CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

May 16, 2006

Honorable Charles E. Grassley
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As you requested, the Congressional Budget Office has reviewed the potential budgetary and economic impacts of S. 2611, the Comprehensive Immigration Reform Act of 2006, as introduced on April 7, 2006.

The results of our analysis are presented in two documents:

- A 10-year cost estimate for the bill, covering fiscal years 2007 through 2016, which includes its projected effects on direct spending and revenues, an estimate of the amount of appropriations necessary to implement the legislation, and a discussion of mandates included in the bill;

- A memorandum that describes the estimated direct spending costs that would be incurred once the legislation was fully phased in, a discussion of the legislation's potential impact on the Social Security program, an assessment of its likely impact on wages, and a discussion of its possible macroeconomic impacts and their potential effect on federal revenues.

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I hope this information is helpful to you. If you would like further details on these analyses, we would be pleased to provide them. The principal CBO staff contact is Paul Cullinan.

Sincerely,

Donald B. Marron
Acting Director

Enclosures

cc. Honorable Max Baucus
Ranking Democratic Member

Identical letters sent to the Honorable Jeff Sessions, the Honorable Orrin G. Hatch, the Honorable John Cornyn, the Honorable Jon Kyl, and the Honorable Tom Coburn.

**AILA InfoNet Doc. No. 06082163. (Posted 08/21/06)**

# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

May 16, 2006

## S. 2611
## Comprehensive Immigration Reform Act of 2006

*As introduced on April 7, 2006*

## SUMMARY

The Comprehensive Immigration Reform Act of 2006 would amend laws governing immigration, authorize numerous initiatives to improve enforcement of those laws, and increase the limits on legal immigration. Implementing those changes would increase both direct spending (i.e., mandatory spending) and discretionary spending (i.e., spending subject to annual appropriation action). S. 2611 also would affect federal revenues, directly through enactment of the bill's provisions, by increasing the size of the labor force, and through other effects of the legislation on the U.S. economy.[1]

CBO and the Joint Committee on Taxation (JCT) estimate that enacting this legislation would increase direct spending by $13 billion over the 2007-2011 period and by $54 billion over the 2007-2016 period. Pursuant to section 407 of H. Con. Res. 95 (the Concurrent Resolution on the Budget, Fiscal Year 2006), CBO estimates that enacting S. 2611 would cause an increase in direct spending greater than $5 billion in each of the 10-year periods between 2016 and 2055. JCT and CBO estimate that the bill would increase total federal revenues by about $66 billion over the 2007-2016 period. Assuming appropriation of the amounts authorized in the bill, discretionary spending would increase by $25 billion over the 2007-2011 period.

S. 2611 would impose intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA), because it would preempt state and local authority and require state, local, and tribal governments to verify the work eligibility of employees. CBO estimates that the cost, if any, of complying with the preemptions would be small. The cost of complying with the requirements to verify work eligibility would depend on regulations to be developed by the Department of Homeland Security (DHS). Depending on which employers the Secretary of DHS designated as "critical," the costs to state, local, and tribal governments

1. The first two effects are reflected in this cost estimate. A discussion of the impact of other macroeconomic effects of the legislation is contained in a separate document, also transmitted on May 16, 2006.

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would range from $30 million to $85 million in the first year the requirements were in effect. Until that designation is made, CBO cannot determine whether the costs to state, local, and tribal governments would exceed the annual threshold established in UMRA ($64 million in 2006, adjusted annually for inflation).

S. 2611 would impose private-sector mandates, as defined in UMRA, on employers and other entities that hire, recruit, or refer individuals for employment. The mandates would require certain critical employers to verify the employment eligibility of their current employees and would require all employers and certain other entities to verify the employment eligibility of new hires and maintain records of the verifications. Based on the large number of projected new hires that employers and other entities would be required to verify annually under the bill, CBO expects that the aggregate direct costs to comply with those mandates would exceed the annual threshold for private-sector mandates ($128 million in 2006, adjusted annually for inflation) in at least one of the first five years the mandates would be in effect.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2611 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), and 750 (administration of justice).

## BASIS OF ESTIMATE

For the purpose of this estimate, CBO assumes that S. 2611 will be enacted near the start of fiscal year 2007 and that the necessary amounts will be appropriated for each fiscal year.

### Effects on the U.S. Population

S. 2611 contains numerous provisions that would permit additional immigrants to enter the United States and allow certain undocumented immigrants (sometimes referred to as unauthorized or illegal aliens) now living in the United States to obtain legal immigration status. CBO estimates that enacting this legislation would increase the population in the United States by nearly 8 million residents by 2016 (see Table 2).



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**TABLE 1. SUMMARY OF ESTIMATED BUDGET EFFECTS OF S. 2611**

| | By Fiscal Year, in Billions of Dollars | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| **CHANGES IN DIRECT SPENDING** | | | | | | | | | | |
| Estimated Outlays | | | | | | | | | | |
| On-budget | -1.4 | -1.0 | 5.4 | 3.9 | 4.6 | 5.3 | 6.2 | 7.2 | 8.2 | 9.8 |
| Off-budget | * | 0.1 | 0.3 | 0.4 | 0.5 | 0.5 | 0.7 | 0.8 | 0.9 | 1.1 |
| Total | -1.3 | -0.9 | 5.7 | 4.3 | 5.1 | 5.8 | 6.9 | 8.0 | 9.1 | 10.8 |
| **CHANGES IN REVENUES** | | | | | | | | | | |
| Estimated Revenues | | | | | | | | | | |
| On-budget | -0.9 | 0.4 | 3.3 | 4.9 | 5.8 | 6.2 | 6.9 | 7.5 | 8.1 | 9.2 |
| Off-budget | -0.9 | -0.9 | -0.3 | 0.4 | 1.0 | 1.7 | 2.3 | 3.0 | 3.7 | 4.4 |
| Total | -1.8 | -0.5 | 3.1 | 5.2 | 6.8 | 7.9 | 9.2 | 10.5 | 11.8 | 13.6 |
| **CHANGES IN SPENDING SUBJECT TO APPROPRIATION** | | | | | | | | | | |
| Estimated Authorization Level | 6.1 | 4.5 | 5.1 | 6.1 | 7.1 | 8.1 | 6.4 | 7.0 | 7.6 | 8.2 |
| Estimated Outlays | 2.4 | 4.3 | 5.6 | 5.9 | 6.9 | 7.8 | 7.9 | 7.6 | 7.4 | 8.0 |

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

* = Less than $50 million.

The largest factor contributing to the population increase would be a new guest-worker program; by 2016, CBO estimates that the additional entrants under that program and their offspring would total 4.3 million people. The guest-worker program would admit more new immigrants than those figures imply because a portion of the guest-worker population would enter the United States illegally in the absence of the program. Although the program would allow individuals to enter the United States on a temporary basis to work, it would also allow those workers to become permanent residents if they meet certain requirements, and CBO anticipates that many would do so. Increased limits on family-sponsored and employment-based admissions would add 2.7 million to the U.S. population by 2016, CBO estimates. Finally, status adjustments (including from the new "blue-card" program) accorded certain undocumented immigrants currently in the United States would permit them to bring additional family members into the country, resulting in another 0.8 million U.S. residents by 2016.



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**TABLE 2. PROJECTED CUMULATIVE CHANGES IN THE POPULATION OF THE UNITED STATES ATTRIBUTABLE TO S. 2611**

| | Fiscal Year Averages, in Millions | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Guest-worker program | 0 | 0.3 | 0.8 | 1.4 | 2.0 | 2.4 | 2.9 | 3.3 | 3.8 | 4.3 |
| Family-sponsored admissions | 0.1 | 0.3 | 0.5 | 0.8 | 1.0 | 1.2 | 1.4 | 1.6 | 1.8 | 2.0 |
| Employment-based admissions | * | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.6 | 0.7 |
| Legalization of undocumented immigrants | 0.1 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Blue-card program | * | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| Total | 0.3 | 1.2 | 2.2 | 3.1 | 4.0 | 4.7 | 5.4 | 6.1 | 6.9 | 7.8 |

Notes: The figures include children born to new entrants after their arrival in the United States. The estimates do not include the current undocumented immigrant population nor the legal and illegal immigration that is expected to occur over the next decade under current law.

Components may not sum to totals because of rounding.

* = Fewer than 50,000.

The bill contains several other provisions that would also increase the number of immigrants and nonimmigrants in the United States. However, CBO expects that the additional entrants resulting from those provisions would not have a significant budgetary effect beyond the additional fees that would be charged.

## Direct Spending

CBO anticipates that changes in the number and status of immigrants resulting from S. 2611 would ultimately increase mandatory spending in a variety of federal benefit programs. Over the next 10 years, the additional spending would be primarily for refundable tax credits and programs such as Medicaid, Social Security, Medicare, and Food Stamps. 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



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because those programs either have fixed funding, place more restrictions on the eligibility of noncitizens, or would not experience a significant increase in spending until after 2016.

Overall, CBO estimates that enacting the bill would reduce direct spending by $1.3 billion in 2007, but increase that spending by $54 billion over the 2007-2016 period. The bill'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.

*Food Stamps*. For the Food Stamp program, the eligibility of noncitizens is relatively straightforward. Qualified aliens who are children under the age of 18 are eligible for benefits immediately; most adults are eligible after being a qualified alien 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 benefits.

In general, enacting S. 2611 would increase Food Stamp spending in several ways:

- *Higher immigration limits.* The additional immigrants who would enter the United States as family- or employment-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.* The current undocumented and other new immigrants eventually could become eligible for benefits, but they would experience a much longer period of ineligibility than the LPRs admitted through the higher family-sponsored and employment-based visa limits.



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**TABLE 3. ESTIMATED EFFECTS OF S. 2611 ON DIRECT SPENDING**

| | Outlays By Fiscal Year, in Billions of Dollars | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2007-2016 |
| Guest-Worker Program | | | | | | | | | | | |
| Food Stamps | 0 | * | * | * | * | * | * | 0.1 | 0.1 | 0.1 | 0.3 |
| Medicaid | 0 | * | 0.1 | 0.2 | 0.4 | 0.5 | 0.6 | 0.8 | 1.0 | 1.3 | 5.0 |
| Medicare | 0 | 0 | * | * | * | * | * | * | * | * | 0.1 |
| Visa Fees | 0 | * | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.7 |
| Other [b] | 0 | * | * | * | * | * | * | * | 0.1 | 0.1 | 0.3 |
| Subtotal | 0 | * | 0.1 | 0.2 | 0.3 | 0.5 | 0.6 | 0.8 | 1.1 | 1.4 | 4.9 |
| Family-Sponsored Admissions | | | | | | | | | | | |
| Food Stamps | * | * | * | * | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 1.1 |
| Medicaid | * | 0.1 | 0.1 | 0.2 | 0.3 | 0.4 | 0.6 | 0.9 | 1.2 | 1.5 | 5.1 |
| Medicare | 0 | 0 | * | * | * | * | * | * | * | * | 0.1 |
| Visa Fees | * | * | * | * | 0 | 0 | 0 | 0 | 0 | 0 | * |
| Other [b] | * | * | * | * | * | * | * | * | 0.1 | 0.1 | 0.3 |
| Subtotal | * | 0.1 | 0.2 | 0.2 | 0.3 | 0.5 | 0.8 | 1.1 | 1.5 | 1.9 | 6.5 |
| Employment-Based Admissions | | | | | | | | | | | |
| Food Stamps | * | * | * | * | * | * | * | * | 0.1 | 0.1 | 0.3 |
| Medicaid | * | * | * | * | * | * | * | * | * | * | 0.1 |
| Medicare | 0 | 0 | * | * | * | * | * | * | * | * | 0.1 |
| Visa Fees | * | * | 0 | 0 | 0 | * | 0 | * | * | * | * |
| Other [b] | * | * | * | * | * | * | * | * | 0.1 | 0.1 | 0.3 |
| Subtotal | * | * | * | * | * | * | 0.1 | 0.1 | 0.2 | 0.3 | 0.7 |
| Legalization of Undocumented Immigrants | | | | | | | | | | | |
| Food Stamps | * | * | * | * | * | * | * | * | 0.1 | 0.1 | 0.3 |
| Medicaid | * | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 1.5 |
| Medicare | 0 | 0 | * | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 3.5 |
| Social Security (off-budget) | * | 0.1 | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 4.7 |
| Supplemental Security Income | * | * | * | * | * | * | * | * | * | * | 0.1 |
| Unemployment Insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | * | 0.1 | 0.2 |
| Visa Fees | -1.3 | -1.4 | 2.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | -1.3 | -1.1 | 3.1 | 0.7 | 0.9 | 1.1 | 1.3 | 1.5 | 1.8 | 2.2 | 10.1 |
| Blue-Card Program | | | | | | | | | | | |
| Food Stamps | * | * | * | * | * | * | 0.1 | 0.2 | 0.2 | 0.2 | 0.7 |
| Medicaid | * | * | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.4 | 1.4 |
| Medicare | 0 | 0 | * | * | * | * | * | * | * | * | 0.1 |
| Visa Fees | * | * | * | * | * | * | * | 0 | 0 | 0 | 0 |
| Other [b] | * | * | * | * | * | * | * | * | 0.1 | 0.1 | 0.2 |
| Subtotal | * | * | 0.1 | 0.1 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 2.3 |
| Conditional Status for Undocumented Students | | | | | | | | | | | |
| Food Stamps | 0 | 0 | 0 | 0 | 0 | * | * | * | * | * | * |
| Medicaid | 0 | 0 | 0 | 0 | 0 | * | * | * | * | * | 0.1 |
| Subtotal | 0 | 0 | 0 | 0 | 0 | * | * | * | * | * | 0.1 |
| Additional H-1B Visas and Persons with Advanced Degrees | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | * | * | * | -0.6 |
| Refundable Tax Credits [a] (Effects of all programs) | 0 | 0.2 | 2.3 | 3.2 | 3.5 | 3.7 | 3.9 | 4.1 | 4.2 | 4.5 | 29.4 |
| Total Changes in Direct Spending | -1.3 | -0.9 | 5.7 | 4.3 | 5.1 | 5.8 | 6.9 | 8.0 | 9.1 | 10.8 | 53.6 |

Continued

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**TABLE 3. Continued**

| | Outlays By Fiscal Year, in Billions of Dollars | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2007-2016 |
| Memorandum: Changes by Program | | | | | | | | | | | |
| Refundable Tax Credits [a] | 0 | 0.2 | 2.3 | 3.2 | 3.5 | 3.7 | 3.9 | 4.1 | 4.2 | 4.5 | 29.4 |
| Food Stamps | * | * | * | 0.1 | 0.1 | 0.2 | 0.3 | 0.5 | 0.6 | 0.8 | 2.6 |
| Medicaid | 0.1 | 0.2 | 0.4 | 0.6 | 0.9 | 1.2 | 1.6 | 2.1 | 2.7 | 3.4 | 13.2 |
| Medicare | 0 | 0 | * | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.8 | 0.9 | 3.7 |
| Social Security (off-budget) | * | 0.1 | 0.3 | 0.4 | 0.5 | 0.5 | 0.7 | 0.8 | 0.9 | 1.1 | 5.3 |
| Student Loans | 0 | * | * | * | * | * | * | * | * | * | 0.1 |
| Supplemental Security Income | * | * | * | * | * | * | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 |
| Unemployment Insurance | 0 | 0 | 0 | * | * | * | * | * | 0.1 | 0.1 | 0.2 |
| Visa Fees | -1.4 | -1.5 | 2.6 | -0.1 | -0.2 | -0.2 | -0.2 | -0.1 | -0.1 | -0.1 | -1.3 |
| On-budget | -1.4 | -1.0 | 5.4 | 3.9 | 4.6 | 5.3 | 6.2 | 7.2 | 8.2 | 9.8 | 48.3 |
| Off-budget | * | 0.1 | 0.3 | 0.4 | 0.5 | 0.5 | 0.7 | 0.8 | 0.9 | 1.1 | 5.3 |

Notes: * = Costs or savings 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. "Other" includes effects on Social Security, Supplemental Security Income, unemployment insurance, and student loans.

*Medicaid*. The eligibility of noncitizens for Medicaid is more complicated. Medicaid coverage for noncitizens who are not qualified aliens—including undocumented 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.

In general, the provisions of S. 2611 would increase Medicaid spending in three ways:

- *Emergency services.* The additional immigrants who would enter the United States under the bill would become eligible, at a minimum, for emergency services.



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- *Non-emergency services*. Some undocumented immigrants 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 non-emergency 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.* Many of the additional immigrants who would enter the United States under the bill 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.

*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. Almost all jobs in the United States are covered by Social Security. Claimants who have worked long enough may collect retirement benefits at age 62, or disability benefits at any age. Specifically, they must meet a "quarters of coverage" criterion that essentially requires them to have worked in U.S. jobs for one-fourth of their adult life. For people claiming retirement benefits, the specific requirement is 40 quarters. For younger people with severe impairments, that elapsed period is shorter. In 2006, a worker gets credit for four quarters of coverage, the maximum number, by earning at least $3,880. That threshold is indexed to the average wage.

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

The rules for calculating benefits do not make exceptions for immigrants who enter the United States in mid-career, which makes it slightly harder for immigrants to gain insured status under the program. Consequently, foreign-born residents are slightly less likely than their native-born counterparts of similar age to receive Social Security benefits. 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, which tends to diminish the resulting Social Security benefit.



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In general, S. 2611 would increase the number of Social Security beneficiaries by admitting more workers into the United States and legalizing the status of many undocumented 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 S. 2611 would qualify for Social Security retirement, disability, or survivor benefits in the 2007-2016 period.

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. 2611 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 2006, SSI pays a basic monthly benefit of $603 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 sharply curtailed immigrants' eligibility for SSI benefits. Except for refugees, immigrants entering the United States after 1996 have only two paths to SSI eligibility: naturalize or obtain 40 quarters (10 years) of work credit and spend five years as legal permanent residents. Thus, for immigrants, obtaining SSI is even 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. DI also imposes no LPR requirement. Undocumented immigrants cannot get SSI under any circumstances.

The provisions of S. 2611 that would permit additional immigrants to enter the United States would produce few new SSI enrollees by 2016; hardly any could obtain 40 quarters of work credit by then. Even the long-term undocumented workers who would gain legal status under the bill—and who are fairly likely to have 40 quarters already or in the near future—would be barred from the SSI program by PRWORA's additional requirement that they first spend five years as legal permanent residents; the first might not clear that hurdle until 2015. Moreover, the experience with IRCA suggests that few members of this relatively young and healthy population would join the SSI rolls in the first 10 years. In fact, most of the bill's effect on the SSI program in the 2007-2016 period would result from U.S.-born citizen-children of immigrants, who would qualify if severely disabled.



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Those U.S.-born citizen-children of immigrants would receive benefits comparable to other child beneficiaries. PRWORA's strict eligibility requirements imply that the few adult immigrants joining the SSI rolls in the first decade as a result of S. 2611 would receive a relatively small benefit. Such beneficiaries would have 40 quarters of coverage and thus would get DI benefits too; their SSI benefit would be commensurately reduced.

*Higher Education*. 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. 2611 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**. The provisions of S. 2611 would interact in numerous ways—for example, the guest-worker program would affect the number of employment-based immigrants—and many federal benefit programs would be affected by multiple provisions in the bill. In general, CBO assumed the new participants within each federal program would be similar regardless of how they were newly qualified to be in the country.

The estimated impact of S. 2611 on enrollment in the major benefit programs is shown in Table 4. (The table does not include the bill's effect on the number of people receiving refundable tax credits, which was estimated by JCT.) The additional participation in the programs shown on the table would be only a modest increase above projected enrollment under current law. For example, we estimate that enrollment in the Food Stamp and Medicaid programs—the two programs for which caseloads would be most affected by the bill—would each be about 2 percent to 3 percent higher in 2016 than under current law. The impact for the other programs would be much smaller. CBO's projections for each major program are discussed in more detail below.

*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 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.



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**TABLE 4. ESTIMATED INCREASES IN PARTICIPANTS IN FEDERAL BENEFIT PROGRAMS UNDER S. 2611**

| | By Fiscal Year, in Thousands | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Food Stamps | 10 | 30 | 50 | 80 | 110 | 190 | 330 | 470 | 600 | 750 |
| Medicaid | | | | | | | | | | |
| Newly eligible for emergency services | 30 | 130 | 230 | 300 | 370 | 410 | 450 | 470 | 500 | 530 |
| Newly eligible for non-emergency services | 0 | 0 | 0 | 0 | 0 | 10 | 50 | 90 | 110 | 140 |
| Newly eligible for full benefits | 10 | 30 | 60 | 90 | 140 | 200 | 290 | 380 | 490 | 610 |
| Total, Medicaid | 40 | 160 | 290 | 390 | 510 | 620 | 790 | 940 | 1,100 | 1,280 |
| Social Security | * | 20 | 30 | 50 | 50 | 60 | 70 | 80 | 100 | 110 |
| Medicare | 0 | 0 | * | 20 | 30 | 40 | 50 | 60 | 70 | 80 |
| Student Loans | * | * | 10 | 10 | 20 | 20 | 20 | 20 | 20 | 20 |
| Supplemental Security Income | * | * | * | * | * | 10 | 10 | 20 | 20 | 30 |
| Unemployment Compensation | 0 | 0 | 0 | * | * | * | * | 10 | 20 | 50 |

NOTES: The figures in this table are fiscal-year averages. The categories of Medicaid enrollees are mutually exclusive and can be added together. The individuals who would be newly eligible for emergency services include current participants who would receive additional benefits rather than being truly new participants. The program totals are not additive because individuals can receive benefits from more than one program.

* = Less than 5,000.

Based on recent Food Stamp Quality Control data, the average Food Stamp benefit for noncitizens currently participating in the program is about three-quarters of the average benefit for all recipients. CBO estimates that the average annual benefit per person who would newly participate in the program under this bill would be about $850 in 2007, rising to $1,040 in 2016.

*Medicaid.* CBO estimates that individuals who would become newly eligible for either emergency services or full benefits account for about 95 percent of the additional Medicaid spending under the bill. Our discussion of participation rates and average benefits accordingly focuses on those groups.



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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 bill 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 undocumented immigrants in the United States. Based on that analysis, we estimate that, under S. 2611, 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 CPS 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 bill.)

Based on data from the MSIS, CBO estimates that the federal share of Medicaid spending for emergency services in 2007 would be about $500 for a child, $1,000 for an adult male, and $2,000 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 benefit 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 2007 would be about $1,400 for a child, $1,900 for an adult male, and $3,900 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.

*Social Security and Medicare*. CBO expects that immigrants admitted or legalized under the provisions of S. 2611 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 hardly any 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.



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In general, CBO estimates that a new immigrant who receives Social Security as the result of S. 2611 would get a benefit of $500 a month, in 2007 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 S. 2611 would essentially equal the number of additional Social Security beneficiaries with a two-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, will average about $8,100 in 2007 dollars.

*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 2007-2016 period. CBO expects that a tiny fraction of the citizen-children born to immigrants admitted under S. 2611 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 S. 2611 would get roughly $500 a month, much like other disabled children on the SSI rolls. The few adult SSI recipients would get an average benefit of about $160 a month (in 2007 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. Historically, the ratio of insured unemployment—those unemployed individuals who collect benefits—to total unemployment is 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



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unlikely to claim UC should they lose their jobs. Certain provisions of the bill would allow those individuals to gain legal status (based on their remaining employed for a certain number of years), eventually leading to LPR status. CBO estimates that, over the 2007-2016 period, nearly 2.7 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 2007-2016 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 H-2C or "guest-worker" visa—that would allow individuals to enter the United States on a temporary basis to work. Guest workers who meet certain requirements would ultimately be able to apply for permanent residency. CBO estimates that the provisions regarding guest workers would increase direct spending by $4.9 billion over the 2007-2016 period.

*Key Features of the Program.* To receive a visa as a guest worker, individuals would be required to have a job offer before entering the country and to pay a $500 fee. The H-2C visa would be effective for an initial period of three years; guest workers could then receive a single three-year extension. Guest workers also would be able to bring their spouses and children into the United States with them under a separate type of nonimmigrant visa.

S. 2611 would limit the number of guest workers who could be admitted annually. That limit would be 325,000 in the program's first year. After that, the annual limit would increase or decrease depending on how many H-2C visas were issued. (The bill would restrict how quickly the limit could be raised or lowered, but would not set a specific limit on the number of visas in subsequent years. CBO estimates that the limit in 2016 could range anywhere from a low of about 150,000 to a high of almost 1.4 million.) The new visa program would take effect one year after the bill's enactment and would apply only to people who are outside the United States on that date.

Guest workers and their dependents could apply to become legal permanent residents after four years (or sooner, if their employers apply on their behalf). They also could remain in the United States while their applications are being considered, even if their H-2C visas expire. Guest workers who become LPRs would be counted against the annual cap on employment-based admissions (discussed in more detail below).

*Number and Characteristics of Guest Workers.* CBO anticipates that participation in the H-2C 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.



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Given the expected interest in the program, CBO expects that about 325,000 visas for guest workers would be issued initially under the bill, rising to about 625,000 by 2016. We also anticipate that, particularly in the first few years of the program, most guest workers would be new entrants who would not have entered the United States under current law; the remainder would have entered the country illegally. Once in the United States, CBO estimates that 75 percent of guest workers would extend their H-2C visas for an additional three years, and that 90 percent of those who extend their visas would later apply to become LPRs.

Based on information from the CPS on noncitizens currently in the United States, CBO estimates that 40 percent of the guest workers who would be new entrants would bring an average of about two dependents with them. We also expect that those dependents would apply to become LPRs at the same time as the guest worker. (The guest workers and their spouses would also have additional children after entering the United States, who would automatically become citizens.)

*Food Stamps.* 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. By 2016, citizen-children of guest workers would account for a little more than 10 percent, or about 80,000, of the growth in Food Stamp participation under the bill. CBO estimates that the guest-worker provision would increase Food Stamp spending by close to $300 million over the 2007-2016 period.

*Medicaid.* 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. The guest workers and their dependents account for about 70 percent, or about 360,000, of the new enrollees receiving emergency services and 30 percent, or about 190,000, of those receiving full benefits in 2016 in Table 4. CBO estimates that the additional federal Medicaid spending for those individuals would total $5.0 billion over the 2007-2016 period.

*Social Security, Medicare, and SSI.* CBO estimates that the guest-worker program in S. 2611 would boost outlays for Social Security benefits by $0.1 billion over the 2007-2016 period, and add 5,000 retired and disabled workers to the rolls in 2016. Medicare would spend an extra $50 million over the 2007-2016 period and would enroll an extra 2,000 people in 2016. SSI benefit payments would increase by roughly $0.1 billion over the 10-year period, with 6,000 added children as beneficiaries in 2016.



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*Visa Fees.* Spouses and children of H-2C nonimmigrants would have to pay application fees of about $200; that amount would be determined by the Department of Homeland Security. Based on the number of applications expected each year, CBO estimates that enacting this provision would increase offsetting receipts by about $0.7 billion over the 2007-2016 period. Those collections would not be available for spending. In addition, the State Department charges a $100 fee for nonimmigrant visas. Because the department has the authority to spend these fees on border security, CBO estimates the collections and spending would offset.

**Family-Sponsored and Employment-Based Visas**. Title V would allow more immigrants into the United States by raising the caps on the number of legal permanent residents admitted annually under the family-sponsored and employment-based categories. CBO estimates that these provisions would increase spending over the 2007-2016 period by $1.3 billion for the Food Stamp program and by $5.2 billion for Medicaid. In addition, the increase in the number of immigrants would boost spending by a total of about $700 million over 10 years for Social Security, Medicare, Supplemental Security Income, and student loans. An overview of the estimated changes in the family-sponsored and employment-based categories is provided below; the following two subsections present more detail on the estimated budget effects for changes in admissions under those two categories (corresponding to the separate subheadings in Table 3).

Current immigration law establishes several categories of foreign nationals who may become legal permanent residents (also known as getting a green card). Most new immigrants to the United States each year are eligible for green cards as the immediate relative—spouse, parent, or unmarried child under the age of 21—of a U.S. citizen. There is no numerical limit on the number of aliens who can enter under this category each year. According the Office of Immigration Statistics (OIS) at the Department of Homeland Security, green cards were granted to over 436,000 immediate relatives of citizens in 2005.

Other aliens may enter the United States under the family-sponsored, employment-based, or diversity[2] visa categories. 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 legally enter the United States. In general, legal permanent residents may apply for citizenship after they have lived in the country for five years and meet certain other requirements.

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.



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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. (Noncitizens who are already in the country—even on a temporary visa—are already eligible for emergency Medicaid services, provided that they meet the program's other requirements.)

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-sponsored immigrants. The formula in current law for calculating the annual cap on these visas has a maximum of 480,000 and a minimum of 226,000. The actual cap has been set at the minimum for nine of the last ten years. About 213,000 foreign nationals became LPRs as family-sponsored immigrants in 2005. 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 as well as the number available in each foreign country. According to data from the OIS, about 70 percent of family-sponsored immigrants file their application from their home country.

Over 246,000 workers and their dependents received green cards as employment-based immigrants in 2005. 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 2005, the cap was set at 148,449. 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.

**Family-Sponsored Admissions.** Section 501(a) would increase the cap on family-sponsored visas to 480,000 annually plus any unused visas from the prior year and any unused family-sponsored visas from 2001 through 2005. Under this new formula, CBO estimates that the new cap, on average, would be about 540,000 per year over the 2007-2016 period.

CBO projects that an additional 275,000 family-sponsored visas would be awarded each year, based on data from OIS and Department of State about the average number of authorized visas that are issued each year and the number of unused visas between 2001 and



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2005. By 2016, we estimate that there will be an additional 2.4 million LPRs due to this provision.

*Food Stamps*. Over the 2007-2011 period, CBO estimates a modest increase in Food Stamp spending because only LPRs under the age of 18 and the citizen-children born to new immigrants would be eligible for the program. During the following five years, more new immigrant adults would become qualified aliens and eligible to participate in the Food Stamp program. By 2016, we estimate that the increase in family-sponsored green-card holders would account for over one-third, or 270,000 people, of the increase in Food Stamp participation under the bill. CBO estimates that spending on these benefits would increase by about $1.1 billion over the 2007-2016 period.

*Medicaid.* The increase in family-sponsored immigrants under the bill 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 non-emergency 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.

In 2016, we estimate that this provision would account for about 20 percent, or 100,000, of the additional enrollment for emergency services under the bill, about 45 percent, or 60,000, of enrollment for non-emergency services, and about 45 percent, or 280,000, of enrollment for full benefits. CBO estimates that this provision would increase federal Medicaid spending by a total of $5.1 billion over the 2007-2016 period.

*Social Security, Medicare, and SSI*. CBO estimates that the increase in family-sponsored immigration would boost outlays for Social Security benefits by $0.1 billion over the 2007-2016 period, and add 5,000 retired and disabled workers to the rolls in 2016. Medicare would spend an extra $60 million over the 2007-2016 period and would enroll an added 2,000 people in 2016. SSI benefit payments would increase by about $0.1 billion over the 10-year period, with 9,000 extra beneficiaries—both adults and children—in 2016.

*Visa Fees*. Applicants for family-sponsored visas would pay DHS fees totaling about $600. Based on the number of applications expected for these visas, CBO estimates this provision would increase offsetting receipts by about $1.6 billion over the 2007-2016 period. In addition, the State Department charges 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 over the 2007-2016 period would be small.



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**Employment-Based Admissions.** Section 501(b) would increase the number of green cards available to employment-based immigrants from 140,000 annually to 450,000 plus any unused employment-based visas from the prior year and the number of unused visas from 2001 through 2005. Beginning in 2017, the base for the formula would drop to 290,000 annually. Effective for those visas issued after October 1, 2004, visas for the spouses and children of recipients of employment-based visas would no longer count against the annual cap. The number of these green cards reserved for unskilled workers would increase from 10,000 per year to 30 percent of the annual authorized level. In addition, the bill would make unused visas that were allocated for some of the skilled labor categories available for unskilled workers.

Under the new formula, and using data from OIS and the Department of State about unused visas from prior years, CBO estimates that the new cap would rise to 785,000 in fiscal year 2007. Relative to current law, CBO estimates that, on average, an additional 175,000 workers annually would receive visas over the 2007-2011 period. The unused visas would remain available in subsequent years. CBO expects that the number of visas issued annually would begin to rise in 2012 as guest workers began to apply for LPR status in this category. Over the 2012-2016 period, CBO estimates that, on average, an additional 520,000 workers per year would receive a green card.

Currently, about half of all employment-based visas are issued to spouses and dependents of workers. Under this provision, visas for dependents would no longer count against the cap. In addition to the visas for workers, CBO estimates that, on average, an additional 350,000 spouses and dependents would receive visas each year. (The average would be lower in the first five years and then rise over time, as would the number of workers.)

*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 2007-2011 period. After five years, adult LPRs would meet the five-year waiting period requirement 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 are employed as highly skilled professionals, we expect that only the additional immigrants entering under the unskilled category are potential Food Stamp recipients. The additional employment-based immigrants would account for 15 percent, or 105,000, of the overall increase in Food Stamp participation under the bill (see Table 4). CBO estimates that Food Stamp spending for these recipients would total close to $300 million over the 2007-2016 period.

*Medicaid.* The higher limits on employment-based immigration would affect Medicaid spending on emergency services, non-emergency services, and full benefits in the same ways as the increase in family-sponsored immigration. However, the increase in the number of employment-based immigrants would have a smaller impact on Medicaid spending because



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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). By 2016, this provision would account for about 5 percent, or 9,000, of the enrollees who would become eligible for non-emergency services under the bill (see Table 4). CBO estimates that the increase in the number of employment-based immigrants would raise federal Medicaid spending by a total of about $100 million over the 2007-2016 period.

*Social Security, Medicare, and SSI*. CBO estimates that admitting more employment-based immigrants would boost outlays for Social Security benefits by $0.2 billion over the 2007-2016 period, and add 7,000 retired and disabled workers to the rolls in 2016. Medicare would spend an extra $65 million over the 2007-2016 period and would enroll an extra 3,000 people in 2016. SSI would pay less than $50 million in additional benefits over the 10-year period, with 8,000 added beneficiaries—both adults and children—in 2016.

*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 is expected to increase by a few thousand in 2007 and by over 200,000 by 2016. Some of those students would apply for and receive federal student loans. CBO projects that annual loan volume would increase by about $80 million by 2016, and anticipates that most of the additional volume would be attributable to the new admissions under the higher family- and employment-based visa limits. The estimated federal subsidy cost would be about $60 million over the 2007-2016 period.

*Visa Fees.* Applicants for employment-based visas would pay fees totaling about $600. Based on the number of applicants expected for these visas, CBO estimates that this provision would increase offsetting receipts by about $4 billion over the 2007-2016 period. In addition, the State Department charges 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 budgetary effect over the 2007-2016 period would be small.

**Legalization of Undocumented Individuals**. Title VI would allow certain undocumented immigrants to either become legal permanent residents or achieve other legal status, most likely as guest workers. CBO estimates that those provisions would increase direct spending, primarily on Social Security and Medicare benefits, by $10.1 billion over the 2007-2016 period.



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The bill would divide undocumented immigrants into three categories, based on how long they have been in the United States:

- *Five years or more.* This category includes individuals who entered the country on or before April 5, 2001, have been here continuously since then except for brief absences, and were here illegally on April 5, 2006.

- *Two-to-five years.* This category includes individuals who do not qualify for the first group, were here illegally on January 7, 2004, and have been here continuously since then except for brief absences.

- *Less than two years.* This category includes any individuals that do not qualify for either of the first two groups.

The first two categories are discussed in more detail below; the latter group would not receive any benefits under S. 2611.

*Undocumented Immigrants Here Five Years or More.* S. 2611 would allow people in this category to become legal permanent residents if they meet several requirements that include working at least three of the previous five years, working an additional six years after the bill's enactment, and paying a $2,000 fine. The spouses and children under age 21 of individuals who meet those requirements could also become LPRs.

Under the bill, undocumented immigrants could not become LPRs until eight years after enactment or until the Center for Immigration Services (CIS) finishes processing all applications for LPR status that are filed prior to enactment, whichever is earlier. (People who are eligible to become LPRs cannot be deported during this period.) Any individuals who become LPRs under this provision would not count against any numerical limits on visas, such as the one for family-sponsored admissions.

*Undocumented Immigrants Here Two-to-Five Years.* The bill would allow workers in this category to obtain a new Deferred Mandatory Departure (DMD) status if they have been employed for the last two years, pay a $1,000 fine, and meet certain other requirements. (Spouses and children would also be eligible for DMD status, but would pay a smaller fine.) Workers with DMD status would be able to remain legally in the United States for three years, although they would have to remain employed during that time and would have to pay a fine if they stayed for more than two years. They would be required to leave the country once their DMD status expires.

Individuals with DMD status could apply for an immigrant or nonimmigrant visa that would allow them to stay legally in the United States. The visas issued to those individuals would



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not count against numerical limits on nonimmigrant visas. Because the individuals with DMD status are already employed, CBO anticipates that many of them would apply for guest-worker visas. The bill also would require individuals with DMD status to leave the United States before being readmitted under any new visa. (However, this requirement could be satisfied by leaving and then immediately reentering the United States through certain border crossings.)

*Number and Characteristics of Undocumented Immigrants.* Based on research from the Pew Hispanic Center, CBO assumed that about 11 million undocumented immigrants were in the United States in 2005. We estimate that about one million of those individuals would not be affected by the bill because they will become LPRs under current law before 2015, which CBO expects is the earliest that undocumented immigrants could become LPRs under the bill. CBO also excluded one million undocumented immigrants from this portion of the analysis to account for individuals that we anticipate would become LPRs through the blue-card program discussed below. (Some individuals would be eligible for both programs, but the blue-card program would offer a quicker and less expensive path to permanent residency.)

Using information from the Pew Hispanic Center, CBO estimates that about 70 percent of undocumented immigrants have been in the United States five years or more, 20 percent have been here between two and five years, and 10 percent have been here for less than two years. As a result, after accounting for those who would become LPRs under current law and those who would choose the blue-card route to legal status, we estimate that more than six million undocumented immigrants have been in the United States for five years or more, another two million have been here for two-to-five years, and about one million have been here for less than two years. The data from the Pew Hispanic Center are based on the March 2005 CPS; the one million figure would undoubtedly be higher if it included undocumented immigrants who have entered the United States since then, but because those immigrants arrived after January 7, 2004, they would continue to be subject to the restrictions under current law.

CBO projects that about two-thirds of the undocumented immigrants who have been in the country for more than five years and who do not emigrate over the next several years would ultimately become LPRs under S. 2611. That level of participation is consistent with the experience of undocumented immigrants who obtained legal status under the Immigration Reform and Control Act of 1986. We anticipate that undocumented immigrants who have been in the United States for two-to-five years are somewhat more likely to return to their home countries, and estimate that 50 percent would obtain legal status under the bill, primarily by becoming guest workers.

*Food Stamps.* Children who are citizens and children under 18 who eventually get LPR status are the only people who would be eligible for food stamps during the 2007-2016



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period under this provision. Adults would not become eligible for green cards for eight years and then would have to wait another five before being considered as qualified aliens and eligible for food stamps. This provision would account for about 15 percent, or 116,000, of the total increase in Food Stamp enrollment under this bill (see Table 4). As a result, CBO estimates that spending on Food Stamp benefits would increase by close to $300 million over the 2007-2016 period.

*Medicaid.* The bill would not affect Medicaid spending for undocumented immigrants over the 2007-2016 period because those individuals would not become LPRs until eight years after enactment and would then have to wait another five years after that before becoming eligible for non-emergency services. However, CBO anticipates that the new legal status for some of those workers would allow them to bring their dependents into the United States, which would increase spending on both emergency services (for some of the new entrants) and on full benefits (for some of the additional children who would be born in this country as a result). The bill's legalization provisions account for between 5 and 10 percent (about 40,000 adults) and 10 percent (roughly 60,000 children), respectively, of the additional enrollment in those categories in 2016 (as shown in Table 4). CBO estimates that the additional federal spending on Medicaid resulting from the legalization provisions would total $1.5 billion over the 2007-2016 period.

*Social Security, Medicare, and SSI.* CBO estimates that legalizing the status of certain undocumented immigrants would boost outlays for Social Security benefits by $4.7 billion over the 2007-2016 period, and add 87,000 retired and disabled workers to the rolls in 2016. Medicare would spend an extra $3.5 billion over the 2009-2016 period and would enroll an added 68,000 people in 2016. SSI would pay an additional $0.1 billion in benefits over the 10-year period, with 2,000 extra citizen-children beneficiaries in 2016.

*Unemployment Benefits.* Although many individuals currently in the United States illegally participate in the labor force, they are unlikely to claim unemployment compensation under current law because of their status. Those workers who became LPRs would be more likely to claim UC during future periods of unemployment. Consequently, CBO estimates that outlays for UC would increase by $0.2 billion over the 2015-2016 period.

*Visa Fees.* Applicants for conditional nonimmigrant visas would have to pay fees and fines totaling $900 to $2,400, depending on how long they have been in the United States. Based on the number of applications expected each year, CBO estimates that enacting this provision would increase offsetting receipts by about $10 billion over the 2007-2008 period. In addition, the State Department charges a $100 fee for nonimmigrant visas. DHS and the State Department would spend most of those collections to improve border security and cover the costs of processing the applications, so the net budgetary effect over the 2007-2009 period would be small.



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**Blue-Card Program for Agricultural Workers**. Title VI would create a new pathway to legal permanent resident status for agricultural workers and their families. The blue-card program would grant legal status to aliens who worked in agriculture for at least 863 hours or 150 work-days, whichever is less, between January 1, 2004, and December 31, 2005. The bill would cap the number of blue cards at 1.5 million, which would have to be be issued within five years of enactment. Starting six months after enactment of the bill, workers would have up to 18 months to apply for a blue card and to pay a fine of $100. With this new blue card, workers would be authorized to live and work in the United States and travel abroad in the same way as green-card holders.

The bill would specifically prohibit blue-card holders from receiving benefits from most federal means-tested programs for five years. However, those programs already ban most qualified aliens from receiving benefits for five years.

Blue-card holders would have to adjust to LPR status within seven years of enactment of the bill or face deportation. 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. Blue-card adjustments to LPR status would not be subject to any numerical caps.

The spouses and minor children of blue-card workers would also be eligible to adjust to LPR status once the worker meets the requirements. Prior to that, the spouses and children would not themselves hold blue cards. However, 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 papers.

CBO estimated the number of people who would be eligible for a blue card using data and analysis regarding undocumented farm workers from the Department of Labor'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 undocumented aliens. We estimate that a slightly lower share, about one-third, of the livestock workers were undocumented. Using information on hours and days worked annually from the NAWS, CBO estimates that 1.1 million undocumented agricultural workers worked a sufficient number of hours in either 2004 or 2005 to meet the requirements for a blue card. Of these, we project that about 80 percent would apply for a blue card.



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*Food Stamps.* CBO estimates that the blue-card program would increase Food Stamp spending by about $700 million over the 2007-2016 period. We assume that blue-card workers would be eligible for food stamps after five years and children who are citizens would be eligible immediately. The noncitizen spouses and children of workers would not be considered blue-card recipients themselves, so they would not be eligible for benefits until they became LPRs. CBO estimates that the additional Food Stamp recipients under this provision would account for 20 percent, or 175,000, of the overall increase in enrollment due to this bill.

*Medicaid.* CBO estimates that the blue-card program would increase federal Medicaid spending by a total of $1.4 billion over the 2007-2016 period. Under the bill, individuals with blue cards would be treated like LPRs when determining eligibility for federal benefit programs. This provision would make the agricultural workers who get blue cards eligible for non-emergency services in most states after five years. We estimate that the additional recipients of those services would account for about 45 percent, or about 60,000 adults, of the additional enrollment in 2016 (see Table 4). Like other provisions in the bill, the blue-card program also would increase spending on emergency services as additional dependents enter the United States and on full benefits as additional children are born in this country (another 20,000 and 80,000 beneficiaries, respectively).

*Social Security, Medicare, and SSI.* CBO estimates that the blue-card program for agricultural workers would boost outlays for Social Security benefits by $0.1 billion over the 2007-2016 period, and add 4,000 retired and disabled workers to the rolls in 2016. Medicare would spend an extra $60 million over the 2007-2016 period and would enroll an added 2,000 people in 2016. SSI would pay nearly $50 million in additional benefits over the 10-year period, with 3,000 extra beneficiaries—both adults and children—in 2016.

*Visa Fees.* Applicants for blue cards would pay fees ranging from $200 to $400. Based on the number of applicants expected for these visas, CBO estimates that this provision would increase offsetting receipts by about $400 million over the 2007-2012 period. In addition, the Department of State charges a $100 fee for nonimmigrant visas. DHS and the State Department would spend those collections to cover the costs of processing the applications, so the net budgetary effect over the 2007-2013 period would be small.

**Conditional Status for Undocumented Students**. Title VI would make certain undocumented immigrants eligible for conditional legal permanent resident status. Undocumented 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 bill'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



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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.

Individuals who convert to conditional legal permanent resident status would become eligible for federal financial aid and, after five years, food stamps and non-emergency Medicaid benefits. CBO estimates that about 10,000 individuals would ultimately receive additional benefits from one or both of those programs. We estimate that this provision would increase Food Stamp and Medicaid spending by a total of $0.1 billion between 2012 and 2016.

**H-1B Nonimmigrants and Other Persons with Advanced Degrees**. S. 2611 would increase the number of visas available each year for H-1B nonimmigrants (persons with a bachelor's degree or higher) and certain other persons with advanced degrees. CBO estimates that the annual increases in the number of such individuals would exceed 100,000. They would have to pay fees ranging from $200 to $2,400. As a result, CBO estimates that enacting S. 2611 would increase offsetting receipts by about $2.5 billion over the 2007-2016 period. Collections would be spent by DHS, the Department of Labor, the Department of State, and the National Science Foundation for administrative, law enforcement, and educational programs. Spending would lag collections for several years; the net effect on outlays would be a reduction of $0.6 billion over the 2007-2016 period.

**Refundable Tax Credits**. Over the 2007-2016 period, JCT estimates that the bill would increase outlays for refundable tax credits by $29.4 billion, the largest direct spending effect of the bill. 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. 2611 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, including being under the age of 19 in general, 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



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children, and whether or not the taxpayer is married. The maximum credit amount is about $4,500 in 2006 for taxpayers with two or more children and with earnings up to almost $17,000 if married and $15,000 if single. The credit is fully phased out for such taxpayers with earned income of about $38,000 if married and $36,000 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. 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. 2611 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, CBO and the Joint Committee on Taxation estimate that those effects would increase federal revenues by about $66 billion over the 2007-2016 period, as shown in Table 5.

**TABLE 5. ESTIMATED EFFECTS OF S. 2611 ON REVENUES**

| | By Fiscal Year, in Billions of Dollars | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2007-2016 |
| Income and Social Insurance Taxes [a] | -1.8 | -0.8 | 2.9 | 5.0 | 6.3 | 7.5 | 8.7 | 10.0 | 11.3 | 13.1 | 62.1 |
| H2-C Visa Fees | 0 | 0.2 | 0.2 | 0.2 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 3.2 |
| Blue Card Fines | * | 0.1 | * | * | 0.2 | * | 0 | 0 | 0 | 0 | 0.3 |
| Total Changes | -1.8 | -0.5 | 3.1 | 5.2 | 6.8 | 7.9 | 9.2 | 10.5 | 11.8 | 13.6 | 65.7 |
| On-Budget | -0.9 | 0.4 | 3.3 | 4.9 | 5.8 | 6.2 | 6.9 | 7.5 | 8.1 | 9.2 | 51.4 |
| Off-Budget | -0.9 | -0.9 | -0.3 | 0.4 | 1.0 | 1.7 | 2.3 | 3.0 | 3.7 | 4.4 | 14.3 |

Sources: Joint Committee on Taxation and Congressional Budget Office.

NOTE: * = Gain 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.



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**Income and Payroll Taxes**. JCT provided estimates of the effects of S. 2611 on revenues from income and social insurance (payroll) taxes. JCT estimates that S. 2611 would reduce federal revenues from those sources in 2007 and 2008, and increase receipts over the 2009-2016 period. In total, over the 2007-2016 period, JCT estimates that receipts from income and payroll taxes would increase by $62.1 billion, of which $14.3 billion would be off-budget revenues from Social Security taxes.

Overall, JCT estimates that the bill would result in higher aggregate wages and increased reporting of employment income by individuals, which would yield increases in receipts from both individual income and payroll taxes. Most of the additional payroll tax receipts would be off-budget.

Increased reporting of employment income would also result in increases in tax deductions by businesses for their labor compensation, including employer contributions for payroll taxes. As a result, corporations would report lower taxable profits and pay a lower amount of income taxes. In addition, noncorporate businesses, such as partnerships and sole proprietorships, would also report lower taxable income, which would reduce the individual income taxes paid by the partners and owners.

Conventional estimating assumptions hold overall economic activity constant. In practice, this results in the Joint Committee on Taxation assuming fixed employment and capital stock. If enacted, S. 2611 would result in a significant increase in immigration. Consequently, JCT has relaxed the fixed employment convention and estimates a net increase in employment, total wages, and the associated revenues.

JCT estimates that Title III would reduce revenues, largely explaining the overall reduction in revenues estimated for the 2007-2008 period. Title III would amend the procedures to identify the unlawful employment of aliens. Among other changes, that title would render illegal the use of individual taxpayer identification numbers, which the IRS issues to individuals who are required to have U.S. taxpayer identification but who do not qualify to receive Social Security numbers.

The JCT also estimates that the provisions of S. 2611 would result in increased outlays for refundable tax credits. Those effects are shown in Table 3 and are discussed above.

**H2-C Visas.** Applicants for the temporary guest worker (H-2C) visa established by the bill would have to pay a fee of $500. Those collections would be classified as revenues under the provisions of S. 2611. Based on the number of applications expected each year, CBO estimates that enacting this provision would increase revenues by $3.2 billion over the 2008-2016 period.



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**Blue-Card Fines**. Applicants for blue cards (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 $300 million over the 2007-2016 period.

**Penalties.** S. 2611 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 bill 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. 2611 would result in additional spending of about $25 billion over the 2007-2011 period and another $39 billion over the 2012-2016 period, assuming appropriation of the necessary funds. Projected spending from 2007 through 2011 is summarized in Table 6. 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 these or similar activities.

**Grants to State and Local Governments.** S. 2611 would authorize the appropriation of $12.4 billion over the 2007-2012 period to reimburse state and local governments for costs associated with apprehending and detaining undocumented aliens. CBO estimates that implementing this provision would result in outlays of $7.7 billion over the 2007-2011 period, with additional outlays of about $4.7 billion after 2011.

**Additional Federal Personnel**. S. 2611 would direct DHS, the Department of Labor, the Department of Justice (DOJ), and the Administrative Office of the United States Courts (AOUSC) to increase the number of law enforcement and legal personnel by a total of nearly 31,000 positions over the 2007-2011 period (not including support personnel for these positions). CBO estimates that implementing this provision would cost $9.6 billion over the five-year period. The costs for additional enforcement and legal personnel would continue after 2011.



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**TABLE 6. ESTIMATED EFFECTS OF S. 2611 ON DISCRETIONARY SPENDING**

| | By Fiscal Year, in Millions of Dollars | | | | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| **CHANGES IN SPENDING SUBJECT TO APPROPRIATION** | | | | | |
| Grants to State and Local Governments | | | | | |
| Authorization Level | 1,655 | 2,000 | 2,100 | 2,200 | 2,200 |
| Estimated Outlays | 414 | 1,162 | 1,904 | 2,090 | 2,165 |
| Additional Federal Personnel | | | | | |
| Estimated Authorization Level | 381 | 1,157 | 1,967 | 2,812 | 3,850 |
| Estimated Outlays | 328 | 1,042 | 1,839 | 2,677 | 3,693 |
| Detention Facilities | | | | | |
| Estimated Authorization Level | 1,400 | 0 | 30 | 60 | 62 |
| Estimated Outlays | 140 | 560 | 657 | 127 | 62 |
| Programs to Improve Port Security | | | | | |
| Estimated Authorization Level | 185 | 188 | 190 | 193 | 196 |
| Estimated Outlays | 118 | 159 | 189 | 192 | 195 |
| Border-Control Infrastructure | | | | | |
| Estimated Authorization Level | 871 | 0 | 0 | 131 | 135 |
| Estimated Outlays | 305 | 392 | 174 | 46 | 105 |
| Funding for DHS to Expand Immigration Adjudication Services | | | | | |
| Estimated Authorization Level | 800 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 640 | 160 | 0 | 0 | 0 |
| System for Verifying Employment Eligibility | | | | | |
| Estimated Authorization Level | 166 | 203 | 237 | 217 | 224 |
| Estimated Outlays | 149 | 199 | 234 | 219 | 224 |
| Other Social Security Administration Costs | | | | | |
| Estimated Authorization Level | 77 | 157 | 91 | 49 | 52 |
| Estimated Outlays | 67 | 148 | 99 | 54 | 52 |
| Grants to Assist Nonimmigrants | | | | | |
| Estimated Authorization Level | 200 | 200 | 200 | 175 | 175 |
| Estimated Outlays | 44 | 104 | 144 | 169 | 187 |
| Unmanned Aerial Vehicles | | | | | |
| Authorization Level | 178 | 276 | 0 | 0 | 0 |
| Estimated Outlays | 89 | 192 | 118 | 55 | 0 |
| Reimbursement of Prosecution Costs | | | | | |
| Estimated Authorization Level | 78 | 79 | 80 | 81 | 82 |
| Estimated Outlays | 20 | 51 | 79 | 80 | 81 |
| Other Programs | | | | | |
| Estimated Authorization Level | 137 | 200 | 210 | 207 | 165 |
| Estimated Outlays | 74 | 169 | 205 | 205 | 182 |
| Total Changes | | | | | |
| Estimated Authorization Level | 6,129 | 4,459 | 5,105 | 6,124 | 7,140 |
| Estimated Outlays | 2,389 | 4,337 | 5,642 | 5,913 | 6,946 |


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*Department of Homeland Security*. S. 2611 would direct DHS to increase the number of:

- Border patrol agents by 4,000 over the 2007-2011 period;
- Port-of-entry inspectors by 500 in each of fiscal years 2007 through 2011;
- Immigration and Customs Enforcement (ICE) investigators by 200 annually over the 2007-2010 period;
- Investigators assigned to combat alien smuggling by 200 annually over the 2007-2010 period;
- Investigators assigned to enforce immigration employment laws by 2,000 annually over the 2007-2011 period; and
- ICE agents assigned to detecting immigration fraud by 1,000 over the 2007-2011 period.

Based on information from DHS, CBO estimates that the cost for each additional employee would range from $100,000 a year for inspectors to $170,000 a year for border patrol agents, including salaries, benefits, training, and support costs. Assuming that each annual cohort required by the bill would be hired over the course of a year, we estimate that implementing these provisions would cost $5.3 billion over the 2007-2011 period.

*Attorneys and Immigration Judges*. S. 2611 would direct DHS, DOJ, and AOUSC to increase the number of attorneys by 260 a year over the 2007-2011 period. Based on information from these agencies, CBO estimates that it costs about $160,000 a year for an additional attorney, including salaries, benefits, training, and support costs. Assuming that each annual cohort required by the bill would be hired over the course of a year, we estimate that implementing this provision would cost $515 million over the 2007-2011 period.

S. 2611 would direct DOJ to increase the number of immigration judges by 20 each year over the 2007-2011 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, and support costs. Assuming that each annual cohort required by the bill would be hired over the course of a year, we estimate that implementing this provision would cost $150 million over the 2007-2011 period.

*Department of Labor*. Section 412 of the bill would require the Secretary of Labor to add a minimum of 2,000 positions each year for investigators dedicated to enforcing compliance with the bill's provisions relating to hiring aliens. Based on information from the Department



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of Labor, CBO estimates that the cost for each additional employee would average $160,000, including salaries, training, and support costs. Assuming that each annual cohort required by the bill would be hired over the course of a year, we estimate that implementing this provision would cost $3.6 billion over the 2007-2011 period. Adding 2,000 investigators each year beginning in 2007 would increase the number of these positions by 10,000 in 2011 (and by 20,000 by 2016).

**Detention Facilities.** S. 2611 would direct DHS to construct or acquire 20 detention facilities to detain aliens pending their removal from the United States. The bill would require these facilities, in total, to accommodate at least 10,000 individuals at one time. Based on information from the Bureau of Prisons, CBO estimates that it would cost about $70 million to build a medium-security facility and $3 million annually to staff a facility that would meet the bill's capacity requirements. Thus, CBO estimates that constructing and operating 20 facilities would cost $1.5 billion over the 2007-2011 period.

**Programs to Improve Port Security.** CBO estimates that S. 2611 would authorize the appropriation of about $190 million annually for several programs to improve security at U.S. ports. For some of these programs, the bill provides a specific authorization of appropriations for 2007, and CBO estimated the funding level required in subsequent years by adjusting for inflation. We estimate that implementing these provisions would cost about $850 million over the 2007-2011 period.

**Border-Control Infrastructure.** S. 2611 would direct DHS, within two years of the bill's enactment, to improve and add certain border-control infrastructure in the areas of Tucson and Yuma in Arizona. The bill would direct DHS to replace all deteriorating or damaged fencing near certain population centers, extend double- or triple-layered fencing for at least two miles beyond urban areas, and construct at least 200 miles of permanent vehicle barriers and roads along the U.S.-Mexico border.

According to DHS, implementing this provision would require the replacement of 27 miles of double-layered fencing and the construction of 50 miles of new double-layered fencing. Based on information from DHS, CBO estimates that installing this fencing would cost about $3 million per mile, for a total cost of about $230 million, mostly over the next three years.

DHS estimates that it would cost about $1.3 million per mile to construct permanent vehicle barriers and about $1.9 million per mile to construct roads at the border. Thus, CBO estimates the cost of 200 miles of vehicle barriers and roads would total $640 million—most of which would be spent over the next three years.

In addition, there would be some maintenance costs for this new infrastructure in subsequent years. Based on information from DHS, CBO estimates that such costs would amount to



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about 15 percent of the initial cost of the infrastructure, or about $130 million annually. Thus, we estimate that implementing these infrastructure provisions would cost a total of about $1 billion over the 2007-2011 period.

**Funding for DHS to Expand Immigration Adjudication Services**. To accommodate the sharp increase in applications for immigration services and documentation that would result from S. 2611, DHS would need to expand its document-production facilities, enhance its computer systems, and hire new employees to process applications. S. 2611 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 2007 for one-time costs relating to facilities and computer systems. For this estimate, we assume that the costs of new personnel would be covered by fees collected for the new applications.

**System for Verifying Employment Eligibility.** S. 2611 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 $1 billion over the 2007-2011 period, including amounts needed by federal agencies to use the system to verify eligibility for federal employment.

*Requirements of S. 2611*. S. 2611 would require DHS to set up an expanded Employment Eligibility Verification System (EEVS) that would respond within three working days to inquiries made via Internet, other electronic media, or telephone by employers and individuals. The prototype 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. 2611 would require "critical employers" (those engaged in critical infrastructure, national security, and homeland security activities, as designated by DHS) to verify the eligibility of all employees within 180 days of enactment. The bill would require other employers to check their new hires beginning 18 months after funds were appropriated for the project. For this estimate, CBO assumes that funds would be appropriated beginning in 2007, so that requirement would take effect in mid-2008.

*Volume of EEVS Inquiries Expected.* CBO assumes that the initial batch of inquiries from "critical employers" would involve about 20 million verifications. For other, "noncritical" employers, CBO anticipates (based on data from the Bureau of Labor Statistics) that new hires would total 55 million to 60 million annually between 2008 and 2016. Repeat verifications of about 10 million annually would push the total volume of inquiries to 65 million to 70 million.



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*Costs to Federal Agencies of EEVS.* DHS would have primary responsibility for running the EEVS. Based on information from DHS, CBO estimates that the department would spend about $240 million over the 2007-2011 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 as it handled 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 about $770 million from 2007 through 2011. (Two new requirements could add significantly to that figure. One would allow individuals to verify their own employment status; another would permit them to block and unblock inquiries on their SSNs. Those features could pose thorny design challenges, and SSA is not yet able to estimate the resulting costs.) S. 2611 would require DHS to reimburse SSA for EEVS-related costs, a provision that is meant to minimize the expenditure of Social Security trust fund money on immigration enforcement.

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 2007-2011 period.

**Other SSA costs**. In addition to contributing key information to the EEVS, SSA would incur significant costs under other provisions of S. 2611. The provisions to admit guest workers, increase the number of family-sponsored and employment-based admissions, permit undocumented aliens already in the country to seek "earned adjustment" (if here before April 2001) or "mandatory departure and reentry" (if here before April 2004), and grant blue cards to certain agricultural workers would all swell the number of Social Security cards issued by the agency. CBO estimates that SSA would issue an extra 13 million cards from 2007 through 2011; at a cost of about $30 each, costs would total about $420 million. Some of the people who entered illegally before 2004 would also seek the agency's help in supporting their application for earned-adjustment or deferred-departure status. Based on information from SSA, CBO estimates that task would cost the agency a total of $20 million over the 2007-2011 period. Eventually, many of those newly legalized aliens might seek SSA's help in correcting their past earnings records for purposes of calculating benefits. CBO is currently unable to estimate those costs, which could be significant.

**Grants to Assist Nonimmigrants**. S. 2611 would authorize the appropriation of such sums as necessary for DHS to make grants to certain organizations that assist persons seeking nonimmigrant status, citizenship, and other immigration benefits. Because implementing the bill would significantly increase the number of persons eligible for these benefits, the number



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of individuals who might seek such assistance could be very large. Based on similar grant programs, CBO estimates that enacting this provision would require funding of about $200 million annually, with estimated outlays of $650 million over the 2007-2011 period.

**Unmanned Aerial Vehicles**. S. 2611 would authorize the appropriation of $454 million over the 2007-2008 period for DHS to acquire unmanned aerial vehicles and related equipment to patrol the U.S. border. CBO estimates that implementing this provision would cost $454 million over the 2007-2010 period.

**Reimbursement of Prosecution Costs at U.S. Borders**. CBO estimates that S. 2611 would authorize the appropriation of about $400 million over the 2007-2011 period for grants to reimburse state and local governments located along the U.S. borders for detention costs, court costs, and other expenses incurred in prosecuting certain criminal cases initiated by the federal government. We estimate that implementing this provision would cost $310 million over the 2007-2011 period.

**Other Programs**. S. 2611 contains many other provisions that would increase costs to the federal government. CBO estimates that implementing these provisions would cost a total of $840 million over the 2007-2011 period. Major provisions would include the following:

- The bill would authorize the appropriation of $50 million annually over the 2007-2011 period for grants to law enforcement agencies located near U.S. borders. CBO estimates that implementing this provision would cost $195 million over the 2007-2011 period.

- CBO expects that DHS would collect fees for dependents of the new guest workers (H-2C nonimmigrants), but S. 2611 would not permit the department to spend those fees to cover the costs of processing the applications. Based on the number of applications expected, CBO estimates that DHS would require funding of $230 million over the 2007-2011 period for that purpose.

- The bill would authorize the appropriation of $40 million annually over the 2007-2010 period for DHS to carry out the blue-card program for agricultural workers. Of the 1.5 million visas reserved for the blue card, CBO estimates that roughly 900,000 would actually be issued. CBO estimates that implementing this provision would cost $160 million over the 2007-2011 period.

- S. 2611 would establish mandatory minimum prison sentences for a wide range of offenses involving illegal entry into the United States. The U.S. Sentencing Commission analyzed the bill's impact on the federal prison population. Based on this analysis, CBO estimates that the longer sentences required under the bill would



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increase the prison population by about 2,900 person-years over the 2007-2011 period. According to the Bureau of Prisons, for an increase in the federal prison population of this magnitude, it would spend about $24,000 a year (at 2006 prices) to house each additional prisoner. CBO estimates that the cost to support these additional prisoners would total $70 million over the 2007-2011 period.

**Provisions for which CBO Cannot Estimate Costs**. CBO cannot estimate the costs of three provisions because we have yet to receive enough information from DHS to do so. Those provisions are as follows:

- Section 216 would require DHS to allocate at least 40 ICE agents to each state, except for states that have populations of less than 2 million.

- Section 405 would require DHS to implement an "alien employment management system" to monitor the employment of H-2C nonimmigrants, including identifying employers that have hired such individuals.

- Section 754 would direct DHS to implement a program to use aerial surveillance and other technologies to continuously monitor the entire United States border.

## ESTIMATED LONG-TERM EFFECTS ON DIRECT SPENDING

Pursuant to section 407 of H. Con. Res 95 (the Concurrent Resolution on the Budget, Fiscal Year 2006), CBO estimates that enacting S. 2611 would cause an increase in direct spending greater than $5 billion in each of the 10-year periods between 2016 and 2055. CBO expects that the costs for benefit programs such as Medicaid, Food Stamps, Social Security, and Medicare would continue to grow after 2016, both because of the new legal immigrants who would enter the United States by 2016 and from the continued higher flow of legal immigrants in the decades after 2016.

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

S. 2611 would impose intergovernmental mandates, as defined in UMRA, because it would preempt state and local authority and require state, local, and tribal governments to verify the work eligibility of employees. CBO estimates that the cost, if any, of complying with the preemptions would be small. The cost of complying with the requirements to verify work eligibility would depend on regulations to be developed by the Secretary of DHS. Depending on which employers the Secretary designated as critical, the costs to state, local, and tribal governments would range from $30 million through $85 million in the first year



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the requirements were in effect. Until that designation is made, CBO cannot determine whether the costs for state, local, and tribal governments would exceed the annual threshold established in UMRA ($64 million in 2006, adjusted annually for inflation).

The bill would authorize the Secretary of Homeland Security to designate critical employers and require, within 180 days of the bill's enactment, those employers to verify the work eligibility of all previously hired and newly hired employees. Other employers would be required, within 18 months from the time the Congress appropriates money to the Secretary of DHS, to verify the work eligibility of newly hired employees. CBO estimates that it would cost agencies an average of $4 per employee to comply with the verification requirement. (The requirement would apply even if agencies had previously performed a security clearance or other exhaustive check.) That cost, incurred by agencies' personnel offices, would consist of assembling the data for initial submission and following up on the relatively few, but labor-intensive, cases that the automated system would initially fail to match.

Data from the Bureau of Labor Statistics indicate that state, local, and tribal governments hire about 3.5 million new employees each year. CBO estimates the cost for those governments, beginning in mid-2008, to submit their employees' basic data to DHS and to reconcile the few cases that would be returned as "nonverifiable" would total about $7 million in the first year and about $14 million annually thereafter.

The extent to which state and local governments would be designated critical employers and would be required to verify the eligibility of all employees would depend on regulations to be developed by the Secretary of DHS. Although current DHS documents and policies include all state, local, and tribal governments as part of critical infrastructure, CBO has no information on the extent to which those governments would be designated as critical in this case. According to the Bureau of Labor Statistics, state, local, and tribal governments currently employ about 20 million workers. If the rules were to affect employees only in such sectors as law enforcement, transportation, public utilities, health services, 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 $30 million—below the annual threshold. 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 that threshold. If rules were to affect all state, local, and tribal employees, CBO estimates the aggregate direct costs would be $85 million—over the annual threshold.

The bill contains two additional mandates because it would preempt the authority of state and local governments. First, it would prohibit those governments from imposing fees or penalties on employers for hiring unauthorized workers and from requiring those employers to facilitate the employment of day laborers. Although no state or local government currently



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collects such fees, this preemption could result in a loss of revenue for those governments in the future. Second, the bill would authorize state and local law enforcement officials, not withstanding any other provision of law, to investigate, apprehend, detain, or remove aliens while enforcing civil and criminal immigration laws. This broad authority for state and local law enforcement officials would preempt the authority of state and local governments to regulate those officers. CBO estimates that the cost for state and local governments to comply with those preemptions, if any, would be small.

Several provisions in the bill 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 about $12 billion over the 2007-2016 period. Because states have broad flexibility to alter optional benefits and eligibility to offset such costs, the increased spending would not result from intergovernmental mandates as defined in UMRA.

Finally, CBO estimates that enacting S. 2611 would lead to an increase in the U.S. population of almost 8 million by 2016. As a result of this growth in population, some state, local, and tribal governments would collect more tax revenues and face significant costs to provide education, heath care, and other services to those immigrants. Assuming appropriation of the authorized amounts, those governments would receive more than $12 billion over fiscal years 2007-2012 from the creation of new grant programs and the extension of current programs to reimburse some of those costs.

## ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 2611would impose private-sector mandates, as defined in UMRA, on employers and other entities that hire, recruit, or refer individuals for employment. The mandates would require certain employers that are determined to be critical employers to verify the employment eligibility of their current employees and would require all employers and certain other entities to verify the employment eligibility of new hires and maintain records of the verification process. Based on the large number of projected new hires that employers and other entities would be required to verify annually under the bill, CBO expects that the aggregate direct costs to comply with those mandates would exceed the annual threshold for private-sector mandates ($128 million in 2006, adjusted annually for inflation) in at least one of the first five years the mandates are in effect.

### Requirement for Critical Employers

The bill would require certain private-sector employers to verify the name and Social Security number of their employees using the electronic employee verification system to be administered by the Department of Homeland Security. The bill would authorize the



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Secretary of DHS to designate critical employers and require, within 180 days of the bill's enactment, those employers to verify the work eligibility of all previously and newly hired employees. Because that determination has not been made and because of uncertainty about how the program would be implemented, the costs to private-sector employers are very uncertain.

**Requirements for Employers and Other Entities**

The bill also would require employers to verify the employment eligibility of new hires through participation in the EEVS. Participation would require employers and other entities that recruit or refer individuals to confirm the name and Social Security number of individuals hired by the end of three working days after the date of hire. This requirement would begin 18 months after funding is appropriated and made available to the Secretary to implement the system. In addition, employers would have to maintain a record of the verification for newly hired employees for a specific amount of time in a form that would be available for government inspection. The direct cost of the mandates would be the incremental cost to verify the employment eligibility of new hires through the Internet or other electronic media or over a telephone line administered by DHS and to maintain records of the verification. Because of the large number of new hires that employers would have to verify annually, CBO expects that the direct costs to comply with those mandates would be substantial.



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# ADDITIONAL INFORMATION ON THE ESTIMATED BUDGETARY AND ECONOMIC EFFECTS OF S. 2611

In response to a request from several Senators, the Congressional Budget Office (CBO) is providing additional information relating to the potential effects of S. 2611, the Comprehensive Immigration Reform Act of 2006. Specifically, this memorandum addresses the following questions:

- What would be the potential effects on direct spending in 2016 under the hypothetical assumption that all of the people currently undocumented in the United States who would ultimately become legal permanent residents (LPRs) under the provisions of the bill actually do so by 2016?

- What is the potential effect of the bill on the Social Security program?

- What is the likely impact of the bill on wages?

- What macroeconomic effects might the bill have, and how might those affect federal revenues?

Separately, CBO transmitted a 10-year cost estimate for S. 2611 on May 16, 2006. In that document, CBO and the Joint Committee on Taxation (JCT) estimate that enacting S. 2611 would increase direct spending by $54 billion over the 2007-2016 period, primarily for refundable tax credits, Medicaid, Social Security, Medicare, and Food Stamps. In addition, JCT and CBO estimate that the bill would increase revenues by $66 billion over the 10-year period. Finally, CBO estimates that implementing the bill would result in new discretionary spending of about $25 billion over the 2007-2011 period (with additional spending after 2011), assuming the appropriation of the necessary funds.

## Potential Direct Spending Effects of S. 2611 in 2016, Assuming Full Implementation by That Year

In addition to the standard 10-year cost estimate, CBO was asked to illustrate the potential direct spending effects of S. 2611 assuming it was fully phased in by 2016 and that the current population of undocumented immigrants (sometimes referred to as illegal aliens or unauthorized aliens) had the opportunity to attain LPR status and eligibility for federal benefits by that time. Under the schedule prescribed in the bill, most of the current

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population of undocumented immigrants might not become LPRs for eight years, and would generally have to wait another five years before they could have access to certain federal benefit programs. Therefore, the earliest that currently undocumented immigrants would become eligible for benefits under the bill would be in fiscal year 2020. Other individuals affected by S. 2611 who might be on a somewhat faster track for eligibility for federal benefits include people who would receive new LPR status under the higher limits on employment-based and family-sponsored visas, or who are children born in the United States to those newly legalized immigrants.[1] Although CBO's cost estimate shows significant direct spending for the first 10 years, much of the bill's fiscal impact would not occur until later.

CBO does not expect that all of the currently undocumented immigrants would eventually receive federal benefits. Some of them would not remain in the country long enough, and some of those accorded legal status to live and work in this country might never apply to become LPRs. In addition, many of those who convert to LPR status might not meet the income and asset requirements to qualify for many federal benefit programs.

CBO projects that the current undocumented population would shrink over time as emigration occurs and as some individuals become LPRs. For this hypothetical estimate, CBO has projected that about 4.6 million currently undocumented immigrants would be LPRs in 2016 and have been so for at least five years.[2]

If, hypothetically, the costs for those currently undocumented immigrants were realized in 2016, the spending impact of the bill would be $2.1 billion higher than CBO's estimate for that year—additional outlays of $6.9 billion, rather than the $4.8 billion projected in the cost estimate (see the table below). Most of those additional costs would be for Medicaid and Food Stamp benefits. They would also include some added costs for Supplemental Security Income.

In addition to the currently undocumented population, a substantial portion of the costs of S. 2611 are associated with the proposed guest-worker program and the additional employment-based and family-sponsored entrants; those costs would continue to grow over time as new cohorts of legal aliens continue to enter the country.

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1. For an overview of immigrant categories for both lawful and unlawful entry to the United States, see CBO, *Immigration Policy in the United States*, February 2006.

2. The Pew Hispanic Center estimates that about 11 million undocumented immigrants were in the United States in March 2005. It suggests that this number may have risen to as high as 12 million in 2006. CBO's estimate of LPRs includes participants in the blue-card program for agricultural workers.



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**Estimated Direct Spending Effects of S. 2611 in 2016 for Undocumented Immigrants Currently in the United States: CBO's Cost Estimate and a Hypothetical, Fully Phased-in Effect**

| | CBO Estimate | Fully Phased In Estimate |
|---|---|---|
| | **Outlays, in Billions of Dollars** | |
| Refundable Tax Credits | 2.0 | 2.0 |
| Medicaid | 0.6 | 2.1 |
| Social Security | 0.9 | 0.9 |
| Medicare | 0.8 | 0.8 |
| Food Stamps | 0.3 | 0.9 |
| Supplemental Security Income | * | 0.1 |
| Student Loans | * | * |
| Unemployment Insurance | 0.1 | 0.1 |
| Total | 4.8 | 6.9 |
| | **Number of Beneficiaries, in Thousands** | |
| Refundable Tax Credits | 1,900 | 1,900 |
| Medicaid | 260 | 750 |
| Social Security | 90 | 90 |
| Medicare | 70 | 70 |
| Food Stamps | 290 | 820 |
| Supplemental Security Income | * | 30 |
| Student Loans | * | * |
| Unemployment Insurance | 50 | 50 |

Notes: Include costs shown in CBO's cost estimate for legalization of undocumented immigrants and the blue-card program. Other direct spending programs could be affected by the proposed treatment of the currently undocumented immigrants, but CBO judges that those effects are likely to be very small. For example, these individuals and their families might eventually become eligible for benefits under the Temporary Assistance for Needy Families program, the child care development fund, the Social Services block grant, and other programs, but the funding for these programs is fixed and increased participation by this portion of the population would have to be offset by decreased participation by other people eligible for the programs, or by a reduction in per capita assistance.

* = Less than $50 million or fewer than 5,000 participants.

## Impact on the Long-Range Outlook for Social Security

The additional workers that S. 2611 would permit to be legally employed in the United States would boost both the payroll taxes and benefit payments of the Social Security program. The



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net impact is uncertain, however, because that would depend on the characteristics of the new workers and their families.

When increased immigration is simulated in models of Social Security finances constructed and used by the Social Security Administration and CBO, those finances are generally improved because additional revenues are collected before new benefit payments are made. The 2006 report of the Social Security Trustees indicated that a 400,000 increase in annual immigration would improve the actuarial balance of the program by 0.26 percent of taxable payroll over the next 75 years—from -2.02 percent to -1.76 percent.[3] (CBO's model generated a comparable improvement.) Under the assumptions used in CBO's cost estimate, S. 2611 would increase annual net immigration by about 650,000 over the 2007-2016 period. It is exceedingly difficult to predict how S. 2611 would affect immigration over the next 75 years, but if the annual immigration rate were raised by that amount over the next 75 years, the models indicate that Social Security's actuarial balance would be improved by between 0.4 percent and 0.5 percent of taxable payroll.

These estimates of the effects of S. 2611 on Social Security Finances are quite uncertain.[4] If the new immigrants earn less than other workers covered under Social Security, the initial revenue gains would be lower. Extra benefits would also be lower, but not quite proportionately because of the program's progressive benefit formula. In addition, to the extent that undocumented workers (and their employers) already pay Social Security taxes, a change in their status would put them on track to eventually receive benefits with no commensurate revenue gain, thereby worsening the finances of the system.

**Potential Effects on Wages**

Enactment of S. 2611 would increase the number of workers in the United States and thus would increase the aggregate amount of wages paid. Based on a review of the extensive economics literature on the effects of immigration on the labor market, CBO concludes that the increase in the number of workers would probably have a very small negative effect on the growth of average weekly wages of workers already in the United States, reducing the growth of wages of some workers and increasing that of others.

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3. Taxable payroll in 2006 is about $5.0 trillion.

4. Although the models for estimating Social Security finances maintained at the Social Security Administration and at CBO can be used to study the impact of different overall levels of immigration, they are not currently designed to measure the effects of a changing mix of immigrants. That is, the current models assume that any increase in immigration will have the same age-sex characteristics as recent immigrants.



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By 2016, roughly 3.4 million workers would be added under the bill—increasing employment in the United States by about 2.2 percent above the number who would be working in that year under current policy. Although the initial impact of an increase in the supply of labor into a specific labor market might be to lower the weekly wages of workers competing in that market, a flexible labor market will adjust over time to their presence. For example, increased investment in response to the new opportunities created by the larger labor force would tend to raise workers' productivity and earnings. Likewise, decisions workers make about their education, occupation, and where they live could be affected.

Nonetheless, it is likely that the arrival of additional workers would slow the growth of the wages of workers already present in the United States with whom they most closely compete. For example, the large influx of foreign-born workers with less than a high school education during the past few decades probably put downward wage pressure on workers (both native and foreign-born) who also lacked a high school diploma.

Although a large number of studies have attempted to estimate the effects of immigration on wages, their conclusions reveal little consensus. CBO's recent review of estimates of the impact of past increases in the number of foreign-born workers on the weekly wages of other workers underscored the uncertainty of such estimates because of the many ways in which labor markets might adjust.[5]

Most studies found few, if any, adverse effects of immigration on the average wages of other workers.[6] However, a widely cited study by George Borjas estimated that a 10 percent increase in the number of workers in a labor market delineated by education and experience would reduce the average weekly earnings of men in that market by 3 percent or 4 percent before secondary adjustments occur.[7] That estimate overstates the long-run impact to the extent that the presence of the additional workers stimulates the demand for investment and leads other workers to acquire more education. Both adjustments are likely to occur.

To illustrate the potential impact on weekly wages of adding 3.4 million workers to the labor market, CBO used elasticity estimates from the aforementioned study and a range of assumptions about how the demand for labor would adjust to the increased labor supply. CBO also assumed that the new workers had an education and age distribution similar to that of foreign-born workers who were employed in the United States in 2005. In the absence of

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5. See CBO, *The Role of Immigrants in the U.S. Labor Market* (November 2005), pp. 19 to 24.

6. See, for example, David Card, *Is the New Immigration Really So Bad?* Working Paper No. 11547 (Cambridge, Mass.: National Bureau of Economic Research, August 2005).

7. George J. Borjas, "The Labor Demand Curve *Is* Downward Sloping: Reexamining the Impact of Immigration on the Labor Market," *Quarterly Journal of Economics*, vol. 18, no. 4 (2003), pp.1335-1374.



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secondary adjustments in capital formation or other adjustments, these assumptions imply that the average weekly wages of workers already in the United States would be about 0.6 percent lower than they would be without the increased labor supply. If capital adjusts completely to the expansion of the workforce, however, there would be no negative impact on the average weekly wages of workers already in the United States. The latter result is consistent with other studies that estimated the impact of previous immigrant inflows and found that new workers would have virtually no impact on average wages.

To the extent that the new workers were concentrated in some segments of the labor market, any negative impacts likely would be largest for the categories of workers who most closely resemble the new workers. If the additional workers had the same education and age distribution as current foreign-born workers, the analysis suggests that the average weekly wages of workers who had not completed high school (about 12 percent of all adults employed last year) would be about 4 percent lower, while the average wages of workers with at least a high school education would be about 0.4 percent lower. With complete adjustment by capital, there would be no impact on overall wages; the average wages of workers without a high school diploma would be lower; those of other workers would be higher.

In addition, enacting the bill would lead to changes in the legal status of many of the foreign-born workers already in the country. Those changes, by themselves, would not directly increase the size of the workforce but could affect the types of jobs that those workers are able to secure and increase their average compensation.

Finally, although many of the effects on the labor market that would result from enactment of the bill are unclear, the aggregate wages received by workers in the United States would be higher simply because there would be more workers. Aggregate earnings would rise by the total amount received by the additional workers minus any reductions in the earnings of other workers. As discussed above, those reductions are likely to be small, offsetting at most one-quarter of the direct impact.

**Potential Macroeconomic Effects**

The Comprehensive Immigration Reform Act of 2006 could affect the economy in a variety of ways. Most importantly, CBO estimates that it would add over 3 million employees to the American workforce by 2016, mostly through its guest worker program and increased caps on immigration. The work performed by those added employees would increase the production of goods and services and raise gross domestic product (GDP), other things being



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equal. The bill would also affect both private and public saving, in part through its effects on the federal deficit, altering the amount of funds available for productive investment.

The impact of S. 2611 on the economy would depend largely on the productivity of the added workers and the bill's effect on the nation's capital stock. As described above, CBO assumed that the additional workers would be as productive as (and earn the same wages as) the current foreign-born population. The effect on the capital stock would depend on the bill's impact on the federal budget (or public saving), private saving, and capital flows from other countries. For this analysis, CBO assumed an effect on public saving consistent with its cost estimate for the bill.

CBO produced estimates using two sets of assumptions for the impact on private saving and capital flows because of the high degree of uncertainty about that impact. Under the high investment assumption, private saving and capital flows were assumed to fully adjust to the additional supply of labor, keeping wage and interest rates at baseline levels.[8] Under the low investment assumption, investment was assumed to adjust by a smaller amount, so that wage rates fall below, and interest rates rise above, baseline levels.[9] This assumption could be interpreted as assuming that net capital inflows from abroad were at baseline levels and that new immigrants save at a rate lower than the U.S. average (because they tend to earn less, and lower earners tend to save at a lower rate). It could also be interpreted as combining a somewhat higher saving rate together with an increase in remittances, which constitute a capital outflow.

Under the high investment assumption, CBO estimates that enacting the bill would increase GDP by 0.4 percent, on average, from 2007 through 2011, and by 1.3 percent from 2012 through 2016. Under the low investment assumption, CBO estimates that enacting the bill would increase GDP by 0.3 percent, on average, from 2007 through 2011, and by 0.8 percent from 2012 through 2016.

Those economic effects could, in turn, affect the budgetary impact of the bill. In its revenue estimate, the Joint Committee on Taxation (JCT) included taxes on wages earned by additional immigrants, as well as well as the revenue implications of reductions in average wage rates due to additional workers. However, a wider range of effects is possible. CBO estimated the additional budgetary impact of changes in the capital stock, which would affect

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8. In its implications for domestic investment, this corresponds to a "small open economy" assumption.

9. For the purposes of the economic and budgetary projections presented in this section, under the low investment assumption CBO estimated that wage rates would decline by about 0.4 percent in 2016 in response to additional labor supply under S. 2611. That estimate is consistent with the results of empirical research, as presented in the previous section. CBO also assumed a decline in labor supply of somewhat less than 0.1 percent in response to the lower wage rates.



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wage rates, interest rates, and revenue from taxes on capital income, under the low investment and high investment assumptions described above. Under the high investment assumption, CBO estimated that those effects would improve the budgetary impact of the bill by about $30 billion over the 2007-2011 period, and by about $130 billion from 2012 through 2016. Under the low investment assumption, CBO estimated that those effects would improve the budgetary impact of the bill by about $20 billion over the 2007-2011 period, and about $60 billion from 2012 through 2016.



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