CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 15, 2001

S. 507
Northern Mariana Islands Covenant Implementation Act

As reported by the Senate Committee on Energy and Natural Resources on June 5, 2001

SUMMARY

S. 507 would amend the covenant act between the United States and the Commonwealth of the Northern Mariana Islands (CNMI), a territory of the United States, to reform the immigration laws of CNMI. CBO estimates that, subject to appropriation of the necessary amounts, implementing S. 507 would increase costs—mostly at the Immigration and Naturalization Service (INS)—by a total of about $6 million over the 2002-2006 period.

Beginning in fiscal year 2003, S. 507 also would affect direct spending and receipts by allowing the INS, the Department of State, and the Department of Labor (DOL) to charge user fees. Consequently, pay-as-you-go procedures would apply to the bill. CBO estimates that enacting S. 507 would increase receipts (revenues) by a total of $5 million over the 2002-2006 period, while any net changes in direct spending would be insignificant in each year.

S. 507 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt the immigration laws of CNMI and require the government to enforce a cap on alien workers until the preemption goes into effect. CBO estimates that the costs of these mandates would not be significant and would not exceed the threshold established in that act ($56 million in 2001, adjusted annually for inflation).

S. 507 contains a private-sector mandate as defined in UMRA. Section 2 would impose a mandate on employers by limiting the number of temporary alien workers who could be legally present in CNMI. CBO cannot determine whether the direct cost to employers of that mandate would exceed the annual threshold established in the law for private-sector mandates ($113 million in 2001, adjusted annually for inflation).

MAJOR PROVISIONS

S. 507 would require that the Department of Justice (DOJ) develop a program to phase in the Immigration and Nationality Act as modified by S. 507 for CNMI. The transition period would begin approximately one year from the date of enactment of the bill and would end on December 31, 2009. The program would include procedures for issuing visas to nonimmigrant temporary alien workers, family-sponsored immigrants, and employment-based immigrants.

The bill would authorize the Department of State to issue nonimmigrant visas to admit temporary alien workers to CNMI. For temporary alien workers who would not otherwise be eligible for admission into CNMI, S. 507 would require that DOL establish and administer a system for issuing a decreasing number of annual permits to employers allowing them to hire such individuals during the transition period. The bill would authorize DOL to charge employers a fee for the permits; however, DOL could only use amounts collected from such fees to the extent provided in appropriations acts.

To help implement the Immigration and Nationality Act in CNMI, S. 507 would require that DOL and the Department of the Interior (DOI) develop a program to assist CNMI employers in hiring citizens of the U.S. or the freely associated states (Federated States of Micronesia, Republic of the Marshall Islands, and the Republic of Palau). For fiscal year 2002 through 2006, the bill would earmark $500,000 of an appropriated entitlement for the CNMI of $27.72 million to fund that program and similar assistance activities. The earmarking would be subject to appropriation actions.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that, subject to appropriation of the necessary amounts, implementing S. 507 would cost $6 million over the fiscal year 2002-2006 period. In addition, we estimate that enactment of S. 507 would increase receipts by $5 million over the same period and would decrease net direct spending by less than $500,000 each year.

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget functions 800 (general government), 750 (administration of justice), 500 (education, training, employment, and social services), and 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	a	1	1	2	2
Estimated Outlays	0	a	1	1	2	2
CHANGES IN REVENUES						
Estimated Revenues	0	0	a	1	2	2

a. Less than $500,000.

BASIS OF ESTIMATE

This estimate assumes that the bill will be enacted near the end of fiscal year 2001 and that the necessary amounts will be appropriated for each year.

Spending Subject to Appropriation

Immigration and Naturalization Service. Based on information provided by the INS, we estimate that applying the Immigration and Nationality Act to CNMI would gradually increase its annual costs from about $500,000 in fiscal year 2003 to about $3 million in fiscal year 2006 to handle immigration inspections, investigations, adjudications, and deportations. That estimate assumes that the INS would phase in its operations over several years, eventually stationing 35 to 40 people on CNMI. According to the INS, about half of this cost would be financed from the collection of additional user fees, which could be spent without further appropriation. The remaining costs, which we estimate would be less than $500,000 in fiscal year 2003 and grow to $1.5 million in fiscal year 2006, would be subject to the availability of appropriated funds.

Other Agencies. Under S. 507, DOL would incur costs to issue permits to certain employers. Based on information provided by DOL, CBO estimates that implementing the permit system would not affect DOL's budget in fiscal year 2002 but would increase its costs by several hundred thousand dollars in each of fiscal years 2003 through 2006. In addition, we estimate that DOL would collect an equivalent amount of permit fees each year, which would decrease direct spending. (The department could spend these new fees subject to future appropriations acts.)

Direct Spending and Receipts

We estimate that enacting S. 507 would gradually increase the amount of offsetting receipts collected by the INS by less than $500,000 in fiscal year 2003 to $1.5 million in fiscal year 2006. Because the INS could spend such receipts without further appropriation, the provision would have no net impact on direct spending.

CBO estimates that enacting S. 507 would gradually increase the number of applicants for immigrant visas each year. This would increase the amount of visa application and issuance fees collected by the Department of State by less than $500,000 in fiscal year 2003 and growing to $2 million a year in 2005 and each year thereafter. These fees are deposited in the Treasury as miscellaneous receipts (revenues). The Department of State also would collect and spend certain fees for nonimmigrant visas, but we estimate that such collections and spending would be negligible.

S. 507 also would allow DOL to collect fees from issuing permits to certain businesses operating in CNMI. According to DOL, it would charge fees at a rate that would cover its costs to issue the permits, which we estimate would be less than $500,000 a year.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act specifies procedures for legislation affecting direct spending and receipts. Pay-as-you-go procedures would apply to S. 507 because the bill would affect direct spending and receipts, as shown in the following table.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	0	0	0	0	0	0	0	0	0	0
Changes in receipts	0	0	0	1	2	2	2	2	2	2	2

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 507 contains intergovernmental mandates as defined in UMRA because it would preempt the immigration laws of CNMI and require that government to enforce a cap on alien workers until the preemption goes into effect. CBO estimates that enforcing the cap would not require a significant increase in the workload of the commonwealth immigration staff. Further, the preemption of local immigration laws would impose no costs on the CNMI government. Therefore, the total cost of these mandates would be well below the UMRA threshold.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 507 contains a private-sector mandate as defined in UMRA. Section 2 would impose a mandate on employers by limiting the number of temporary alien workers who could be legally present in CNMI. CBO cannot determine whether the direct cost to employers of that mandate would exceed the annual threshold established in the law for private-sector mandates ($113 million in 2001, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs:

INS–Mark Grabowicz
DOL–Christi Hawley Sadoti
State Department–Sunita D'Monte
Revenues–Erin Whitaker

Impact on State, Local, and Tribal Governments: Marjorie Miller

Impact on the Private Sector: Ralph Smith

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis