



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 26, 2002

S. 1291

Development, Relief, and Education for Alien Minors Act

As reported by the Senate Committee on the Judiciary on June 20, 2002

SUMMARY

S. 1291 would authorize the Attorney General to stay the deportation of certain unauthorized aliens under the age of 21 who have lived in the United States for at least five years and to adjust their status to be that of legal permanent resident. This action would make these aliens eligible for certain federal benefits.

CBO estimates that the bill would increase authorized funding for the federal Pell grant program by \$195 million in 2003 and \$362 million over the 2003-2004 period. CBO estimates that appropriation of the necessary amounts would result in additional outlays of \$362 million over the 2003-2006 period.

CBO estimates that enacting S. 1291 also would increase direct spending for the Pell grant, student loan, Food Stamps, and Medicaid programs by \$142 million in 2003 and by \$364 million over the 2003-2012 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

S. 1291 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). As legal permanent residents, some individuals would be eligible for Medicaid assistance as a result of the bill's enactment. Benefits under the Medicaid program for these individuals could cost states approximately \$100 million over the 2008-2012 period. Because states have sufficient flexibility to offset such costs if they choose, those costs would not constitute mandates under UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1291 is shown in the following table. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), and 600 (income security).

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION											
Pell Grant Spending Under Current Law											
Estimated Authorization Level ^a	12,286	20,178	20,335	0	0	0	0	0	0	0	0
Estimated Outlays	11,966	14,312	20,040	16,400	424	0	0	0	0	0	0
Proposed Changes											
Estimated Authorization Level	0	195	167	0	0	0	0	0	0	0	0
Estimated Outlays	0	39	185	134	4	0	0	0	0	0	0
Pell Grant Spending Under S. 1291											
Estimated Authorization Level ^a	12,286	20,373	20,502	0	0	0	0	0	0	0	0
Estimated Outlays	11,966	14,351	20,225	16,534	428	0	0	0	0	0	0
CHANGES IN DIRECT SPENDING											
Pell Grants											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	139	3	0	0	0	0	0	0	0	0
Student Loans											
Estimated Budget Authority	0	3	3	3	3	3	3	2	1	1	*
Estimated Outlays	0	3	3	3	3	3	3	2	1	1	*
Food Stamps											
Estimated Budget Authority	0	0	0	0	0	0	5	10	15	15	20
Estimated Outlays	0	0	0	0	0	0	5	10	15	15	20
Medicaid											
Estimated Budget Authority	0	0	0	0	0	0	10	20	25	35	45
Estimated Outlays	0	0	0	0	0	0	10	20	25	35	45
Total Changes In Direct Spending											
Estimated Budget Authority	0	3	3	3	3	3	18	32	41	51	65
Estimated Outlays	0	142	6	3	3	3	18	32	41	51	65

NOTES: * = Less than \$500,000.

a. The 2002 level is the amount appropriated for that year. The 2003 and 2004 levels are estimates based on an authorized maximum grant award of \$5,800. The program is currently authorized only through 2004.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted by the end of fiscal year 2002 and that the necessary amounts to implement the bill will be appropriated for 2003 and 2004.

S. 1291 would make certain illegal alien children eligible for cancellations of deportation, authorizations of employment, and certifications of legal permanent resident status. The bill would permit the Immigration and Naturalization Service (INS) to grant this treatment to undocumented high school graduates under the age of 21 who have lived in the United States for at least five years before the bill's enactment and who meet several other criteria. To be eligible, these aliens must have attained 12 years of age before the bill's enactment. Based on a report by the Urban Institute, CBO estimates that roughly 530,000 illegal aliens potentially would be affected by the bill's provisions.

Aliens who receive the change in status could be eligible for federal benefits such as financial aid, food stamps, and Medicaid assuming they meet other program requirements.

Spending Subject to Appropriation

Implementing S. 1291 would require higher funding levels for the Pell grant program. Assuming the necessary amounts are appropriated, discretionary outlays would rise by an estimated \$39 million in 2003 and \$362 million over the 2003-2006 period.

The federal Pell grant program provides grants to individuals for higher education expenses. It is a discretionary program and is authorized through 2003 through the Higher Education Act of 1965 and through 2004 through the General Education Provisions Act. Changes to award years 2003-2004 and 2004-2005 would increase the authorized amounts, which are subject to appropriation. Increases to the 2002-2003 award year would be considered direct spending. (That effect is described in the following "Direct Spending" section.)

CBO estimates that S. 1291 would increase the authorized level of the Pell grant program by \$195 million in 2003 and \$167 million in 2004—the last two years of the program's current authorization.

Legal permanent residents are eligible to receive federal financial aid benefits, including Pell grants and student loans. In 2000, there were an estimated 64,000 illegal aliens enrolled in college under the age of 21 who had been in the United States for at least five years. For this estimate, we estimated the percentage of students by age that would continue to enroll in college each year, as well as additional students who would likely be enticed to attend college because of the new financial aid benefits. CBO assumes that the average award

would be \$3,435 and that most of the alien children enrolled in post-secondary institutions would participate.

Direct Spending

CBO estimates that enacting S. 1291 would increase direct spending by \$142 million in 2003, \$157 million for the 2003-2007 period, and \$364 million over the 2003-2012 period.

Pell Grants. S. 1291 would increase direct spending in the Pell grant program by \$139 million in 2003. Although the Pell grant program is a discretionary program, the cost of increasing the number of eligible recipients in the 2002-2003 (i.e., current) award year would be considered direct spending. This is because the appropriation and the maximum grant award for that year are already set in law and a payment schedule has been published. Once the payment schedule has been published, all eligible students receive a grant regardless of whether the total amount it would take to fund the students exceeds the appropriated amount. CBO estimates that an additional 58,500 Pell grants would be awarded, with an average grant of about \$2,420.

Student Loans. Granting legal permanent resident status also would allow these students to participate in the federal student loan programs. CBO estimates that about 65,000 illegal alien children would enroll during the 2002-2003 academic year and meet all of the other criteria. CBO assumes this number would remain around this level through 2007 and then decline relatively rapidly after that. Assuming that one in 10 enrolled students borrow student loans, loan costs—estimated on a subsidy-cost basis—are expected to increase by \$3 million in 2003 and by \$22 million over the 2003-2012 period.

Food Stamps. CBO estimates that enacting the bill also would increase costs in the Food Stamp and Medicaid programs. The bill would allow certain aliens who are here illegally to have their status adjusted to that of a legal permanent resident; these individuals then would be considered qualified aliens for the purpose of eligibility for federal public benefit programs. However, these individuals would be ineligible during their first five years as qualified aliens. Therefore, costs would not occur until the latter half of the 10-year period.

CBO estimates 310,000 individuals would adjust their status over the 10-year period. About 5,000 individuals would be newly eligible for food stamps in 2008, growing to almost 25,000 by 2012, increasing Food Stamp costs by \$5 million in 2008 and a total of \$65 million over the 2008-2012 period. These estimates are based on Current Population Survey data on participation by noncitizens before the changes in eligibility that were enacted in 1996.

Further adjustments were made to take into account changes in participation in the Food Stamp program in recent years and the age and education status of this group.

Medicaid. CBO estimates that enacting the bill would increase federal Medicaid spending by \$135 million over the 2008-2012 period. CBO anticipates that the individuals affected by the bill would qualify for Medicaid primarily through eligibility categories for pregnant women or disabled people with high medical expenses. Based on historical data on Medicaid participation, CBO estimates that an additional 3,000 people would receive Medicaid in 2008 under the bill, rising to about 11,000 by 2012. Most of these new recipients would be pregnant women. Our estimate of the per capita costs for the new recipients excludes emergency services, which are already covered under current law.

Department of Justice. INS would charge fees totaling several hundred dollars per case to provide cancellations of deportation, authorizations of employment, and certifications of legal permanent resident status. Thus, the agency could collect several million dollars annually over the next few years. The INS is authorized to spend such fees without further appropriation, so the net impact on INS spending would be negligible. INS fees are classified as offsetting receipts (a credit against direct spending).

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	142	6	3	3	3	18	32	41	51	65
Changes in receipts											

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1291 contains no intergovernmental or private-sector mandates as defined in UMRA. As legal permanent residents, some individuals would be eligible for Medicaid assistance as a result of the bill's enactment. Benefits under the Medicaid program for these individuals

could cost states approximately \$100 million over the 2008-2012 period. Because states have sufficient flexibility to offset such costs if they choose, those costs would not constitute mandates under UMRA.

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