

December 14, 2005

Honorable F. James Sensenbrenner Jr.
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As requested by your committee staff, CBO has reviewed the December 13, 2005, manager's amendment to H.R. 4437, the Border Protection, Antiterrorism, and Illegal Immigration Control Act of 2005.

On December 13, 2005, CBO transmitted a cost estimate for H.R. 4437, as ordered reported by the Committee on the Judiciary on December 8, 2005. CBO estimated that implementing the bill would cost about \$1.9 billion over the 2006-2010 period and substantial amounts after 2010, assuming the appropriation of the necessary funds.

CBO determined that section 703 of the committee-approved bill would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on employers and other entities that hire, recruit, or refer individuals for employment. The most significant mandate would be the requirement to verify the work eligibility of previously hired employees. CBO estimated that the aggregate direct costs to comply with the mandates would exceed UMRA's annual thresholds for both intergovernmental and private-sector mandates (\$62 million for intergovernmental mandates in 2005 and \$123 million for private-sector mandates in 2005, adjusted annually for inflation) in at least one of the first five years the mandates are in effect.

The December 13, 2005, manager's amendment would change section 703 to phase in a series of deadlines that employers would be required to comply with for verifying the work eligibility of previously hired employees. Because the amendment would spread verification costs over several years, CBO estimates that it is unlikely that the costs imposed on state and local governments or private entities would exceed the thresholds established in UMRA in any one year through 2012. Depending on how the bill's requirements are implemented, however, the costs to the private sector could exceed UMRA's annual threshold.

Honorable F. James Sensenbrenner Jr.
Page 2

The manager's amendment also contains an intergovernmental mandate not included in the bill as reported by the committee. That new mandate would preempt the authority of state and local governments to require private entities, as a condition of conducting business, to provide, build, fund, or maintain day labor sites, or to facilitate the employment of day laborers. CBO estimates that this provision would result in the loss of revenue for some state or local governments where day labor sites are currently located, but the magnitude of that loss would be small.

CBO estimates that the federal costs of title VII (Employment Eligibility Verification) would be substantially unchanged from those presented in our December 13, 2005, cost estimate of the committee-reported bill, which totaled \$405 million over the 2006-2010 period. Because the manager's amendment would stagger the verification deadline for state and local governments over several years, costs amounting to several million dollars would shift from 2009 to later years, principally 2010. That shift would have only negligible effects on federal outlays over the five-year period.

The amendment also contains several new provisions that would increase costs for the federal government over the 2006-2010 period; CBO has not had sufficient time to estimate those costs, but we expect that they would add less than \$10 million a year to the bill's federal budget impact.

If you wish further details we will be pleased to provide them. The CBO staff contacts are Melissa Merrell (for the intergovernmental effects), Paige Piper/Bach (for the private-sector impact), and Mark Grabowicz and Kathy Ruffing (for federal costs).

Sincerely,

Douglas Holtz-Eakin
Director

cc: Honorable John Conyers Jr.
Ranking Member

Honorable Peter T. King

Honorable F. James Sensenbrenner Jr.
Page 3

Honorable David Dreier
Chairman
Committee on Rules

Honorable Louise M. Slaughter
Ranking Minority Member