

The **BASELINE** *and the* **BORDER CRISIS**

Impact of Surging Migration

The Congressional Budget Office's (CBO) most recent baseline for fiscal year 2024 states the current surge in immigration will “expand the labor force and increase economic output” but will ultimately result in “*a decline in labor force participation due to slowing demand for workers.*”

Assuming the influx of current immigration rates will continue through 2026, CBO projects migration would:

- ***Lead to economic growth***, adding an average of about **0.2 percentage points** to the annual growth rate of real GDP.
- ***Lower Real GDP Per Person in 2034***, a reduction of **0.8 percent**.
- ***Reduce Total Factor Productivity (TFP)*** in the near term, due to immigration's effect on the supply of goods and services, while **raising TFP by 0.2 percent in 10 years**.
- ***Put Downward Pressure on Average Wages**** due to:
 - Immigrants working in sectors of the economy that pay relatively low[er] wages; and,
 - Projected increases in net total of workers reduces the amount of capital (factories and machinery) per worker.

**CBO increased their labor force size projection for 2033 by 5.2 million stating that “[m]ost of that increase results from higher projected net immigration.” This major increase in low wage labor will further drive down wages.*

What's Missing?

CBO's calculations on the fiscal impact of the border crisis focuses on *spending at the federal level* but *does not* capture the expenditures associated with illegal immigration *at the state and local level*.

The fiscal impact on state and local governments and communities would include the cost of localized crime and law enforcement, along with the state-based costs for housing, clothing, educating, and providing health services for immigrants *and* their dependents.

Further, and most importantly, CBO's baseline findings are born from calculating the cost of *legal immigration* and its subsequent impact on the federal budget and broader economy.

Thus, CBO's current assumptions acknowledge that, if we remain on the current trajectory, immigration cost estimates are subject to change, stating: "**areas of uncertainty that have particularly [significant] implications** for CBO's projections after the next few years include... **net immigration.**"

The Bottom Line

While the CBO's balanced approach acknowledges the importance of legal immigration on our economy—both negative and positive—it is critical that we **continue to improve the accuracy with which we calculate the effects of illegal immigration at the local, state, and federal level.**