



May 23, 2007

Honorable Kent Conrad  
Chairman  
Committee on the Budget  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have conducted a preliminary review of Senate Amendment 1150, in the nature of a substitute for S. 1348, the Comprehensive Immigration Reform Act of 2007. CBO plans to release a more detailed and formal cost estimate for the legislation in the next several days. In the meanwhile, we can provide the following preliminary information:

- CBO and JCT estimate that enacting S. Amdt. 1150 would increase federal direct spending by \$13 billion to \$17 billion over the 2008-2012 period and by \$32 billion to \$38 billion over the 2008-2017 period. Over the 10-year period, about 4 percent of those totals for direct spending would be for Social Security benefits, which are classified as off-budget. The single largest component of the expected direct spending is for outlays from refundable tax credits, estimated by JCT. (See the table on page 2.)
- CBO and JCT estimate that enacting the substitute amendment would result in a net increase in federal revenues of \$15 billion to \$19 billion over the 2008-2012 period and a net increase of \$70 billion to \$75 billion over the 2008-2017 period. Increased revenue from Social Security payroll taxes, which are classified as off-budget account for most of the changes in revenues over the 10-year period (see table).

**Preliminary Estimates of Direct Spending and Revenues Under  
Senate Amendment 1150 to S. 1348 (In billions of dollars, for fiscal  
years)**

	<b>2008-2012</b>	<b>2008-2017</b>
Direct Spending Outlays	13 to 17	32 to 38
On-budget	13 to 17	31 to 37
Off-budget	*	1
Revenues	15 to 19	70 to 75
On-budget	-7 to -12	0 to -11
Off-budget	23 to 31	70 to 86
Net Change in the Deficit	-2	-37
On-budget	21 to 29	31 to 48
Off-budget	-23 to -30	-69 to -85
<u>Memorandum</u>		
Refundable tax credits (included in on-budget outlays)	11 to 14	20 to 24

\* = less than \$500 million

Note: A negative figure for the net change in the deficit represents a reduction in the deficit relative to current law; a positive figure represents an increase in the deficit.

In addition to the amounts provided above, CBO has developed the following preliminary estimates for discretionary spending and new intergovernmental and private-sector mandates under the proposed amendment:

- CBO estimates that implementing S. Amdt. 1150 would result in discretionary outlays of about \$20 billion over the 2008-2012 period and approximately \$40 billion over the 2008-2017 period, assuming the appropriation of the necessary amounts. (A little less than one-third of those amounts would stem from specified authorization levels contained in the legislation—primarily for law enforcement grants to state and local governments. The additional discretionary costs would stem from requirements for additional federal personnel, facilities, and programs such as the development of an Employment Eligibility Verification System.)

- S. Amdt. 1150 would impose intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA), because it would preempt state and local authority and require states, 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). Until the regulations are developed, CBO cannot determine whether the total costs to state, local, and tribal governments would exceed the annual threshold established in UMRA (\$66 million in 2006, adjusted annually for inflation).
- The amendment also would impose private-sector mandates, as defined in UMRA, on employers and other entities that hire, recruit, or refer individuals for employment. The most costly mandate would require all employers and other entities to verify the employment eligibility of workers. Based on the large number of individuals that employers and other entities would be required to verify under the bill, CBO expects that the aggregate direct costs of the mandates would exceed the annual threshold for private-sector mandates (\$131 million in 2007, adjusted annually for inflation) in at least one of the first five years the mandates are in effect.

CBO's forthcoming formal cost estimate for this legislation will include projections of changes in the U.S. immigrant population, as well as estimates of spending for specific programs, including refundable tax credits, Medicare, Medicaid, Social Security, food stamps, administrative costs to DHS and other agencies, and other budgetary effects.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Orszag".

Peter R. Orszag  
Director

Honorable Kent Conrad  
Page 4

cc: Honorable Judd Gregg  
Ranking Member

Honorable Edward M. Kennedy  
Chairman  
Committee on Health, Education, Labor, and Pensions

Honorable Mike Enzi  
Ranking Member

Honorable Patrick J. Leahy  
Chairman  
Committee on the Judiciary

Honorable Arlen Specter  
Ranking Member