*, which is available on the Congressional Budget Office's website at www.cbo.gov/publication/60039, and draws upon the work of over 100 analysts who prepared that update. In keeping with the Congressional Budget Office's mandate to provide objective, impartial analysis, the report makes no recommendations.

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CBO seeks feedback to make its work as useful as possible. Please send comments to communications@cbo.gov.



Phillip L. Swagel
Director



Corrections

The Congressional Budget Office has corrected this report since its original publication. Both the PDF and online versions were corrected, but for ease of reference, this list indicates the locations of the corrections in the PDF.

The following changes were made on July 26, 2024:

Page 3, right-hand column, paragraph beginning “The remaining three categories”: “the Immigration and Naturalization Act” was changed to “the Immigration and Nationality Act.”

Page 24, appendix, left-hand column, second paragraph: “the Immigration and Naturalization Act” was changed to “the Immigration and Nationality Act.”

Page 26, third paragraph: Theresa Gullo’s affiliation was changed from “the University of California at Berkeley” to “Arbroath Associates.”