

Economic Impacts of the U.S. EB-5 Immigration Program (2010-2012)



IMPLAN
Group LLC

**45th Mid-Continent Regional
Science Association
Conference**

Madison, WI

June 3-5, 2014

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IMPLAN Group, LLC

Presentation Outline

- **Introduction**
- Methodology and Data
 - Investments
 - Household Spending
 - Other Immigration Expenses
 - Flights
 - Moving Service
 - Automobiles
 - Investment & Legal Services
 - Government Fees
- Results
- Comparison and Projection

Introduction

- **EB-5 Regional Center Program**

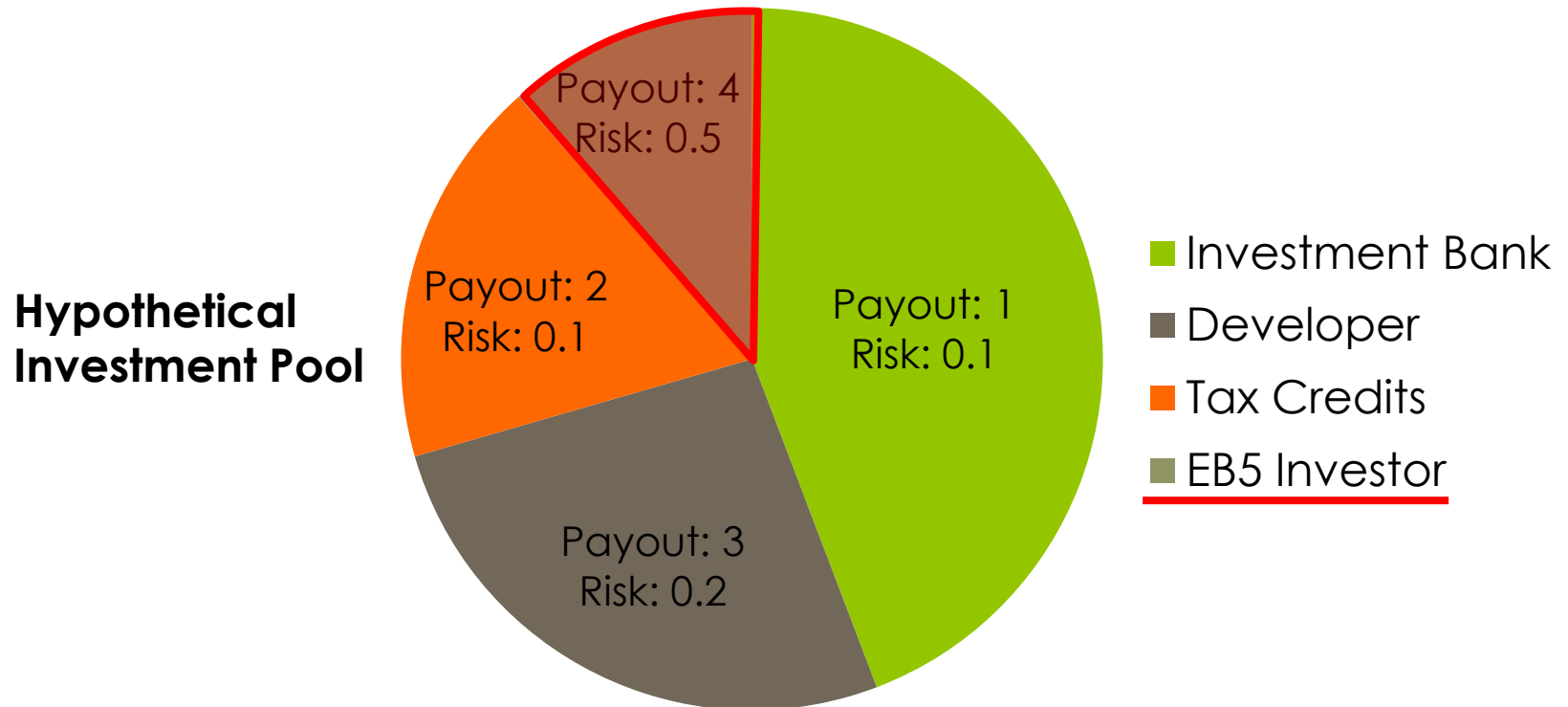
- ☐ Immigration program that allows **targeted** investment in exchange for **permanent** residency
- ☐ 29,000 visas | \$6.8 bn investment | 50,000 U.S jobs.

- **Targeted Investment**

- ☐ High unemployment or rural area
- ☐ Supports **10** full-time jobs
- ☐ **\$500,000** minimum
- ☐ Over **400** Regional Centers throughout the country to help immigrants make “targeted” investment

Introduction

- **EB5 investors catalyze larger investment pools:**



- ❑ EB5 investor credited with job impact from entire pool.
- ❑ Data only available for EB5 investor's portion.

Introduction

- **Meet the Dekker family**
 - ❑ Dutch citizens participating in EB-5 program
 - ❑ **2000:** Received E-2 visas and moved to Michigan to run a dairy farm
 - ❑ **2011:** Invested \$500,000 in Washington DC hotel
 - ❑ **2012:** Received preliminary approval (2-yr residency)



Photo courtesy of Washington Post

Economic Impact Analysis

Direct Spending



Round 1



Round 2



Indirect Spending

Round 1



Round 2



$$\begin{aligned}
 &\text{Direct} \\
 &+ \text{Indirect} \\
 &+ \text{Induced} \\
 &\hline
 &= \text{Total Impact}
 \end{aligned}$$

Motivation

- **USCIS study (2010)** estimated the following annual impacts for the program:
 - ❑ **2,000** U.S. jobs
 - ❑ **\$117** million in GDP
 - ❑ **\$17** million in federal tax revenue
 - ❑ **\$10** million in state and local tax revenue
- **Limitations**
 - ❑ Only considered **investment** impacts at a **national** level.
 - ❑ Based on a small **sample** for **2001-2006**.

Motivation

- **IIUSA commissioned IMPLAN to update USCIS study:**
 - ❑ Using IIUSA's **complete population** of investment records
 - ❑ Expand spending categories to include:
 - Investments
 - Household spending
 - Other immigration expenses
 - ❑ Expand scope of analysis to include impacts at:
 - National, State & Congressional District level
 - Developed new batch processing procedure
 - ❑ Capture more recent growth
 - FY 2010-2012

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Methodology and Data

- **Investment Data**

- ☐ Investment records provided by IIUSA for all Regional Centers, 2010-2012
- ☐ Dollar amounts for individual investments **not** disclosed
 - Assume each approved I-526 represents **\$500,000** investment
 - Use approved form count as proxy for total investment dollars

Methodology and Data

- **Investment Estimation**

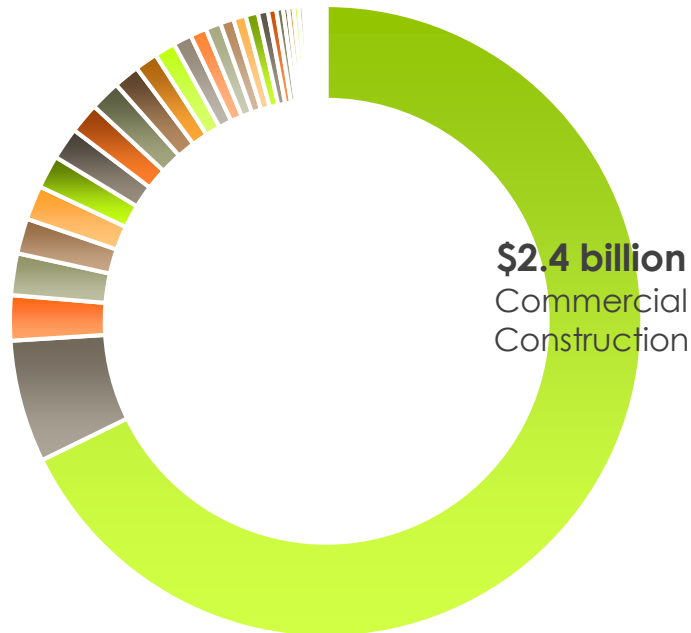
- ❑ Allocate each Center's **total** investment amount **proportionately** to each of its **individual** investments
- ❑ Allocate each **individual** investment **proportionately** to NAICS **sectors** mentioned in description field.
- ❑ Aggregate sector spending to **national**, **state**, and **congressional district** levels to use as direct inputs in IMPLAN models (models based on 2011 data).

Methodology and Data

- **Investment Estimation** (cont.)
 - ❑ If construction mentioned, assign **50%** of investment to **construction** sector; proportionately allocate remainder to other sectors named in description.
 - ❑ Further allocate sector spending to **operational** and **capital** expenditure:
 - **25%** operations (*industry change*)
 - **75%** capital (*capital expenditure pattern*)
 - ❑ Scale state and CD results to account for leakage.

Direct Spending

- **EB-5 Investment by Sector (2010-12)**



Total = \$3.55 billion

- **34 Commercial Construction**

- 346 Motion picture and video industries

- 126 Other basic organic chemical manufacturing

- 31 Electric power generation, transmission, and distribution

- 409 Amusement parks, arcades, and gambling industries

- 317 All other miscellaneous manufacturing

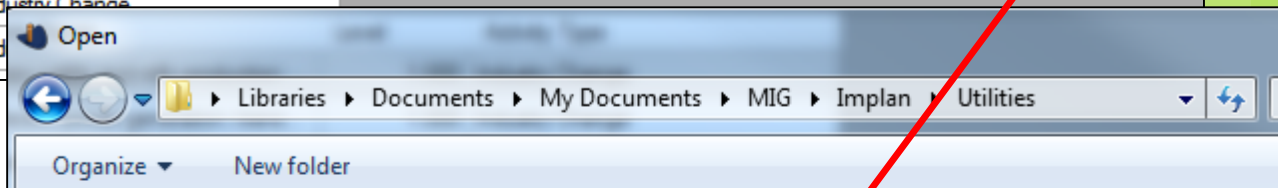
National estimate			
IMPLAN Sector	Operational Expenditure	IMPLAN Capital Expenditure Pattern	Capital Expenditure
34 Commercial Construction	\$2,407,313,352	N/A	\$0
346 Motion picture and video industries	\$55,523,622	BEA5120-Motion picture and sound recording industries	\$166,570,865
35 Industrial Construction	\$33,578,173	N/A	\$0
37 Residential Construction	\$22,497,024	N/A	\$0
126 Other basic organic chemical manufacturing	\$20,452,083	BEA3251-Basic chemical manufacturing	\$61,356,250
31 Electric power generation, transmission, and distribution	\$18,934,821	BEA2211-Power generation and supply	\$56,804,464
36 Other Nonresidential Construction	\$18,166,818	N/A	\$0
409 Amusement parks, arcades, and gambling industries	\$15,975,000	BEA7130-Amusements, gambling, and recreation	\$47,925,000
317 All other miscellaneous manufacturing	\$15,520,705	BEA3399-Other miscellaneous manufacturing	\$46,562,115
59 Animal (except poultry) slaughtering, rendering, and processing	\$14,975,000	BEA3110-Food manufacturing	\$44,925,000
413 Food services and drinking places	\$14,598,558	BEA7220-Food services and drinking places	\$43,795,673
32 Natural Gas Distribution	\$13,850,000	BEA2212-Natural Gas Distribution	\$41,550,000
60 Poultry processing	\$13,850,000	BEA3110-Food manufacturing	\$41,550,000
411 Hotels and motels, including casino hotels	\$11,749,866	BEA7210-Accommodation	\$35,249,599
24 Gold, silver, and other metal ore mining	\$10,333,333	BEA2122-Metal ores mining	\$31,000,000
410 Other amusement and recreation industries	\$9,576,563	BEA7130-Amusements, gambling, and recreation	\$28,729,688
205 Construction machinery manufacturing	\$7,395,833	BEA3331-Agriculture, construction, and mining machinery	\$22,187,500
283 Motor vehicle parts manufacturing	\$6,977,598	BEA336A-Motor vehicle body, trailer, and parts manufacturing	\$20,932,795
404 Promoters of performing arts and sports and agents for public figures	\$6,086,538	BEA71A0-Performing arts, spectator sports, museums, zoos	\$18,259,615
276 Automobile manufacturing	\$5,693,750	BEA3361-Motor vehicle manufacturing	\$17,081,250
329 Retail - General merchandise	\$3,801,082	BEA4A00-Retail trade	\$11,403,245
407 Fitness and recreational sports centers	\$3,043,269	BEA7130-Amusements, gambling, and recreation	\$9,129,808
39 Repair and Maintenance	\$2,734,375	N/A	\$0
338 Scenic and sightseeing transportation and support activities for travel	\$2,357,143	BEA48A0-Scenic and sightseeing transportation and support activities	\$7,071,429
359 Funds, trusts, and other financial vehicles	\$2,357,143	BEA5250-Funds, trusts, and other financial vehicles	\$7,071,429
398 Nursing and residential care facilities	\$2,325,840	BEA6230-Nursing and residential care facilities	\$6,977,521
336 Transit and ground passenger transportation	\$2,170,710	BEA4850-Transit and ground passenger transportation	\$6,512,131
335 Truck Transportation	\$1,270,800	BEA4840-Truck transportation	\$3,812,400
397 Hospitals	\$1,250,000	BEA6220-Hospitals	\$3,750,000
278 Heavy duty truck manufacturing	\$1,208,750	BEA3361-Motor vehicle manufacturing	\$3,626,250
72 Wineries	\$1,125,000	BEA3121-Beverage manufacturing	\$3,375,000
...
Total	\$2,751,342,307	Total	\$801,157,693
Investment Total (2010-12)		\$3,552,500,000	

Setup Activities

Activities New Activity Copy Activity Paste Activity Edit Activity Delete Activity Activity Options

Activity Name	Level	Activity Type
12 Dairy cattle and milk production ...	1.000	Industry Change
31 Electric power generation, trans...	1.000	Industry Change
34 Commercial Construction - OPS	1.000	Industry Change
37 Residential Construction - OPS	1.000	Industry Change
59 Animal (except poultry) slaughter...	1.000	Industry Change
72 Wineries - OPS	1.000	Industry Change
126 Other basic organic chemical ...	1.000	Industry Change

- Import
- Export
- Industry Spending Pattern
- Institution Spending Pattern
- From Activity Library
- From Another Model
- From Excel



Import Activities From Another Model

Activity Type	Name	Level	Activity Year
Industry Change	BEA1110-Crop production	1.000	2007
Industry Change	BEA1120-Animal production	1.000	2007
Industry Change	BEA1130-Forestry and logging	1.000	2007
Industry Change	BEA1140-Fishing, hunting and trap...	1.000	2007
Industry Change	BEA1150-Agriculture and forestry s...	1.000	2007

Events in Activity:

Sector	Industry Sales	Employment	Employee Compensation
82 Carpet and rug mills	\$0.00	0	\$0.00
185 Handtool manufacturing	\$0.00	0	\$0.00
188 Power boiler and heat exchanger manufacturing	\$0.00	0	\$0.00
189 Metal tank (heavy gauge) manufacturing	\$0.00	0	\$0.00
190 Metal can, box, and other metal container (light gauge) manuf...	\$0.00	0	\$0.00
198 Valve and fittings other than plumbing manufacturing	\$0.00	0	\$0.00
199 Plumbing fixture fitting and trim manufacturing	\$0.00	0	\$0.00
202 Other fabricated metal manufacturing	\$0.00	0	\$0.00

Import Cancel

Documents library

Utilities

Name

- InvestmentPatterns_for_BEAIIndustry_MIG_Lib440.impdb
- Operations_Patterns_for_509Industries_MIG_Lib440.impdb
- PCE_Patterns_for_NIPACategory_MIG_Lib440.impdb
- Programs_PatternsNoPayroll_for_SLGovt_MIG_Lib440.impdb

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Methodology and Data

- **Household Spending Data**

- Household spending estimated using:

- EB-5 Visa Count (State Department)
 - Average size of EB-5 households (Yearbook of Immigration Statistics)
 - Immigrant settlement patterns by state (Yearbook of Immigration Statistics)
 - SEC definition of **accredited investor**: Individual with annual income exceeding **\$200,000**.
 - HH spending pattern (IMPLAN)

Methodology and Data

- **Household Spending Estimation**

- ❑ Assume annual household income of **\$200,000**
 - **\$30,000** taxes (15%)
 - **\$20,000** savings (10%)
 - **\$150,000** consumption (APC 88%)
- ❑ Multiply **\$150,000** by # of households to derive total household spending of investor households.
- ❑ State-level spending apportioned inversely relative to a CD's geographic size to reflect urban settlement bias.
- ❑ Developed batch procedure to process 436 CD models
- ❑ Scale state and CD results to account for leakage.

Methodology and Data

- **Household Spending Estimation (cont.)**

- National Estimates:

Table 3: Visa and Household Variables, 2010-2012

Variable	2010	2011	2012
Approved Visa Count	1,322	2,695	6,514
Average HH Size	2.96911	3.06888	3.03859
Household Count	445.25	878.17	2143.76
Household Spending	\$66,787,691	\$131,725,581	\$321,563,620

Sources: Visa count from U.S. Department of State | Avg HH size from U.S. Department of Homeland Security.

- \approx \$520 million in HH spending over 3 years.

Import ▸

Export ▸

Industry Spending Pattern

Institution Spending Pattern

From Activity Library

From Another Model

From Excel

Activity Name	Level	Activity Type
12 Dairy cattle and milk production ...	1.000	Industry Change
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72 Wineries - OPS	1.000	Industry Change
126 Other basic organic chemical ...	1.000	Industry Change

Import an Institution Spending Pattern

Please select the Institution(s) you wish to import.

Households LT10k
Households 10-15k
Households 15-25k
Households 25-35k
Households 35-50k
Households 50-75k
Households 75-100k
Households 100-150k
Households 150k+
Federal Government NonDefense
Federal Government Defense
Federal Government Investment
State/Local Govt NonEducation
State/Local Govt Education
State/Local Govt Investment
Enterprises (Corporations)
Capital

Import

Cancel

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Methodology and Data

- Other Immigration Expenses: Summary**

Table 5: Estimated Expenditures for Other EB-5 Spending, 2010-2012

Total expenditures on flights, moving services, automobiles, and other fees

Expenditure	2010	2011	2012	IMPLAN Sector
Flight Expenditures	\$1,013,798	\$2,114,712	\$4,646,039	332 Air Transportation
Airport fees from foreign airlines	\$3,260	\$5,603	\$15,880	338 Support activities for transportation
Government taxes from foreign airlines	\$72,701	\$133,826	\$392,622	Federal Government (NonDefense) Spending Pattern
Moving Expenditures	\$4,048,176	\$7,977,060	\$23,161,701	335 Truck Transportation
Automobile Expenditures	\$12,956,812	\$25,554,763	\$62,383,342	276 Automobile Manufacturing
Investment Fees	\$10,240,779	\$20,197,922	\$82,984,000	356 Securities, commodity contracts, investments, and related
Attorney Fees	\$22,262,564	\$43,908,527	\$180,400,000	367 Legal Services
Government Immigration Fees	\$865,910	\$9,624,475	\$11,512,420	Federal Government (NonDefense) Spending Pattern
Total	\$51,463,999	\$109,516,887	\$365,496,004	

□ ≈ \$526 million in Other Expenses over 3 years.

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Results

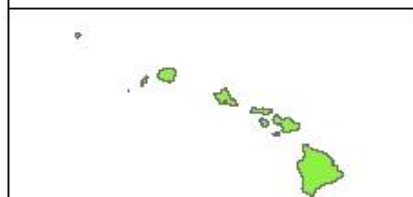
- Impacts of EB-5 **Investments**

Table 13: Economic Impact of EB-5 Investments, 2010-2012







Summary of National Model (2011 dollars reported)

Impact Type	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Direct Effect	27,078.6	\$1,747,892,013	\$259,113,788	\$100,675,617
Indirect Effect	12,596.5	\$1,193,020,478	\$153,046,758	\$88,014,458
Induced Effect	21,625.7	\$1,791,556,818	\$218,352,812	\$178,865,812
Total Effect	61,300.8	\$4,732,469,308	\$630,513,352	\$367,555,889
Multiplier	2.26	2.71	2.43	3.65

- Investment responsible for majority of impacts.
- ≈ 9.26 full & part time jobs per investor.

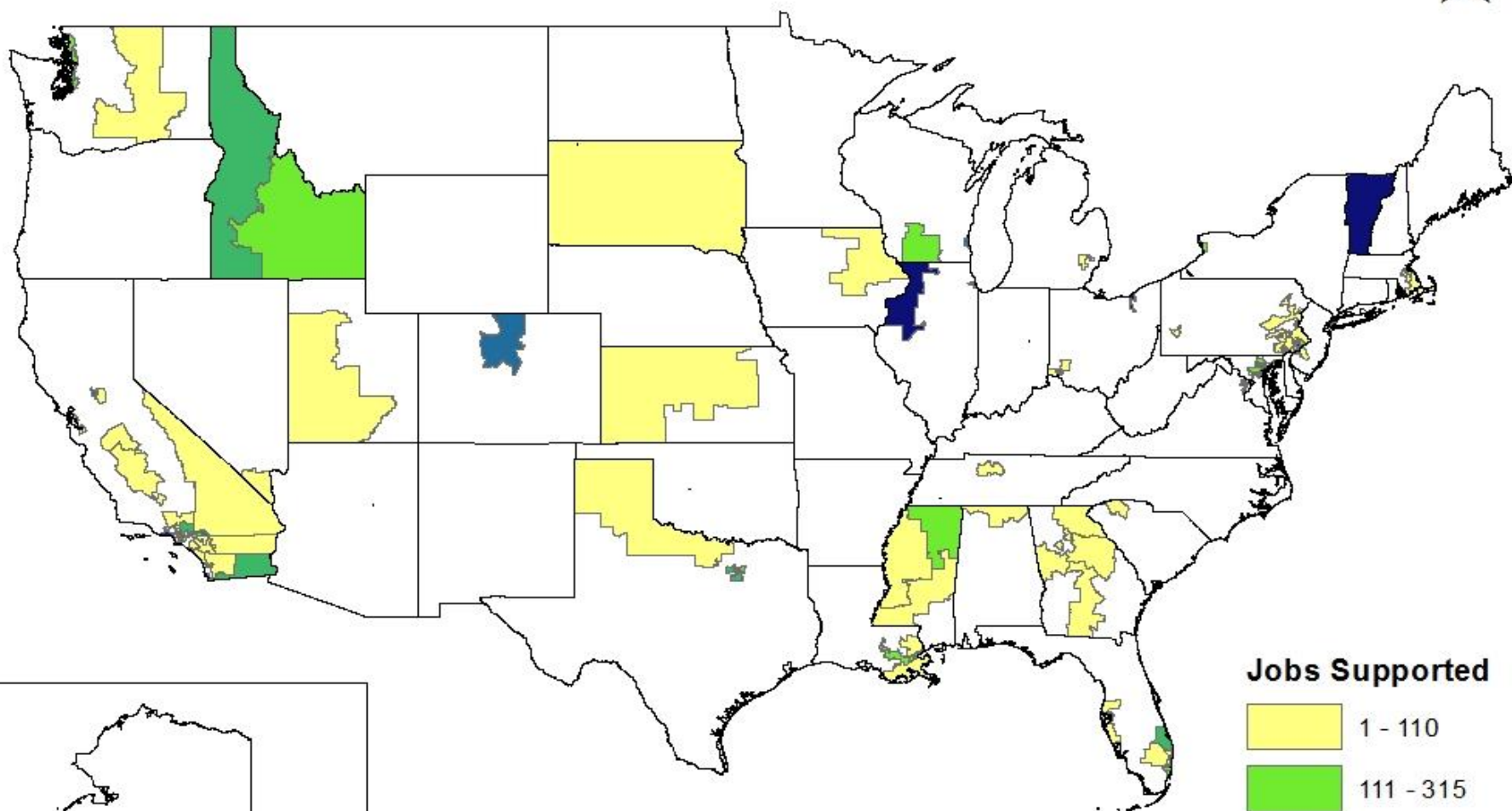


0 250 500 1,000 Miles

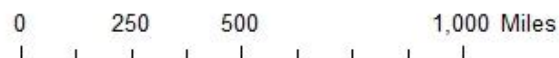
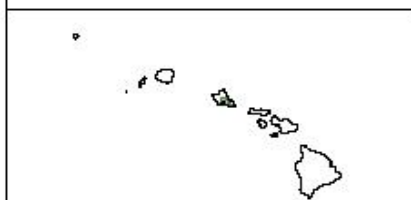
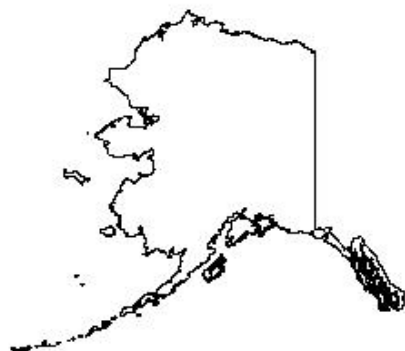
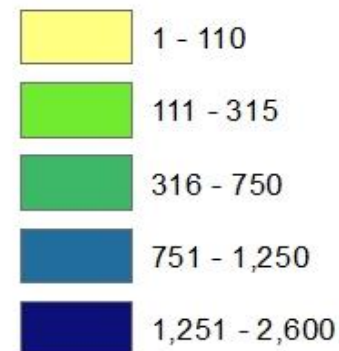
	2 - 150
	151 - 500
	501 - 1,000
	1,001 - 2,000
	2,001 - 4,000
	4,001 - 8,374

U.S. Jobs Supported by EB-5 Investments, 2012

by Congressional District



Jobs Supported



Results

- Hypothetical Impacts of EB-5 **Investment Pool**

Hypothetical impacts associated with investment pool, 2010-2012

Summary of National Model (2011 dollars reported)

Impact Type	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Direct Effect	54,157.2	\$3,495,784,026	\$518,227,576	\$201,351,234
Indirect Effect	25,193.0	\$2,386,040,956	\$306,093,516	\$176,028,916
Induced Effect	43,251.4	\$3,583,113,636	\$436,705,624	\$357,731,624
Total Effect	122,601.6	\$9,464,938,616	\$1,261,026,704	\$735,111,778
Multiplier	2.26	2.71	2.43	3.65

- ❑ Assumes 1:1 match with EB-5 investor.
- ❑ \approx 18.52 full & part time jobs per investor.
- ❑ Pool data not disclosed, so no finding made in report.

Results

- Impacts of EB-5 **Household Spending**

Table 16

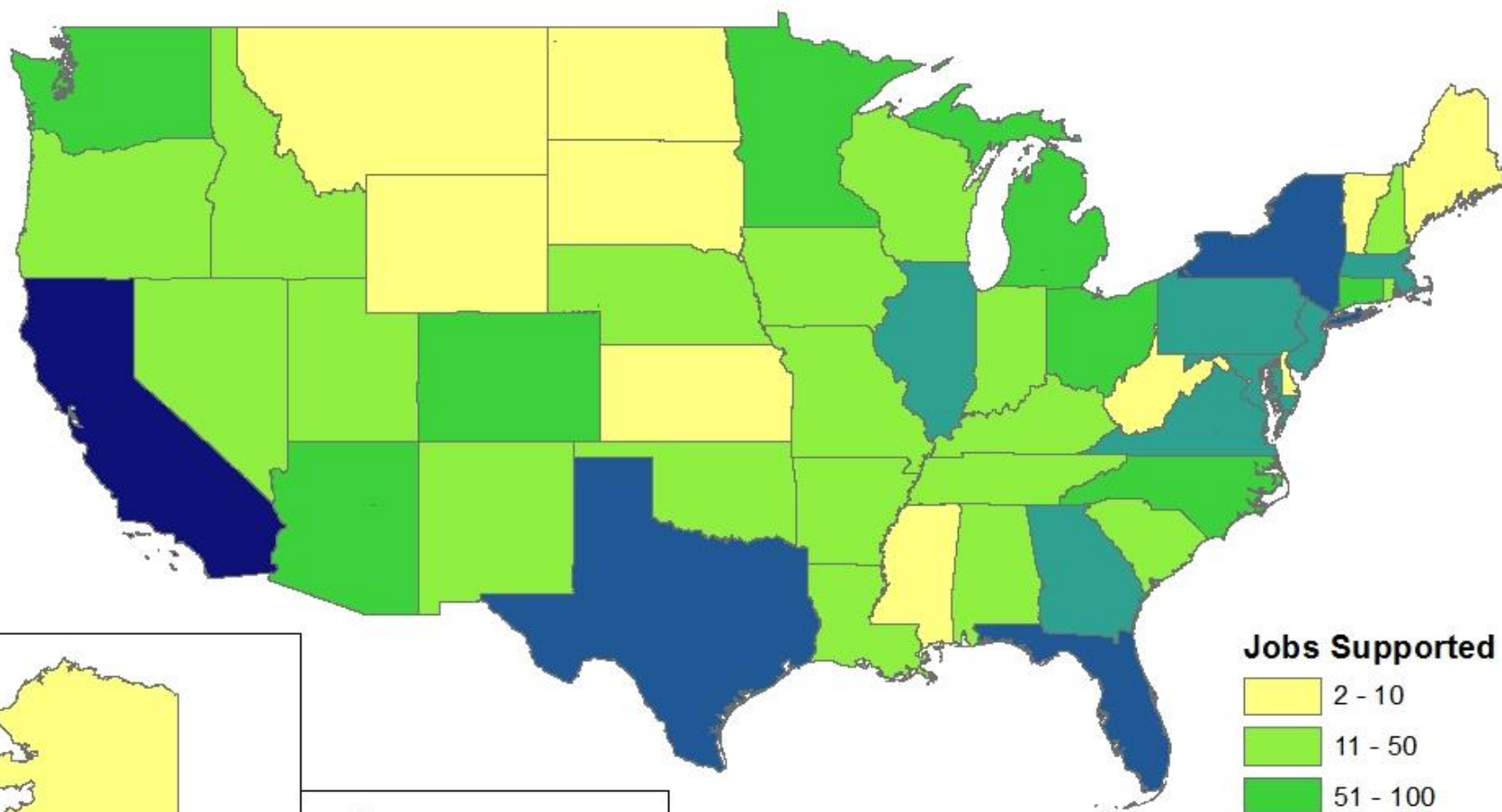
Economic Impact of EB-5 Household Spending, 2010-2012

Summary of National Model (2011 dollars reported)

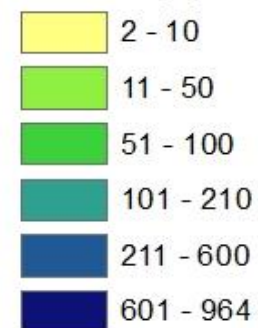
Impact Type	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Direct Effect	3,688.0	\$273,902,092	\$33,412,225	\$30,928,577
Indirect Effect	1,691.0	\$157,404,950	\$19,338,520	\$11,795,022
Induced Effect	2,321.8	\$192,599,656	\$23,473,258	\$19,229,448
Total Effect	7,700.7	\$623,906,699	\$76,224,001	\$61,953,048
Multiplier	2.09	2.28	2.28	2.00

□ Permanent contribution to U.S. GDP

U.S. Jobs Supported by EB-5 Household Spending, 2012



Jobs Supported

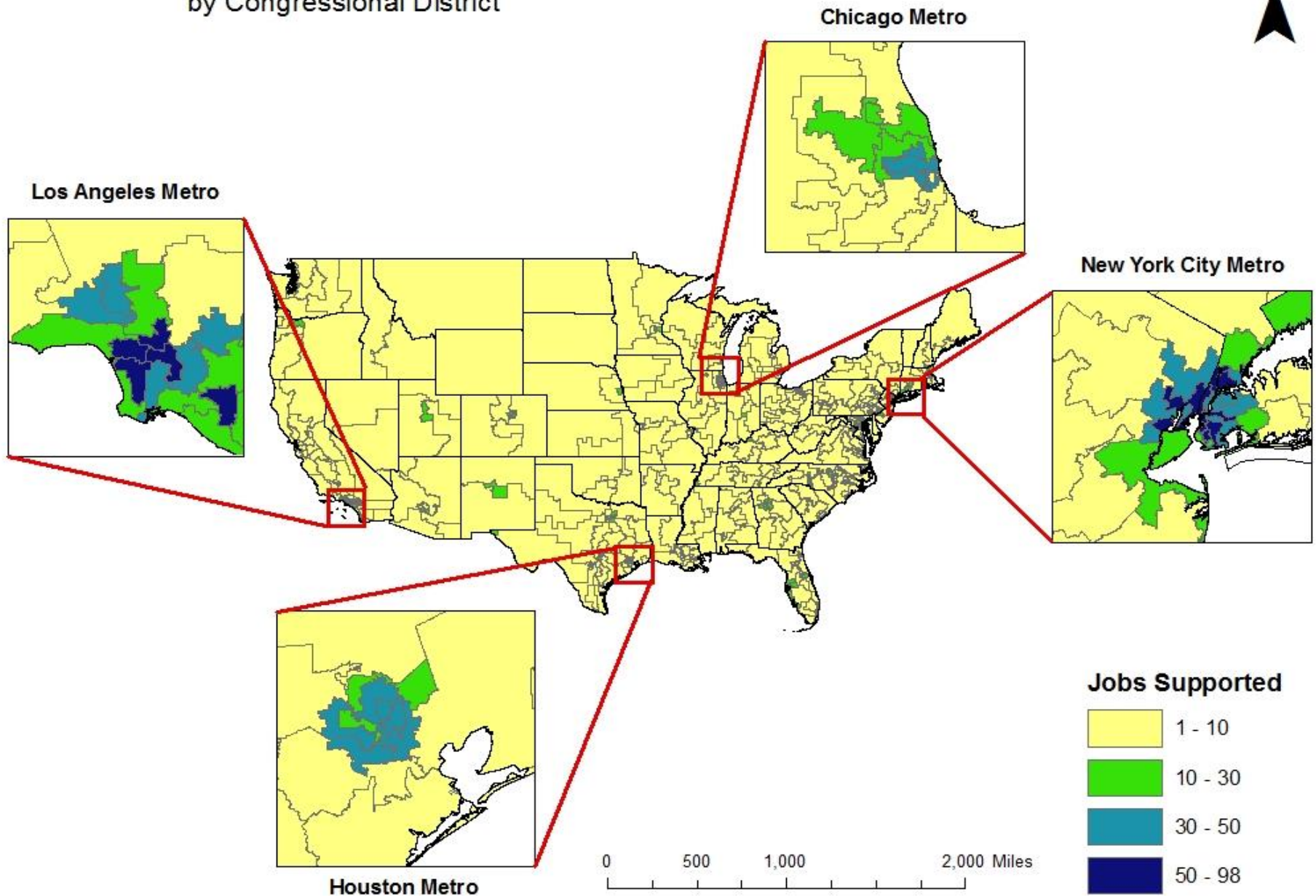


0 250 500 1,000 Miles

U.S. Jobs Supported by EB-5 Household Spending, 2012

by Congressional District

N



Results

- Impacts for Present Value of **Avg. HH Spending**

Impact for Present Value of Avg. HH Spending, 2010-2012

Summary of National Model (2011 dollars reported)

Impact Type	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Direct Effect	17,273.7	\$1,269,838,236	\$154,906,260	\$143,284,517
Indirect Effect	7,915.8	\$729,111,030	\$89,577,564	\$54,632,489
Induced Effect	10,872.9	\$892,672,946	\$108,795,324	\$89,125,862
Total Effect	36,062.4	\$2,891,622,212	\$353,279,140	\$287,042,866
Multiplier	2.09	2.28	2.28	2.00

- Monthly payments over 30 years at 6% APR using avg. HH spending for 2010-12 (\$173.4M/year).
- Present Value = \$2.41 bn.
- Present value impacts not included in result totals.

Results

- Impacts of **Other EB-5 Spending**

Table 20: Total Economic Impact of Other EB-5 Spending, 2010-12
 by Spending Type (National Model)

Impact Type	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Investor/Legal Fees	5,353.6	\$518,022,187	\$65,475,049	\$38,400,825
Moving Expenses	1,075.4	\$98,230,514	\$13,055,365	\$9,432,855
Government Fees	727.8	\$68,689,080	\$9,229,223	\$6,276,037
Total	7,156.8	\$684,941,779	\$87,759,637	\$54,109,719

Results

- Impacts of **All EB-5 Spending (combined)**

Table 11: Economic Impact of All EB-5 Spending, 2010-12

Summary of National Model

Impact Type	Jobs Supported	Contribution to GDP	Tax Revenue	
			Federal	State & Local
Direct Effect	33,520.1	\$2,328,850,933	\$333,611,520	\$151,762,802
Indirect Effect	15,787.4	\$1,487,165,085	\$189,668,793	\$109,684,005
Induced Effect	26,851.7	\$2,225,386,364	\$271,226,786	\$222,177,564
Total Effect	76,159.2	\$6,041,402,382	\$794,507,094	\$483,624,374
Multiplier	2.27	2.59	2.38	3.19

□ Investment responsible for **≈ 80%** of impacts.

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Comparison and Projection

- **Study Comparison**

- Larger results due to:

- More complete dataset
 - More comprehensive estimate of spending categories
 - **Increased popularity of EB-5 program in recent years**

Year	Approved I-526s	Approved Visas
2006	336	68
2012	3,677	6,514
Increase Factor	10.9	95.8

Comparison and Projection

- Study Comparison (cont.)**

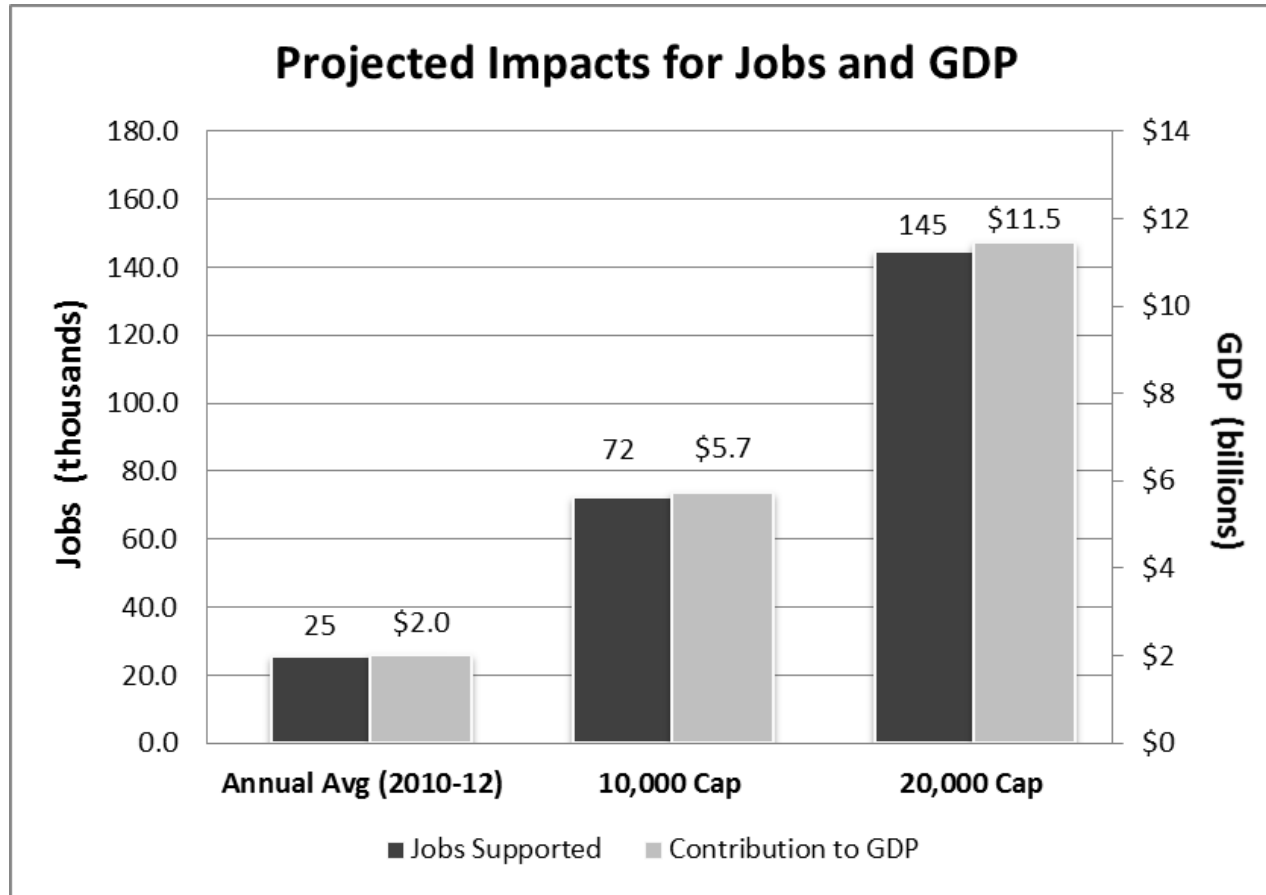
Average Annual Impact	USCIS Study (2001-2006)	IMPLAN Study (2010-2012)	Increase Factor	Due to ↑ Investment Activity
Initial Spending	\$42 million	\$1.533 billion	36.8	77%
Jobs Supported	2,000	25,386	12.7	79%
GDP	\$117 million	\$2.013 billion	17.2	77%
Federal Tax	\$17 million	\$265 million	15.6	78%
State & Local Tax	\$10 million	\$161 million	16.1	74%

Comparison and Projection

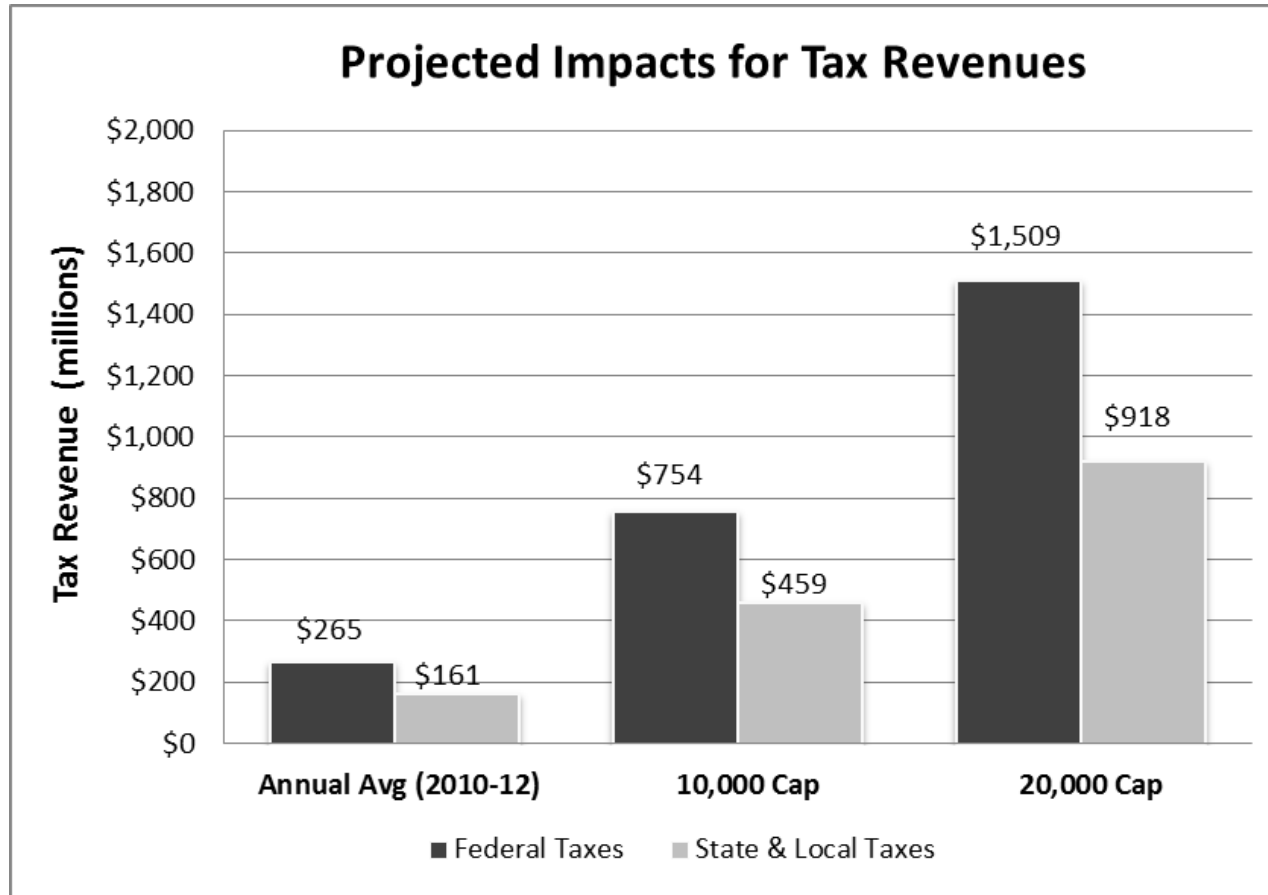
- **Linear Projections**

- ❑ Current limit: **10,000** EB-5 visas/year
- ❑ Given recent growth, current cap may be reached **this year**
- ❑ Linear projection better for **short-term** forecasting; valid only if following variables remain constant:
 - Prices & structure of economy
 - Investor spending pattern & level
 - Regulatory environment
- ❑ 2010-12 seems like a decent base: **10,531** EB5 visas issued.
- ❑ Impacts projected for **10,000** and **20,000** visa limit
 - Annual impact results increase almost **3-fold** at 10,000 cap
 - Annual impact results increase almost **6-fold** at 20,000 cap

Comparison and Projection



Comparison and Projection



Conclusion

❑ **Program contributes substantially to U.S economy**

- Impacts have increased considerably in recent years
 - Primarily due to increased levels of participation
- **If** economic impacts are major policy consideration, it may make sense to increase cap
 - EB-5 investment is very small percent of industry output (0.16%); not likely to crowd out other investment

❑ **Study is updated, careful, & comprehensive**

- Provides careful methodologies & reliable results
- Exciting application of IMPLAN's batch capabilities

Questions? Comments?

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