



University of Southern California



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# Nurturing Naturalization

## *Could Lowering the Fee Help?*

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## Executive Summary

Citizenship is good for both the greater society at large and for immigrants themselves. However, there are currently about 8.5 million immigrants in the U.S. who are eligible but have not yet taken the final step of naturalization. While everyone agrees that there should be hurdles to citizenship, such as time in country and knowledge of American civics, most agree that such hurdles should not become obstacles that hold back the possibilities of moving forward on full immigrant integration.

Is the fee associated with naturalization one such obstacle? Some have suggested that earlier studies indicate that the demand for immigration services is not very price sensitive. However, a closer examination of that work suggests that while this may be true of all immigrant services, naturalization seems to be responsive to price, particularly to the differential between renewing a Green Card and obtaining citizenship.

Moreover, original analysis of new data on naturalization from both the Office of Immigration Statistics and the American Community Survey indicates that fee increases can have a significant impact on both the volume and the composition of who naturalizes. Fee increases trigger a dramatic decline in the naturalization of less-educated (and likely lower income) immigrants, an increase in the number of years immigrants wait to become citizens, and a change in the national origin of the naturalizing population, in particular a relative reduction in those who were born in Mexico.

Taken together, these data suggest that fee increases, particularly the very significant increase in 2007, may have had a negative impact on the rate of naturalization. While some new programs have emerged to address this issue, including the creation of innovative micro-loans programs to help low-income immigrants overcome cash-flow issues, another way to encourage citizenship would be through either absolute fee reductions or a change in the relative fee structure (that is, obtaining more revenue from less price-sensitive immigration services while adjusting naturalization fees downward).

Previous research has demonstrated that naturalization can improve incomes and enhance civic participation. With such clear benefits available, we should be doing all we can to support citizenship and helping to reduce the financial barriers to integrating fully into our society, economy and democracy.

## Introduction

The cost of becoming a naturalized American citizen has increased dramatically in the last 15 years. In 1997, the fee to naturalize was \$95. It rose to \$225 in 1999, then jumped from \$320 to \$595 between 2004 and 2007. Advocates for immigrant integration point to fee increases as an important reason why 8.5 million legal permanent residents who are eligible to apply for their U.S. citizenship have not yet done so and suggest that naturalization might be promoted by lowering the fees.

This certainly seems like a sensible position – the basic law of economic demand is that a higher price for a particular product or service should lower the quantity demanded. Moreover, the current naturalization fee of \$595 (plus a biometric fee of \$85, for a total cost of \$680) can represent a significant burden as a share of income for low-income immigrants – and approximately 52 percent of LPRs eligible to naturalize are low-income (Passel 2007).

Moreover, surveys of immigrants suggest that cost is indeed perceived as a deterrent to naturalization. For example, in a survey of 526 Legal Permanent Residents (LPRs) in Texas, Freeman, Plascencia, and Gonzalez Baker (2002) found that among eligible LPRs who had not filed a naturalization application, 20 percent cited cost as a prohibitive factor, 24 percent a lack of time, and about 16 percent cited the lack of English proficiency with a similar share citing a lack of knowledge about navigating the naturalization system. These results also suggest that while the fee itself is important, it is a lower bound estimate of costs: successful applicants may also need to put time and money into English and civics courses, as well as into obtaining any needed legal or other assistance in preparing the paperwork (Leighton et al. 2008).

A recent study by the Pew Hispanic Center is consistent with these findings (Gonzalez-Barrera et al. 2013). The report's survey results suggest that an overwhelming 93 percent of Latino immigrants who have not yet naturalized say they would if they could. Of those Latino immigrants eligible to naturalize, almost 20 percent cited financial costs as a main prohibitive factor to naturalizing, with another 28 percent conveying language and other personal barriers. This further suggests the negative impact of high costs on the rate of naturalization, particularly for groups with generally lower incomes and English-language difficulties.

On the other hand, there are significant economic gains to be had from citizenship, partly because of more investments in U.S.-specific human capital, partly because of increased job mobility, and partly because of better employer-employee matching (Bratsberg, Ragan, and Nasir 2002; Shierholz 2010). Our own econometric study coupling data on income with information on the year of naturalization found that citizen immigrants realized an eight to 11 percent increase in individual earnings, with the increase taking place over the course of several years after naturalization (Pastor and Scoggins 2012).

If a "citizen gain" exists, why don't more immigrants make the economic leap? Part of the issue may be liquidity: for low-income LPRs, saving up to pay for the fee and associated costs is challenging and other pressing family needs may take priority. A 2010 survey of Latino immigrants who had attended one of NALEO's Ya Es Hora! citizenship workshops reported that one quarter of attendees had borrowed money to cover the application fee, while more than two-fifths of those who had postponed their

application reported cost as the reason for doing so (Ramirez and Medina 2010). Of those who postponed because costs were thought to be too high, 93 percent claimed they would be more likely to file an application if loans were available to assist with the application cost.

Both this research and the experience of immigrant-serving organizations have led to the development of micro-loan programs to bridge the liquidity gap. There is, for example, a relatively new award-winning partnership of Casa de Maryland and Citi Community Development (part of Citigroup), as well as a new effort underway in Illinois, which represents a partnership between the State of Illinois with the Illinois Coalition for Immigrant and Refugee Rights (Casa de Maryland 2011; Citigroup, Inc. 2012). The micro-loan concept is gaining ground and deserves continued support from funders as well as from business and civic leaders.

But while the emergence of micro-loans to pay the naturalization fees is surely an important innovation, this still seems like a Band-Aid to a deeper problem. If naturalization is actually important for both civic and economic reasons, shouldn't we try to both streamline the process and lower the fees? Surely the actual costs of paperwork and form processing need to be covered through some revenue source but does it make sense to pose economic barriers to citizenship when the increase in lifetime earnings from naturalization could eventually yield important increases in tax revenues?

Reducing naturalization fees is likely to be a complicated exercise, partly because U.S. Citizenship and Immigration Services (USCIS) is supposed to be a fee-reliant agency, with hopes that eventually nearly all of its budget will come from user fees. One could argue that promoting naturalization is so important that Congress should appropriate more funds to USCIS to make up for any loss in fees; one could also imagine shifting fees, such that overall costs might be covered but the relative prices of different agency services might differ in a way that better encourages the choice to naturalize.

We will leave it to others to discuss the actual mechanics of policy change. In this brief, we address another question that has been raised: would reducing the fee actually encourage naturalization?

It turns out that this is a surprisingly complex topic: while lowering the cost of a service is generally thought to raise demand for that service, this is not a traditional market and the usual techniques of estimating a demand curve – the relationship between price and quantity demanded – are not generally possible. Moreover, some have argued, partly based on a series of reports from the Congressional Research Service (CRS), that there is not a significant degree of price sensitivity with regard to naturalization fees – that is, that the decision to naturalize is driven mostly by other factors resulting in no particular reason to tackle fees.

In this brief, we argue that the notion that the decision to naturalize is not price-sensitive is partly based on a misreading of the CRS reports – both reports were focused on overall cost recovery and offered little specific analysis of naturalization. Indeed, when we break out naturalization using the data available in those very same reports (along with data from the Office of Immigration Statistics), we find a responsiveness to price shifts, particularly to the difference between the cost to renew a Green Card and the cost of naturalization (which we argue is the relevant comparison for any immigrant).

We then offer another approach to determine the price impact: examining the composition of the population that naturalizes as the fee changes. To do this, we take advantage of the fact that the American Community Survey has recently begun to ask immigrant respondents their year of naturalization. Using that data, we illustrate how price increases are associated with a dramatic decline in the naturalization of less-educated (and likely lower-income) immigrants, an increase in the years immigrants spend prior to naturalization, and changes in the national origin composition of the naturalizing population. In particular, it suggests that the dramatic increases in naturalization fees in the last decade and a half have created a significant barrier to U.S. citizenship for legal Mexican immigrants.

While not entirely conclusive, the available evidence suggests that the common sense position – that price matters – really does make sense. For a nation of immigrants, encouraging naturalization and full participation in our civic and economic life would seem to be one of those goals on which many Americans can agree – and so promoting that outcome through the fee structure seems entirely appropriate.

## **Does Cost Really Matter?**

Some advocates who believe that price sensitivity matters to naturalization point to what happened when U.S. Citizenship and Immigration Services (USCIS) increased the cost to naturalize from \$330 to \$595 (plus the costs of biometrics) in the middle of 2007: the result was a surge of applications just prior to the fee increase. Indeed, there were nearly 1.4 million naturalization applications filed in 2007 but just over 500,000 in 2008 (Sumption and Flamm 2012 citing Department of Homeland Security 2011) and the level of applications did not return to the 2006 level until 2011.

However, others argue that the eventual return to the 2006 level (albeit after five years) suggests that price may not be an important deterrent. The idea that price does not matter much is an impression some seem to have drawn from two Congressional Research Service reports, the first one released in 2007 and the second one released in 2010 (Haddal 2007; Kandel and Haddal 2010). Both were written in anticipation of increases: the 2007 report was published only a few weeks after USCIS published a new fee schedule for immigration and naturalization adjudications and benefits on May 30, 2007, and the 2007 fee schedule became effective on July 30, 2007, which is a little over a month *after* the CRS report was published. The 2010 report was published three years later and was meant to examine a relatively modest increase in weighted fees of approximately 11 percent (there was no increase in the fee for N-400, the citizenship form).

As part of looking forward to see what difference higher fees would make, the studies looked backward at the historical experience. The 2007 report suggests that “the overall demand for immigration benefits tends to be inelastic. In other words, fee increases have little or no effect on demand” (Haddal 2007:20). The 2010 report, conducted after the 2007 fee increase, is a bit more ambiguous, suggesting that the “relationship between fees and workload remains unclear” (Kandel and Haddal 2010:15). The change in tone is noteworthy, but it is also important to examine exactly what these reports do and do not say: in particular, it is critical to stress that these reports were about the relationship between fee

increases and total workload or services and not about the relationship between fees and naturalization *per se*.

Looking at what happens to aggregate workloads can mischaracterize the sensitivity of naturalization to costs. Besides naturalizations, the CRS researchers were looking at five forms: Form I-90 (needed to replace permanent resident card), Form I-129 (a petition for a nonimmigrant worker), Form I-130 (a petition for alien relative), Form I-485 (adjustment of status), and Form I-765 (employment authorization). Those who file the other forms do so out of necessity: there is no other option if they are to legally reside/work in the United States (or, in the case of Form I-130, there is a family dynamic likely operating at a non-economic level). This suggests that, by their very nature, a number of the forms included in the CRS analysis are quite inelastic (or unresponsive) to price. For example, the number of individuals filing for LPR status (I-485), has remained constant throughout the years and saw no substantial increase in association with USCIS fee increases (Office of Immigration Statistics 2012) – in this case, there is a large and unmet demand and so the “market” is supply-constrained by the number of available slots.

**Table 1. Selected Immigration Benefit Applications.**

Form	Title	Description
I-90	Application to Replace Permanent Resident Card	To replace a "Green Card."
I-129	Petition for a Nonimmigrant Worker	For petitioners filing on behalf of an alien to come to the United States temporarily to perform services or labor, or to receive training.
I-130	Petition for Alien Relative	For citizen or lawful permanent resident of the United States to establish the relationship to certain alien relatives who wish to immigrate to the United States.
I-485	Application to Register Permanent Residence or Adjust Status	To apply to adjust your status to that of a permanent resident of the United States.
I-765	Application for Employment Authorization	Certain aliens who are temporarily in the United States may file this form to request an Employment Authorization Document (EAD). Other aliens who are authorized to work in the United States without restrictions must also use this form to apply for a document that shows such authorization.
N-400	Application for Naturalization	To apply for U.S. citizenship.

Source: U.S. Citizenship and Immigration Services

We would anticipate that the N-400 is more price sensitive. After all, those immigrants who have the option to become citizens and do not do so can still remain legal permanent residents and garner the base benefits of lawful residency, including the ability to work legally. Indeed, to the extent that one wants to encourage citizenship, one might want to pay careful attention to the price differential

between the I-90 form, in which one is renewing a Green Card, and the N-400 form, in which one is applying for citizenship.

Another curious aspect of the 2007 CRS report is that its analysis of the data of all applications for immigration benefits and N-400 applications begins with 1998. We say curious because the author notes that there had been, as of that time, two significant fee increases, one that was proposed for FY 1998 and one in FY 2004. But as will be seen below, the increase in 2004 was much lower than the increase proposed in 1998, suggesting that the latter should have been given special attention. Moreover, the 2010 CRS report does not actually offer much analysis of the 2007 fee increase, which was exceptionally large and surely constituted the best experiment with regard to price sensitivity.

Another curious aspect of the CRS analysis is that they offer a table which indicates that the fee proposed for FY 1998 occurred in FY 1998 (Haddal 2007; Kandel and Haddal 2010) while, in fact, most of the immigrant service fee increases actually occurred in October 1998 (the start of FY 1999) and the naturalization fee increase itself was postponed until the beginning of calendar year 1999, mostly because of concerns about the ability to process naturalizations and reduce backlogs. Given this reality, Table 2 below assigns the fee increase to FY 1999 as would be appropriate. We also assign the fee increase proposed in FY 2010 to FY 2011 because it actually occurred in November 2010; as we stress below, that fee increase affected Green Card renewals but not naturalization applications, resulting in a shrinking of the price differential between these two forms.

**Table 2. Selected Historical Immigration Services Application Fees.**

Form	FY 1994	FY 1999	% Diff	FY 2002	FY 2004	% Diff	FY 2006	FY 2007	% Diff	FY 2007	FY 2011	% Diff
I-90	\$75	\$110	47%	\$130	\$185	42%	\$190	\$290	53%	\$290	\$365	26%
I-129	\$75	\$110	47%	\$130	\$185	42%	\$190	\$320	68%	\$320	\$325	2%
I-130	\$80	\$110	38%	\$130	\$185	42%	\$190	\$355	87%	\$355	\$420	18%
I-485	\$130	\$220	69%	\$255	\$315	24%	\$325	\$930	186%	\$930	\$985	6%
I-765	\$70	\$100	43%	\$120	\$175	46%	\$180	\$340	89%	\$340	\$380	12%
N-400	\$95	\$225	137%	\$260	\$320	23%	\$330	\$595	80%	\$595	\$595	0%

Source: For FY 1994 to FY 2011, Congressional Research Service U.S. Citizenship and Immigration Services' Immigration Fees and Adjudication Costs: Proposed Adjustments, and Historical Context, for FY 2011.

<http://www.uscis.gov/portal/site/uscis/menuitem.5af9bb95919f35e66f614176543f6d1a/?vgnextoid=5be73dc5cb93b210vgnVCM100000082ca60aRCRD&vgnnextchannel=5b33aca797e631110V>

So what happens when we separate out the effects of these price increases for the different immigrant service forms and look at a longer time period? The 2010 CRS report includes a table in the appendix that shows both all applications (including N-400) and the N-400 applications considered separately for the years 1998-2009. This approach sort of buries the change since N-400 applications were only about 13 percent of all applications over the period the authors examine. A better approach, we think, is to separate out the N-400 and then have all other applications (excluding N-400) combined in a column – and we use the CRS data to do that below.



**Table 3. Data on Applications for N-400 and All Other Services, FY 1998 – FY 2009.**

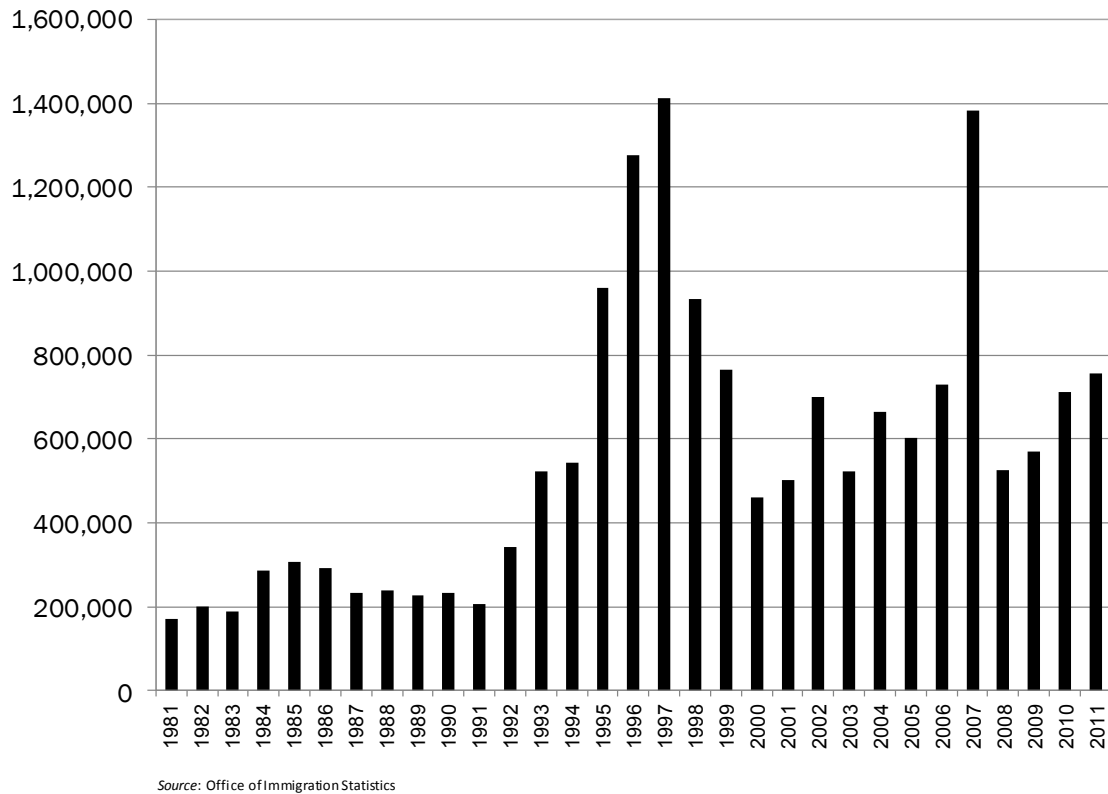
<b>Fiscal Year</b>	<b>N-400 Applications</b>	<b>Percent Change</b>	<b>All Other Applications</b>	<b>Percent Change</b>
1998	932,957		3,598,745	
1999	765,346	-18.0%	3,769,592	4.7%
2000	460,916	-39.8%	5,022,876	33.2%
2001	501,646	8.8%	6,831,692	36.0%
2002	700,649	39.7%	5,623,847	-17.7%
2003	523,370	-25.3%	5,896,248	4.8%
2004	662,794	26.6%	4,591,050	-22.1%
2005	602,972	-9.0%	5,006,985	9.1%
2006	730,642	21.2%	4,908,031	-2.0%
2007	1,382,993	89.3%	4,913,437	0.1%
2008	525,786	-62.0%	3,960,777	-19.4%
2009	570,442	8.5%	4,591,522	15.9%

Source: Congressional Research Service

While it is true that the 1999 fee increases did not bring a significant change in all the other applications, there was a precipitous drop in the N-400 applications. As noted, the fee increase proposed for 1998 was actually postponed until the beginning of 1999, and applications fell by just under half between 1998 and 2000. The 2004 increase was mid-fiscal year and brought a modest surge in N-400 applications of about 27 percent (perhaps reflecting individuals trying to come in before the schedule increase) and then only a slight fall afterward, but recall from the previous table that this was a relatively modest increase in the citizenship fee. As for fiscal 2007, a year in which the increase was in July, there was no surge in all other applications in that year but there was a big surge in N-400 applications, followed by a dramatic decline in the latter part of that year and into 2008.

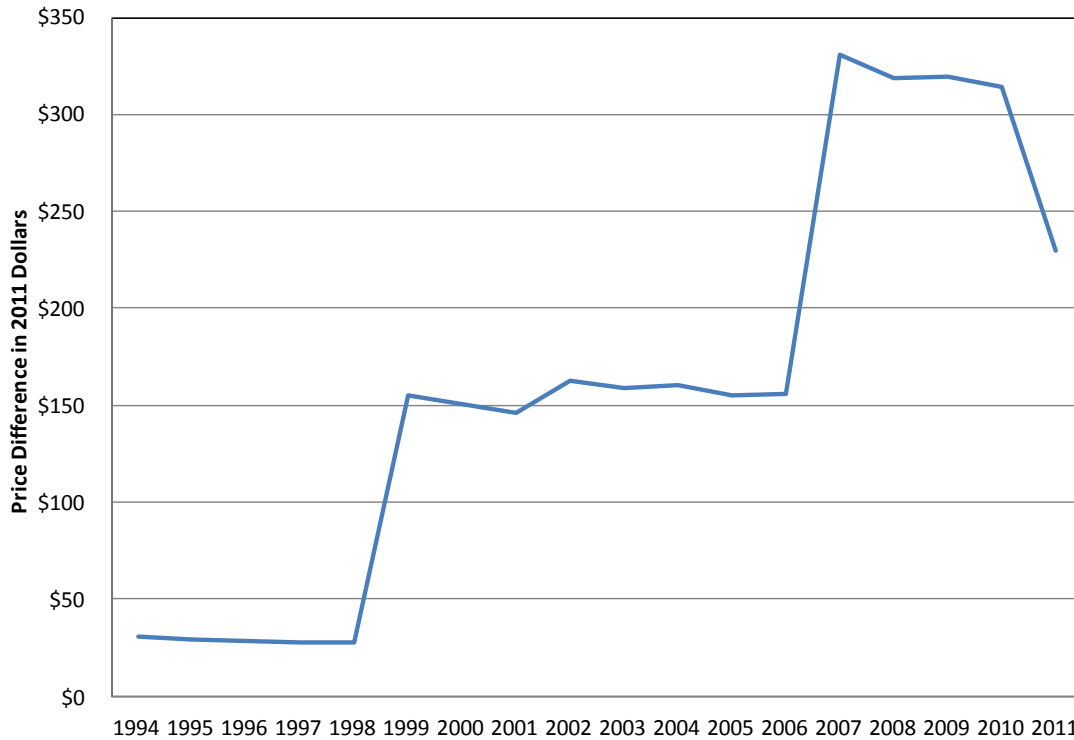
Figure 1 below offers a longer time frame on applications for naturalizations – we were constrained in Table 3 above to 1998-2009 because we were looking at what the CRS reports had examined and we do not currently have data for more years on all the other immigrant benefits, the sum of which is the relevant comparison group there. Looking at this longer-run data for just naturalization applications, one can see that there was a huge run-up to 1997. This may have been partly due to a sort of “echo effect” from individuals who had adjusted status as a result of the Immigration and Reform Control Act (IRCA) in 1986; it is also likely the case that the 1996 welfare reform (the Personal Responsibility and Work Opportunity Reconciliation Act signed by President Bill Clinton), which sharply reduced access to benefits for non-naturalized immigrants, created an inducement for naturalization (Fix 2009).

**Figure 1. Petitions for Naturalizations Filed by Fiscal Years**



Acknowledging that these two factors likely explain the mid-1990s surge, part of the subsequent pattern is also potentially explained by the difference in the fee between I-90 and N-400 (we adjust the difference to real dollars using the 2011 Consumer Price Index). Note in Figure 2 on the next page that there are two big jumps in this price differential – one that occurred right at the beginning of 1999 (but was announced early in 1998) and one that occurred in the middle of 2007. As can be seen in Figure 1, the first brought a precipitous decline in the number of applications; the 2007 increase brought a surge in the first half of the year, followed by a large decline in the second half of the year and then in 2008. Moreover, the recent recovery in citizenship applications in 2011 back to the 2006 levels, pointed to by some as evidence that price sensitivity wears off over time, may actually be evidence in the opposite direction. On November 23, 2010 the USCIS instituted a new fee increase on the I-90 form but left the N-400 price as it was (a change announced in September 2010), thereby creating a smaller differential between the two just as fiscal 2011 was starting.

**Figure 2. Difference in Fees Between N-400 and I-90 in \$2011 (inflation-adjusted).**



Source: U.S. Citizenship and Immigration Services

More detailed evidence of price sensitivity during the 2007 fee increase is offered in a 2008 study by the Migration Policy Institute entitled *Behind the Naturalization Backlog: Causes, Context, and Concerns* (Migration Policy Institute 2008). This study was based on a data request to USCIS for monthly filings of naturalization applications that were historically not publically available. These monthly data showed that more than 460,000 people filed naturalization applications in July 2007 (the last month before the fee went up), a sevenfold increase over the same period a year earlier. Throughout FY 2007, USCIS received significantly more applications for naturalization than in the previous fiscal years. In FY 2007, USCIS received nearly twice as many applications for naturalization as during FY 2006 (see Table 3). In addition, the MPI report finds, “for each month in FY 2007, USCIS received a larger number of naturalization applications than it had received during the same month a year earlier. The exceptions to this trend were August and September 2007, the months immediately following the USCIS fee increase for naturalization applications” (Migration Policy Institute 2008:2). This all suggests that there was a “sticker shock” effect in which demand tried to race ahead of the planned price increase, then fell.

Why is this relationship we seem to find not highlighted in the CRS reports? As noted, part of the reason is that the focus there is on workload and not on citizenship. The 2010 report states that “Although fee

increases represent a potential financial hardship for some applicants, these figures imply that past fee increases had relatively little impact on aggregate demand for immigration services . . .” (Kandel and Haddal 2010:16). The analysis above suggests that a specific focus on the price differential and on naturalization in particular (rather than “aggregate demand for immigration services”) might lead to different conclusions.

## **Fees and the Composition of the Naturalizing Population**

Another way to indirectly test for price sensitivity is to see whether fee shifts change the composition of who naturalizes. For example, assuming that low-income individuals are more price sensitive, a reduction in their share in the naturalizing population after a fee increase would suggest that price matters. While the CRS authors acknowledge that a fee increase could influence the self-selection criteria for naturalizing, they also note that there is no way to know what changes have been made in terms of the socio-economic status of the pool of applicants due to the fee increase, primarily because the N-400 form does not collect such socio-economic characteristics. Hence, the question about composition can be asked, they suggest, but it cannot be answered.

Actually, there is a way to examine the shift in the socio-economic status of those naturalizing, although it was unavailable to researchers in 2007 and only recently available in 2010: the American Community Survey (ACS). The ACS is essentially an annualized survey that has replaced the Census long-form that was administered every decade. It asks individuals a wide range of socio-economic questions – and beginning in 2008, the ACS has asked naturalized citizens in which year they were naturalized.

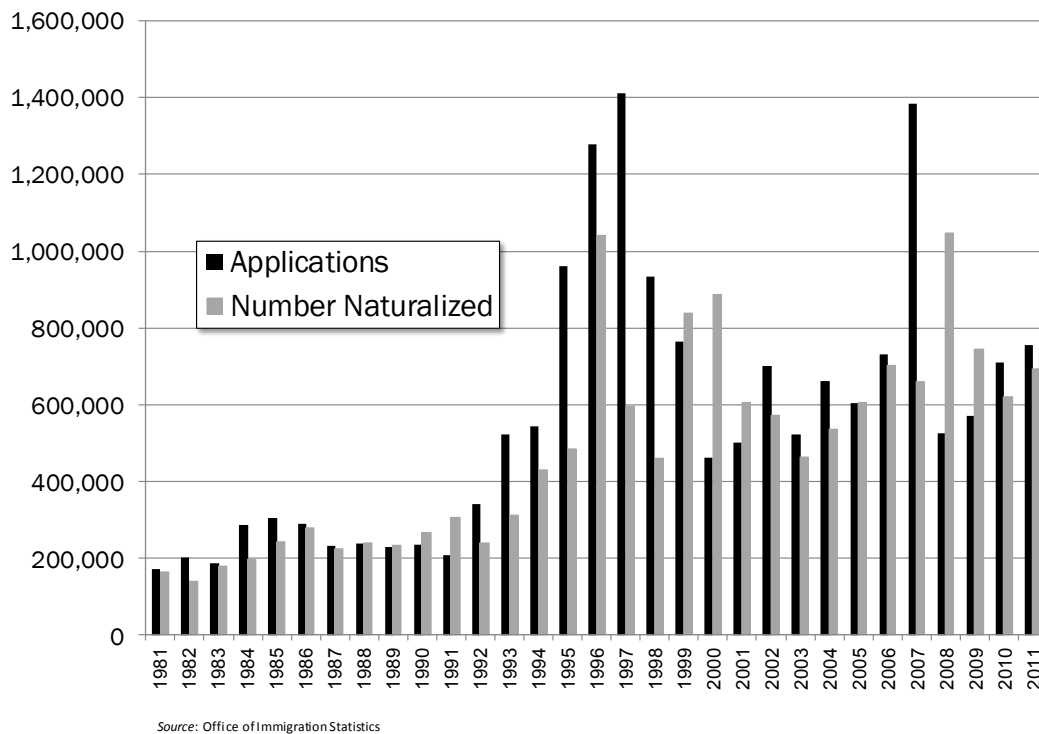
The ACS reports the data to researchers and the public in two basic formats. The first format is summary-level data in which the individual answers have been added up according to categories predetermined by the Census, with this data available via web-based tools such as American FactFinder. The second way in which the data is made available is as a yearly sample equivalent to one percent of the U.S. population in which the actual individual answers are available. This version is called the Public Use Microdata Sample (PUMS).

We use the 2011 PUMS, issued in December 2012, to shed light on whether price increases did, in fact, shift the composition of who was naturalizing. Essentially, we do cross-tabulations of all immigrants who report naturalizing in any given year and compare their characteristics across years. While we included a discussion of naturalizations in 2011 in the analysis above, the most recent year we can consider with the ACS is 2010; this is because while the ACS microdata do include people who say they naturalized in 2011, the ACS is a monthly survey so those asked early in the year may have naturalized later and therefore would not be counted. This would make the reported number of naturalizations in 2011 an undercount and also reduces the reliability of the answers about the composition of those naturalized in that year.

There are several other things to understand about the data. First, it is important to note that the year of naturalization reported in the ACS is when naturalization was granted, not the year in which the

application was filed. When a fee increase is announced and a surge occurs, we would expect a backlog to emerge – and indeed it does – and so the actual naturalizations occur a year later. This is shown in Figure 3 below in which there are big gaps between applications and actual naturalizations (using data from the Office of Immigration Statistics, or OIS) during 1998 (when people were applying to beat the 1999 fee increase) and 2007 when there was a surge to avoid the mid-year fee increase (there were also sizable backlogs in 1995-1997 that may have been due to the IRCA “echo effect” and the shift in welfare eligibility alluded to earlier). This implies that when we are looking for any differences in the number or nature of immigrants who naturalize after fee increases, these will not show up in the surge years but in the post-surge years (that is, in 1999 and right thereafter, and in 2008 and right thereafter).

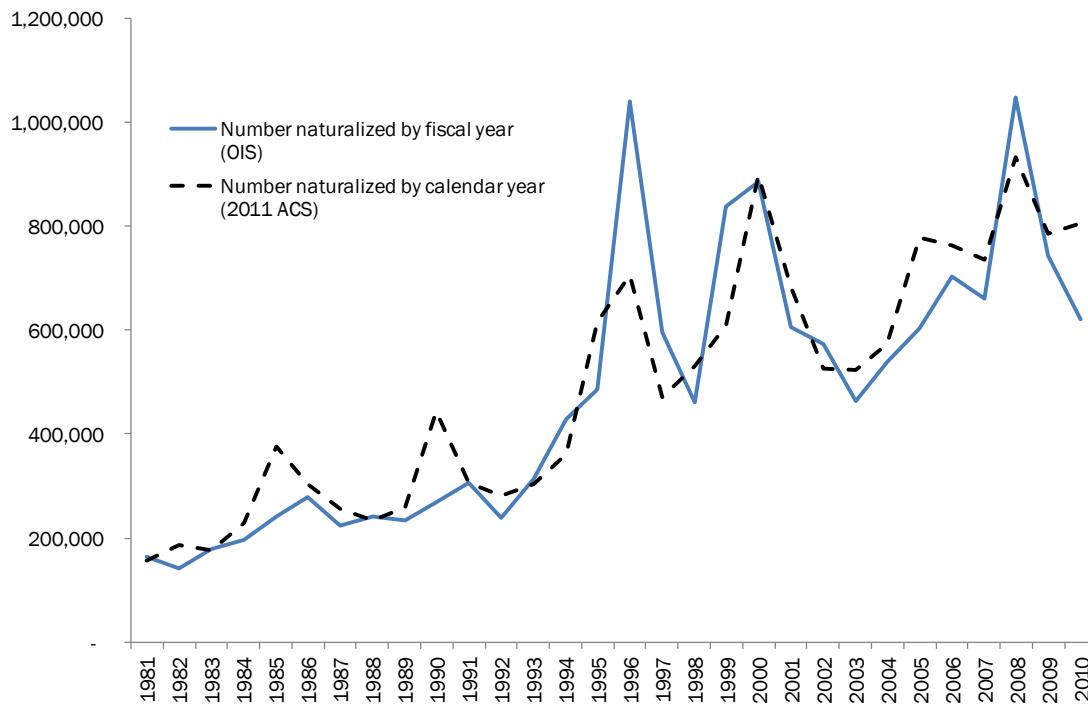
**Figure 3. Applications and Number of Naturalizations for Fiscal Years.**



A second (and methodologically comforting) point to understand about the ACS data is that it is a reasonable representation of the overall naturalization pattern. We raise this because some might worry that the year of naturalization reported in the ACS is taken from respondents’ memories rather than from administrative data on the actual level of naturalizations. However, Figure 4 below compares the number naturalized by fiscal year, as taken from the Office of Immigration Statistics (OIS), to the number naturalized by calendar year, as taken from the American Community Survey. The only major divergences in the patterns are 1996 and 2010. In 1996, the data is following the same pattern but the OIS number is much higher; this could be because of fiscal versus calendar year issues, particularly if there were a large group seeking late in the year to insure future access to welfare benefits. From a

methodological perspective, the more worrisome divergence is 2010 but this may also be explicable because the price differential, as noted, shifted in November 2010; to the extent this triggered some to choose to naturalize in the last months of the calendar years versus renew their Green Card, this is something that would not be captured in the fiscal year data (which ends at the end of September) but would be captured in the calendar year data.

**Figure 4. Number Naturalized, Data Comparison.**



Source: CSII analysis of 2011 IPUMS American Community Survey data

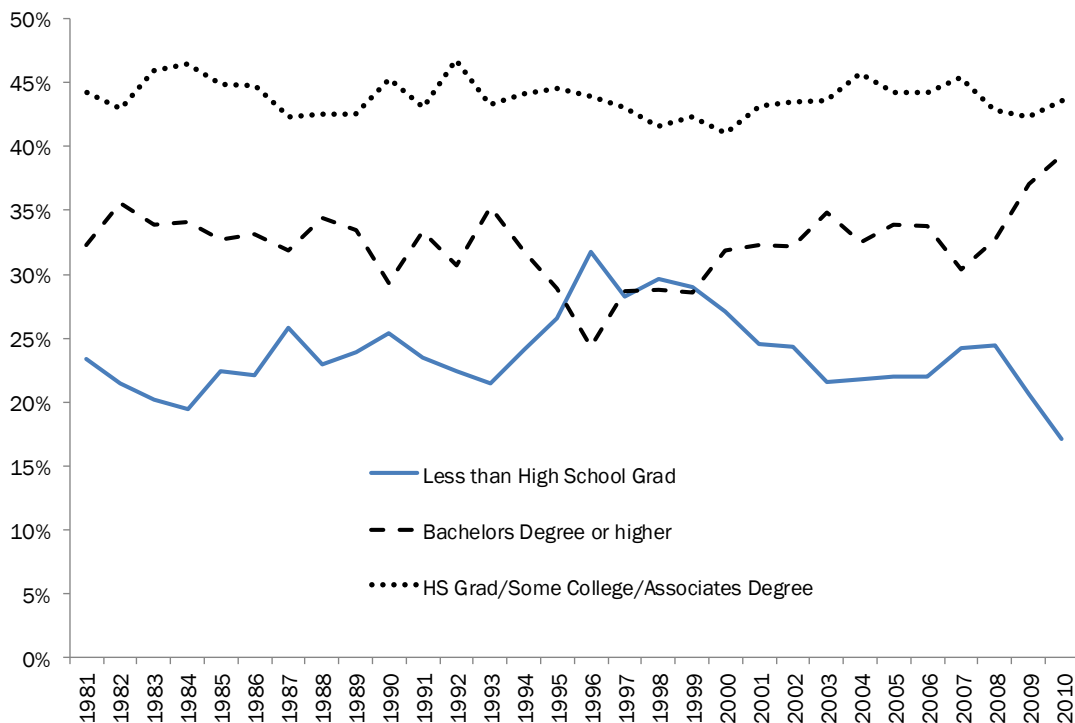
So what does the ACS data tell us about the relationship between fee increases and the composition of who naturalizes? We consider three aspects of those naturalizing in any given year: their educational level, their length of time in the country prior to naturalization, and their national origin.

We consider education first. Why focus on education when it would seem that our real goal should be to look at more price-sensitive low-income immigrants? Indeed, what we are really concerned about is the response of low-income immigrants, partly because the fee is a larger share of their income and more sensitivity on their part would signal that price really does matter. However, looking at the income levels of those who naturalized in any particular year could be misleading: the income we have in the data is the income at the end of the period (2011) and not the income level when naturalization took

place. A better marker is a characteristic that is highly correlated with income but less mutable – and the prime instrument in this regard is the level of education.

Figure 5 tracks this from 1981 to 2010, breaking up the naturalizing population into those with less than a high school degree, those with a bachelor’s degree or better, and those who have completed high school or some college. As can be seen in Figure 5 below, the share of those with less than a high school education who report themselves as naturalizing is fairly stable until 1994, it then rises dramatically (and the share of those with a bachelor’s degree falls) up to 1998 and 1999; this is presumably a group that includes a significant number of those who were able to obtain status under IRCA and so the run-up there makes some sense. But it is striking that there is a dramatic fall between 1999 to 2004, little change for the next few years (when there is a modest fee increase), then a dramatic decline in those with less than a high school degree naturalizing after 2008 and a corresponding increase in the share of those with a bachelor’s degree naturalizing after 2008 (recall that the 2010 decrease in the price differential between the I-90 and N-400 did not occur until very late in the year and so the continued decline in the share with less than a high school degree in that year would thus be expected, assuming price sensitivity).

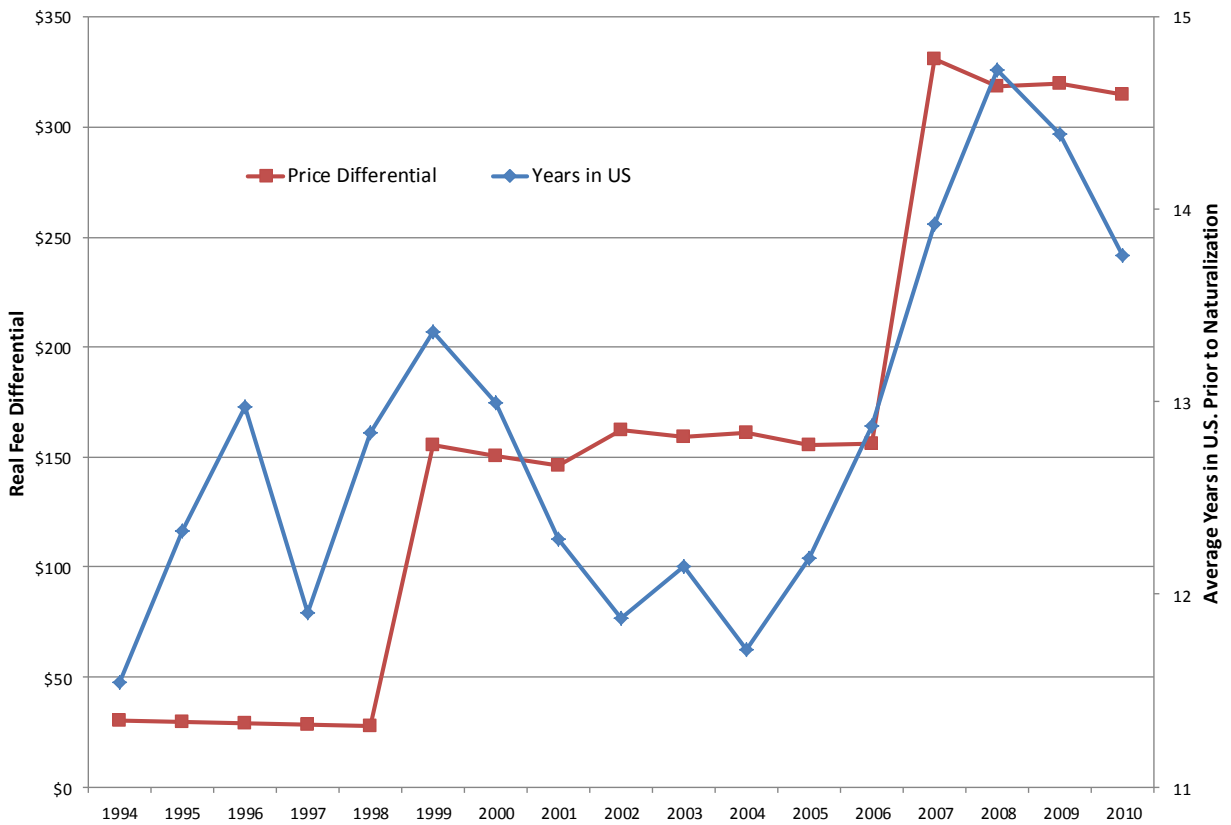
**Figure 5. Share of Naturalized by Year of Naturalization, ages 25+ at Naturalization.**



Source: CSII analysis of 2011 IPUMS American Community Survey data

This compositional pattern is consistent with price sensitivity. Another pattern consistent with price sensitivity is the length of time between arrival in the country and the year of naturalization. We calculate the average length of time in the country for those naturalizing in any particular year and chart this below against the real price differential between the I-90 and N-400 form, thinking that this is the sort of “comparison shopping” that immigrants may engage in. As can be seen in Figure 6, the pattern is a bit noisy right at the beginning – perhaps because the data are somewhat distorted by the IRCA era immigrants who may have arrived in the country (the only data point collected in the ACS) well before they gained lawful status and began the naturalization clock. However, as fees were slated to rise in 1999 and 2007, the length of years in the U.S. prior to naturalization rose, a surge pattern consistent with long-time residents seeking to beat a price increase. But most important is the long-term trend – as the price differential has risen, there are generally longer delays in naturalization.

**Figure 6: Differential Between I-90 and N-400 Fees and Years in U.S. Prior to Naturalization.**



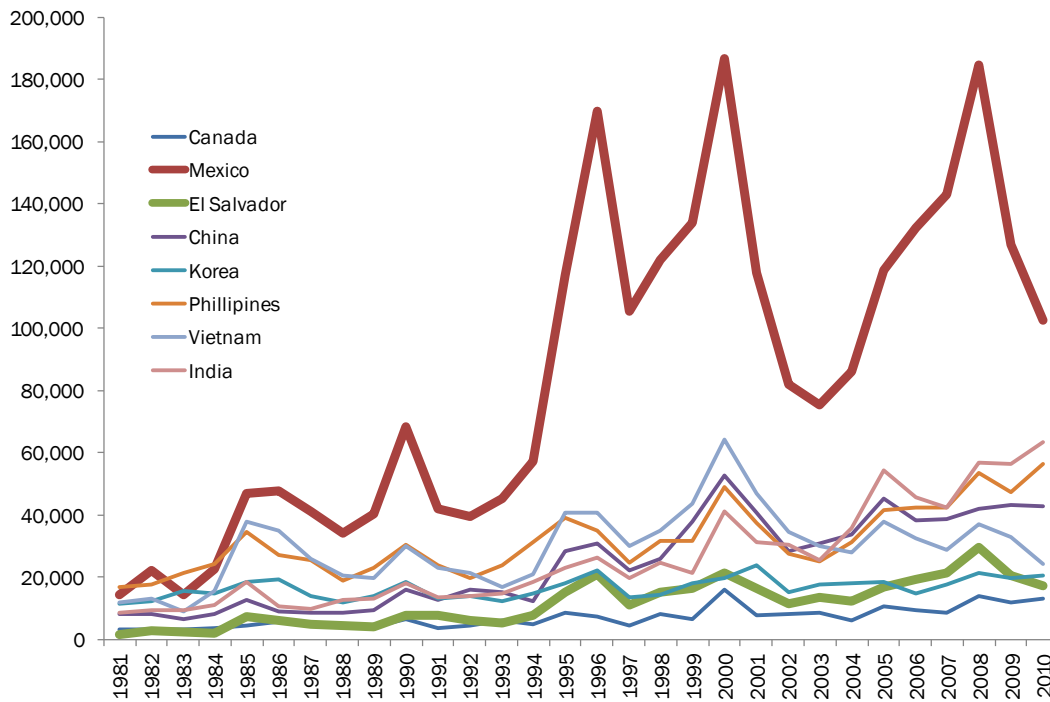
Finally, we examine the shift in the share of Mexican-origin immigrants in the population that naturalizes in any given year. We do this for several reasons. First, some might be concerned about whether there are systematic differences in country of origin *per se*, perhaps for reasons of fairness or equity. Second, Mexican immigrants are often the poorest and shifts in their share of those naturalizing



could be indicative of price-sensitivity. Third, because Mexicans constitute the largest group of immigrants, we can more reliably use other data on the number of eligible to naturalize Mexicans to see whether the patterns we see are due to shifts in the pool or shifts in the naturalizers.

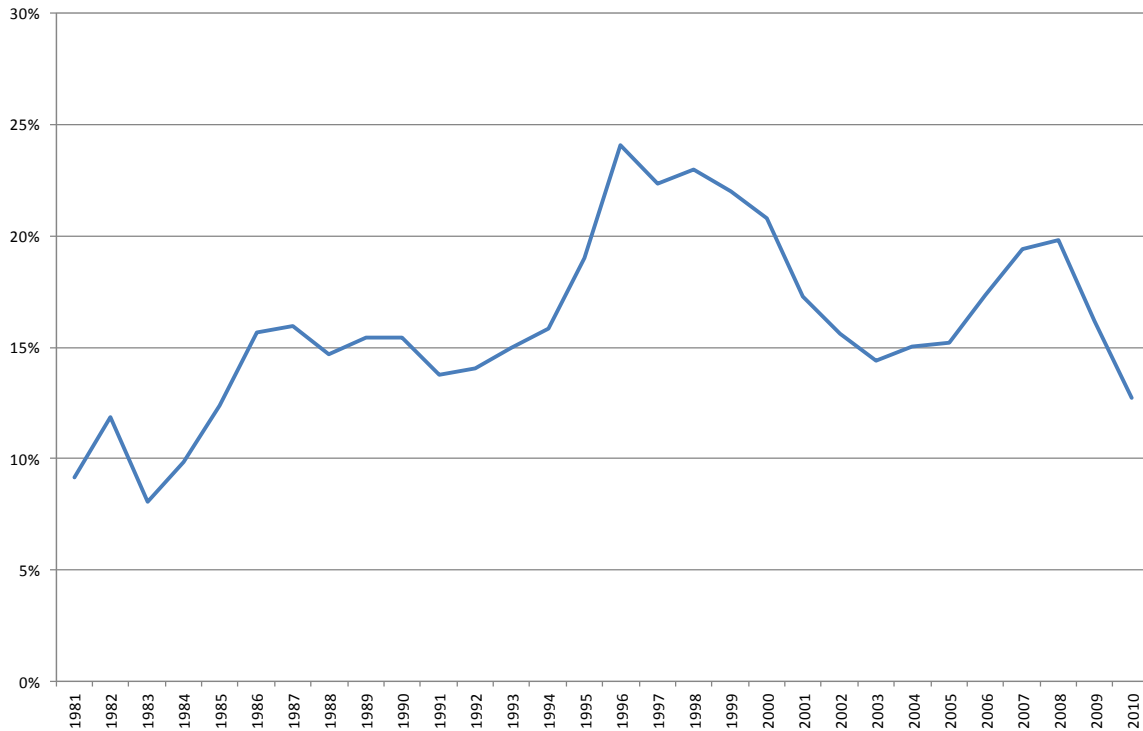
The first chart below, Figure 7 looks at the number of naturalizations by year while the second chart, Figure 8, looks at the share of Mexican-born in the naturalizing population in any particular year. The first chart shows that Mexicans, despite relatively low rates of naturalization, are the single largest group naturalizing. The second chart would seem to confirm price sensitivity: after a surge in 1996-97, which may have been due to an IRCA wave, the share falls dramatically after the 1999 fee increases, swinging up again in 2007 just before the fee increases in that year, then falls again after 2008 (when many of the 2007 applications were being processed).

**Figure 7. Number Naturalized, Data Comparison.**



Source: CSII analysis of 2011 IPUMS American Community Survey data

**Figure 8. Share of Those Naturalizing Who are Mexican Origin.**



Source: CSII analysis of 2011 IPUMS American Community Survey data

Of course, some might argue that the shift in the Mexican share of naturalization is not really evidence of price sensitivity: maybe the pool of those eligible to naturalize was changing dramatically and the pattern above simply reflects that compositional change. To look at that issue, we use Office of Immigration Statistics reports from 2002 to 2011 (unfortunately, a report was not issued for 2005 so that year is missing in our analysis) which detail the country of birth for legal permanent residents who are eligible to naturalize but have not yet done so (see, for example, Rytina 2011). As can be seen in Table 4, the share of Mexican-origin LPRs in the pool of those eligible to naturalize was fairly constant (staying at around a third of all those eligible from 2006 to 2010, for example) even while those who actually naturalized fluctuated dramatically in those years in a pattern consistent with reactions to price changes.

**Table 4. Share of LPRs Eligible to Naturalize and All Naturalizing Who are Mexican Origin by Year.**

	Legal Permanent Residents Eligible to Naturalize		Naturalizing by Year	
	Number	% Mexican	Number	% Mexican
<b>2002</b>	2,364,000	30.1	82,062	15.6
<b>2003</b>	2,400,000	30.2	75,320	14.4
<b>2004</b>	2,400,000	29.8	86,212	15.0
<b>2005</b>	N/A	N/A	118,575	15.2
<b>2006</b>	2,650,000	32.1	132,272	17.3
<b>2007</b>	2,750,000	33.7	142,932	19.4
<b>2008</b>	2,720,000	33.3	184,782	19.8
<b>2009</b>	2,570,000	32.7	127,128	16.2
<b>2010</b>	2,600,000	32.2	102,590	12.7

Source : Office of Immigration Statistics & CSII analysis of 2011IPUMS American Community Survey data.

There are, of course, many other factors that could be going on in all this data. The decline in the share of Mexicans in those naturalized after 1998 could simply be a sort of exhaustion of the IRCA pool. To see whether that is indeed the case, we need country-origin estimates of those eligible to naturalize in that period but those are not readily available. The decline in the share of Mexicans in the naturalization pool after 2008 could be due to the burst of naturalizations provoked by immigrant rights marches in 2006 and a subsequent slowdown thereafter. Maybe the earlier shifts in the education levels of the naturalizing population could reflect this Mexican dynamic and nothing more. And who knows: maybe the long-term relationship between the price difference in the N-400 and the I-90 and length of time it takes to naturalize is really explained by some other third force not apparent in the data at hand.

On the other hand, social scientists often evoke Occam’s razor: "other things being equal, a simpler explanation is better than a more complex one." And price sensitivity seems to be at least one of the factors at play here.

## **What’s Implied – and What’s Needed**

As we noted in the introduction, there is significant debate over what seems like a perfectly logical proposition – that higher fees discourage naturalization. While we are clear that our discussion above is necessarily tentative – there is no clear way to irrefutably test the price hypothesis – we would argue that the weight of the evidence suggests that the price increases for naturalization in 2004 and 2007 are a significant barrier to citizenship for less educated and lower income immigrants. Further, the evidence suggests that the decision by an immigrant to naturalize is price sensitive, especially in relation to the less risky and less expensive alternative – renewing one’s Green Card. Finally, this structural barrier to

citizenship has had a disproportional negative impact on Mexican legal permanent residents who might otherwise pursue their dream of becoming U.S. citizens.

After all, the CRS studies that some suggest show price insensitivity do not actually show that. This is not a sin of commission: that was not the point of those studies which were, in fact, more focused on the relationship between fees and the overall demand for all immigrant services. A decomposition of the data in those studies actually suggests that there may be price sensitivity, particularly with regard to the price differential between renewing a Green Card and obtaining citizenship.

Moreover, original research using the most recent American Community Survey data shows a pattern also consistent with price sensitivity, particularly in terms of the educational attainment, length of time in country, and country-of-origin composition of those naturalizing in any particular year. While some may argue (and have argued) that it would be preferable to have a system of immigration in which we favor those who are more educated, we do not know anyone who is arguing that once one is a legal permanent resident that rates of naturalization should differ by educational level. We also see little justification for inducing delays in naturalization or creating incentives that reduce what are already considered low rates of naturalization by Mexican immigrants.

While it would be nice to determine a particular “price point” that balances the desire to encourage naturalization against the need to recoup costs, the data do not support that level of analysis. What does seem clear is that the research presented here is consistent with what immigrants themselves have said in previous surveys: lowering the cost of naturalization could yield increases in naturalization. And to the extent that public policy makers think that the civic and economic benefits of citizenship should be realized for both immigrants and the country, a consideration of either absolute fee reductions or a shift in the relative fee structure may be in order and could help encourage new Americans to complete their journey to citizenship.

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