



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 4, 2007

### **Senate Amendment 1150 to S. 1348, the Comprehensive Immigration Reform Act of 2007**

*As amended by the Senate through May 24, 2007*

#### **SUMMARY**

Senate Amendment (S.A.) 1150 to S. 1348, the Comprehensive Immigration Reform Act of 2007, as amended by the Senate between May 22 and May 24, would revise laws governing immigration, authorize initiatives to improve enforcement of those laws, and expand the number of legal immigrants allowed into the United States. Implementing those changes would increase both direct (or mandatory) spending and discretionary spending (spending subject to annual appropriation action). S.A. 1150 also would affect federal revenues, directly through enactment of the legislation's provisions and indirectly by increasing the size of the labor force.

CBO and the Joint Committee on Taxation (JCT) estimate that the legislation would exert a relatively small net effect on the federal budget balance over the next two decades, since additional expenditures would be mostly offset by additional revenue. In addition, CBO estimates that enacting this legislation would increase the population in the United States by about 1.8 million residents by 2017. By 2027, the net change in the population would be negligible.

#### **Estimated Costs, 2008-2017**

CBO and JCT estimate that enacting this legislation would:

- Increase federal direct spending by \$10 billion over the 2008-2012 period and by \$23 billion over the 2008-2017 period. Most of those outlays would be for refundable income tax credits and Medicaid.
- Increase federal revenues by \$15 billion over the 2008-2012 period and by \$48 billion over the 2008-2017 period. That increase would stem largely from greater receipts of Social Security payroll taxes, which are classified as off-budget.

- Lead to an increase in discretionary spending (that is, spending subject to annual appropriation action) of \$20 billion over the 2008-2012 period and \$43 billion over the 2008-2017 period, assuming appropriation of the amounts authorized or otherwise needed to implement the legislation.

The pay-as-you-go rule in the Senate is tied to changes in on-budget direct spending and revenues. CBO and JCT estimate that the direct spending and revenue effects from the legislation would increase the on-budget deficit by an estimated \$14 billion over the 2008-2012 period and by an estimated \$30 billion over the 2008-2017 period.

Many policy discussions focus not on the on-budget balance but rather on the unified budget, which includes both on-budget and off-budget effects. CBO and JCT estimate that changes in direct spending and revenues from the legislation (that is, excluding additional discretionary spending associated with the legislation) would reduce unified deficits (or add to surpluses) by about \$5 billion over the first five years and by \$26 billion over the 10-year period. Additional discretionary spending, however, is key to the implementation of the legislation. Including the estimated discretionary outlays, S.A. 1150 would increase deficits or reduce surpluses by a total of about \$15 billion over the next five years and by about \$18 billion over the 2008-2017 period.

### **Budget Impact Beyond the First 10 Years**

The net cost of the legislation would grow after 2017, as more of the affected immigrants became eligible for benefits and the per capita cost of benefits rose, but the net impact on the unified budget (including changes in both expenditures and revenues) would remain relatively small in the context of the overall budget. In particular, CBO estimates that direct spending outlays attributable to the legislation would rise from \$4 billion in 2017 to between \$8 billion and \$10 billion in 2027. Discretionary costs would grow to \$5 billion or \$6 billion a year. On the other hand, the amount of additional revenues would grow as well; most such revenues are from the off-budget Social Security payroll taxes. By 2027, CBO estimates, implementing the legislation (including the necessary appropriations) would increase the unified budget deficit (or reduce any surplus) by several billion dollars a year.

Pursuant to section 203 of S. Con. Res. 21, the Concurrent Resolution on the Budget for Fiscal Year 2008, CBO and JCT estimate that changes in direct spending and revenues from enacting S.A. 1150 (as amended to date) would cause an increase in the on-budget deficit greater than \$5 billion in at least one of the 10-year periods between 2018 and 2057.

## **Intergovernmental and Private-Sector Mandates**

S.A. 1150 (as amended to date) would impose several intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). It would preempt certain state and local authority, require state, local, and tribal governments to verify the work eligibility of their employees, and impose new requirements on those governments if they seek to hire certain foreign workers.

CBO estimates that the cost, if any, to comply with the preemptions would be small. The cost to verify work eligibility of employees and to comply with new requirements for hiring certain foreign workers would depend on regulations to be developed by the Department of Homeland Security (DHS) and the Department of Labor (DOL). Until those regulations are promulgated, CBO cannot determine how much the mandates would cost or whether they would exceed the annual threshold established in UMRA (\$66 million in 2007, adjusted annually for inflation).

S.A.1150 would impose several private-sector mandates, as defined in UMRA, on certain employers and individuals.<sup>1</sup> The amendment would require employers of workers holding H-1B visas to pay a new supplemental fee. It also would require employers to verify the employment eligibility of new hires and existing employees. In addition, S.A.1150 would require employees and individuals seeking employment to provide additional documentation in order to verify their eligibility to work in the United States. Based on the supplemental fee that employers would have to pay for H-1-B visas and the number of employees whose eligibility employers would have to verify, CBO expects that the aggregate direct costs of the mandates in the amendment would exceed the annual threshold for private-sector mandates (\$131 million in 2007, adjusted annually for inflation) in each of the first five years the mandates are in effect.

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1. Section 4 of UMRA excludes from application of that act any legislative provisions that enforce the constitutional rights of individuals. CBO has determined that the exclusion applies to the provisions of this legislation that would change the immigration procedures for certain unauthorized immigrant children because they address the due process rights of those children.

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## **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S.A. 1150, as amended through May 24, is summarized in Table 1.

The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), 570 (Medicare), 600 (income security), 650 (Social Security), 750 (administration of justice), and 800 (general government). The revenue effects are mostly attributable to off-budget Social Security payroll taxes.

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that the legislation will be enacted near the end of fiscal year 2007 and that the necessary amounts will be appropriated for each fiscal year. Given the nature and extent of the enforcement and verification requirements of the legislation, CBO also assumes that the Secretary of Homeland Security would certify that those requirements are met about three years after enactment—near the end of fiscal year 2010. That certification would trigger the implementation of the guest worker program and the awarding of visas to the currently unauthorized population.

**TABLE 1. SUMMARY OF ESTIMATED BUDGET EFFECTS OF S.A. 1150 AS AMENDED**

	By Fiscal Year, in Billions of Dollars												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2017	2008-2017	
<b>CHANGES IN DIRECT SPENDING</b>													
Estimated Outlays													
On-budget	-0.1	0.8	3.3	3.7	2.0	1.4	1.8	2.1	2.7	3.9	9.7	21.5	
Off-budget	*	*	*	*	*	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>	<u>0.4</u>	<u>0.1</u>	<u>1.2</u>	
Total	-0.1	0.8	3.3	3.7	2.0	1.5	1.9	2.3	3.0	4.2	9.8	22.7	
<b>CHANGES IN REVENUES</b>													
Estimated Revenues													
On-budget	1.3	4.2	-1.2	-5.4	-3.2	-2.4	-1.7	-0.8	-0.1	0.4	-4.3	-8.8	
Off-budget	<u>-0.4</u>	<u>1.6</u>	<u>4.7</u>	<u>6.1</u>	<u>6.9</u>	<u>7.5</u>	<u>7.8</u>	<u>8.0</u>	<u>7.8</u>	<u>7.1</u>	<u>18.9</u>	<u>57.1</u>	
Total	0.8	5.8	3.6	0.7	3.7	5.1	6.1	7.2	7.8	7.5	14.6	48.3	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>													
Estimated Authorization Level	6.5	3.2	3.6	4.1	5.2	5.3	4.1	4.2	4.3	4.4	22.6	44.9	
Estimated Outlays	2.3	3.9	4.8	4.1	4.7	5.1	5.1	4.7	4.3	4.4	19.8	43.4	

Notes: Components may not sum to totals because of rounding.

The changes in direct spending would affect budget authority by similar amounts.

\* = less than \$50 million.

## Effects on the U.S. Population

S.A. 1150 contains provisions that would permit additional immigrants to enter the United States; allow certain unauthorized immigrants (sometimes referred to as undocumented or illegal aliens) now living in the United States to obtain legal immigration status, and make it more difficult for people to work in the United States without legal status. CBO estimates that enacting this legislation would increase the population in the United States by about 1.8 million residents by 2017 (see Table 2). By 2027, the net change in the population would be negligible.

**TABLE 2. PROJECTED CUMULATIVE NUMBER OF INDIVIDUALS AFFECTED BY S.A. 1150 AS AMENDED  
(In Millions)**

	2008	2012	2017	2022	2027
<b>TOTAL INDIVIDUALS AFFECTED</b>					
Total individuals affected					
Guest-worker program	0.1	0.8	1.7	2.3	2.9
Family-sponsored admissions	0.1	1.2	2.2	1.3	0.5
Merit-based admissions	0.1	0.6	0.9	2.0	3.0
Diversity visas	*	-0.2	-0.4	-0.7	-0.9
H-IB visas	*	0.4	0.8	1.1	1.4
Legalization of unauthorized immigrants	0.9	4.9	3.9	3.1	2.6
Legalization of agricultural workers	0.2	1.9	1.7	1.5	1.4
Enforcement provisions	<u>-</u>	<u>-0.5</u>	<u>-1.5</u>	<u>-2.5</u>	<u>-3.6</u>
Total	1.3	9.1	9.2	8.2	7.3
<b>INDIVIDUALS AFFECTED WHO WOULD BE U.S. RESIDENTS UNDER CURRENT LAW</b>					
Individuals who are or will be in the United States under current law and would change their immigration status					
Guest-worker program <sup>a</sup>	*	0.3	0.5	0.7	0.9
Family-sponsored admissions <sup>b</sup>	*	0.4	0.7	0.3	0.1
Merit-based admissions <sup>b</sup>	0.1	0.5	0.7	1.6	2.4
Diversity visas	*	*	*	*	*
H-IB visas <sup>b</sup>	0	0	0	0	0
Legalization of unauthorized immigrants <sup>c</sup>	0.9	4.9	3.9	3.1	2.6
Legalization of agricultural workers <sup>c</sup>	<u>0.2</u>	<u>1.9</u>	<u>1.7</u>	<u>1.5</u>	<u>1.4</u>
Subtotal	1.1	7.9	7.4	7.2	7.3
<b>NET CHANGE IN U.S. POPULATION</b>					
Net change in the number of individuals in the United States under S.A. 1150 as amended					
Guest-worker program	0.1	0.5	1.1	1.6	2.0
Family-sponsored admissions	0.1	0.8	1.6	1.0	0.4
Merit-based admissions	*	0.1	0.2	0.4	0.6
Diversity visas	*	-0.2	-0.4	-0.7	-0.9
H-IB visas	*	0.4	0.8	1.1	1.4
Legalization of unauthorized immigrants	0	0	0	0	0
Legalization of agricultural workers	0	0	0	0	0
Enforcement provisions	<u>-</u>	<u>-0.5</u>	<u>-1.5</u>	<u>-2.5</u>	<u>-3.6</u>
Subtotal	0.1	1.2	1.8	1.0	*

(Continued)

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**TABLE 2. CONTINUED**

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NOTES: The figures in this table are fiscal year averages and include dependents.  
The figures for individuals newly entering the United States include children born to new entrants after their arrival.  
Components may not sum to totals because of rounding.

\* = an increase or decrease of fewer than 50,000.

- a. CBO anticipates that most of these individuals would enter the United States illegally under current law. Under the legislation, they would enter instead as guest workers or their dependents.
  - b. Under current law, these individuals are in the United States already or would enter the country in the future using some type of nonimmigrant visa. The amendment would allow them to become legal permanent residents sooner than they otherwise would.
  - c. Information from the Pew Hispanic Center indicates that as many as 12 million unauthorized immigrants were in the United States in March 2006. CBO anticipates that one million of them would not be affected by the legislation because they will eventually become legal permanent residents under current law. We also anticipate that about 2.0 million of the unauthorized immigrants (workers and dependents) would attain legal status under the legislation through the program for agricultural workers. Of the remaining unauthorized immigrants, CBO estimates that about 60 percent would gain legal status under the legislation. The number of individuals with legal status would decline in later years due to death, emigration, and the loss of legal status for individuals who do not complete the process of becoming legal permanent residents.
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The largest factor contributing to the population increase in the first 10 years would be changes in family-sponsored admissions, which would add an estimated 1.6 million legal immigrants (or children of those immigrants) to the population by 2017. That increase would occur because the amendment would raise the cap on family-sponsored visas from 226,000 (not including parents of citizens) to 567,000 for several years. Because those limits would drop to 127,000 in 2017, the population increase relative to current law would start to decline after that.

CBO estimates that another 1.1 million people would be added by 2017 as a result of the guest-worker program—about half of them authorized workers and dependents, the remainder the result of unauthorized overstays. That figure would grow to 2.0 million by 2027.

In contrast, the enforcement and verification requirements of the legislation would act to reduce the size of the U.S. population. CBO estimates that implementing those requirements would reduce the net annual flow of illegal immigrants by one-quarter, reducing the projected population by 1.5 million people in 2017 and by 3.6 million people in 2027 (including the effects on citizen children). Other aspects of the legislation are likely to increase the number of illegal immigrants—in particular, through people overstaying their visas from the guest-worker and H-1B programs. CBO expects that the enforcement measures and the higher number of overstayers would, on net, diminish the number of unauthorized immigrants by about 500,000 in 2017 and about 1.3 million in 2027.

## **Direct Spending**

CBO anticipates that changes in the number and status of immigrants resulting from S.A. 1150, as amended, would increase mandatory spending for a variety of federal benefit programs. Over the next 10 years, the additional spending would be primarily for refundable tax credits and Medicaid, but outlays for other programs, such as Social Security, Medicare, and Food Stamps, also would rise. Several other federal programs, such as Supplemental Security Income (SSI), unemployment insurance, and student loans, would experience spending increases of lesser magnitude. Those increases would be partially offset by collections from various fees that are recorded as offsets to outlays. The impact on other mandatory programs during that period would be much smaller because those programs have fixed funding, place more restrictions on the eligibility of noncitizens, or would not experience a significant increase in spending until after 2017.

Overall, CBO and JCT estimate that enacting the legislation would reduce direct spending by \$0.1 billion in 2008, but increase that spending by \$22.7 billion over the 2008-2017 period. The amendment's estimated effects on direct spending are shown in Table 3.

**Noncitizens' Eligibility for Federal Benefit Programs.** Since the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the eligibility of noncitizens for public benefit programs such as Food Stamps and Medicaid has been limited to a subset of "qualified aliens." Qualified aliens primarily include legal permanent residents (LPRs, who have been issued so-called "green cards"), refugees, and individuals who have been granted asylum. Most other categories of legal aliens—as well as all illegal immigrants—are not considered qualified aliens.

*Medicaid.* Medicaid coverage for noncitizens who are not qualified aliens—including unauthorized immigrants—is limited to emergency services only. Medicaid coverage is also limited to emergency services for the first five years after an individual becomes a qualified alien. After that, states have the option of providing full Medicaid benefits, and most do so. (According to the National Immigration Law Center, 44 states currently provide full Medicaid coverage to qualified aliens. The states that do not provide full coverage account for 15 to 20 percent of the nation's immigrant population.) In all of these situations, noncitizens must also meet Medicaid's other eligibility requirements (including income and asset tests) to qualify for coverage.

**TABLE 3. ESTIMATED EFFECTS OF S.A. 1150 AS AMENDED ON DIRECT SPENDING, BY PROGRAM**

	Outlays by Fiscal Year, in Billions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
Refundable Tax Credits <sup>a</sup>	0	0.1	2.0	3.3	1.4	1.5	1.4	1.4	1.4	1.2	6.8	13.7
Medicaid	*	*	0.1	0.1	0.1	0.2	0.3	0.4	0.8	1.1	0.3	3.1
Food Stamps	*	*	*	*	0.1	0.1	0.1	0.2	0.5	0.8	0.1	1.8
Social Security (off-budget)	*	*	*	*	*	0.1	0.2	0.2	0.3	0.4	*	1.2
Medicare	0	0	*	*	*	0.1	0.1	0.2	0.3	0.4	0.1	1.0
Net Spending of Visa Fees	-0.1	0.7	1.2	0.3	0.3	-0.4	-0.3	-0.2	-0.4	0.2	2.3	1.2
Other <sup>b</sup>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.7</u>
Total Changes	-0.1	0.8	3.3	3.7	2.0	1.5	1.9	2.3	3.0	4.2	9.8	22.7
On-budget	-0.1	0.8	3.3	3.7	2.0	1.4	1.8	2.1	2.7	3.9	9.7	21.5
Off-budget	*	*	*	*	*	0.1	0.2	0.2	0.3	0.4	0.1	1.2

Notes: \* = costs of less than \$50 million.

Components may not sum to totals because of rounding.

a. Refundable tax credits include the outlay portion of the earned income and child tax credits.

b. Includes student loans, SSI, child nutrition, and unemployment insurance.

In general, the provisions of S.A. 1150 would increase Medicaid spending in three ways:

- *Emergency services.* The additional immigrants who would enter the United States under the legislation and meet the income and asset tests would become eligible, at a minimum, for emergency services.
- *Nonemergency services for those already in the United States.* Some individuals who are already in the United States—and thus eligible for emergency services—would become LPRs. After five years as LPRs, most of those individuals would become newly eligible for nonemergency services. Thus, for such people who meet the income and other criteria for Medicaid coverage, the increase in the program's costs would be the difference between the costs of full Medicaid benefits and those for emergency services.
- *Full benefits for new entrants.* Many of the additional immigrants who would enter the United States under the legislation and complete at least five years as LPRs would be potentially eligible for full Medicaid benefits. The additional children that would be born in the United States as a result of higher immigration would be U.S. citizens and also would be potentially eligible for full benefits.

*Food Stamps.* For the Food Stamp program, the eligibility of noncitizens is more straightforward. Qualified aliens who are children under the age of 18 are eligible for benefits immediately; most adults are eligible after being qualified aliens for five years. (Certain other groups, such as refugees and asylees, are eligible for benefits without a waiting period.) In addition, noncitizens must also meet the program's income and asset requirements. Noncitizens who are not qualified aliens cannot receive any Food Stamp benefits.

In general, enacting S.A. 1150 would increase Food Stamp spending in several ways:

- *Higher immigration limits.* The additional immigrants who receive family- or merit-based LPRs would become eligible for benefits after five years.
- *LPRs under age 18.* Additional immigrant children under 18 who become LPRs would be eligible without any waiting period.
- *Children born as citizens.* Children born in the United States to the new immigrants would be eligible just as other citizen-children are.
- *Other adults.* Current unauthorized and other new immigrants eventually could become eligible for Food Stamp benefits after 2017, but they would experience a much longer period of ineligibility than the LPRs admitted through the higher family-sponsored and merit-based visa limits.

*Social Security and Medicare.* Title II of the Social Security Act establishes a program of Old-Age, Survivors, and Disability Insurance (OASDI) for people who have worked in the United States and who meet the program's age or disability criteria, and for their eligible dependents and survivors. Workers must meet a "quarters of coverage" criterion that essentially requires them to have worked in U.S. jobs for one-fourth (40 quarters) of their adult life. For younger people with severe impairments, fewer quarters are required. In 2007, a worker gets credit for four quarters of coverage, the maximum number, by earning at least \$4,000. That threshold is indexed to the average wage.

The Social Security program does not impose a citizenship requirement. The Social Security Act, however, bars the payment of benefits to people who are not "lawfully present" in the United States. Thus, under current law, unauthorized workers often pay Social Security taxes but cannot qualify for retirement, disability, or survivor benefits. If they obtain legal status, they can receive such benefits.

The rules for calculating benefits do not make exceptions for immigrants who enter the United States in mid-career. Foreign-born residents are slightly less likely than their native-

born counterparts of similar age to receive Social Security benefits because it is slightly harder for immigrants to gain insured status under the program. Likewise, those benefits are computed based on earnings averaged over the worker's adult lifetime. For an immigrant, that typically means a streak of zero earnings in early adulthood (before arriving in the United States), which tends to diminish the size of the resulting Social Security benefit.

In general, S.A. 1150 would increase the number of future Social Security beneficiaries by admitting more workers into the United States and legalizing the status of many unauthorized workers who are already here. Various sources—data from the Census Bureau's Current Population Survey (CPS), work by the Pew Hispanic Center, and studies of people who obtained legal status under the Immigration Reform and Control Act (IRCA) of 1986—indicate that those workers tend to be younger and healthier than the rest of the U.S. workforce. As a result, CBO expects that relatively few of the people directly affected by the legislation would qualify for Social Security retirement, disability, or survivor benefits in the 2008-2017 period, although those numbers would grow substantially in subsequent years.

Medicare eligibility is closely tied to Social Security. A disabled worker may qualify for Medicare benefits after two years on the Social Security rolls; a retired worker, spouse, or widow(er) who collects Social Security may enroll in Medicare at age 65. Thus, by boosting the number of people getting Social Security benefits, S.A. 1150 would also increase the number of Medicare enrollees with a lag.

*Supplemental Security Income.* Title XVI of the Social Security Act establishes a program of Supplemental Security Income benefits for the elderly and disabled poor. In 2007, SSI pays a basic monthly benefit of \$623 to eligible people with no other income and few assets. That benefit is reduced if the beneficiary has other income. SSI benefits are reserved for the elderly (people age 65 or older) and the severely disabled, using the same medical criteria as in Title II's Disability Insurance (DI) program.

PRWORA curtailed immigrants' eligibility for SSI benefits. Except for refugees, immigrants entering the United States after 1996 must naturalize or obtain 40 quarters (10 years) of work credit and spend five years as legal permanent residents to become eligible for SSI. Thus, for immigrants, obtaining SSI is more difficult than qualifying for Social Security Disability Insurance (DI shortens the 40-quarters requirement when disability occurs before age 62, while SSI does not, and DI also imposes no LPR requirement). Unauthorized immigrants cannot get SSI under any circumstances.

The provisions of S.A. 1150 that would permit additional immigrants to enter the United States would produce few new SSI enrollees by 2017; hardly any could obtain 40 quarters of work credit by then. Most of the legislation's effect on the SSI program in the 2008-2017

period would result from U.S.-born children of immigrants, who would be citizens and would qualify if severely disabled. Those U.S.-born children of immigrants would receive benefits comparable to other child beneficiaries.

*Student Loans.* For a noncitizen to be eligible for federal student aid, including federal student loans, to attend an institution of higher learning, he or she must be a permanent resident, a conditional permanent resident, a refugee, an asylum grantee, a parolee, or a Cuban-Haitian entrant. S.A. 1150 would increase the number of LPRs and conditional permanent residents who could potentially attend postsecondary institutions of education and be eligible for student loans.

**Participation Rates and Average Benefits.** Many federal benefit programs would be affected by multiple provisions in the legislation. In general, CBO assumes the new participants within each federal program would be similar to the foreign-born individuals who currently participate in those programs.

*Medicaid.* CBO estimates that individuals who would become newly eligible for either emergency services or full benefits account for almost all of the additional Medicaid spending under the legislation. Individuals can usually receive Medicaid only if they fall into one of several broad eligibility categories, which include minor children and their parents, pregnant women, the disabled, and the aged. Using eligibility information from the Medicaid Statistical Information System (MSIS) on noncitizens who receive emergency services, CBO anticipates that the vast majority of noncitizens that would participate in Medicaid under the legislation would be children, pregnant women, or parents of minor children.

According to the MSIS, Medicaid provided emergency services to more than 1.3 million noncitizens in 2003. CBO grouped those recipients by age and sex and compared them to estimates of the number of unauthorized immigrants in the United States. Based on that analysis, we estimate that, under S.A. 1150, about 15 percent of children and adult women and 5 percent of adult men who would become eligible for emergency services would qualify for and participate in Medicaid.

Based on information from the Current Population Survey on the health insurance coverage of noncitizens now living in the United States, CBO anticipates that participation rates would be higher for individuals who became eligible for full Medicaid benefits. We expect that about 33 percent of children, 25 percent of adult women, and 5 percent of adult men who became eligible for full benefits would qualify for and participate in Medicaid. (We use a higher participation rate of 50 percent for the additional children less than a year old that would be born in this country under the legislation.)

Based on data from the MSIS, CBO estimates that the federal share of Medicaid spending for emergency services in 2008 would average about \$500 for a child, \$1,000 for an adult male, and \$2,200 for an adult female. (The figure for adult females is relatively high due to the cost of labor and delivery services.) From previous research on costs for pregnant women and our baseline projections of spending for children and non-disabled adults, CBO estimates the federal share of full Medicaid benefits in 2008 would average about \$1,400 for a child, \$1,900 for an adult male, and \$3,800 for an adult female. All of those figures are calculated on a full-year equivalent basis and would increase by 6 to 7 percent annually in later years. The figures have also been adjusted to account for the fact that immigrants are more likely to live in states with federal match rates that are lower than the national average of 57 percent.

*Food Stamps.* To estimate the share of qualified aliens who would be eligible for food stamps, CBO analyzed data from the CPS on the participation of noncitizens in the Food Stamp program. The base was adjusted to exclude those LPRs who have not been qualified aliens for at least five years, using information from an analysis by the Department of Homeland Security's Office of Immigration Statistics (OIS) about the characteristics of the current LPR population. CBO estimates that 15 percent of noncitizens who have been qualified aliens for at least five years, as well as their citizen-children, would participate in the Food Stamp program. CBO estimates that the average annual benefit per person who would newly participate in the program under this legislation would be about \$1,200 in 2008, rising to \$1,450 in 2017.

*Social Security and Medicare.* CBO expects that immigrants admitted or legalized under the provisions of S.A. 1150 would exhibit a greater likelihood of collecting Social Security the longer they are in the country. With each passing year, they would grow older and thus face greater likelihood of disability or retirement; they would also be more likely to have earned the quarters of coverage that are required for benefits. CBO projects, for example, that almost no immigrants would qualify for OASDI after a year in the United States, 1 percent would qualify by their 10th year, and 4 percent by their 20th year.

In general, CBO estimates that a new immigrant who receives Social Security as the result of S.A. 1150 would get a benefit of roughly \$500 a month, in 2008 dollars—much lower than for a native-born citizen or long-established immigrant. OASDI benefits for spouses and children would typically boost that figure by one-third.

Because of the close links between the two programs, the number of added Medicare enrollees under the amendment would essentially equal the number of additional Social Security beneficiaries with a two-to-three-year lag. (That lag reflects the waiting period between disability or early-retirement benefits and Medicare eligibility.) CBO projects that annual Medicare spending per enrollee, net of premiums, would average about \$8,300 in

2008 dollars for Parts A and B of Medicare and \$1,400 for those who participate in Part D (the prescription drug benefit).

*Supplemental Security Income.* The rules of SSI—specifically, the requirement that an alien applicant must have earned 40 quarters of coverage and have spent five years as a legal permanent resident—preclude any significant increase in adult beneficiaries over the 2008-2017 period. CBO expects that a tiny fraction of the citizen-children born to immigrants admitted under S.A. 1150 would qualify for SSI as the result of birth defects or other severe disabilities.

The few additional children who would qualify for SSI as a result of the amendment would get roughly \$600 a month, much like other disabled children on the SSI rolls. The few adult SSI recipients would get an average benefit of about \$240 a month (in 2008 dollars), a figure that reflects the nearly dollar-for-dollar offset against OASDI benefits.

*Student Loans.* CBO estimated participation in the higher education aid programs based on the assumed age and skill (and implicitly education) distribution for new immigrants. New immigrants and their children are assumed to be somewhat less likely than the current U.S. population to enroll in postsecondary education and to use federal loans to help fund their education, but those who do enroll are somewhat more likely to enroll in two-year programs than the overall population.

*Unemployment Compensation.* A number of factors determine whether an individual is eligible for unemployment compensation (UC). For example, workers must be unemployed through no fault of their own and have sufficient work history (according to their state's law) in employment covered by the Federal Unemployment Tax Act in order to qualify for minimum benefits. In addition, an individual who files for benefits must be actively seeking work. As a result, only a fraction of unemployed individuals collect UC. The ratio of insured unemployment—those unemployed individuals who collect benefits—to total unemployment has averaged between 40 and 46 percent.

Illegal immigrants currently make up about 5 percent of the labor force. Because of their status, and because they may be working in non-covered employment, those individuals are unlikely to claim UC should they lose their jobs. Certain provisions of the legislation would allow those individuals to gain legal status, which potentially could lead to LPR status. CBO estimates that, over the 2008-2017 period, nearly 2.5 million workers would obtain such status. Once a person's status is no longer dependent on remaining employed, that individual may be more likely to claim UC should he or she become unemployed in the future. CBO estimates that such individuals would be less likely than the general population to file for UC, and that they would qualify for lower benefits overall. Over the 2008-2017 period, CBO

estimates that UC claims would increase by a total of about 100,000, and that those individuals would receive benefits averaging just over \$260 a week.

**Guest-Worker Program.** Title IV would create a new type of visa—the Y or "guest-worker" visa—that would allow individuals to enter the United States on a temporary basis to work. The program has two components, one for year-round work and one for seasonal work. CBO estimates that the provisions regarding guest workers would increase direct spending on benefit programs by \$0.9 billion over the 2008-2017 period; those costs, however, would be offset by visa fees (net of spending) over the same period.

*Y-1 Visas for Guest Workers.* To receive a Y-1 visa, an individual would be required to have a job offer before entering the country and to pay a \$500 fee. No more than 200,000 such visas could be issued each year. The Y-1 visa would be effective for an initial period of two years, and then guest workers would be required to return to leave the country for a year. Y-1 visas could be renewed twice for a total of six years of work authorization. (Visa holders would have to leave the United States again for a year after the first extension and would have to leave the country after the second extension). Unlike other temporary nonimmigrant visas, such as H-1Bs, extensions would count against the annual limit.

A guest worker would be able to bring his or her spouse and children into the United States under a Y-3 nonimmigrant visa if he or she has health insurance coverage for them and meets certain income requirements. Y-3 visas would be limited to two years and could not be renewed. Workers who bring dependents would only be eligible for one extension.

The new visa program would take effect when the Secretary of DHS certifies that certain conditions have been met. Only people who are outside the United States could apply for those visas. CBO assumes that DHS's certification would occur near the end of fiscal year 2010.

CBO anticipates that participation in the Y-1 visa program would be substantial—by employers seeking workers who can enter the country legally, and by workers overseas seeking higher-paying work in the United States. Given the expected interest in the program, CBO expects that all the 200,000 visas for guest workers would be used. We also anticipate that many guest workers would have entered the United States under current law, either legally or illegally, so that the net change in immigration from this program is much smaller than the number of Y-1 visas awarded. CBO also estimates that a substantial portion of guest workers would extend their visas for additional terms. Finally, we anticipate that many of those would remain in the United States illegally after their visas expire.

*Y-2B Visas for Seasonal Guest Workers.* S.A. 1150 as amended would replace and expand the existing H-2B program for temporary workers in seasonal employment. To receive a Y-2B visa, an individual would be required to have a job offer before entering the country and to pay a \$500 fee. The initial number of Y-2B visas would be no more than 100,000. The number of available visas each year could increase, up to 200,000, based on the number of Y-2B visas issued in the previous year.

The Y-2B visa would be effective for 10 months, after which the guest worker would be required to return home for at least two months. Those visas could be renewed an unlimited number of times. Unlike the Y-1 visa program, those extensions would not count against the annual limit. Guest workers also would be able to bring their spouses and children into the United States with them. Implementing this program would not depend on the Secretary of DHS's certification, but would begin shortly after enactment of the legislation.

CBO anticipates that participation in the Y-2B visa program would be substantial. Given the expected interest in the program, CBO expects that the number of available visas would grow to 200,000 by the end of the 2008-2017 period and all of the available visas would be used. We also anticipate that many seasonal guest workers would have entered the United States under current law, either legally or illegally, so again the net impact on immigration is much smaller than the number of new Y-2B visas awarded. CBO anticipates that many seasonal guest workers would extend their visas for additional terms. We also expect that many of those would ultimately remain in the United States illegally after their visas expire.

*Additional Medicaid Costs.* The guest-worker program would lead to higher Medicaid spending on emergency services for new entrants, as well as regular benefits for the additional children that would be born in the United States to those new entrants. However, the costs would be limited because the program requires that these workers have health insurance coverage for any dependents they bring into the country. Over the 2008-2017 period, CBO estimates the guest worker program would increase Medicaid spending by about \$650 million.

*Additional Food Stamp Costs.* Because they would hold temporary visas, guest workers and most of their dependents would not be considered qualified aliens for the Food Stamp program and would not be eligible for benefits. However, any children of guest workers born in the United States would be citizens and immediately eligible for benefits, provided that they meet the income and asset requirements of the program. CBO estimates that the guest-worker provision would increase Food Stamp spending by about \$160 million over the 2008-2017 period.

*Visa Fees.* Applicants for Y visas, as well as their spouses and children and the companies that employ them, would pay fees ranging from \$250 to \$1,250. Based on the number of

applications expected each year, CBO estimates that enacting this provision would increase offsetting receipts by about \$4.8 billion over the 2008-2017 period. That income would be available for spending by DHS to cover processing costs and by the Department of Health and Human Services (HHS) for grants to states to provide services to noncitizens. We estimate that spending of those fees over the 2008-2017 period would total \$3.9 billion.

**Family-Sponsored, Merit-Based, and Diversity Visas: Current Law.** Title V would allow more immigrants into the United States by temporarily raising the cap on the number of legal permanent residents admitted annually in the family-sponsored category. The legislation also would change the employment-based program to a merit-based one (in which a point system is used to determine who receives visas). It would raise the employer-based cap for five years, set it at the current level for several years after that, and finally raise the cap significantly after certain conditions are met.

Current immigration law establishes several categories of foreign nationals who may become legal permanent residents. The largest group of new immigrants to the United States each year who are eligible to become LPRs (that is, to receive green cards) are the immediate relatives—spouse, parent, or unmarried child under the age of 21—of U.S. citizens. There is no numerical limit on the number of aliens who can enter under this category each year. According to the Office of Immigration Statistics, green cards were granted to over 580,000 immediate relatives of citizens in 2006.

Other aliens may enter the United States under the family-sponsored, employment-based, or diversity visa categories.<sup>2</sup> Each of these categories has a cap on the number of green cards that can be issued annually, as well as per-country limits. There are separate provisions in immigration law for refugees, asylees, and certain other groups to enter the United States legally. In general, legal permanent residents may apply for citizenship after they have lived in the country for five years and meet certain other requirements.

Once foreign nationals become eligible for a green card, they may complete the process in two ways. Some may file their application from their home country and complete the interview process at a U.S. consulate abroad. Noncitizens who are already physically present in the United States may apply for an adjustment of status, provided they meet certain requirements and complete the application process within the United States.

In addition to immediate relatives of U.S. citizens, foreign nationals with close family ties to U.S. citizens or legal permanent residents may be eligible for LPR status as family-

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2. The Immigration Act of 1990 established a new diversity-based admissions program to permit more immigration from countries with historically low levels of immigration to the United States. Since 1999, the annual limit on these visas has been 50,000; 5,000 have been set aside each year for certain Central American immigrants.

sponsored immigrants. The formula in current law for calculating the annual cap on these visas specifies a maximum of 480,000 and a minimum of 226,000. The cap has been set at the minimum for nine of the last ten years. About 222,000 foreign nationals became LPRs as family-sponsored immigrants in 2006. Four categories of people are eligible for these visas: unmarried children of U.S. citizens over the age of 21 and their dependents; spouses, children under the age of 21, or unmarried children over the age of 21 of legal permanent residents; married children of U.S. citizens and their spouses and children; and siblings of citizens and their spouses and dependents. Current law allocates the annual number of family-sponsored visas available in each of these categories. According to data from the OIS, about 70 percent of family-sponsored immigrants file their applications from their home country.

Approximately 159,000 workers and their dependents received green cards as employment-based immigrants in 2006. These individuals include highly skilled workers, investors, and certain religious workers. They also include a limited number of unskilled workers needed to fill positions for which domestic workers are not available. In most cases, a U.S. employer must file a petition on behalf of the prospective immigrant. The law limits the number of employment-based visas to 140,000 a year plus any unused family-sponsored visas from the prior year. In 2006, the cap was set at 143,771. Legislation also made some additional slots available last year by recapturing unused visas from prior years. According to OIS, about 80 percent of people who get an employment-based visa are already in the United States on some other type of visa.

**Changes to Family-Sponsored Admissions.** Section 501(a) would increase the cap on family-sponsored visas to 567,000 annually plus any unused merit-based visas from the current year. This higher limit would remain in place until the Z-visa holders (those who would be eligible for the legalization program) would become eligible for LPR status. Z-visa holders could begin receiving LPR status only after the backlog of family-sponsored visa applications filed before May 1, 2005, had been processed. After this backlog had been processed, the family-sponsored limit would drop to 127,000 annually. CBO expects that will occur in 2017.

Section 503 would modify the immediate family and the family-based categories. Parents of citizens would no longer be considered immediate family members. They would become the new first preference under the family-sponsored category, replacing unmarried sons and daughters of citizens. A maximum of 40,000 parents of citizens could receive LPR status each year. The second preference would no longer include unmarried sons and daughters of LPRs. The third preference would be changed from married children of citizens to individuals included in the pre-May 1, 2005, backlog; the fourth preference would be eliminated.

CBO projects that an additional 260,000 family-sponsored visas would be awarded each year from 2008 to 2016, but that in 2017, 154,000 fewer visas would be awarded than under current law. By 2017, we estimate that there would be an additional two million LPRs due to this provision.

*Medicaid.* The increase in family-sponsored immigrants under the legislation would increase Medicaid spending in three ways. Those individuals who are already in the United States and simply adjust their status would become eligible for nonemergency services in most states five years after they become LPRs. The additional immigrants who would newly enter the country would be eligible for emergency services and most would become eligible for full benefits five years later. Finally, the additional children that would be born in the United States as a result of the increase in immigration would be immediately eligible for full benefits as citizens. CBO estimates that the changes in family-sponsored immigration would increase federal Medicaid spending by a total of \$4.3 billion over the 2008-2017 period.

*Food Stamps.* Over the 2008-2012 period, only LPRs under the age of 18 and the citizen-children born to new immigrants would be eligible for the Food Stamp program. During the following five years, more new immigrant adults would become qualified aliens and eligible to participate in the Food Stamp program. By 2017, we estimate that the increase in family-sponsored holders of green cards would account for most, or 210,000 people, of the increase in Food Stamp participation under S.A. 1150. CBO estimates that spending on those benefits would increase by about \$1.1 billion over the 2008-2017 period.

*Social Security, Medicare, and SSI.* CBO estimates that the increase in family-sponsored immigration would boost outlays for Social Security benefits by \$80 million over the 2008-2017 period, and add 3,600 retired and disabled workers to the rolls in 2017. Medicare would spend an extra \$60 million over the 2008-2017 period and would enroll an added 1,800 people by 2017. SSI benefit payments would increase by about \$60 million over the 10-year period, with 2,500 additional beneficiaries—both adults and children—in 2017.

*Visa Fees.* Applicants for family-sponsored visas would pay DHS fees totaling about \$350. Based on the number of applications expected for these visas, CBO estimates this provision would increase offsetting receipts by about \$780 million over the 2008-2017 period. In addition, the State Department imposes a \$45 surcharge for immigrant visas. DHS and the State Department would spend these collections, mostly in the same year they are collected, to cover the costs of processing the applications, so the net budgetary effect of such surcharges would be small (less than \$10 million over 10 years).

**Merit-Based Admissions.** For the next five years, section 501(b) would set the number of green cards available to merit-based immigrants at approximately 250,000, the level available to employment-based immigrants in fiscal year 2005. From year six until Z-visa holders become eligible for LPR status, it would set the cap at 140,000 annually. The level would rise to 380,000 for each year thereafter. Added to the cap would be any unused family-sponsored visas from the current year. Dependents would continue to count against the cap.

The new merit-based program would use a point system to determine which applicants receive visas. Applicants would be rated based on various criteria, including employment history, education, ability to speak English, knowledge of civics, and extended family considerations. Visas would be awarded to those applicants with the highest scores until the available visas were exhausted. The new program would, however, maintain the existing fourth and fifth preference categories. At least 5 percent of merit-based visas would still be awarded under those categories.

Under the new formula, CBO estimates that the new cap would be approximately 260,000 in fiscal year 2008. Relative to current law, CBO estimates that, on average, an additional 56,000 workers annually would receive visas over the 2008-2012 period. CBO expects that the number of visas issued annually would drop from 2013 through 2016 because the cap would be lowered to 140,000. CBO projects the cap would rise to 380,000 in 2017. Over the 2013-2017 period, CBO estimates that, on average, an additional 30,000 workers per year would receive a green card.

Currently, about half of all employment-based visas are issued to spouses and dependents of workers. In addition to the visas for workers, CBO estimates that, on average, an additional 65,000 spouses and dependents would receive visas per year over the 2008-2017 period. (The number would be lower in years six through nine, as would the number of workers.)

*Medicaid.* The higher limits on merit-based immigration would affect Medicaid spending on emergency services, nonemergency services, and full benefits in the same ways as the increase in family-sponsored immigration. However, the increase in the number of merit-based immigrants would have a smaller impact on Medicaid spending because all of those immigrants would be employed (which makes them less likely to qualify for Medicaid) and a larger share of them are already in the United States (and thus already eligible for emergency services). CBO estimates that the increase in the number of employment-based immigrants would raise federal Medicaid spending by a total of about \$80 million over the 2008-2017 period.

*Food Stamps.* As with the family-sponsored immigrants, only citizen-children and LPRs under the age of 18 would be eligible for food stamps in the 2008-2012 period. After five years, adult LPRs would meet the requirement for a five-year waiting period and become

eligible for the program, provided that they meet the program's income and asset tests. Because many of the immigrants in this category would be employed as highly skilled professionals, we expect that only a small number would be potential food stamp recipients. The additional merit-based immigrants would increase Food Stamp participation by about 7,000 people. CBO estimates that Food Stamp spending for these recipients would be \$35 million over the 2008-2017 period.

*Social Security, Medicare, and SSI.* CBO estimates that admitting more merit-based immigrants would boost outlays for Social Security benefits by \$40 million over the 2008-2017 period, and add 1,700 retired and disabled workers to the rolls by 2017. Medicare would spend an extra \$30 million over the 2008-2017 period and would enroll an additional 900 people by 2017. SSI would pay less than \$10 million in additional benefits over the 10-year period, with 500 added beneficiaries—both adults and children—by 2017.

*Student Loans.* The increase in the number of permanent residents and conditional permanent residents would enable more people to be eligible for federal student aid. As a result, the number of people attending institutions of higher learning would increase by a few thousand in 2008 and by over 220,000 by 2017. Some of those students would apply for and receive federal student loans. CBO projects that annual loan volume would increase by about \$85 million by 2017, and anticipates that most of the additional volume would be attributable to the new admissions under the higher family- and merit-based visa limits. The estimated federal subsidy cost would be about \$80 million over the 2008-2017 period.

*Visa Fees.* Applicants for merit-based visas would pay fees totaling about \$500. Based on the number of applicants expected for these visas, CBO estimates that this provision would increase offsetting receipts by about \$500 million over the 2008-2017 period. In addition, the State Department levies a \$45 surcharge for immigrant visas. DHS and the State Department would spend these collections, mostly in the same year they are received, to cover the costs of processing the applications, so the net budgetary effect of these fees over the 2008-2017 period would be small—a net reduction in outlays of about \$15 million.

**Diversity Admissions.** Section 505 would eliminate the diversity visa program. CBO projects that eliminating this program would reduce the number of visa holders by approximately 46,000 per year. By 2017, CBO projects that there would be almost 400,000 fewer diversity visa immigrants than under current law. Those reductions would diminish spending for Medicaid (by \$940 million), food stamps (by \$190 million), and other programs (by \$40 million), CBO estimates.

**Legalization of Unauthorized Immigrants.** The legislation would allow persons currently in the United States without legal authorization to apply for a new type of visa (a Z visa) that would allow them to stay in the country legally. (Those individuals who have worked in agriculture for a certain number of years would be provided a separate path to legalization, which is discussed in the following section.)

Unauthorized immigrants could apply for Z visas during a one-year period beginning six months after the enactment of the legislation and would receive temporary authorization to work. Workers would have to have been in the United States continuously since January 1, 2007, and pay a \$1,000 penalty and a \$500 state impact fee, plus the cost of processing the application. Spouses and children under the age of 18 who meet certain requirements and pay the required fees could also be issued Z visas. (People who apply and receive temporary authorization could not be deported during this time). The actual issuance of the Z visas could not begin until after the enforcement triggers are met.

Z visas would expire after four years, but could be renewed with the payment of additional fees. Holders of Z visas could apply to become LPRs after having a Z visa for eight years. Any individuals who become LPRs under this provision would not count against any numerical limits on visas, but the amendment would give preference for agricultural workers to receive their LPR status before other formerly unauthorized migrants.

*Number and Characteristics of Unauthorized Immigrants.* Based on research from the Pew Hispanic Center, CBO assumed that about 12 million unauthorized immigrants were in the United States in 2006. We estimate that about one million of those individuals would not be affected by the legislation because they will become LPRs under current law before 2017, which CBO expects is the earliest that unauthorized immigrants could become LPRs under the legislation. CBO also excluded two million unauthorized immigrants from this portion of the analysis to account for individuals that we anticipate would seek LPR status through the agricultural worker program discussed below. (Some individuals would be eligible for both programs, but the agricultural worker program would offer a faster and less-expensive path to permanent residency.)

*Medicaid.* The amendment would not affect Medicaid spending for unauthorized immigrants over the 2008-2017 period because those individuals would not become LPRs until after 2017 and would then have to wait another five years before becoming eligible for nonemergency services.

*Food Stamps.* Because these individuals would not become LPRs until after 2017, none of them would be made newly eligible for Food Stamp benefits during the 2008-2017 period.

*Social Security, Medicare, and SSI.* CBO estimates that legalizing the status of unauthorized immigrants would boost outlays for Social Security benefits by \$860 million over the 2008-2017 period and add 27,000 disabled and retired workers to the rolls by 2017. Medicare would spend an extra \$720 million over the 2008-2017 period and enroll an added 18,000 people by 2017. SSI outlays would increase by less than \$10 million over the 10-year period, with 8,000 additional beneficiaries in 2017.

Section 607 would prevent individuals receiving a Social Security number after 2007 from receiving credit for Social Security taxes paid in previous years. Under current law, unauthorized workers who subsequently obtain LPR status can seek to gain Social Security credit for their unauthorized work. This legislation would prohibit such adjustments. Thus, unauthorized workers who later obtain legal status would receive lower Social Security benefits and take longer to earn eligibility for Social Security than they would under current law. CBO estimates that this provision would reduce Social Security outlays by \$110 million and Medicare outlays by \$80 million over the 2008-2017 period for unauthorized workers who would have taken other paths to legal status.

*Visa Fees.* Applicants for visas would have to pay fees (offsetting receipts) and penalties (revenues) ranging from \$500 to \$1,000. Based on the number of applications expected each year, CBO estimates that enacting this provision would increase offsetting receipts by about \$8 billion over the 2008-2017 period and revenues by about \$4 billion over the 2008-2009 period. DHS, HHS, and the Department of Labor would spend these collections to cover processing costs, make grants to states, and improve enforcement of immigration laws. We estimate that the net budgetary effect over the 2008-2017 period would be small. In addition, the State Department charges a \$100 fee for nonimmigrant visas and spends those proceeds.

**Legalization of Unauthorized Agricultural Workers.** Title VI would create a new pathway to legal permanent resident status for agricultural workers and their families. The program would grant legal status (in the form of Z-A visas) to aliens who worked in agriculture for at least 863 hours or 150 work-days, whichever is less, between January 1, 2005, and December 31, 2006. The legislation would cap the number of Z-A visas for workers at 1.5 million. Starting six months after enactment of the legislation, workers would have up to 18 months to apply for a Z-A visa and to pay a fine of \$100. With this new visa, workers would be authorized to live and work in the United States and travel abroad in the same way as green-card holders.

The legislation would specifically prohibit holders of Z-A visas from receiving benefits from most federal means-tested programs for five years. (Those programs already ban most qualified aliens from receiving benefits for five years.)

CBO expects that holders of those visas could apply for LPR status beginning in the tenth year after enactment of the legislation. To qualify for LPR status, a worker would be required to pay \$400 and have been employed in agriculture for either an additional five years of at least 100 work-days or 575 hours per year, or three years of at least 150 work-days or 863 hours per year. The provision provides some exceptions to these requirements due to illness or severe weather. A worker who chooses not to apply for LPR status would be required to obtain a general Z visa and pay the applicable penalties.

The spouses and minor children of Z-A workers would also be eligible to adjust to LPR status once the worker meets the requirements. Prior to that, the spouses and children would be issued Z-A visas based on the workers' visas. They would not be subject to removal from the United States and would be allowed to travel outside the country and apply for work authorization.

CBO estimated the number of people who would be eligible for a Z-A visas using data and analysis regarding unauthorized farm workers from the DOL's National Agricultural Workers Survey (NAWS) and other data from the Departments of Agriculture and Labor. Based on this information, we estimate that there were about 2.7 million farm workers with at least one day of agricultural employment in 2004. About two-thirds of those workers were crop workers and one-third were livestock workers. According to the NAWS, about half of the crop workers were unauthorized immigrants, and we estimate that about the same share of the livestock workers were unauthorized. Using information on hours and days worked annually from the NAWS, CBO estimates that 1.5 million unauthorized agricultural workers worked a sufficient number of hours in either 2005 or 2006 to meet the requirements for a Z-A visa. Of these, we project that about 85 percent would apply for such a visa.

*Medicaid.* Individuals with Z-A visas would be treated like LPRs when determining eligibility for federal benefit programs and thus become eligible for nonemergency services in most states after five years. As a result, federal Medicaid costs would rise by about \$690 million during the 2008-2017 period.

*Food Stamps.* CBO estimates that the Z-A visa program would increase Food Stamp participation by about 300,000 by the end of the 10-year period, resulting in additional spending by about \$700 million over the 2008-2017 period.

*Social Security, Medicare, and SSI.* CBO estimates that the Z-A visa program would boost outlays for Social Security benefits by \$350 million over the 2008-2017 period and add 11,500 disabled and retired workers to the rolls in 2017. Medicare would spend an extra \$290 million over the 2008-2017 period and enroll an added 7,000 people in 2017. SSI outlays would increase by less than \$10 million over the 10-year period, with 3,000 additional beneficiaries in 2017.

*Visa Fees.* Applicants for Z-A visas would have to pay fees and fines ranging from \$100 to about \$1,000. Based on the number of applicants expected each year, CBO estimates that enacting this provision would increase offsetting receipts by about \$800 million over the 2008-2017 period. DHS would spend these collections to cover processing costs, so the net budgetary impact over the 2008-2017 period would be small. In addition, CBO estimates that revenues from fines would increase by \$170 million over the 2008-2017 period.

**Conditional Status for Unauthorized Students.** Title VI would make certain unauthorized immigrants eligible for conditional LPR status. Unauthorized immigrants would qualify if they are high school graduates or high school students that have been admitted to an institution of higher education, have lived in the United States for at least five years prior to the amendment's enactment, were less than 16 years of age when they entered the country, and meet certain other requirements. After six years, individuals could petition to have the conditional status removed if they had received a degree from an institution of higher education, completed at least two years toward a bachelor's degree or higher, or served for at least two years in the United States military. Those changes would boost spending for Medicaid and Food Stamps by a total of nearly \$100 million over the 2008-2017 period.

**H-1B Nonimmigrants and Others with Advanced Degrees.** S.A. 1150 would increase the number of visas available each year for H-1B nonimmigrants (persons with a bachelor's degree or higher). CBO estimates that the annual increases in the number of such individuals would exceed 100,000. These individuals or their employers would have to pay fees ranging from \$320 to \$3,500. As a result, CBO estimates that enacting S.A. 1150 would increase offsetting receipts by about \$7.0 billion over the 2008-2017 period. Collections would be spent by the Departments of Homeland Security, Labor, and State, and the National Science Foundation for administrative, law enforcement, and educational activities. Spending would lag collections for several years; the net effect on outlays would be a reduction of \$2.2 billion over the 2008-2017 period.

**Effects of Enforcement and Verification on Net Flow of Unauthorized Migrants.** The potential impact of the border security, employment verification, and other enforcement measures on the flow of unauthorized migrants is uncertain but could be large. While efforts to restrain the influx of unauthorized workers and their families have historically been relatively ineffective, this legislation would authorize significant additional resources as well as a comprehensive employment verification system to deter the hiring of unauthorized workers. Moreover, the implementation of the new guest worker program and the provision of visas to the currently unauthorized population could occur only if the Secretary of DHS certifies that the enforcement measures are in place.

CBO estimates that those measures would reduce the net annual flow of unauthorized immigrants by one-quarter. A reduction of that order of magnitude would reduce the

unauthorized population in the United States by about 1.3 million in 2017. The citizen population would also be slightly smaller—by about 150,000—because of fewer births. (As shown in Table 2, the enforcement effects would lead to a population reduction of an estimated 1.5 million in 2017—the combination of the two effects itemized above—relative to current law.)

Reducing the net in flows of unauthorized immigrants would reduce Medicaid spending on emergency services for those immigrants and on other Medicaid benefits for their citizen children. CBO estimates that the resulting savings would total \$1.8 billion over the 2008-2017 period. In addition, spending on Food Stamps and child nutrition programs would fall by \$160 million over the same period.

**English-Language Requirement.** Section 705 would drop the English-language requirement for immigrants aged 75 or older to naturalize. That provision would enable some older LPRs with inadequate work history to naturalize and gain eligibility for SSI and Medicaid. CBO estimates that SSI benefits would increase by \$150 million over the 2008-2017 period and an extra 2,200 beneficiaries would be on the rolls in 2017. Medicaid outlays would increase by \$30 million over the 10-year period, with 400 individuals receiving additional Medicaid benefits.

**Refundable Tax Credits.** Over the 2008-2017 period, JCT estimates that S.A. 1150 would increase outlays for refundable tax credits by about \$13.7 billion, the largest direct spending effect of the legislation. The earned income and child tax credits are refundable tax credits available to individuals. Those two credits reduce a taxpayer's overall income tax liability; if the credits exceed that liability, the excess may be refunded, with the amount of the refund depending on the taxpayer's income. Those refunds are classified as outlays in the federal budget.

Enacting S.A. 1150 would increase the amount of refundable tax credits mainly by increasing the number of resident aliens for income tax purposes. Under tax law, resident aliens are citizens of a foreign country who are either lawful, permanent residents of the United States or have been physically present in this country for at least a certain specified amount of time during the past three years. They are taxed in the same manner as U.S. citizens, and thus could qualify for refundable tax credits.

To qualify for the earned income credit, the taxpayer must generally satisfy several criteria: be a U.S. citizen or resident alien; have a valid Social Security number for both oneself and any qualifying children; have earned income from employment or self-employment that falls below certain amounts; and file a tax return. To be the qualifying child of the taxpayer, additional criteria must be satisfied; the child must generally be under the age of 19, or under the age of 24 if a full-time student, or any age if permanently and totally disabled. The

amount of the earned income credit depends on a taxpayer's earnings and number of qualifying children, and whether or not the taxpayer is married. The maximum credit amount is about \$4,700 in 2007 for taxpayers with two or more children and with earnings up to about \$17,400 if married and \$15,400 if single. The credit is fully phased out for such taxpayers with earned income of about \$40,000 if married and \$38,000 if single. Credit amounts are lower for taxpayers with one child, and taxpayers without children can also qualify for a much-reduced credit.

The child tax credit is worth \$1,000 for each qualifying child under the age of 17, and is partially refundable. It is also available to U.S. citizens and resident aliens. The credit is phased out for married taxpayers with income above \$110,000 and single taxpayers who are the head of their households with income above \$75,000.

## **Revenues**

Enacting S.A. 1150 would have several effects on federal revenues, including changes in collections of income and payroll taxes, certain visa fees that are classified as revenues, and various fines and penalties. Taken together, the Joint Committee on Taxation and CBO estimate that those effects would increase revenues by about \$15 billion over the 2008-2012 period and by about \$48 billion over the 2008-2017 period (see Table 4). Off-budget receipts (of Social Security payroll taxes) would rise by an estimated \$57 billion; on-budget receipts would fall by an estimated \$9 billion over the 10-year period.

**Income and Payroll Taxes.** JCT provided estimates of the effects of the legislation on revenues from income and social insurance (payroll) taxes. JCT estimates that S.A. 1150 would increase receipts from income and payroll taxes by about \$43 billion over the next 10 years.

**TABLE 4. ESTIMATED EFFECTS ON REVENUES OF S.A. 1150 AS AMENDED**

	By Fiscal Year, in Billions of Dollars											2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2012	2017	
Income and Social Insurance Taxes <sup>a</sup>	-0.7	2.8	3.5	0.6	3.6	5.1	6.1	7.2	7.7	7.4	9.9	43.3	
Visa Fines and Penalties	1.5	2.9	0	0	0	0	0	0	0	0	4.4	4.4	
Other Revenues	*	0.1	*	*	*	*	*	0.1	0.1	0.1	0.3	0.6	
<b>Total Changes</b>	<b>0.8</b>	<b>5.8</b>	<b>3.6</b>	<b>0.7</b>	<b>3.7</b>	<b>5.1</b>	<b>6.1</b>	<b>7.2</b>	<b>7.8</b>	<b>7.5</b>	<b>14.6</b>	<b>48.3</b>	
On-Budget	1.3	4.2	-1.2	-5.4	-3.2	-2.4	-1.7	-0.8	-0.1	0.4	-4.3	-8.8	
Off-Budget	-0.4	1.6	4.7	6.1	6.9	7.5	7.8	8.0	7.8	7.1	18.9	57.1	

SOURCES: Joint Committee on Taxation and Congressional Budget Office.

NOTE: \* = revenue increase of less than \$50 million.

a. These estimates were provided by the Joint Committee on Taxation and include effects on off-budget (Social Security) receipts. Related effects on outlays for refundable credits are shown in Table 3.

The net increase in revenue would occur largely after 2011, due in part to higher numbers of immigrants, who would boost aggregate wage income in the economy. That higher level of aggregate wages would generate more receipts from both individual income and social insurance taxes. (Most of the estimated revenue effects from social insurance taxes are attributable to off-budget Social Security taxes.) In addition, because some unauthorized immigrant workers would become authorized workers under the amendment, JCT anticipates that S.A. 1150 would lead to increased reporting of employment income, which would further add to receipts from income and social insurance taxes. However, the reporting of that income would also result in larger tax deductions by businesses for their labor compensation, which would reduce their profits. Because businesses operate in both corporate and non-corporate form, those deductions would reduce both corporate and individual income tax receipts, offsetting some of the increases discussed above.

JCT estimates that S.A. 1150 would reduce on-budget receipts of income and social insurance (primarily Medicare) taxes by \$13.8 billion over the 2008-2017 period. There are three main reasons for the estimated decline in on-budget receipts. First, the legislation would increase enforcement of employment laws and would induce some illegal immigrants who currently file tax returns and have income taxes withheld to work in the cash economy. Second, the legislation would have the opposite effect on some illegal immigrants who do not file tax returns because it would provide a mechanism for illegal immigrants who are

currently in the country to work legally. As a result, some currently illegal immigrants who have income taxes withheld would file tax returns and claim refunds. Third, because these workers would be able to work legally in the country, they would become eligible for many of the tax-reducing provisions available to workers with children, including the dependent exemption, child tax credit, earned income credit, and head-of-household filing status. Application of those provisions would either reduce income taxes or increase outlays from refundable tax credits.

**Fines for Z Visas.** Applicants for the new Z visas established by S.A. 1150 would have to pay a penalty of \$1,000. Those collections would be classified as revenues, and DHS and DOL would be authorized to spend those revenues. Based on the number of applications expected each year, CBO estimates that enacting this provision would increase revenues by \$4.4 billion over the 2008-2017 period.

**Fines for Z-A Visas.** Each applicant for Z-A visas (agricultural workers) would have to pay fines totaling \$500. Based on the number of applications expected each year, CBO estimates that enacting this provision would increase revenues by about \$170 million over the 2008-2017 period.

**Fees for Y Visas.** Employers seeking labor certifications under the new guest worker (Y visas) program would have to pay a fee related to DOL's cost of performing those certifications. Those collections would be classified as revenues, and CBO expects them to total \$420 million over the 2008-2017 period.

**Penalties.** S.A. 1150 would establish new and increased civil and criminal penalties for various crimes involving illegal immigration. Thus, the federal government might collect additional fines if the legislation is enacted. Collections of civil fines are recorded in the budget as revenues. Criminal fines are recorded as revenues, then deposited in the Crime Victims Fund and later spent. CBO expects that any additional revenues and direct spending would not be significant.

### **Spending Subject to Appropriation**

CBO estimates that implementing S.A. 1150 would result in additional discretionary spending of about \$20 billion over the 2008-2012 period and another \$23 billion over the 2013-2017 period, assuming appropriation of the necessary funds. Projected spending from 2008 through 2012 is summarized in Table 5. For this estimate, we assume that the necessary amounts will be appropriated by the start of each fiscal year and that spending will follow the historical spending patterns for existing or similar activities.

**TABLE 5. ESTIMATED DISCRETIONARY COSTS FOR S.A. 1150 AS AMENDED**

	By Fiscal Year, in Millions of Dollars						
	2008	2009	2010	2011	2012	2008- 2012	2008- 2017
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>							
Law Enforcement Grants to State and Local Governments							
Authorization Level	1,600	1,400	1,500	1,600	2,250	8,350	13,950
Estimated Outlays	391	975	1,480	1,490	1,737	6,073	13,015
Additional DHS, DOL, DOJ Employees							
Estimated Authorization Level	144	434	732	1,206	1,856	4,372	16,151
Estimated Outlays	128	401	687	1,153	1,785	4,163	15,869
Employment Eligibility Verification System							
Estimated Authorization Level	528	522	890	722	575	3,237	6,365
Estimated Outlays	353	544	812	737	590	3,037	6,136
Detention Facilities							
Estimated Authorization Level	2,500	0	55	110	113	2,778	3,398
Estimated Outlays	250	1,000	1,175	230	113	2,767	3,385
Institutional Removal Program							
Estimated Authorization Level	168	173	178	184	189	892	892
Estimated Outlays	151	173	178	183	189	873	892
Funds for DHS to Increase Adjudications							
Estimated Authorization Level	800	0	0	0	0	800	800
Estimated Outlays	640	160	0	0	0	800	800
Other SSA Costs							
Estimated Authorization Level	85	160	15	25	25	310	450
Estimated Outlays	75	150	35	25	25	310	450
Unmanned Aerial Vehicles							
Authorization Level	178	276	0	0	0	454	454
Estimated Outlays	89	192	118	55	0	454	454
Justice Prisoner and Alien Transfer System							
Estimated Authorization Level	80	82	83	85	87	416	876
Estimated Outlays	72	81	83	85	86	408	866
Other Provisions							
Estimated Authorization Level	394	140	142	135	146	958	1,572
Estimated Outlays	178	238	188	150	158	911	1,510
Total Changes							
Estimated Authorization Level	6,478	3,186	3,595	4,068	5,241	22,567	44,908
Estimated Outlays	2,327	3,914	4,765	4,108	4,682	19,797	43,378

**Law Enforcement Grants to State and Local Governments.** S.A. 1150 would authorize the appropriation of \$8.35 billion in grants over the 2008-2012 period, mostly to reimburse state and local governments for costs associated with apprehending and detaining unauthorized immigrants. CBO estimates that implementing this provision would result in outlays of \$6.1 billion over the 2008-2012 period.

**Additional Federal Personnel.** The legislation would direct DHS, the DOL, the Department of Justice (DOJ), and the Administrative Office of the United States Courts (AOUSC) to increase the number of federal law enforcement and legal personnel by more than 13,000 positions over the 2008-2012 period (not including support personnel for those positions). CBO estimates that implementing this provision would cost \$4.2 billion over the five-year period. The costs for additional enforcement and legal personnel would continue after 2012. (In 2013, when all positions would be filled, costs for those additional personnel would reach \$2.2 billion annually.) The following sections provide more details on the cost of hiring those additional personnel.

*Department of Homeland Security.* S.A. 1150 would direct DHS to increase the number of:

- Border patrol agents by 12,000 over the 2008-2012 period (half of that increase is already authorized under current law);
- Customs and Border Protection (CBP) officers by 500 in each of fiscal years 2008 through 2012;
- Immigration and Customs Enforcement (ICE) investigators by 200 annually over the 2008-2010 period;
- Investigators assigned to combat alien smuggling by 200 annually over the 2008-2012 period; and
- Citizenship and Immigration Services (CIS) personnel to adjudicate applications for immigration benefits by 100 annually over the 2008-2012 period.

Based on information from DHS, CBO estimates that the cost for each additional employee would range from \$120,000 a year for CBP officers to \$180,000 a year for border patrol agents, including salaries, benefits, training, equipment, and support costs. Assuming that each annual cohort required by the legislation would be hired over the course of a year, we estimate that implementing these provisions would cost \$3.0 billion over the 2008-2012 period.

*Attorneys and Immigration Judges.* S.A. 1150 would direct DHS, DOJ, and AOUSC to increase the number of attorneys by 270 a year over the 2008-2012 period. Based on information from those agencies, CBO estimates that it costs about \$170,000 a year for an additional attorney, including salaries, benefits, training, and support costs. Assuming that each annual cohort required by the legislation would be hired over the course of a year, we estimate that implementing this provision would cost \$590 million over the 2008-2012 period.

The legislation would direct DOJ to increase the number of immigration judges by 20 each year over the 2008-2012 period. Based on information from DOJ, CBO estimates that it costs about \$600,000 a year for an additional immigration judge, including salaries, benefits, training, office space, and support costs. Assuming that each annual cohort required by the legislation would be hired over the course of a year, we estimate that implementing this provision would cost \$150 million over the 2008-2012 period.

*Department of Labor.* Title IV would require the Secretary of Labor to add 200 positions annually for five years for investigators dedicated to enforcing compliance with labor standards. Based on information from the department, CBO estimates that the cost for each additional employee would average \$155,000 a year over the next five years. Funding those additional positions would increase discretionary costs for DOL by \$360 million over the 2008-2012 period, CBO estimates.

*Other Employees.* Finally, the legislation would require DOJ to hire 50 additional U.S. marshals each year over the 2008-2012 period. Based on information from DOJ, CBO estimates that the cost for each additional employee would average \$130,000, including salaries, training, and support costs. Assuming that each annual cohort required by the legislation would be hired over the course of a year, we estimate that implementing this provision would cost \$75 million over the 2008-2012 period.

**System for Verifying Employment Eligibility.** S.A. 1150 would direct DHS to extend and expand a system to verify the eligibility of people for employment in the United States. CBO estimates that the system would cost about \$3.0 billion over the 2008-2012 period, including amounts needed by federal agencies to use the system to verify eligibility for federal employment.

*Requirements for the System.* S.A. 1150 would require DHS to set up an expanded Employment Eligibility Verification System (EEVS) that would respond within three working days to inquiries made via the Internet, other electronic media, or telephone by employers and individuals. The prototype for the EEVS is a current joint effort of DHS and the Social Security Administration (SSA) known as the “basic pilot,” a voluntary system available to employers nationwide who wish to check the status of new hires.

S.A. 1150 would require federal contractors and employers engaged in activities related to critical infrastructure, national security, or homeland security to verify their employees’ work eligibility as of the date of enactment. For other employers, the amendment would require all new hires to be verified within 18 months of enactment and all workers in the United States to be verified within three years of enactment.

*Volume of EEVS Inquiries Expected.* CBO anticipates that the initial batch of inquiries from critical employers would involve around 20 million verifications. Inquiries would peak at 160 million in 2010 and decline to nearly 100 million in 2011, as employers verify all employees. Beginning in 2012, CBO expects the annual volume to settle around 70 million to 75 million verifications: 60 million to 65 million new hires (based on data from the Bureau of Labor Statistics) plus around 10 million repeat verifications.

*Costs to Federal Agencies of EEVS.* Under the legislation, DHS would have primary responsibility for running the EEVS. The legislation would require the department to maintain a workforce of at least 4,500 persons to operate EEVS and enforce the laws against unlawful employment of aliens. Based on information from DHS about current staffing levels, CBO estimates that the department would have to hire 3,300 additional employees to meet this requirement. We estimate that DHS would spend about \$1.8 billion over the 2008-2012 period for technological components, staff, and overhead.

SSA would provide DHS with continued, secure access to its database of Social Security numbers (SSNs). SSA would also face extra costs to handle phone calls, visits, and requests for replacement cards from people seeking to clear a “nonverified” response. Based on information from SSA, CBO estimates that those tasks would cost the agency \$1.2 billion from 2008 through 2012. S.A. 1150 would require DHS to reimburse SSA for EEVS-related costs.

Finally, federal agencies themselves could be among the “critical employers” required to verify the legal status of their workforce. There are slightly over 4 million federal government employees, including military personnel. CBO estimates that submitting their current and new employees to EEVS would cost federal agencies about \$20 million over the 2008-2012 period.

**Detention Facilities.** S.A. 1150 would direct DHS to construct or acquire 20 detention facilities to detain aliens pending their removal from the United States. The amendment would require those facilities, in total, to accommodate at least 20,000 individuals at one time. Based on the costs to build and staff federal prisons in recent years, CBO estimates that constructing and operating 20 facilities would cost \$2.8 billion over the 2008-2012 period.

**Institutional Removal Program (IRP).** The legislation would authorize the appropriation of sums necessary over the 2008-2012 period to continue and expand the IRP, a DHS program to identify criminal aliens in U.S. prisons and deport them after they complete their sentences. Based on information from DHS, CBO estimates that implementing this provision would cost about \$870 million over the 2008-2012 period.

**Funds for DHS to Increase Adjudications.** To accommodate the sharp increase in applications for immigration services and documentation that would result from S.A. 1150, DHS would need to expand its document-production facilities, enhance its computer systems, and hire new employees to process applications. The amendment would authorize the appropriation of such sums as necessary for those actions. Based on information from DHS, CBO estimates that the department would require funding of about \$800 million in fiscal year 2008 for one-time costs to improve facilities and computer systems.

For this estimate, we assume that the costs of new personnel to process applications would be covered by fees collected from individuals. CBO estimates that collections of fees would increase by \$5 billion over the 2008-2012 period. CIS currently collects and spends about \$2 billion in fees annually.

**Cost of Social Security Cards.** Besides contributing key information to the EEVS, SSA would incur significant costs to issue additional Social Security cards under S.A. 1150. The provisions to admit guest workers, increase the number of various types of admissions, and permit unauthorized immigrants in the country to seek legal status would swell the number of Social Security cards issued by the agency. CBO estimates that SSA would issue an additional 10 million cards from 2008 to 2012; at a cost of \$30 each, additional outlays would total around \$310 million.

Section 305 would require SSA to design and issue fraud-resistant, tamper-resistant, and wear-resistant Social Security cards within two years of enactment. Information provided by SSA suggests that enhancements already planned for late 2007 will meet the requirements of section 305; thus, CBO anticipates no additional costs for designing a new Social Security card.

**Unmanned Aerial Vehicles.** S.A. 1150 would authorize the appropriation of \$178 million for 2008 and \$276 million for 2009 for DHS to acquire and maintain unmanned aerial vehicles to patrol U.S. borders. CBO estimates that this provision would cost \$454 million over the 2008-2011 period.

**Justice Prisoner and Alien Transfer System.** Section 226 would direct the Attorney General to expand the Justice Prisoner and Alien Transfer System (JPATS) by increasing services provided in each metropolitan area. JPATS transports sentenced prisoners between districts, correctional institutions, and foreign countries. The program also provides regular international flights for aliens subject to deportation. Based on information from DOJ, CBO estimates that implementing this provision would cost \$408 million over the 2008-2012 period for additional transport vehicles, fuel, and other recurring costs. This estimate assumes that the Attorney General increases services to unauthorized immigrants by nearly 50 percent.

**Other Provisions.** S.A. 1150 contains several other provisions that would increase discretionary federal costs. CBO estimates that implementing those provisions would cost a total of \$900 million over the 2008-2012 period. Major provisions would include the following:

- The amendment would authorize the appropriation of sums necessary for each fiscal year over the 2008-2012 period for the Federal Bureau of Investigation to improve systems for conducting security checks relating to immigration applications. CBO estimates that implementing this provision would cost about \$350 million over the 2008-2012 period to upgrade computer systems and hire additional personnel.
- The legislation would authorize the appropriation of \$100 million for the Office of Citizenship and Immigrant Integration within DHS. We estimate this provision would cost \$100 million over the 2008-2012 period.
- The legislation would require DOL to administer the new guest worker program. Based on the costs of administering the current H-2 programs, CBO estimates this requirement would cost DOL nearly \$160 million over the 2008-2012 period.
- S.A. 1150 would establish mandatory minimum prison sentences for a wide range of offenses involving illegal entry into the United States. Based on preliminary information from the U.S. Sentencing Commission, CBO estimates that the cost to support these additional prisoners would total \$100 million over the 2008-2012 period.
- Section 309 would require the Internal Revenue Service (IRS) to establish a unit within the Criminal Investigation office to investigate the employment of individuals who are not authorized to work in the United States. The unit would be composed of

up to 200 full-time special agents and support staff. Based on information from the IRS, CBO expects it would take about eight years to employ 200 agents. Thus, CBO estimates that implementing this provision would cost \$50 million over the 2008-2012 period.

- Section 601 would require unauthorized immigrants receiving legal status to pay back taxes. The provision would require the Treasury to establish rules and procedures for the IRS to provide documentation to the immigrant to establish the payment of all federal tax liability. Based on information from the IRS and the cost of similar programs to enforce federal tax laws, CBO estimates that implementing this provision would cost \$200 million over the 2008-2012 period.

### **ESTIMATED LONG-TERM EFFECTS ON DEFICITS**

The net cost of the legislation would grow after 2017, as more of the affected immigrants became eligible for benefits and the per capita cost of benefits rose, but the net impact on the unified budget would remain relatively small in the context of the overall budget. In particular, CBO estimates that direct spending outlays attributable to the legislation would increase from \$4.3 billion in 2017 to between \$8 billion and \$10 billion in 2027. Discretionary costs would grow to \$5 billion or \$6 billion a year. On the other hand, the amount of additional revenues would grow as well; most such revenues are from the off-budget Social Security payroll taxes. By 2027, CBO estimates, implementing the legislation (including the necessary appropriations) would increase the total budget deficit (or decrease the surplus) by several billion dollars a year.

Pursuant to section 203 of S. Con. Res. 21, the Concurrent Resolution on the Budget for Fiscal Year 2008, CBO and JCT estimate that changes in direct spending and revenues from enacting S.A. 1150 (as amended to date) would cause an increase in on-budget deficits (or a decrease in on-budget surpluses) of greater than \$5 billion in at least one of the 10-year periods between 2018 and 2057.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

S.A. 1150 would impose several intergovernmental mandates as defined in UMRA, because it would preempt state and local authority, require state, local, and tribal governments to verify the eligibility of employees to work, and impose new requirements on those governments if they seek to hire certain foreign workers. Because of uncertainties about what future regulations would require of employers and about the number of foreign workers employed by state, local, and tribal governments, CBO cannot determine whether the costs of complying with these intergovernmental mandates would exceed the annual threshold established in UMRA (\$66 million in 2007, adjusted annually for inflation).

### **Mandates**

The legislation would authorize DHS to designate which employers are part of the critical infrastructure and require those employers to verify the work eligibility of all employees. Other employers would, no later than 18 months after enactment, be required to verify the work eligibility of newly hired employees. No later than three years after enactment, all employers would be required to verify the work eligibility of all employees.

The extent to which state and local governments would be designated part of the critical infrastructure and thus required to immediately verify the work eligibility of all employees would depend on regulations to be developed by DHS. Although current DHS documents and policies include all state, local, and tribal governments as part of critical infrastructure, CBO has no information about whether those governments would be designated as such for the purposes of employment verification. If the rules were to affect employees only in such sectors as law enforcement, transportation, public utilities, and health and financial services (such sectors represent about 35 percent of state, local, and tribal employees), CBO expects that the aggregate direct costs to comply with those requirements would be below the annual threshold in any given year. The rules would have to apply to more than 75 percent of all state, local, and tribal employees for the aggregate direct costs to exceed the threshold in any one year.

The legislation also would impose new requirements on employers seeking to hire certain foreign workers. The specific requirements would depend on regulations to be developed by DHS and DOL. Furthermore, total costs would depend on the number of foreign workers employed by state, local, and tribal governments, information that CBO does not currently have. Thus, CBO cannot estimate the total additional cost for those governments to comply.

S.A. 1150 contains additional intergovernmental mandates because it would preempt any state laws that require the use of the Electronic Employment Verification System in a manner that conflicts with the provisions of this legislation, prohibit certain nonimmigrants from being treated as independent contractors, and prohibit the use of state contract laws in litigation against certain nonimmigrants. CBO estimates that these preemptions of state law would not impose significant costs on those governments.

### **Other Impacts on State, Local, and Tribal Governments**

Several provisions in the legislation would increase the number of legal permanent residents, some of whom would be eligible for Medicaid assistance. Benefits under the Medicaid program for those individuals would cost states almost \$3 billion over the 2008-2017 period. Because states have broad flexibility to alter optional benefits and eligibility to offset such costs, the increased spending would not result from an intergovernmental mandate as defined in UMRA.

By 2017, S.A. 1150 would increase the U.S. population by an estimated 1.8 million. As a result of this growth in population, some state, local, and tribal governments would collect more tax revenues, but also would face significant additional costs to provide education, health care, and other services to those immigrants. The legislation would direct certain fees collected from non-citizens to state and local governments to cover some of those costs. CBO estimates that they would receive about \$3 billion over the fiscal years 2008-2012 to provide health care and education to immigrants. In addition, assuming appropriation of the authorized amounts, those governments would receive more than \$6 billion over the 2008-2012 period from grant programs authorized by the legislation.

### **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

S. A. 1150 as amended, would impose several private-sector mandates, as defined in UMRA, on certain individuals and employers. One of the most costly mandates would require employers of workers holding H-1B visas to pay a new supplemental fee. Other mandates in the amendment include, but are not limited to, requirements for:

- Certain critical employers to verify the employment eligibility of their current employees;
- Employers and certain other entities to verify the employment eligibility of new hires and existing employees and maintain records of the verification process;

- Employees and individuals seeking employment to provide additional documentation when establishing their identity in order to verify their eligibility to work in the United States; and
- Certain employers of workers with nonimmigrant visas.

Based on the supplemental fee that employers would have to pay for H1-B visas and the number of employees whose eligibility employers would have to verify, CBO expects that the aggregate direct costs of the mandates identified in S.A.1150 would exceed the annual threshold for private-sector mandates (\$131 million in 2007, adjusted annually for inflation) in each of the first five years the mandates are in effect.

### **Supplemental Fee for Employers of H-1B Visa Workers**

As amended, S.A. 1150 would require employers that petition for H-1B visas to pay a supplemental fee of \$3,500 per temporary worker. Such employers with fewer than 25 employees would be required to pay a supplemental fee of \$1,750 per worker. The cap on the number of H-1B visas would be increased to at least 115,000 visas per year. The cap is usually reached each year, and most companies that employ workers with H1-B visas generally have more than 25 employees. Assuming the cap is reached each year, CBO estimates that the direct cost of complying with the mandate would exceed the annual threshold for private-sector mandates.

### **Employee Verification Requirements**

The legislation would impose additional mandates by requiring certain employers to verify the work eligibility of newly hired employees, current employees subject to reverification, and existing employees through participation in the Employment Eligibility Verification System. Based on the large number of individuals whose eligibility employers and other entities would be required to verify under the legislation, CBO expects that the aggregate direct costs of those mandates would exceed the annual threshold for private-sector mandates in at least one of the first five years the mandates are in effect.

**Requirement for Critical Employers.** S.A. 1150 would authorize DHS to designate which employers are part of the critical infrastructure and require that, as of the date of enactment, those employers verify the work eligibility of all employees. Because that determination has not been made and because of uncertainty about how the program would be implemented, CBO cannot estimate the cost of complying with this mandate.

**Verification for New Hires and Existing Employees.** The amendment would require employers to verify, through participation in the EEVS, the employment eligibility of new

hires and current employees subject to reverification. Participation would require employers and other entities that recruit or refer individuals to confirm the name and Social Security number of individuals newly hired or subject to reverification. This requirement would begin within 18 months after the date of enactment. No later than three years after enactment, the amendment would require employers to verify the identity and employment authorization of all existing employees that have not been previously verified through the EEVS. All employers would have to maintain a record of the verification for such employees for a specific amount of time in a form that would be available for government inspection.

The direct cost of the mandates regarding new hires would be the incremental cost to verify the employment eligibility of those hires and employees subject to reverification through the EEVS and to maintain records of the verification. The direct cost of the mandates related to verification of existing employees would be the cost to verify the identity of their existing employees through the EEVS and to examine the employment authorization documentation.

Based on data from the Bureau of Labor Statistics, CBO expects that the number of new hires and repeat verifications would average about 65 million per year and that the verification of approximately 130 million existing employees would be required. Consequently, CBO expects that the direct costs to comply with those mandates would be substantial relative to the annual threshold for private-sector mandates.

**Administrative and Training Requirements for Employers.** The legislation would require employers and other entities that recruit or refer individuals participating in the EEVS to register in the system and conform to certain procedures. Individuals working for such employers and entities would be required to undergo such training regarding the EEVS as the Secretary deems necessary. CBO expects that the cost to comply with those mandates would be small compared to the annual threshold.

**New Hires and Employee Documentation.** The legislation would require all individuals to provide specific documentation when establishing their identity in order to verify their eligibility to work in the United States. Most employees would be required to provide more documentation than under current law. These requirements would impose a new mandate on both new hires and existing employees. Because of the number of people that would be required to acquire additional documents (such as passports or birth certificates) and the cost of getting such documents, CBO expects that the direct cost of complying with this mandate would be substantial relative to the annual threshold for private-sector mandates.

## **Requirements for Employers of L-1 Visa Workers**

The amendment would establish whistleblower protections for the L-1 visa program. It would prohibit employers of L-1 nonimmigrants (intracompany transferees who work in managerial or executive capacities or who provide services that involve specialized knowledge) from taking or threatening to take a personnel action or discharging or discriminating in any manner because the employee has disclosed certain information. CBO estimates that employers would incur minimal direct costs, if any, to comply with such requirements.

S.A. 1150 also would require an employer petitioning to bring to the United States a L-1 visa nonimmigrant associated with a new facility to certify that it has a business plan, sufficient physical premises to carry out the proposed business activities, and the financial ability to start doing business immediately upon approval of the petition. Because the number of such employers would likely be small, CBO expects that the cost to comply with the mandate would be minimal compared with the annual threshold.

## **Requirements for Employers of Temporary Workers**

The amendment would place additional requirements on employers that seek to employ certain nonimmigrant temporary foreign workers. It would require those employers to do additional advertising and recruitment of U. S. workers. It also would allow the Secretary of Labor to develop additional regulations regarding the labor certification requirements for certain temporary workers. In addition, the legislation would require the Secretary of DHS to establish user fees to be paid by the employers of those temporary workers. Because the direct cost of complying with those mandates would depend on regulations that have not yet been established and correspondingly, the number of employers that would be affected, CBO cannot estimate the direct cost of complying with those new requirements.

## **Whistleblower Protection**

S.A. 1150 would establish whistleblower protection for the L-1 visa program. Employers of L-1 non-immigrants would be prohibited from taking or threatening to take personnel action or discharging or discriminating in any manner because the employee has disclosed certain information. CBO estimates that such employers would incur minimal direct cost, if any, to comply with such requirements.

## **Requirements for Employers of Temporary Workers**

The amendment would place additional requirements on employers that seek to employ non-immigrant temporary foreign workers. It could require those employers to do additional advertising and recruitment of U. S. workers. It also would allow the Secretary of Labor to promulgate additional regulations regarding labor certification of certain temporary workers. In addition, the legislation would require the Secretary of DHS to establish user fees to be paid by the employers of those temporary workers. Because the direct cost of complying with those mandates would depend on regulations that have not yet been established and correspondingly, the number of employers that would be affected, CBO cannot estimate the direct cost of complying with those new requirements.

### **PREVIOUS CBO ESTIMATE**

On May 23, 2007, CBO transmitted a preliminary cost estimate for S.A. 1150, an amendment in the nature of a substitute for S.1348, the Comprehensive Immigration Reform Act of 2007. In that estimate, CBO and JCT projected that S.A. 1150 (as introduced) would increase direct spending by \$13 billion to \$17 billion over the 2008-2012 period and by \$32 billion to \$38 billion over the 2008-2017 period. In addition, that estimate indicated that enacting S.A. 1150 would increase revenues by \$15 billion to \$19 billion over the 2008-2012 period and by \$70 billion to \$75 billion over the 2008-2017 period. CBO's current estimate for S.A. 1150, as amended, reflects a revised interpretation of legislative language, some changes to estimating assumptions, and the impact of amendments to the original substitute that were adopted by the Senate as of May 24. In general, those changes tended to reduce the budgetary effects of the legislation.

### **Technical Revisions**

CBO changed its estimates of the number of people likely to be affected by the legislation in two ways. First, CBO's and JCT's preliminary estimates were based on the assumption that the renewal of Y-1 visas under the guest worker program would not count against the numerical caps. Based on information from the Senate Committee on the Judiciary, CBO determined that any renewals would count as new visas under the caps, and the projected number of workers was reduced accordingly. Second, CBO revised the original estimate to incorporate the effect on illegal immigration from the overall enforcement and verification provisions in the legislation. CBO now estimates that S.A. 1150 (as amended) would reduce the net annual flow of illegal migrants by about one quarter.

## **Amendments Adopted by the Senate**

S.A. 1150 was amended in several ways between May 22 and May 24. The two amendments with the most significant budgetary effects related to scaling back the guest worker program and expanding the requirements that would have to be met before the Secretary of DHS could certify that sufficient enforcement and verification measures were in place, thus allowing the guest worker and legalization programs to begin. One of the adopted amendments (S.A. 1169) would limit the basic guest worker program to 200,000 visas annually, down from the original caps that started at 400,000 initially but could rise to 600,000 over time. The second amendment (S.A. 1172) would, among other things, require the Secretary of DHS to certify that 20,000 border patrol agents were actually on duty and that the employment verification system was operational before certain programs could go into effect. CBO judges that the expanded requirements would add six months to the time necessary to meet them and that the Secretary's certification would occur near the end of fiscal year 2010.

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