CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 20, 2004

S. 1545
Development, Relief, and Education for Alien Minors Act

As reported by the Senate Committee on the Judiciary on November 25, 2003

SUMMARY

S. 1545 would authorize the Secretary of Homeland Security to adjust the status of certain undocumented alien children to conditional legal permanent resident status if they meet specific criteria. This change in status would make these aliens eligible to participate in federal student loan programs and receive certain other federal benefits. In addition, the bill would require institutions of higher education that enroll aliens who are beneficiaries of this legislation to register those students in the Student and Exchange Visitor Information System (SEVIS).

CBO estimates that enacting S. 1545 would increase direct spending for the student loan, Food Stamp, and Medicaid programs by an insignificant amount in 2004 and by $90 million over the 2004-2014 period. In addition, CBO estimates that implementing S. 1545 would cost up to $1 million in 2005 to expand SEVIS, assuming the availability of appropriated funds.

S. 1545 contains an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would increase the number of students that colleges and universities must track in SEVIS. CBO estimates that the cost of this mandate would be well below the annual thresholds established in UMRA ($60 million for intergovernmental mandates and $120 million for private-sector mandates in 2004, adjusted annually for inflation).

In addition, as legal permanent residents, some individuals would be eligible for Medicaid assistance as a result of the bill. Benefits under the Medicaid program for these individuals would cost states approximately $45 million over the 2009-2014 period. Because states have sufficient flexibility to offset such costs if they choose, they would not be considered mandates under UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1545 is shown in the following table. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), 600 (income security), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION											
Estimated Authorization Level	0	1	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	1	0	0	0	0	0	0	0	0	0
CHANGES IN DIRECT SPENDING											
Student Loans											
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	*
Food Stamps											
Estimated Budget Authority	0	0	0	0	0	5	5	5	5	5	5
Estimated Outlays	0	0	0	0	0	5	5	5	5	5	5
Medicaid											
Estimated Budget Authority	0	0	0	0	0	5	10	10	10	10	15
Estimated Outlays	0	0	0	0	0	5	10	10	10	10	15
Total Changes In Direct Spending											
Estimated Budget Authority	*	*	*	*	*	10	15	15	15	15	20
Estimated Outlays	*	*	*	*	*	10	15	15	15	15	20

NOTES: * = Less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted by July 1, 2004, and that the necessary amounts to implement the bill will be appropriated for 2005.

S. 1545 would make certain undocumented alien children eligible for conditional legal permanent resident status. The Secretary of Homeland Security would have the authority to adjust the status of undocumented high school graduates and undocumented high school students admitted to an institution of higher education if they have lived in the United States for at least five years prior to the bill's enactment, were less than 16 years of age at time of entry into the United States, and meet several other criteria. After six years, individuals could petition to have the conditional basis removed if they have received a degree from an institution of higher education, completed at least two years toward a bachelor's degree or higher, or served for at least two years in the United States military.

Aliens who convert to conditional legal permanent resident status would become eligible for federal financial aid. These aliens also could become eligible for other federal benefits such as Food Stamps and Medicaid after five years—assuming they meet other program requirements.

Spending Subject to Appropriation

Implementation of S. 1545 would require institutions of higher education that enroll alien beneficiaries of the bill to register them in SEVIS, which is administered by the Bureau of Immigration and Customs Enforcement (ICE). Based on information from ICE, CBO estimates that it would cost up to $1 million in 2005 to expand and modify SEVIS to collect information on aliens benefitting from S. 1545. CBO expects that any such spending would come from appropriated funds.

Direct Spending

CBO estimates that enacting S. 1545 would increase direct spending by an insignificant amount in 2004 and $90 million over the 2004-2014 period.

Student Loans. Granting conditional legal permanent resident status would allow these students to participate in the federal student loan programs. CBO estimates that about 13,000 undocumented alien children would enroll during the 2004-2005 academic year and meet all of the other criteria. CBO assumes this number would remain around this level through 2008 and then decline relatively rapidly after that. CBO assumes that these students would be less likely to participate in federal student loan programs than other students for two main reasons. First, these students are more likely to be enrolled in lower-cost community colleges where the need for financial assistance is less great. Second, they would be less willing to submit financial aid forms for fear of exposing the presence of other family members who remain undocumented. Assuming that 1 in 10 enrolled students borrow student loans, CBO estimates the bill would have a negligible effect on federal spending.

Food Stamps. CBO estimates that enacting the bill would increase costs in the Food Stamp program. By allowing certain aliens who are in the United States illegally to adjust their status to conditional legal permanent residents, they would then be considered qualified aliens for Food Stamp eligibility purposes. However, such individuals would be ineligible for Food Stamp benefits during their first five years as qualified aliens, so no additional costs would occur until 2009.

Based on data from the Current Population Survey on participation by noncitizens before the changes in eligibility that were enacted in 1996, CBO estimates that an additional 6,000 people would receive Food Stamps in 2009, declining to about 4,000 a year by 2014. Food Stamp costs would increase by $5 million in 2009 and a total of $30 million over the 2009-2014 period.

Medicaid. CBO estimates that enacting the bill would increase federal Medicaid spending by $60 million over the 2009-2014 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 1,000 people would receive Medicaid in 2009 under the bill, rising to about 3,000 by 2014. Most of these new recipients would be pregnant women. The estimate of the per capita costs for the new recipients excludes emergency services, which are already covered under current law.

Department of Homeland Security. The Bureau of U.S. Citizenship and Immigration Services (CIS) would charge fees totaling several hundred dollars per case to provide certifications of legal permanent resident status, authorizations of employment, and cancellations of deportation. Thus, the agency could collect several million dollars annually over the next few years from individuals who would be affected by the bill. The CIS is authorized to spend such fees without further appropriation, so the net impact on that agency's spending would be negligible. CIS fees are classified as offsetting receipts (a credit against direct spending).

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1545 contains an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act because it would increase the number of students that colleges and universities must track in the SEVIS system. SEVIS was created to collect timely information on foreign students who come to the United States for educational or student exchange purposes. Colleges and universities are responsible for collecting and submitting information on student registration, address, and work activities. Currently, colleges and universities are only required to track students who enter the country using three specific types of visas (F, J, and M) for academic students, vocation students, and exchange visitors. There are currently 1 million students registered in the system. Section 11 would add a new classification of students, those that have attained the status of conditional permanent resident under this bill.

CBO estimates that about 46,000 college students over the 2004-2014 period would be eligible to have their status changed to conditional permanent resident. This represents an increase of less than 5 percent in students who must be tracked in SEVIS. CBO estimates that while universities and colleges currently incur significant costs to comply with the requirements of SEVIS, the incremental costs that would result from these additional students would be small and well below the annual thresholds established in UMRA ($60 million for intergovernmental mandates and $120 million for private-sector mandates in 2004, adjusted annually for inflation).

In addition, as legal permanent residents, some individuals would be eligible for Medicaid assistance as a result of the bill. Benefits under the Medicaid program for these individuals would cost states approximately $45 million over the 2009-2014 period. Because states have sufficient flexibility to offset such costs if they choose, they would not be considered mandates under UMRA.

Furthermore, the repeal of section 505 of the Illegal Immigration Reform and Immigration Responsibility Act of 1996 (8 U.S.C. 1623) would give states the discretion to provide state-level educational benefits to illegal aliens if they so choose.

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