



Social Security “Study” of S.744 Impact Consists of 2.5 Pages, No Explanations

By David North

You probably have read about the Social Security Administration’s [“study”](#) of “the financial impact on Social Security” of the Gang of Eight’s S 744. It was issued by the Social Security Administration (SSA) through the office of Sen. Marco Rubio (R-Fla.), and was written at his request.

The generally unthinking media coverage, typically, carried this tone:

“Social Security: Immigration Overhaul Helps”

this being from the *Wall Street Journal* [website](#) on May 8.

There are multiple problems with this study, such as: the time frame of 10 years is ludicrous for a study of pension obligations, the document itself explains none of its estimation techniques, and consists, as a matter of fact, of a 1.5-page cover note and a single table. There may be more to it, but if so, it was not released to the public.

The study, by the way, deals only with the impact of S.744 on the Social Security system; other public costs, like food stamps and Medicaid, were not considered.

Timeline. How can you conclude, as this study does: “Overall, we anticipate that the net effect of this bill on the long-range OASDI actuarial balance will be positive” if you limit your published data to a 10-year projection? (The initials are for Old Age, Survivors, and Disability Insurance.)

If you want to know the financial impact of adding a new population to the Social Security and Medicare systems, you need to take into account both the extra taxes that will be collected and the extra benefits to be paid over a long period. Needless to say, these two flows operate at different rates at different points in time.

Early on in the program there will, of course, be more taxes paid than benefits used, as the illegal alien population is generally a young one. Decades later, the outflow in benefits will far exceed the intake in taxes — but this study only covers the years 2014 through 2024. It shows thumping additional taxes of \$340 billion and only \$33 billion in benefits, during this 10-year period — but that is a meaningless margin of profit, because virtually all of the payments will come decades later.

The Social Security Administration says it is working on a 75-year projection, but that is not ready yet. So why release something, like this 10-year report, that is so misleading? The SSA should be ashamed of itself for such an obvious bit of flim-flam.

The “Study”. It consists of a 1.5-page letter from the SSA’s Chief Actuary, Stephen C. Goss, containing all the cheerful predictions that got picked up by the media, and the accompanying table, which carries (in tiny type) about 420 numbers, all estimates of various S.744 changes, and all unexplained.

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In fact, the methodology section of this study consists of the following line at the bottom of the table: “Based largely on 2012 TR intermediate assumptions”, with TR standing for Trustees Report, a document clearly written in-house many months before the text of S.744 was released.

The Internals. Sometimes it is helpful to look at the specifics within such a table. One possibility is that the estimates made by SSA are what they really think will happen and can be reviewed separately from the skewed time frame of this document, and the total lack of transparency on how it got its numbers.

If so, the Social Security system has an interesting perspective on reality.

Remarkably, SSA estimates that the cumulative impact of the “enforcement effect” will decrease SSA taxes by some \$16 billion over 10 years, while *reducing* the outflow of benefits by \$1.7 billion. Most observers are fearful of just the opposite: the growth of illegal entries as a result of what appears to be a very feeble enforcement section of the bill.

The table speaks (in blurred terms) in the study, saying “Enforcement effect (reduction in future undocumented entry)”. Does this mean fewer illegal entries, or a smaller illegal population? These are two quite different concepts, with the latter having much more significance to the Social Security system.

The data in the SSA table indicate that only 39.3 percent of the amnestied people (“for those Undocumented in US, December 31, 2011”) will be paying into the system. That suggests a very high percentage (60.7 percent) of dependents. The numbers are 7,550,000 for the cumulative total of those getting legal status by 2044 compared to 2,970,000 who will be paying into the system by that year. A slight majority of the increased revenues estimated in the table, incidentally, do not come from the massive numbers of illegal aliens, but rather from the smaller number of additional legal immigrants admitted under the proposed law.

The table also shows that SSA expects only 7,950,000 illegals to be approved for amnesty status and then, oddly, in 2022 that number begins to decline to 7,550,000 illegals. Most observers, given the extremely high percentage of approvals in the current Delayed Action for Childhood Arrivals (DACA) amnesty, would expect more of the 11-12 million or so illegals to be found qualified.

Also why should the number of approved applications *decline* with the passage of time? Is SSA suggesting that government will reverse itself and start withdrawing earlier approvals? Is SSA counting *people* with approved applications (and people can die) rather than approved applications *per se*? Or is this just a typo? Again, the total absence of explanatory text leaves these sorts of questions unanswered.

We all know that many illegals are currently paying Social Security taxes under the current situation; to what extent were these payments factored into the report’s totals? Perhaps that was calculated into the table, perhaps not. If those totals are *not* subtracted from the payments expected from the newly amnestied, then SSA’s estimates are overstated, as they were supposed to estimate the *changes* caused by the proposed law.

There may be another major omission in the table. It shows, in one set of rows, “Change in FICA/SECA HI tax revenue”, covering two streams of Social Security taxes (FICA and SECA) and the Medicare tax (shown there as HI).

In another set of rows it shows “Change in OASDI Cost”, which meshes, I think, with the FICA and SECA revenue schemes, but ignores HI. What are the changes in Medicare costs that will accompany S.744? And why is there not a tally for the costs, if there is one for Medicare (HI) income? Is this a deliberate or a careless loading of the dice? Or something else?

Finally, there is a wonderful little footnote that suggests that SSA knows something that neither the White House nor the Gang of Eight is telling us. S.744 says that to qualify for legalization one must have been in the United States since December 31, 2011.

No such restrictions would seem to apply according to the footnote, which reads:

1/ assuming that half of the 1.8 million undocumented in the country since December 31, 2011 who would adjust to LPR [legal permanent resident] under PL [presumably Public Law] would become RPI [Registered Provisional Immigrants] under the bill.

So this part of the administration sees no effective deadline for amnesty, or is calculating that the .9 million illegals who are not covered by the direct amnesty will be regarded as immediate relatives of those who are covered by it. Again, the lack of any explanatory text leaves the implied question unanswered.

This is a remarkable collection of omissions, non-explanations, and highly questionable projections — all appearing in a 2.5 page document. It is too bad that (to date) no journalist has decided to spend an hour or so with this document to see how misleading and deeply flawed it is.