

ECONOMIC IMPACT OF
DACA
SPOTLIGHT ON
SMALL BUSINESS



**A REPORT PREPARED BY THE DEMOCRATS OF
THE COMMITTEE ON SMALL BUSINESS**

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**Ending DACA
would be a
nightmare for
Dreamers.
A nightmare
for businesses.
A nightmare
for America's
economy.”**

U.S. CHAMBER OF COMMERCE

EXECUTIVE SUMMARY

DACA STATISTICS

- There are approximately 800,000 Dreamers.
- 91% of DACA recipients younger than 25 are employed while those over 25 years old have an employment rate of 93%.
- Average annual earnings are \$36,322 with many attending school.



MACROECONOMIC CONTRIBUTION

- Deporting Dreamers could cost \$60 billion and reduce economic growth by \$280 billion.
- Repealing the program could cost the United States over \$460 billion in economic output over a decade.
- Contributions to critical public programs, like Social Security and Medicaid could drop significantly.



TAX CONTRIBUTION

- DACA enrolled and eligible immigrants contribute roughly \$2 billion each year in state and local taxes, including personal income, property, sales, and excise taxes.
- Dreamers pay 8.9% on average of their income in state and local taxes, higher than that paid by taxpayers in the top 1%.
- DACA eligible workers contribute \$1.4 billion in federal taxes, \$2 billion in Social Security taxes, and \$470 million in Medicare each year.



CONSUMER SPENDING POWER

- About 24% of DACA recipients over age 25 have bought their first home.
- In 26 states, DACA eligible spending power is at least \$100 million.



ENTREPRENEURSHIP

- More than 5% of DACA recipients under age 25 have started a small business.
- 8% of Dreamers over 25 years old are entrepreneurs and employing workers.
- Many businesses will be shuttered and jobs lost if DACA is repealed.



SMALL BUSINESS WORKFORCE

- Millions of small firms around the country rely on Dreamers for a qualified, trained, and stable workforce.
- Direct costs to employers of Dreamers will be over \$6 billion in worker turnover costs, including hiring and training.
- The cost to employers of rescinding DACA is equivalent to an estimated 30 major regulations – all to be borne directly by the nation's job creators.

INTRODUCTION

The Deferred Action for Childhood Arrivals Program (DACA), was established in 2012 by executive order under the Obama Administration. The Department of Homeland Security (DHS) set forth guidelines allowing young people brought to America as children who do not present a risk to public safety or national security and meet other criteria to stay in the country. Rules require DACA recipients to renew every two years to maintain their status. Under DACA, 800,000 young individuals who came to this country as children have been granted legal work status and temporary protection from deportation.¹ On September 5, 2018, the Trump administration announced its intention to end the program by March 5, 2018, endangering the legal status of these individuals, while also threatening the American economy as a whole.

Ending DACA will be harmful both for the economy and many young immigrants brought to the United States as children, many of whom have never known their country of origin. The American economy will lose a talented, pivotal, entrepreneurial labor source and over 800,000 young immigrants will have their educational and employment prospects destroyed. At the same time, ending DACA hurts the wages and labor standards of all American workers and has a ripple effect on a wide variety of industries on which the national economy relies.² As this report demonstrates, the administration failed substantially to honor promises it made to grow the economy and protect workers and businesses. The inability to consider the contributions made by DACA recipients as entrepreneurs and workers is an unfortunate display of the administration's ignorance of our nation's history as a country founded by immigrants.

¹ United States Citizenship and Immigration Services, Number of Form I-821D, Consideration of Deferred Action for Childhood Arrivals, by Fiscal Year, Quarter, Intake, Biometrics and Case Status Fiscal Year 2012-2017, Sep. 30, 2017 (last visited Jan 30, 2018).

² Daniel Costa, Ending DACA Lower Wages and Tax Revenue, and Degrades Labor Standards, Economic Policy Institute, Sep. 5, 2017.

ECONOMIC CONTRIBUTIONS

In rescinding the DACA program, President Trump stated that he wants “those coming into the country to be able to support themselves financially, to contribute to our economy, and to love our country and the values it stands for.”³ Unfortunately, the President is propagating the misconception that DACA recipients are leading to economic unfairness and hindering growth. This is contrary to what the evidence shows about DACA recipients and counter to the findings of multiple economists.

Many economists, industry leaders, and business groups have called on the administration to rethink the rescission and take action to protect DACA recipients. They argue that repeal will hinder the economy more by reducing gross domestic product (GDP) by over \$400 billion over a decade, reduce tax revenue and other contributions to public programs, and result in a loss of workers and business owners.



³ Statement from President Donald J. Trump, Sep. 5, 2017.



MACROECONOMIC CONTRIBUTION

DACA recipients have become ingrained in American society and are key components to its future economic growth. They possess the necessary skills and education to add value in the workforce as well as provide large amounts of spending power and tax revenue. An analysis conducted by the Cato Institute found that a rollback of DACA would result in the federal government losing upwards of \$60 billion in tax revenue and would also negatively impact the national economy – an estimated \$280 billion of economic growth over a decade.⁴ Another study by the Center for American Progress estimated that DACA recipients will add \$460.3 billion to the U.S. GDP over the next decade and ending DACA puts this growth at risk.⁵

DACA recipients currently make up an important part of the U.S. workforce and will continue to do so into the foreseeable

future. The National Research Council concluded that immigrants become more productive with time, meaning that the ability of younger people to access work permits, higher education, and other benefits through the DACA program leads to greater productivity than their parents who brought them here.⁶ Moving DACA recipients to the formal labor economy and providing more opportunities for high skilled work through education results in a net positive outcome on the labor market through tax payments and greater consumption. Finally, Dreamers are prohibited from qualifying for means-tested benefits and are denied health care assistance, making their drain on the federal government miniscule. It is clear the benefits Dreamers bring to the nation, which are further discussed below, far outweigh any costs, proving DACA is in the best interest of the United States.



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- ⁴ Ike Brannon and Logan Albright, *The Economic and Fiscal Impact of Repealing DACA*, Cato Institute, Jan. 18, 2017.
 - ⁵ Nicole Prchal Svajlenka, Tom Jawetz, and Angie Bautista-Chavez, *A New Threat to DACA Could Cost States Billions of Dollars*, Center for American Progress, Jul. 21, 2017.
 - ⁶ James P. Smith and Barry Edmonston, *The New Americans: Economics, Demographic, and Fiscal Effects of Immigration*, National Academies Press, 1997; see also Brannon and Albright, *supra* note 4.



TAX CONTRIBUTION

DACA recipients contribute significantly to the tax base on the local, state, and federal levels. A March 2017 report from the Institute on Taxation and Economy Policy (ITEP), found that young, undocumented immigrants enrolled or immediately eligible for DACA contribute an estimated \$2 billion a year in state and local taxes, including personal income, property, sales, and excise taxes.⁷ They pay on average 8.9 percent of their income in state and local taxes,⁸ which is slightly higher than the 8.8 percent rate paid by the top 1 percent of taxpayers on those same taxes.⁹ Furthermore, ending DACA would reduce these state and local revenues by nearly \$800 million per year.¹⁰

Not only do DACA recipients pay income taxes, they also contribute large sums to critical public programs, such as Social Security and Medicare. According to the Partnership for a New American Economy (NAE), the DACA eligible population contributes \$1.4 billion in federal taxes, \$2 billion in Social Security taxes, and \$470 million in Medicare taxes per year¹¹ DACA recipients pay their fair share of taxes and contribute valuable funds to local and state governments and the federal government. Finding a permanent legislative solution will only increase the amount of taxes that Dreamers contribute.



⁷ Misha Hill, *State & Local Tax Contributions of Young Undocumented Immigrants*, Institute on Taxation & Economic Policy, Apr. 2017.

⁸ *Id.*

⁹ See Institute of Taxation and Economic Policy, *Who Pays Taxes in America in 2017?*, Apr. 2017.

¹⁰ *Id.*

¹¹ *Spotlight on the DACA-Eligible Population*, New American Economy Research Fund, Sep. 1, 2017.



CONSUMER SPENDING POWER

DACA recipients are hard-working contributors to our country. These individuals work diligently to educate themselves and provide for themselves and their families. It has been found that 91 percent of all DACA recipients are employed and 93 percent of them 25 years and older are employed.¹² DACA recipients have average annual earnings of \$36,322 and their median annual earnings are \$32,000.¹³ It is anticipated that as many of them graduate from college or graduate programs, their earning potential will expand, giving them greater expendable income.

It is well known that earning potential and purchasing power are directly correlated amplifying Dreamers' economic impact. As greater DACA recipients joined the job market, they were able to contribute to the economy with their spending. Approximately 24 percent of DACA recipients over the age of 25 report having bought their first home since receiving DACA and in at least 26 states, the DACA-eligible population has a spending power of at least \$100 million.¹⁴ Given that 3 out of every 5 U.S. jobs are in the broader services sector, this spending is an important contribution to local economies across the country.¹⁵



¹² Tom K. Wong, et al., DACA Recipients' Economic and Educational Gains Continue to Grow, Center for American Progress, Aug. 28, 2017.

¹³ Ibid.

¹⁴ Examining the Contributions of the DACA-Eligible Population in Key States, New American Economy, Nov. 6, 2017.

¹⁵ U.S. Bureau of Labor Statistics, Bureau of Labor Statistics, Employment by Major Industry Sector, accessed January 30, 2018.



ENTREPRENEURSHIP

DACA recipients are not just young people pursuing education or workers, they are employers and creators of economic growth. Immigrants are among our nation's most prolific small business originators and entrepreneurs, launching new ventures and products that create jobs for all Americans. In fact, 5 percent of DACA recipients younger than 25 have started their own business, while those over 25 have an 8 percent rate for small business startups; many of these ventures are employing American citizens.¹⁶ With the average rate of entrepreneurship among Americans being 3.1 percent, DACA recipients far exceed native-born Americans in the areas of business ownership and origination.¹⁷

This is unsurprising given the statistics behind broader immigrant entrepreneurship. Economists have long recognized the economic power of immigrants in that they constitute 25 percent of entrepreneurs. An estimated 40 percent of startup firms have an immigrant affiliated with it.¹⁸ This makes the decision to eliminate DACA a nefarious action on behalf of a President who claims he wants to grow America's economy. Without legal work permits and the threat of deportation looming, many of these immigrant-created new businesses will be forced to close. All of these hardworking and entrepreneurial young men and women are at risk of deportation and face great difficulty continuing their businesses without a social security number or driver's license.



¹⁶ Wong, *supra* note 12.

¹⁷ David Dyssegaard Kallickwith, Silva Kallick, and Silva Mathema, Refugee Integration in the United States, Center for American Progress, Jun. 16, 2016.

¹⁸ Sari Pekkala Kerr and William R. Kerr, Immigrants Play a Disproportionate Role in American Entrepreneurship, Harvard Business Review, Oct. 3, 2016.



SMALL BUSINESS WORKFORCE

There is broad-based support for immigrants, including Dreamers, amongst business owners of all sizes. A study by the Small Business Majority found that 84 percent believe immigration is good for America and 67 percent believe that immigration reform will be good for small businesses by establishing a qualified, trained, and stable workforce.¹⁹

Many industries will struggle to find workers if DACA ends, putting severe strain on small employers. According to a study by the Migration Policy Institute, 23% of DACA recipients who are working are in the accommodations and food services industry.²⁰ The study also shows that 14% are in retail trade, 11% are in construction, 11% are in educational, health and social services, and 10% are in professional,

scientific, management, administrative, or waste management jobs. The revocation of legal status for hundreds of thousands of workers in these industries will be a huge loss to businesses of all sizes, but particularly impactful to small firms.

The Cato Institute concluded that rescission of DACA will cost employers over \$6 billion alone in turnover costs because they will have to recruit, hire, and train all new employees.²¹ This is equivalent to an estimated 30 major²² regulations – over \$3 billion in annual costs falling directly on employers.²³ In spite of those costs, small business owners realize the importance of immigrants for staffing their companies and adding to the nation's workforce. Unfortunately, they will also bear the cost of repealing the DACA program.



¹⁹ Small Business Majority, Opinion Poll: Small Business Support for Comprehensive Immigration Reform, Mar. 27, 2013.

²⁰ Jie Zong, et al., A Profile of Current DACA Recipients by Education, Industry, and Occupation, Migration Policy Institute, Nov. 2017.

²¹ David Bier, Ending DACA Will Impose Billions in Employer Compliance Costs, Cato Institute, Cato at Liberty, Sep. 1, 2017.

²² See Congressional Review Act, 5 U.S.C. § 804(2).

²³ *Id.*

CONCLUSION

DACA recipients are contributing to the U.S. economy in many ways. They launch businesses at a high rate, contribute to some of the largest companies in the world, stimulate economic activity through consumer spending, and contribute significantly to local, state, and federal taxes. These 800,000 young men and women have become integral parts of communities around the country. Ending DACA and making it illegal for these young people to work and live in the United States would irreparably harm their lives, our communities, our small businesses, and the national economy.

The untimely and haphazard decision by the President leads to very real consequences and costs for the country. When the President decided to abandon DACA,

he was not just making a morally reprehensible decision driven by politics of division and fear; he was also inflicting lasting damage to the American economy. That's why business leaders– from a range of industries– roundly condemned the move and pledged to fight it.

Since this White House has betrayed the twin American ideals of immigration and entrepreneurship, Members of Congress from both parties must step up. We can start by passing legislation to codify DACA. Doing so will protect the American Dream – not just for the young Dreamers who are in jeopardy from DACA's rescission – but for business owners and workers of all backgrounds.

APPENDIX 1*

STATE-BY-STATE ANNUAL GDP LOSS FROM REMOVING WORKERS WITH DACA

State	Number of DACA recipients	Estimated number of DACA workers	Estimated annual GDP loss from removing DACA workers
Alabama	4,270	3,715	\$182,030,100
Alaska	138	120	\$8,572,284
Arizona	27,865	24,243	\$1,322,494,899
Arkansas	5,099	4,436	\$236,028,211
California	222,795	193,832	\$11,620,786,775
Colorado	17,258	15,014	\$856,946,796
Connecticut	4,929	4,288	\$315,289,496
Delaware	1,444	1,256	\$88,119,069
District of Co- lumbia	764	665	\$48,219,513
Florida	32,795	28,532	\$1,524,721,538
Georgia	24,135	20,997	\$1,025,191,287
Hawaii	558	485	\$28,844,415
Idaho	3,132	2,725	\$159,526,996
Illinois	42,376	36,867	\$2,296,685,031
Indiana	9,840	8,561	\$516,409,548
Iowa	2,798	2,434	\$188,481,274
Kansas	6,803	5,919	\$335,913,999
Kentucky	3,062	2,664	\$155,574,096
Louisiana	2,049	1,783	\$91,007,953
Maine	95	83	\$3,967,200
Maryland	9,785	8,513	\$509,446,852
Massachusetts	7,934	6,903	\$606,598,730
Michigan	6,430	5,594	\$418,625,150
Minnesota	6,225	5,442	\$376,707,375
Mississippi	1,460	1,270	\$62,337,508
Missouri	3,524	3,066	\$209,005,419

STATE-BY-STATE ANNUAL GDP LOSS FROM REMOVING WORKERS WITH DACA

State	Number of DACA recipients	Estimated number of DACA workers	Estimated annual GDP loss from removing DACA workers
Montana	72	63	\$3,507,840
Nebraska	3,371	2,933	\$150,222,997
Nevada	13,070	11,371	\$603,921,133
New Hampshire	367	319	\$26,873,575
New Jersey	22,024	19,161	\$1,587,108,546
New Mexico	6,815	5,929	\$384,647,119
New York	41,970	36,514	\$2,598,303,273
North Carolina	27,385	23,825	\$1,198,925,683
North Dakota	98	85	\$8,611,260
Ohio	4,442	3,865	\$251,609,158
Oklahoma	6,865	5,973	\$343,573,469
Oregon	11,281	9,814	\$605,603,130
Pennsylvania	5,889	5,123	\$357,080,795
Rhode Island	1,229	1,069	\$61,058,661
South Carolina	6,406	5,573	\$252,065,985
South Dakota	252	219	\$12,204,360
Tennessee	8,340	7,256	\$347,345,511
Texas	124,300	108,141	\$6,294,162,134
Utah	9,711	8,449	\$476,470,215
Vermont	42	37	\$2,429,910
Virginia	12,134	10,557	\$711,429,519
Washington	17,843	15,523	\$1,098,330,382
West Virginia	117	102	\$5,445,765
Wisconsin	7,565	6,582	\$427,041,340
Wyoming	621	540	\$39,079,530

* Nicole Prchal Svajlenka, Tom Jawetz, and Angie Bautista-Chavez, A New Threat to DACA Could Cost States Billions of Dollars, Center for American Progress, Jul. 21, 2017.

APPENDIX 2*

STATE AND LOCAL TAX CONTRIBUTIONS OF DACA-ELIGIBLE INDIVIDUALS

State	Current State and Local Taxes	Current Effective Tax Rate
Alabama	\$13,220,000	9.0%
Alaska**	\$966,000	4.0%
Arizona	\$61,357,000	9.0%
Arkansas	\$15,894,000	11.1%
California	\$534,124,000	8.2%
Colorado	\$33,977,000	7.8%
Connecticut	\$17,639,000	10.0%
Delaware	\$2,434,000	5.0%
District of Columbia**	\$2,702,000	8.7%
Florida	\$100,239,000	8.5%
Georgia	\$71,705,000	9.0%
Hawaii	\$3,223,000	11.2%
Idaho	\$6,026,000	7.9%
Illinois	\$131,028,000	11.0%
Indiana	\$23,288,000	10.4%
Iowa	\$6,807,000	9.2%
Kansas	\$14,592,000	9.2%
Kentucky	\$9,093,000	9.1%
Louisiana	\$7,459,000	9.5%
Maine**	\$256,000	7.7%
Maryland	\$40,801,000	10.8%
Massachusetts	\$24,261,000	8.1%
Michigan	\$15,938,000	8.9%
Minnesota	\$15,439,000	8.7%
Mississippi	\$4,169,000	8.4%
Missouri	\$8,430,000	8.1%

STATE AND LOCAL TAX CONTRIBUTIONS OF DACA-ELIGIBLE INDIVIDUALS

State	Current State and Local Taxes	Current Effective Tax Rate
Montana**	\$101,000	5.3%
Nebraska	\$7,693,000	9.6%
Nevada	\$17,488,000	5.6%
New Hampshire**	\$812,000	7.6%
New Jersey	\$65,968,000	7.9%
New Mexico	\$18,848,000	10.3%
New York	\$140,035,000	10.7%
North Carolina	\$63,618,000	8.6%
North Dakota	\$286,000	8.6%
Ohio	\$14,103,000	9.4%
Oklahoma	\$17,411,000	9.5%
Oregon	\$20,021,000	7.1%
Pennsylvania	\$20,765,000	8.9%
Rhode Island	\$3,842,000	8.2%
South Carolina	\$11,768,000	6.5%
South Dakota**	\$585,000	8.1%
Tennessee	\$21,266,000	8.7%
Texas	\$313,095,000	9.5%
Utah	\$18,807,000	8.4%
Vermont**	\$140,000	8.6%
Virginia	\$34,726,000	7.4%
Washington	\$51,272,000	10.5%
West Virginia**	\$283,000	8.0%
Wisconsin	\$17,825,000	9.4%
Wyoming**	\$949,000	5.3%

* Misha Hill, State & Local Tax Contributions of Young Undocumented Immigrants, Institute on Taxation & Economic Policy, Apr. 2017.

** DACA eligible population in these states was estimated using data on enrolled DACA participants as of September 2016. Nationwide roughly 66 percent of immigrants immediately eligible for DACA are enrolled thus the assumption was made that the actual participants in those states represent 66 percent of the eligible population (rounding was used).

