CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 12, 2014

H.R. 2131
Supplying Knowledge-based Immigrants and Lifting Levels of STEM Visas Act (SKILLS Visa Act)

As ordered reported by the House Committee on the Judiciary on June 27, 2013

SUMMARY

H.R. 2131 would amend immigration laws to increase the number of highly skilled noncitizens who could receive employment-based immigrant (permanent) and nonimmigrant (temporary) visas to live and work in the United States. In addition, H.R. 2131 would change the numbers of family-based immigrant visas available to certain categories of noncitizens. The bill also would eliminate the immigrant visas made available through the Diversity Visa program. On net, CBO estimates that enacting H.R. 2131 would increase the U.S. population by nearly 1 million in 2024 and in 2034.

Budgetary Effects, 2014-2024

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 2131 would increase revenues by $118 billion over the 2014-2024 period. That increase, largely reflecting additional collections of income and payroll taxes, would result primarily from an expansion in the size of the U.S. labor force.

CBO and JCT estimate that enacting H.R. 2131 also would increase direct spending by $8 billion over the 2014-2024 period. Most of those outlays would be for increases in refundable tax credits stemming from the larger U.S. population under the bill.

On balance, CBO and JCT estimate that enacting H.R. 2131 would reduce budget deficits through the changes in revenues and direct spending by about $110 billion over the 2014-2024 period. Pay-as-you-go procedures apply to the bill because it would affect direct spending and revenues.

CBO estimates that implementing the bill also would affect spending subject to appropriation. CBO expects that the Department of Homeland Security (DHS) and the Department of State would require about $50 million over the 2015-2019 period to begin processing the increased number of applications for visas resulting from the bill. Additionally, the bill would increase discretionary costs for the Pell Grant program by

$68 million over the 2014-2024 period, as the increase in the population would lead to more people attending college.

Following the long-standing convention of not incorporating macroeconomic effects in cost estimates—a practice that has been followed in the Congressional budget process since it was established in 1974—cost estimates produced by CBO and JCT typically reflect the assumption that macroeconomic variables such as gross domestic product (GDP) and employment remain fixed at the values they are projected to reach under current law. However, because H.R. 2131 would materially increase the size of the U.S. labor force, CBO and JCT relaxed that assumption by incorporating in this cost estimate their projections of the direct effects of the bill on the U.S. population, employment, and taxable compensation.

Budgetary Effects, 2025-2034

CBO and JCT generally do not provide cost estimates beyond the standard 10-year projection period. However, H.R. 2131 would continue to reshape the composition and size of the U.S. population and labor force in the decade following 2024, so CBO and JCT have extended their estimate of the effects of this legislation for another decade. CBO and JCT estimate that enacting H.R. 2131 would reduce federal deficits through changes in revenues and direct spending by about $400 billion over the 2025-2034 period. That effect would be almost entirely the result of higher income and payroll taxes stemming from a larger workforce; direct spending would be little changed from what it would be under current law.

Mandates

H.R. 2131 would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), by requiring some employers of temporary foreign workers to pay additional fees and other employers of temporary foreign workers to pay higher wages than required under current law.

Based on information from industry experts, DHS, and the Department of State, CBO estimates that the aggregate costs for both public and private employers to comply with the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($76 million and $152 million in 2014, respectively, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2131 is summarized in Table 1. The costs of this legislation would fall within budget functions 150 (international affairs), 250 (general science, space, technology), 500 (education, training, employment, and social services), 550 (health), 570 (Medicare), 600 (income security), 650 (Social Security), and 750 (administration of justice).

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF H.R. 2131

	By Fiscal Year, in Billions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
CHANGES IN DIRECT SPENDING													
Estimated Outlays	0	0.1	0.4	0.8	1.0	0.9	1.0	1.1	1.2	1.2	0.8	3.3	8.4
On-Budget	0	0.1	0.4	0.8	1.0	0.9	0.9	1.0	1.1	1.1	0.7	3.3	8.2
Off-Budget	0	*	*	*	*	*	*	*	*	0.1	0.1	*	0.2
CHANGES IN REVENUES													
Estimated Revenues	0	1.0	3.1	5.7	7.9	10.3	13.0	15.3	17.9	20.2	23.6	28.0	118.1
On-Budget	0	0.8	2.3	4.2	5.9	7.6	9.7	11.3	13.0	14.4	16.8	20.7	85.9
Off-Budget	0	0.3	0.8	1.5	2.0	2.7	3.4	4.0	4.9	5.8	6.8	7.3	32.1
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Impact on Deficit	0	-1.0	-2.7	-4.8	-6.9	-9.3	-12.1	-14.2	-16.8	-19.0	-22.8	-24.7	-109.6
On-Budget	0	-0.7	-1.9	-3.4	-4.9	-6.7	-8.7	-10.3	-11.9	-13.3	-16.1	-17.5	-77.7
Off-Budget	0	-0.3	-0.8	-1.5	-2.0	-2.7	-3.4	-4.0	-4.9	-5.7	-6.7	-7.3	-31.9
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization Level	0	*	*	*	*	*	*	*	*	*	*	0.1	0.1
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	0.1	0.1

Notes: The change in direct spending would affect budget authority by similar amounts.

* = an increase of less than $50 million; components may not sum to totals because of rounding.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted during fiscal year 2014, that the necessary amounts will be appropriated near the beginning of each fiscal year, and that spending will follow historical patterns for existing or similar activities. CBO also assumes that, under the bill, DHS and the Department of State would begin providing the additional visas and work authorizations at the start of fiscal year 2015.

Effects on the U.S. Population

H.R. 2131 would increase the number of noncitizens who could lawfully enter the United States on a permanent basis and the number who could lawfully enter on a temporary basis, and it would amend the criteria for determining noncitizens' eligibility for permanent or temporary admission.

CBO's estimates of the increase in population under the bill takes into account several factors, including the expected mortality of noncitizens and the likelihood that some noncitizens would later return to their native countries. The estimates of the increase in population also include estimates of the number of children who would be born in the United States to foreign-born individuals who would not otherwise have been present here; as under current law, those children would automatically be U.S. citizens from the time of their birth. Finally, the estimates include estimates of the number of additional immigrants who would enter the country as a result of their family relationships to the additional lawful permanent residents under the bill (that is, by being a spouse, child, or parent of someone who becomes a citizen after becoming a lawful permanent resident).

Taking all of those factors together, CBO estimates that enacting H.R. 2131 would increase the U.S. population by nearly 1 million in 2024 and in 2034.

Lawful Permanent Residents. Noncitizens who receive permission to live permanently in the United States are called lawful permanent residents (LPRs). Those individuals are often referred to as "green-card holders" or "immigrants." Under current law, most LPRs are admitted based on a family relationship with a U.S. citizen or other LPR, or based on a job with an employer who has petitioned for a green card on their behalf. The number of immigrant visas available each year is less than the number of approved petitions for family-sponsored and employment-based immigrants, creating a significant and growing backlog of people awaiting green cards.

On net, CBO estimates that the provisions in H.R. 2131 affecting LPRs would increase the U.S. population by nearly 800,000 in 2024 and in 2034.

Family-Sponsored Immigration. Under current law, certain relatives of U.S. citizens and LPRs can immigrate through family-sponsored preferences, which are effectively capped at 226,000 per year.

H.R. 2131 would make several major changes to family-sponsored preferences. It would:

- Increase the effective cap from 226,000 to 251,000 for 2014 through 2023, and then decrease the effective cap to 186,000 beginning in 2024;

- Increase the number of visas available in the preference categories for spouses and unmarried children of LPRs by 25,000 beginning in 2014;

- Eliminate the preference category for siblings of U.S. citizens beginning in 2024 (the annual cap on immigrants through this category is currently 65,000); and

- Increase the share of family-sponsored preferences that can be from any one country from 7 percent to 15 percent.

On net, CBO estimates that those changes in family-based immigration would increase the U.S. population by about 300,000 in 2024 but reduce it by nearly 100,000 in 2034.

Employment-Based Immigration. Under current law, 140,000 immigrant visas are granted each year through employment-based preferences. Qualified workers and investors—and their dependents—are eligible for those visas.

H.R. 2131 would make several changes to employment-based preferences. It would:

- Increase the effective cap from 140,000 to 230,000 beginning in 2014;

- Increase the number of visas available in the preference categories for professionals with advanced degrees from 40,000 to 55,000 beginning in 2014;

- Increase the number of visas available in the preference categories for skilled workers, professionals without advanced degrees, and unskilled workers from 40,000 to 55,000 beginning in 2014;

- Create new preference categories for individuals with advanced degrees from U.S. universities in science, technology, engineering, and mathematics (STEM) fields and effectively allocate 50,000 visas to those categories beginning in 2014;

- Create a new preference category for entrepreneurs and allocate 10,000 visas to that category beginning in 2014; and

- Eliminate the limit (currently 7 percent) on the share of employment-based preferences that can be from any one country.

CBO estimates that those changes in employment-based immigration would increase the U.S. population by about 900,000 in 2024 and about 1.9 million in 2034.

Diversity Visas. Under current law, the diversity visa program allocates visas through a lottery to people from countries that have had little immigration to the United States. Effectively, 50,000 such visas are available each year.

H.R. 2131 would eliminate the diversity visa program beginning in 2014. However, by the time H.R. 2131 would be enacted, most or all of the diversity visas for 2014 will already have been issued. Furthermore, the individuals selected in the lottery to apply for 2015 visas will already have been notified and will have begun preparing to apply for their visas at the start of 2015. Therefore, CBO assumes the diversity visa program would be eliminated beginning in 2016. The lottery for 2016 visas, scheduled to be held in October and November of 2014, would be the first to be cancelled.

CBO estimates that eliminating the diversity visa program would reduce the U.S. population by over 400,000 in 2024 and nearly 1 million in 2033.

Nonimmigrants. Under current law, certain highly skilled noncitizens can reside and work in the United States through H-1B visas, which are capped at 65,000 per year. Another 20,000 visas are available to noncitizens with graduate degrees; additional visas, not subject to a cap, are available to noncitizens hired by certain categories of employers. Dependents of workers with H-1B visas receive H-4 visas, which are not subject to a cap; H-4 visas do not grant work authorization.

H.R. 2131 would make several major changes to nonimmigrant visas. It would:

- Increase the cap on H-1B visas from 65,000 to 155,000 beginning in 2014;
- Increase the number of visas for noncitizens with graduate degrees from 20,000 to 40,000 in 2014, and limit those visas to individuals with degrees in STEM fields;
- Impose new wage requirements on employers using nonimmigrant labor; and
- Grant work authorization to spouses of nonimmigrants with H-1B visas.

CBO expects that the number of H-1B visas that are issued and subject to the cap would reach the new cap by 2023. In 2001, when the H-1B cap was significantly higher than it is today, more than 200,000 petitions for such H-1Bs were approved. Additionally, employers’ demand for skilled workers has substantially exceeded the cap on H-1B visas over the past few years. CBO anticipates that strong demand by employers will continue.

CBO expects that the number of people with H-1B visas (and their dependents) in the United States would increase less than the inflow of people with H-1B visas. Specifically, CBO expects that many workers who are already in the country or would enter the country with H-1B visas would shift to employment-based immigrant visas over time, and H.R. 2131 would (as noted above) significantly increase the number of such visas. Therefore, relative to current law, enacting H.R. 2131 would reduce the number of people in H-1B status awaiting green cards and would reduce the amount of time required for future people in H-1B status to adjust their status.

CBO estimates that increasing the number of H-1B visas for highly skilled workers would increase the U.S. population by roughly 200,000 in 2024 and in 2034.

Immigration and Eligibility for Federal Benefits

The eligibility of noncitizens for many federal benefit programs is determined by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and a host of program-specific laws. In brief, the eligibility of noncitizens who also meet the programs' requirements not related to immigration, such as income and asset thresholds, is generally determined in these ways:[1]

Earned Income Tax Credit and Child Tax Credit. Noncitizens with Social Security Numbers (SSNs) that are valid for employment are eligible to receive the nonrefundable and refundable portions of the Earned Income Tax Credit (EITC). Resident aliens, including LPRs, are eligible to receive the nonrefundable and refundable portions of the child tax credit for qualifying children.

Health Insurance Subsidies. Noncitizens who are lawfully present in the United States—including LPRs and H-1B nonimmigrants and their dependents, and regardless of the number of years they have been in the country—are eligible to receive premium assistance tax credits and exchange subsidies.

Medicaid and the Children's Health Insurance Program (CHIP). Under current law, states have the option to provide full Medicaid and CHIP benefits to certain groups of LPRs and other legal residents. To start, states can cover LPRs who have been in that status for more than five years and who meet Medicaid's other eligibility requirements; all states have chosen to do so. In addition, the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) gave states the option to extend Medicaid and CHIP to children and pregnant women who are lawfully residing in the United States and who would not otherwise be eligible under PRWORA; 22 states and the District of Columbia currently provide such coverage. For other noncitizens, Medicaid pays for a

1. For a more-detailed explanation of noncitizens' eligibility for those programs, see pages 25-32 of CBO's cost estimate (dated June 18, 2013) for S. 744 as reported by the Senate Committee on the Judiciary on May 28, 2013.

limited benefit that covers the cost of services necessary for the treatment of emergency medical conditions.

Other Programs. In addition, to the extent that they meet the programs' other eligibility requirements, noncitizens are eligible for other federal benefits as follows:

- Noncitizens who are lawfully present in the United States are eligible for Social Security and Medicare benefits.
- LPRs who are under 18 or who have spent five years as LPRs are eligible for Supplemental Nutrition Assistance Program (SNAP) benefits.
- Noncitizens are eligible for child nutrition benefits.
- LPRs and nonimmigrants are eligible for unemployment insurance (UI) benefits.
- LPRs who have become citizens or have obtained 40 quarters of work credit and spent five years as LPRs are eligible for Supplemental Security Income (SSI) benefits.
- LPRs are eligible for federal student aid, including federal student loans and Pell grants.

Direct Spending

Overall, CBO and JCT estimate that enacting the legislation would increase direct spending by about $8 billion over the 2014-2024 period (see Table 2). All of the budgetary effects are on-budget with the exception of effects related to Social Security, which is classified as off-budget.

H.R. 2131 would increase the size of the population in the United States, which would tend to increase the number of people eligible for the federal tax credits and benefits from federal programs described here; however, the legislation would also shift the composition of immigrants and people entering the country on nonimmigrant visas toward those with higher skills and generally higher income, which would tend to decrease the number of people eligible for such tax credits and benefits. According to CBO and JCT's estimates, the former effect would dominate the latter effect over the 2014-2024 period.

TABLE 2. ESTIMATED EFFECTS OF H.R. 2131 ON DIRECT SPENDING, BY PROGRAM

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
CHANGES IN DIRECT SPENDING													
Earned Income Tax Credit and Child Tax Credit	0	11	188	499	677	643	701	793	929	943	682	2,018	6,066
Health Insurance Subsidies	0	132	271	321	295	210	129	80	40	-14	-114	1,229	1,350
Medicaid and CHIP	0	10	1	-2	-10	3	25	31	24	11	-21	2	71
Social Security (Off-Budget)	0	*	1	2	4	8	13	25	40	59	85	15	237
Medicare	0	0	0	*	1	2	3	5	11	19	31	3	72
SNAP	0	3	7	8	7	5	16	21	15	9	-1	30	90
Child Nutrition Programs	0	4	10	14	12	10	8	8	7	8	1	50	82
Unemployment Insurance	0	15	25	45	60	75	90	105	120	135	140	220	810
Supplemental Security Income	0	*	1	*	1	2	4	6	6	4	4	4	28
Higher Education Assistance	0	*	*	*	2	3	4	4	4	4	4	5	26
Immigration Fees	0	-92	-63	-38	-54	-41	-34	-24	-20	-19	-11	-288	-396
Total Changes	0	83	440	849	995	921	959	1,054	1,177	1,158	800	3,288	8,436

Notes: CHIP = Children's Health Insurance Program; SNAP = Supplemental Nutrition Assistance Program.

* = an increase of less than $500,000; components may not sum to totals because of rounding.

Earned Income Tax Credit and Child Tax Credit. JCT and CBO estimate that H.R. 2131 would increase outlays for the earned income tax credit and child tax credit by $6.1 billion over the 2014-2024 period. Those credits are both refundable tax credits, which means that if the credits exceed the rest of a taxpayer's liability, the excess may be paid to the taxpayer; those payments are classified as outlays in the federal budget. H.R. 2131 would increase the amount of those payments by increasing the net number of legally resident aliens.

Health Insurance Subsidies. CBO and JCT estimate that subsidies provided through health insurance exchanges would increase, on net, by $1.8 billion over the 2014-2024 period. The increase in subsidies consists of an increase in both premium assistance tax credits and cost sharing subsidies; the former are refundable tax credits, for which roughly three-quarters of the net increase would be classified as outlays, and the latter would all be classified as outlays. Thus, the net increase in subsidies of $1.8 billion consists of an almost $1.4 billion net increase in outlays (shown here) and a $0.4 billion net reduction in revenues (discussed below).

The provisions of H.R. 2131 that would increase the number of people entering the country as family-sponsored immigrants, employment-based immigrants, and H-1B nonimmigrants would lead to higher exchange subsidies. Many of the employment-based immigrants and H-1B nonimmigrants would have access to employment-based health insurance, would have income exceeding 400 percent of the federal poverty level, or both—which would generally make them ineligible for exchange subsidies. However, some of those people would be eligible for such subsidies. In addition, exchange subsidies would increase for family-sponsored immigrants because they tend to have lower wages and incomes, and are therefore less likely to have access to employment-based health insurance and more likely to have incomes that would allow them to qualify for exchange subsidies. CBO and JCT estimate that exchange subsidies would increase by $5.9 billion over the 2014-2024 period for individuals newly obtaining employment-based, family-sponsored, or H-1B visas (and their dependents).

Partly offsetting the effect of those provisions would be the effect of eliminating the diversity visa program. Similar to family-sponsored immigrants, the individuals obtaining visas through the diversity visa program under current law tend to have lower wages and incomes, and are therefore less likely to have access to employment-based health insurance. As a result, eliminating the diversity visa program would reduce exchange subsidies by an estimated $4.1 billion over the 2014-2024 period.

Other Benefit Programs. The changes in the U.S. population under the bill would lead to increased direct spending over the 2014-2024 period in several other programs, but those effects would be smaller than the effects on the earned income tax credit, child tax credit, and health insurance subsidies. For those programs, the estimated budgetary effects represent the net effects of the increased costs from additional people entering the country under the family-sponsored, employment-based, and highly skilled temporary visa programs and the decreased costs from fewer people entering the country because of the elimination of the diversity visa program. (Beginning in 2024, the elimination of the preference for siblings of U.S. citizens also reduces the costs of those programs.)

On balance, CBO estimates that increased spending for those other programs would total about $1.4 billion over the 2014-2024 period—mostly for unemployment insurance ($800 million) and Social Security ($240 million).

Immigration Fees. The government charges a variety of fees to those who petition to bring a noncitizen to the United States, apply for a visa to enter the country, or adjust status from one visa category to another (such as changing from an H-1B nonimmigrant visa to an employment-based immigrant visa). Many of those fees represent offsets to direct spending when they are collected and are available to federal agencies for spending—primarily DHS and the Department of State for their immigration-related activities, but also the Department of Labor and National Science Foundation. (Other fees are classified as revenues; they are discussed below.) H.R. 2131 would change immigration fees that represent offsets to direct spending in three ways:

- Change the number of immigrants and nonimmigrants for whom fees are paid.

- Expand the scope of an existing anti-fraud fee to new categories of nonimmigrants.

- Create a new fee related to verifying noncitizens' education credentials.

DHS and the Department of State set the level of many immigration fees on a cost-recovery basis—that is, based on their costs to undertake their immigration-related activities. CBO expects the Department of State would set the new education-related fee on a cost-recovery basis as well. Although H.R. 2131 would increase the amount of fees collected, it would also increase federal agencies' spending of those fees by a similar amount—albeit with a short lag between the fee collection and the spending. On net, CBO estimates that enacting H.R. 2131 would reduce direct spending related to the collection and spending of immigration fees by around $400 million over the 2014-2024 period.

Revenues

Enacting H.R. 2131 would have a wide range of effects on federal revenues, including changes in collections of income taxes, payroll taxes, certain immigration fees that are classified as revenues, and some penalties. Taken together, those effects would increase revenues by $118 billion over the 2014-2024 period, according to estimates by JCT and CBO (see Table 3). For that period, off-budget receipts (of Social Security payroll taxes) would rise by $32 billion, and on-budget receipts would rise by $86 billion. The increase in revenues would primarily reflect additional collections of income and payroll taxes arising from an expansion of the U.S. labor force.

Income, Payroll, and Miscellaneous Taxes. JCT estimates that H.R. 2131 would increase receipts from income taxes, social insurance (payroll) taxes, and certain other taxes by $117 billion over the 2014-2024 period. (That increase includes the effect on revenues of the increase in premium assistance credits that is described above in the section on direct spending for benefit programs.)

Much of the increase in receipts would come from taxes paid on the income of additional workers who entered the country as a result of the bill. As discussed at the beginning of this cost estimate, conventional estimating methodology holds overall economic activity—including output and employment—constant. However, enacting H.R. 2131 would result in a material increase in immigration, leading to a material increase in the supply of labor to the economy. Consequently, JCT and CBO relaxed the conventional assumption of fixed employment for this estimate and included the effects of an expected net increase in employment and total wages.

TABLE 3. ESTIMATED EFFECTS OF H.R. 2131 ON REVENUES

	By Fiscal Year, in Billions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
CHANGES IN REVENUES													
Income and Social Insurance Taxes[a]	0	1.0	3.1	5.6	7.8	10.2	12.9	15.2	17.8	20.0	23.4	27.6	117.0
Unemployment Insurance Taxes	0	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	1.0
Immigration Fees	0	*	*	*	*	*	*	*	*	*	*	*	0.1
Total Changes	0	1.0	3.1	5.7	7.9	10.3	13.0	15.3	17.9	20.2	23.6	28.0	118.1
On-Budget	0	0.8	2.3	4.2	5.9	7.6	9.7	11.3	13.0	14.4	16.8	20.7	85.9
Off-Budget	0	0.3	0.8	1.5	2.0	2.7	3.4	4.0	4.9	5.8	6.8	7.3	32.1

Sources: Staff of the Joint Committee on Taxation and the Congressional Budget Office.

Note: * = an increase or decrease of less than $50 million; components may not sum to totals because of rounding.

a. Includes changes in revenues associated with subsidies provided through health insurance exchanges and penalty payments by employers and individuals related to health insurance. Does not include receipts from unemployment insurance taxes, which are shown separately.

Many additional adults entering or remaining in the country as a result of H.R. 2131 would have to be employed. Hence, CBO and JCT expect the additional adults to participate in the labor force at a higher rate, on average, than do adults currently in the United States. Spouses of H-1B visa holders allowed to work under the legislation are expected to participate in the labor force at a lower rate, on average, than do adults currently in the United States.

Relative to CBO's projections under current law, enacting H.R. 2131 would increase the size of the labor force by about 850,000 in 2024 and by about 1 million in 2034, CBO and JCT estimate. (The increase in the labor force in 2034 reflects both the increase in the population and the granting of work authorization to spouses of nonimmigrants with H-1B visas that was described above.) Employment would increase as the labor force expanded, because the larger population would boost demand for goods and services and, in turn, the demand for labor.

Unemployment Insurance Taxes. CBO estimates that the expansion of employment under the bill would boost receipts from unemployment insurance taxes—most of which are imposed by states but which yield amounts that are considered to be federal revenues. CBO estimates that those revenues would increase by about $1 billion from 2014 through 2024. (Spending on unemployment benefits would be about $800 million higher over the

10-year period, as discussed above in the section on direct spending for benefit programs; as a result, the amounts in state trust funds for unemployment insurance would not change much because of the bill.)

Immigration Fees. The government charges a variety of fees related to immigration. Some of those fees are classified as revenues. CBO estimates that the increase in visa applications would boost those revenues by about $70 million over the 2014-2024 period.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 2131 would increase spending subject to appropriation by about $100 million over the 2014-2024 period. All of that spending would be on-budget.

Start-Up Costs. Enacting H.R. 2131 would significantly increase the immigration-related workload for DHS and the Department of State. Those departments would need to rapidly expand their trained workforces and office space to meet the increased demands placed on them by H.R. 2131. Those agencies pay for many of their immigration-related activities through immigration fees they collect. However, relying solely on those fees to pay for the expansion would delay the agencies' ability to expand, increasing processing times and backlogs, and making it difficult to comply with the bill's provisions. Therefore, CBO estimates that lawmakers would have to appropriate up to $50 million to enable the agencies to begin providing the additional visas and work authorizations in fiscal year 2015. We expect that those funds would be spent over the 2015-2019 period.

Pell Grants. Although it includes a mandatory component (discussed above under the heading "Direct Spending"), spending for Pell grants is mostly subject to the appropriation of the necessary amounts. Under the bill, CBO estimates, about $70 million more than the amount under current law would be needed to provide the same maximum award level to students that was provided in 2014 throughout the 2014-2024 period. That amount is in addition to the estimated increase in direct spending for Pell grants.

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.)

TABLE 4. CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 2131 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON THE JUDICIARY ON JUNE 27, 2013

	By Fiscal Year, in Millions of Dollars												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014-2019	2014-2024
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT[a]													
Total On-Budget Changes	0	-0.7	-1.9	-3.4	-4.9	-6.7	-8.7	-10.3	-11.9	-13.3	-16.1	-17.5	-77.7
Memorandum:													
Total Changes in On-Budget Outlays	0	0.1	0.4	0.8	1.0	0.9	0.9	1.0	1.1	1.1	0.7	3.3	8.2
Total Changes in On-Budget Revenues	0	0.8	2.3	4.2	5.9	7.6	9.7	11.3	13.0	14.4	16.8	20.7	85.9

Sources: CBO and the staff of the Joint Committee on Taxation

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

a. H.R. 2131 would also have significant budgetary effects on Social Security, but those effects are classified as “off-budget” and thus are not counted for enforcement under the Statutory Pay-As-You-Go Act of 2010.

ESTIMATED BUDGETARY EFFECTS BEYOND THE FIRST DECADE

After 2024, the increase in the U.S. population under H.R. 2131 would remain close to 1 million, CBO anticipates, but the composition of that increase would change. Starting in 2024, the bill would eliminate the 65,000 immigrant visas available annually under current law to siblings of U.S. citizens (and their dependents); in addition, the cumulative number of immigrants who would have entered the country with diversity visas under current law but would be unable to do so under the bill would continue to rise. However, the cumulative number of immigrants who would enter the country as employment-based immigrants under the bill but could not do so under current law would also continue to rise. Taken together, those factors would keep the total increase in the U.S. population relative to current law close to 1 million in the decade following 2024, but they would shift the composition of those additional people toward people who would be more likely to be employed and would be more likely to earn higher income when employed. In particular, relative to current law, CBO anticipates that H.R. 3121 would reduce the number of foreign-born people with low income and increase the number of foreign-born people with higher income who would be in the United States over the 2025-2034 period.

The change in the composition of the increase in the U.S. population during the 2025-2034 period would alter the budgetary effects. For the 2025-2034 period, CBO and JCT estimate that enacting H.R. 2131 would continue to boost revenues—by over $400 billion—and would reduce deficits by a similar amount. That effect would be almost entirely the result of higher income and payroll taxes stemming from the larger workforce. The impact on direct spending would reverse from the small estimated increase over the first decade to a small estimated decrease over the second decade. That reduction in direct spending would occur primarily because fewer foreign-born individuals who would be eligible for refundable tax credits and federal health care programs focused on low-income people would be in the United States than would be the case under current law. The reduction in spending for those programs would more than offset the increase in spending for other programs—notably Social Security and Medicare—that would result from the larger number of people who would be in the United States.

Because the estimates of population changes and budgetary effects that would result from enacting the legislation are very uncertain—even in the first 10 years following enactment—CBO's estimate for the second decade following enactment should be viewed as falling in the middle of a wide range of possible outcomes.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2131 would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act, on employers of temporary foreign workers. CBO estimates that the aggregate costs for both public and private employers to comply with the mandates would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates ($76 million and $152 million in 2014, respectively, adjusted annually for inflation).

Employers of some workers from Australia, Canada, Chile, Mexico, and Singapore (those with H-1B1, TN, or E-3 nonimmigrant visas, which are visas related to skilled employment by individuals from certain countries with whom the U.S. has treaties) would be required to pay a fraud detection and prevention fee of $500 per worker they hire. Based on data from DHS and the Department of State, CBO estimates that around 30,000 workers are hired each year in the visa categories to which the fee would apply. Therefore, CBO estimates that the costs to all employers to comply with the mandate would be about $15 million annually.

The bill also would require employers of workers with L-1B or TN visas (about 55,000 workers) and employers of students with certain nonimmigrant student visas receiving postgraduate training (about 60,000 workers) to offer those workers the actual or prevailing wage paid to other workers with similar qualifications and experience. According to information from industry experts and DHS, some employers currently meet that requirement and the expected increase in wages paid by other employers would be small. Therefore, CBO expects that the total costs for both public and private employers to comply with that mandate also would be small.

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