



April 4, 2008

Honorable John Conyers Jr.  
Chairman  
Committee on the Judiciary  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has reviewed H.R. 4088, the Secure America Through Verification and Enforcement Act of 2007, as introduced on November 6, 2007. H.R. 4088 would direct the Department of Homeland Security (DHS) and the Social Security Administration to extend and expand a system to verify the eligibility of people for employment in the United States. The bill would direct DHS to increase the number of federal law enforcement personnel by about 5,000 positions over the 2009-2012 period and increase the capacity of its detention facilities by over 8,000 beds. H.R. 4088 also would authorize funding for grants to jurisdictions near the U.S.-Mexico border for law enforcement activities.

CBO and the Joint Committee on Taxation (JCT) estimate that enacting the legislation would:

- Decrease federal revenues by \$17.3 billion over the 2009-2018 period. The decrease largely reflects the judgment that mandatory verification of employment eligibility through the E-Verify system would result in an increase in the number of undocumented workers being paid outside the tax system. In particular, JCT anticipates that some employers currently withholding income and employment taxes from the wages of undocumented workers and reporting these amounts to the Internal Revenue Service through the use of an Individual Tax Identification Number (ITIN) or other employee identification number would no longer withhold or report such taxes.
- Increase federal direct spending by \$30 million over the 2009-2018 period for salaries of new federal judges authorized by the bill.

- Authorize an increase in discretionary spending, subject to appropriation, of about \$10.3 billion over the 2009-2013 period and \$23.4 billion over the 2009-2018 period. Those costs reflect the federal government's expanded use of the employment verification system, additional personnel for DHS, increased detention capacity, grants to certain local governments along the borders, and additional costs to the Social Security Administration (SSA) for verifying the proper use of Social Security numbers.

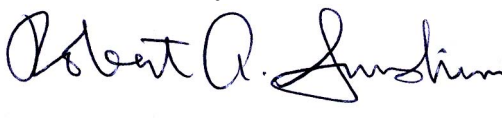
Components of this estimate are shown in the enclosed table.

H.R. 4088 would impose intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA), by requiring employers, including public entities, to verify the work eligibility of their employees and by requiring state agencies to maintain records related to birth registries. The bill also would preempt the authority of state governments to prohibit employers from using the federal E-Verify system. CBO expects that the aggregate costs to state, local, and tribal governments of complying with the mandates would not exceed the annual threshold established in UMRA (\$68 million for intergovernmental mandates in 2008, adjusted annually for inflation).

H.R. 4088 also would impose private-sector mandates, as defined in UMRA, on employers and employees. Specifically, the bill would require employers to verify the eligibility of new hires and existing employees. In addition, the bill would require certain employees to provide information to SSA. Based on data from the Bureau of Labor Statistics, CBO expects that the cost of complying with the mandates would exceed the annual threshold established in UMRA (\$136 million in 2008, adjusted annually for inflation) in at least one of the first five years the mandates are in effect.

If you wish further details on this estimate, we would be pleased to provide them. For federal costs, the CBO staff contacts for this estimate are Mark Grabowicz (for costs of DHS) and David Rafferty (for SSA's costs). The staff contact for the state and local impact is Melissa Merrell and the contact for the private-sector impact is Paige Piper/Bach.

Sincerely,

*for* 

Peter R. Orszag  
Director

Enclosure

cc: Honorable Lamar S. Smith  
Ranking Member

**CBO ESTIMATE OF THE BUDGETARY EFFECTS OF H.R. 4088, THE SECURE AMERICA THROUGH VERIFICATION AND ENFORCEMENT ACT OF 2007, AS INTRODUCED ON NOVEMBER 6, 2007**

|   | By Fiscal Year, in Millions of Dollars |               |               |               |               |               |               |               |               |               |               |                |
|---|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
|   | 2009                                   | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | 2018          | 2009-2013     | 2009-2018      |
| <b>CHANGES IN REVENUES</b>                          |  |               |               |               |               |               |               |               |               |               |               |                |
| On-Budget Revenues                                  | -150                                   | -427          | 566           | 503           | 715           | 780           | 775           | 777           | 776           | 769           | 1,207         | 5,083          |
| Off-Budget Revenues <sup>a</sup>                    | <u>-138</u>                            | <u>-1,040</u> | <u>-1,752</u> | <u>-2,243</u> | <u>-2,515</u> | <u>-2,663</u> | <u>-2,796</u> | <u>-2,934</u> | <u>-3,077</u> | <u>-3,228</u> | <u>-7,688</u> | <u>-22,386</u> |
| Total Estimated Revenues                            | -287                                   | -1,467        | -1,186        | -1,741        | -1,799        | -1,884        | -2,021        | -2,157        | -2,302        | -2,459        | -6,480        | -17,303        |
| <b>CHANGES IN DIRECT SPENDING</b>                   |  |               |               |               |               |               |               |               |               |               |               |                |
| Estimated Budget Authority                          | 3                                      | 3             | 3             | 3             | 3             | 3             | 3             | 3             | 3             | 3             | 15            | 30             |
| Estimated Outlays                                   | 3                                      | 3             | 3             | 3             | 3             | 3             | 3             | 3             | 3             | 3             | 15            | 30             |
| <b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b> |  |               |               |               |               |               |               |               |               |               |               |                |
| Employment Verification System                      |  |               |               |               |               |               |               |               |               |               |               |                |
| Estimated Authorization Level                       | 322                                    | 294           | 294           | 321           | 313           | 316           | 316           | 322           | 328           | 335           | 1,544         | 3,160          |
| Estimated Outlays                                   | 268                                    | 298           | 290           | 314           | 313           | 315           | 316           | 321           | 327           | 333           | 1,482         | 3,093          |
| SSN Verification                                    |  |               |               |               |               |               |               |               |               |               |               |                |
| Estimated Authorization Level                       | 791                                    | 1,072         | 1,031         | 837           | 828           | 851           | 875           | 899           | 924           | 950           | 4,559         | 9,058          |
| Estimated Outlays                                   | 696                                    | 1,038         | 1,036         | 860           | 829           | 848           | 872           | 896           | 921           | 946           | 4,459         | 8,942          |
| Additional DHS personnel                            |  |               |               |               |               |               |               |               |               |               |               |                |
| Estimated Authorization Level                       | 136                                    | 300           | 446           | 674           | 800           | 824           | 849           | 874           | 900           | 927           | 2,356         | 6,730          |
| Estimated Outlays                                   | 122                                    | 284           | 432           | 651           | 787           | 821           | 846           | 872           | 898           | 925           | 2,276         | 6,638          |
| Increased Detention Capacity                        |  |               |               |               |               |               |               |               |               |               |               |                |
| Estimated Authorization Level                       | 127                                    | 255           | 263           | 270           | 279           | 287           | 296           | 304           | 314           | 323           | 1,194         | 2,718          |
| Estimated Outlays                                   | 102                                    | 229           | 261           | 269           | 277           | 285           | 294           | 303           | 312           | 321           | 1,138         | 2,653          |
| Grants to Border Jurisdictions                      |  |               |               |               |               |               |               |               |               |               |               |                |
| Authorization Level                                 | 200                                    | 200           | 200           | 200           | 200           | 200           | 200           | 200           | 200           | 200           | 1,000         | 2,000          |
| Estimated Outlays                                   | 50                                     | 130           | 200           | 200           | 200           | 200           | 200           | 200           | 200           | 200           | 780           | 1,780          |
| Other Programs                                      |  |               |               |               |               |               |               |               |               |               |               |                |
| Estimated Authorization Level                       | 23                                     | 26            | 29            | 30            | 30            | 31            | 32            | 33            | 33            | 35            | 138           | 302            |
| Estimated Outlays                                   | 19                                     | 28            | 29            | 30            | 30            | 30            | 32            | 33            | 33            | 35            | 135           | 299            |
| Total Changes                                       |  |               |               |               |               |               |               |               |               |               |               |                |
| Estimated Authorization Level                       | 1,599                                  | 2,147         | 2,263         | 2,332         | 2,449         | 2,508         | 2,567         | 2,632         | 2,699         | 2,770         | 10,791        | 23,967         |
| Estimated Outlays                                   | 1,257                                  | 2,007         | 2,247         | 2,324         | 2,436         | 2,500         | 2,560         | 2,624         | 2,691         | 2,759         | 10,271        | 23,405         |

Sources: CBO and the Joint Committee on Taxation (JCT). Revenue estimates were prepared by JCT.

Notes: Components may not sum to totals because of rounding. DHS = Department of Homeland Security. SSN = Social Security Number.

a. The revenues of the two Social Security trust funds (the Old-Age Survivors Insurance Trust Fund and the Disability Insurance Trust Fund) are off-budget.