CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 2, 2010

S. 3992
Development, Relief, and Education for Alien Minors Act of 2010

As introduced on November 30, 2010

SUMMARY

S. 3992 would authorize the Secretary of Homeland Security to grant conditional nonimmigrant status to certain unauthorized residents in the country. Individuals with conditional nonimmigrant status could lawfully live and work in the United States and would be eligible for some refundable tax credits, Social Security, and Medicare benefits, assuming they meet other program requirements. In addition, the bill would make conditional nonimmigrants eligible for federal student loans.

S. 3992 would affect federal revenues in a number of ways. The increase in authorized workers would affect individual and corporate income taxes, as well as social insurance taxes. On balance, those changes would increase revenues by $2.3 billion over 10 years, according to estimates provided by the staff of the Joint Committee on Taxation (JCT). Newly authorized workers also would be eligible for some refundable tax credits (included in the spending total below).

CBO estimates that enacting S. 3992 would increase net direct spending by $912 million over the 2011-2020 period. That amount reflects changes in spending for refundable tax credits, Social Security, Medicare, student loans, and the Department of Homeland Security (DHS). DHS would charge fees to certify legal status under the bill. Because DHS's costs for implementing the bill would be covered by those fees, CBO estimates that implementation by DHS would have no significant impact on spending subject to appropriation. CBO has not estimated other potential effects on discretionary spending, but any such effects would probably be small.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. CBO and JCT estimate that enacting the bill would reduce deficits by about $1.4 billion over the 2011-2020 period. That result reflects an increase in on-budget deficits of about $1.4 billion over that period and a decrease in off-budget

deficits of about $2.8 billion over the same period. Only the on-budget effects are counted for purposes of enforcing the Statutory Pay-As-You-Go Act of 2010.

Although the legislation would not have a large impact on deficits over the 2011-2020 period, the eventual conversion of some of the conditional nonimmigrants to legal permanent resident (LPR) status after 2020 would lead to significant increases in spending for the federal health insurance exchanges, Medicaid, and the Supplemental Nutrition Assistance Program (SNAP). Pursuant to section 311 of the Concurrent Resolution on the Budget for Fiscal Year 2009 (S. Con. Res. 70), CBO estimates that the bill would increase projected deficits by more than $5 billion in at least one of the four consecutive 10-year periods starting in 2021.

This bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). Some state and local colleges and universities may experience increased enrollment as a result of this bill, but any associated costs would not result from intergovernmental mandates. S. 3992 also contains no private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 3992 is shown in the following table. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 570 (Medicare), 600 (income security), 650 (Social Security), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
CHANGES IN REVENUES												
Estimated Revenues	0	187	175	174	221	262	281	322	335	354	757	2,311
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	0	0	51	85	111	124	140	161	185	211	247	1,068
Estimated Outlays	0	-26	9	57	94	114	131	153	178	203	134	912
NET CHANGE IN THE BUDGET DEFICIT FROM CHANGES IN REVENUES AND DIRECT SPENDING												
Impact on the Deficit [a]	0	-213	-166	-117	-127	-148	-150	-169	-157	-151	-623	-1,399
On-Budget	0	-112	38	145	175	191	216	217	246	267	246	1,382
Off-Budget	0	-101	-204	-262	-302	-339	-366	-386	-403	-418	-869	-2,781

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

a. Positive numbers indicate increases in deficits; negative numbers indicate decreases in deficits.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted by January 1, 2011.

Under the bill, unauthorized residents could qualify for conditional nonimmigrant status if they:

- Were less than 16 years of age when they entered the country,
- Lived in the United States for at least five years prior to the bill's enactment,
- Are high school graduates or high school students who have been admitted to an institution of higher education or have a general education development (GED) certificate, and
- Meet other requirements.

After 10 years, individuals could have their status adjusted from conditional nonimmigrant to LPR status if they have received a degree from an institution of higher education, completed at least two years toward a bachelor's (or higher) degree, or served at least two years in the military.

CBO estimates that by 2020, there would be approximately 1.1 million residents with conditional nonimmigrant status. Individuals with that status could lawfully live and work in the United States and would be eligible for certain tax credits, Social Security, Medicare, and federal student loans. However, to be eligible for most other federal benefits, individuals must be legal permanent residents.

Revenues. Because some unauthorized workers would become authorized workers under the bill, JCT anticipates that S. 3992 would lead to increased reporting of employment income, which would add to receipts from both social insurance taxes (a portion of which would be recorded as off-budget revenues) and individual income taxes. However, the reporting of that income also would result in larger tax deductions by businesses for their labor compensation, which would reduce their profits. Because businesses operate in both corporate and noncorporate form, those deductions would reduce both corporate and individual income tax receipts, offsetting some of the increases discussed above. In addition, some of the revenue increases would be offset because some currently unauthorized workers who have income taxes withheld would file tax returns and claim refunds. Furthermore, because those workers would be able to work legally in the country, they would become eligible for many of the tax-reducing provisions available to workers with children, including the dependent exemption, child tax credit, earned income credit, and head-of-household filing status. Application of those provisions would either reduce income taxes or increase outlays from refundable tax credits. In total, JCT estimates that S. 3992 would increase revenues by $2.3 billion in the 2011-2020 period.

Direct Spending

Refundable Tax Credits. Outlays for the refundable tax credits discussed above would increase by $961 million between 2011 and 2020.

Social Security and Medicare. By granting conditional nonimmigrant status to individuals who are currently unlawfully present in the United States, S. 3992 would allow those individuals to receive benefits from the Social Security and Medicare programs.

Individuals can earn eligibility for Social Security by meeting the program's age or disability criteria and by paying payroll taxes for a required period. Younger adults with disabilities, for example, can meet that "quarters of coverage" requirement in as few as two years. Individuals who receive Social Security Disability Insurance are automatically eligible for Medicare after a 24-month waiting period.

Individuals affected by S. 3992 would 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. 3992 would qualify for Social Security and Medicare benefits in the 2011-2020 period. Based on information from the Current Population Survey, CBO projects that 1,800 people—less than 0.2 percent of the affected population—would qualify for Social Security by 2020. CBO estimates that enacting S. 3992 would boost Social Security outlays by $77 million and Medicare outlays by $29 million over the 2011-2020 period.

Department of Homeland Security. CBO expects that DHS would charge fees totaling about $700 per case to provide certifications of conditional nonimmigrant status. (Those fees are classified as offsetting receipts, a credit against direct spending.) Thus, we estimate that DHS would collect several hundred million dollars each year in fees from individuals who would be affected by the bill. The department is authorized to spend such fees without further appropriation. Spending of the fees would lag behind collections each year, so we estimate that enacting the legislation would reduce net outlays for DHS by $155 million over the 2011-2020 period.

Student Loans. S. 3992 would allow individuals granted conditional nonimmigrant status to participate in the federal student loan program. CBO assumes that those students would be less likely than other students to participate in the student loan program for two main reasons. First, those students are more likely to be enrolled in lower-cost community colleges where the need for financial assistance is lower. Second, they would be less willing to submit financial aid forms and expose other family members who are unlawfully present in the country. Assuming that approximately 15 percent of enrolled students obtain student loans, and based on CBO's subsidy rates for the student loan program, we estimate the bill would have a negligible effect on federal spending for student loans between 2011 and 2020.

Medicaid and SNAP. CBO estimates that enacting the bill would not affect Medicaid or SNAP spending for the 2011-2020 period because individuals with conditional nonimmigrant status would not be eligible for either program. Spending for Medicaid and SNAP would increase outside the 2011-2020 period for individuals who obtain LPR status and meet program eligibility requirements. Under current law, legal permanent residents are eligible, after a five-year waiting period, to enroll in SNAP and in Medicaid if they reside in a state that elects to provide Medicaid coverage to LPRs.

Health Insurance Exchanges. S. 3992 would prohibit individuals with conditional nonimmigrant status from receiving subsidies toward health insurance purchased through health insurance exchanges. As a result, CBO estimates that the bill would not affect federal spending for premium and cost-sharing subsidies for exchange plans over the 2011-2020 period. There would be, however, increased federal spending for those subsidies after 2020 as individuals become legal permanent residents and may become eligible for exchange subsidies.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

CBO Estimate of Pay-As-You-Go Effects for S. 3992 as introduced on November 30, 2010

	By Fiscal Year, in Millions of Dollars											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
Increase or Decrease (-) in On-Budget Deficits												
Statutory Pay-As-You-Go Impact	0	-112	38	145	175	191	216	217	246	267	246	1,382

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

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

This bill contains no intergovernmental mandates as defined in UMRA. Some state and local colleges and universities may experience increased enrollment as a result of this bill, but any associated costs would not result from intergovernmental mandates.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no private-sector mandates as defined in UMRA.

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