



June 24, 2013

Honorable Patrick J. Leahy
Chairman
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

CBO and the staff of the Joint Committee on Taxation (JCT) have reviewed Senate Amendment 1183 to S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act. (That amendment was posted on the website of the Committee on the Judiciary on June 21, 2013.)

Previous Estimate for the Committee-Approved Bill

CBO and JCT previously analyzed S. 744, as reported by the Judiciary Committee on May 28, 2013 (with changes incorporated into a “star print” on June 6, 2013). In the cost estimate transmitted on June 18, 2013, CBO and JCT estimated that enacting the committee-approved version of S. 744 would have effects on direct spending and revenues that would reduce budget deficits by \$197 billion over the 2014-2023 period and by about \$700 billion over the 2024-2033 period. In addition, that version of the bill would lead to discretionary costs for immigration-related activities of \$22 billion over the 2014-2023 period and \$20 billion to \$25 billion over the 2024-2033 period, assuming appropriation of the necessary amounts.

Overall Impact of Senate Amendment 1183

Senate Amendment 1183 is an amendment in the nature of a substitute for S. 744. Relative to the committee-approved version of that bill, the amendment would increase funding for border security and immigration enforcement and would also make changes in other provisions.

CBO and JCT have not completed estimates of the amendment’s impact on U.S. population flows or the federal budget. However, this letter provides a preliminary assessment of some key implications of the amendment.

CBO expects that the amendment would reduce the net flow of unauthorized residents to the United States relative to the flows that would occur under the committee-approved version of S. 744. The agency also expects that the amendment would not have a significant impact on legal immigration or on

the legalization of currently unauthorized immigrants, compared with what would occur under the committee-approved version of the bill.

All told, CBO and JCT expect that enacting the amendment would, like enacting S. 744, reduce the federal deficit over both the next 10 years and the second decade following enactment. We also expect that the net deficit reduction under the substitute amendment would be somewhat smaller than the \$197 billion in deficit reduction over the 2014-2023 period that CBO and JCT estimated for the committee-approved version of the bill. The difference in deficit reduction between the two versions of the legislation would probably be similar in magnitude to the increase in spending for border security.

Increased Funding for Border Security

The proposed amendment would appropriate \$46.3 billion for expenses related to the security of the southern U.S. border and initial administrative costs. That appropriation would be \$38 billion greater than the funding included in the committee-approved version of S. 744. The amendment would direct that \$30 billion of that additional amount be used to hire at least 19,200 additional U.S. Border Patrol agents and that most of the remaining increase be used for constructing additional fencing along the southern border.

Under both the amendment and the committee-approved bill, CBO estimates that, over the 2014-2023 period, about \$6 billion of the amounts appropriated for increased border security would be offset by a variety of fees imposed for immigration services, primarily a \$1,000 penalty imposed on those who would apply for Registered Provisional Immigrant status. By 2028, the agency expects that \$8.3 billion of those appropriations would be offset by fees.

Senate Amendment 1183 would give the Department of Homeland Security (DHS) the authority to adjust fees established by the bill and to impose additional surcharges for immigrant and nonimmigrant petitions to offset the amounts appropriated in the legislation for enforcement. However, CBO does not expect that authority would result in additional deficit reduction relative to what would occur under the committee-approved version of S. 744 for the following reasons:

- The amendment would permit but not require DHS to impose additional surcharges.
- As specified in the amendment, after \$8.3 billion in fees has been collected, additional collections from most of the fees authorized by this legislation would be subject to future appropriation action; that is, there would no longer be permanent authority to collect those fees.

- Any additional collections from surcharges on other fees collected by DHS to process immigrant and nonimmigrant petitions would be available for spending. Under current law, DHS has the authority to spend all amounts collected for those services (roughly \$2.6 billion is collected and spent annually for those purposes).

Effects on Illegal Immigration

Although CBO cannot precisely estimate the impact on population flows of either the committee-approved version of S. 744 or the proposed amendment, the agency expects that the amendment would further reduce the net annual flow of unauthorized residents into the United States relative to what would occur under the committee-approved bill.

The net inflow of unauthorized residents has two main elements: a flow of people who cross the border without authorization, and a flow of people who enter the country with authorization to stay for a temporary period but stay after that authorization has expired. The amendment would significantly increase border security relative to the committee-approved version of the bill, and it would strengthen enforcement actions against those who stay in the country after their authorization has expired. Therefore, CBO expects that, relative to the committee-approved version of S. 744, the amendment would reduce both illegal entry into the country and the number of people who stay in the country beyond the end of their authorized period.

CBO estimated that the committee-approved version of S. 744 would reduce the net inflow of unauthorized residents by about one-quarter compared with the projected flow under current law. CBO expects that the reduction under the amendment would be greater than under the committee-approved version but has not yet been able to formulate a specific numerical estimate. The uncertainty associated with future population flows under current law, S. 744 as approved by the committee, or the amendment is very great.

Effects on the Federal Budget

Although CBO and JCT have not completed an estimate of the budgetary effects of the amendment, we expect that enacting it would yield net budgetary savings over both the 2014-2023 period and the 2024-2033 period, relative to current law. As with the committee-approved version of S. 744, the savings under the amendment would arise primarily because increases in income and payroll taxes paid to the federal government would more than offset the increases in spending for program benefits and other purposes. However, also as with the committee-approved version, enacting the amendment would increase on-budget deficits over the 2014-2023 period

because much of the expected increase in revenues would come from Social Security payroll taxes (which are classified as off-budget).

Relative to the committee-approved version of S. 744, the amendment would significantly raise direct spending for border security and would cause spending for federal benefit programs to decline by much smaller amounts. Direct spending for emergency Medicaid and child nutrition programs would be less than under the committee-approved bill because the number of unauthorized residents would be lower. In addition, spending for Social Security (which is classified as off-budget) and Medicare would be lower because the amendment would prohibit certain unauthorized work from counting toward eligibility for those benefits.¹ Thus, fewer individuals would be eligible for Social Security and Medicare, and others would receive smaller Social Security benefits because they would have less credit for work done after 2003.

The bill would increase spending for a jobs program for youth that would be partly offset by new fees imposed on nonimmigrant visas, but only a small portion of those added costs would be offset in the first two decades.

Because we expect that U.S. population flows resulting from legal immigration and legalization programs would not be significantly different under Senate Amendment 1183 than under the committee-approved version of S. 744, and the revenue effects of changes in the number of people entering the country illegally are quite small relative to the revenue effects of those legal flows, CBO and JCT expect that there would not be a significant difference in estimated revenues under the two versions of the legislation.

On balance, compared with the committee-approved bill, the amendment would add roughly \$40 billion in direct spending and would yield some savings that would offset a small part of those costs. As a result, 10-year savings would be smaller than the \$197 billion projected for the committee-approved bill by something less than \$40 billion.

Estimated Budget Effects Beyond the First Decade

CBO expects that the legislation would increase both direct spending and revenues, resulting in a net reduction in the deficit over the 2024-2033 period. Because the amendment would not significantly change the number of people legally entering the country, relative to the committee-approved version of the

1. Specifically, individuals who were assigned a Social Security number in 2004 or later would not receive credit for unauthorized work during the 2004-2013 period if they became Registered Provisional Immigrants under the legislation or for any period in which the individuals were present on an expired nonimmigrant visa.

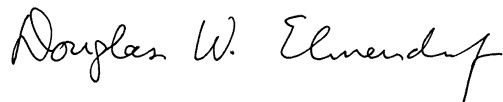
bill, the benefit costs and revenues associated with legal immigration would not change in any significant way. Thus, even though direct spending would increase markedly in the second decade after enactment, the revenues resulting from the bill would increase substantially as well, more than offsetting those projected costs. For the committee-approved version of S. 744, CBO and JCT estimated that changes in direct spending and revenues would decrease federal budget deficits by about \$700 billion (or 0.2 percent of gross domestic product) over the 2024-2033 period. Although we have not completed an estimate for Senate Amendment 1183, we expect that deficit reduction would be similarly large under that proposed substitute.

Although CBO expects that the amendment would increase on-budget deficits (that is, deficits that exclude Social Security receipts and spending) during the first 10 years after enactment, it is not clear whether the amendment would raise or lower on-budget deficits in the four 10-year periods beginning with 2023.

Staff Contact

I hope you find this information useful. If you have any questions, the primary CBO staff contact is Sam Papenfuss, who can be reached at 226-2820.

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf". The signature is written in a cursive, flowing style.

Douglas W. Elmendorf
Director

cc: Honorable Chuck Grassley
Ranking Member

Honorable Bob Corker

Honorable John Hoeven