

Statement of
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before the
Subcommittee on Immigration,
Refugees, and International Law
Committee on the Judiciary
U.S. House of Representatives

September 11, 1985

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September 11, 1985

Mr. Chairman, I am pleased to appear before your Subcommittee today to discuss the Congressional Budget Office's (CBO's) estimates of the costs of legalizing unauthorized aliens under H.R. 3080, the Immigration Control and Legalization Amendments Act of 1985. In my remarks today, I will first note the provisions of the bill that are important to its costs, and then present the cost estimates and discuss their derivation.

LEGALIZATION PROVISIONS OF H.R. 3080

While considerable attention has focused on other parts of immigration legislation, such as employer sanctions, this testimony deals only with the provisions that would legalize certain unauthorized aliens. For purposes of estimating costs to federal, state, and local governments from H.R. 3080, several legalization provisions are important.

- o Unauthorized aliens who entered the United States before January 1, 1982, and who have resided here continuously since then would be eligible for legalization, as would certain Cuban and Haitian entrants.

- o The aliens would first be granted temporary resident status. After a year in temporary status, they could apply for permanent resident status.

- o Certain unemployed aliens who could demonstrate a history of employment evidencing self-support would qualify for resident status despite application of the public charge test.
- o The aliens granted resident status would be precluded from receiving some federal benefits based on financial need for five years.
- o Grants to states would be authorized to reimburse public assistance costs of state and local governments during fiscal years 1987 to 1991.

LEGALIZATION COSTS

Legalization would raise costs in both federal and state-local entitlement programs because the legalized aliens would become newly eligible for assistance. Under current law, unauthorized aliens cannot legally receive benefits from most entitlement programs. H.R. 3080 would thus raise costs directly in certain federally funded programs beginning in 1987. In addition, federal outlays would increase because the bill would provide for grants to states to cover their public assistance costs for aliens granted permanent resident status.

CBO estimates that there would be no budget impact in fiscal year 1986 because we assumed that the application process for legalization would not begin until October 1, 1986 (the beginning of fiscal year 1987). Federal outlays are estimated to be \$25 million in 1987, \$165 million in 1988, \$615 million in 1989, and \$985 million in 1990, as shown in Table 1. 1/ As I discuss later, these estimates are very uncertain.

The federally funded entitlement programs whose costs would increase include: Supplemental Security Income (SSI), Food Stamps, Medicaid, Unemployment Compensation, Disability Insurance, and Medicare. Together, federal outlays in these programs would rise by an estimated \$25 million in 1987 and \$480 million in 1990. The legalized aliens could not receive benefits from the Aid to Families with Dependent Children program, and many could not receive Medicaid or Food Stamps because the bill generally precludes receipt of federal benefits based on financial need for five years (that is, until 1992). The bill does, however, permit SSI, Food Stamp, and Medicaid benefits to be given to the aged, blind, and disabled, and Medicaid benefits to be given to children under 18 years of age, pregnant women, and people in need of emergency services.

1/ There is also a potential effect on federal revenues from the legalization of unauthorized aliens. CBO estimates, however, that this effect would be close to zero in each year. The additional revenues collected are estimated to be approximately offset by increased income tax refunds.

TABLE 1. CBO ESTIMATES OF THE COSTS TO THE FEDERAL GOVERNMENT OF LEGALIZING UNAUTHORIZED ALIENS UNDER H.R. 3080 (By fiscal year, in millions of dollars)

Category of Outlays	1987	1988	1989	1990
Entitlement Programs				
SSI	a/	35	85	105
Food Stamps	a/	a/	5	10
Medicaid	5	55	155	220
Unemployment Compensation	20	35	85	110
Disability Insurance	a/	5	20	30
Medicare	a/	a/	a/	5
Subtotal	25	130	350	480
Grants to States for Public Assistance	a/	35	265	505
Total Estimated Federal Outlays	25	165	615	985

SOURCE: Congressional Budget Office.

NOTE: Revenues from the fees on applications for legalization are not included nor are costs to the Department of Justice for administering the application process.

a/ Less than \$2.5 million.

Grants to states authorized by the bill would cover increased expenditures for public assistance programs by state and local governments, including the state-financed share of federal programs such as Medicaid and fully state-financed programs of General Assistance. ^{2/} Assuming that the full authorized amount were to be appropriated, these grants would cost less than \$5 million in 1987 and an estimated \$505 million in 1990. H.R. 3080 restricts these grants to cover only those aliens granted permanent resident status. Those aliens granted temporary resident status would not be covered. By CBO's assumptions, all legalized aliens would have permanent status by 1990. If the grants were to cover temporary as well as permanent residents, federal grants to states would cost an additional \$100 million in 1988 and also in 1989.

The effect of the bill's legalization provisions on state expenditures would depend most crucially on whether amounts for grants to states were appropriated at the full levels authorized in the bill. If so, state expenditures would still rise in 1988 and 1989 because states would have to pay for the public assistance costs of the aliens granted temporary status. If not, state expenditures would rise even more in order to cover some of the public assistance expenditures the federal grant would have reimbursed. Clearly, after 1991, when the grants would no longer be authorized, state expenditures on these programs would be considerably higher.

^{2/} The language authorizing these grants to states is unclear. It might authorize payments to cover education expenditures on the legalized aliens as well as public assistance costs. Because it is our understanding that the intent of the bill's authors was not to cover education costs, we have not included such costs in our estimate. If education expenditures were covered, however, the bill's cost by 1990 would be around \$1 billion a year more than the amount shown in Table 1.

MAJOR ASSUMPTIONS

Estimates of the costs associated with legalization are of necessity uncertain. Adequate data on the number and characteristics of unauthorized aliens potentially eligible for legalization simply do not exist. As a result, the CBO cost estimates depend crucially on estimation of two key factors:

- o The number of unauthorized aliens who would be granted resident status, and
- o The benefits they would receive from federal, state, and local entitlement programs, such as SSI or Unemployment Compensation.

CBO assumes that the number of unauthorized aliens to be granted temporary resident status would be 1,370,000. Table 2 shows how we reached this assumption. First, we estimated that 5.6 million unauthorized aliens would be in the United States in 1986. To arrive at this figure, we started with the midpoint of the generally accepted range of 3 million to 6 million unauthorized aliens estimated to be in the United States in the late 1970s. We then increased this figure by 150,000 a year beginning in 1980 (4.5 million + 1.1 million = 5.6 million). This estimate is somewhat lower than the Administration's estimate of 6.5 million, but probably above an estimate implied by a recent Census study that found only 2.0 million unauthorized aliens counted in the 1980 Census.

TABLE 2. DERIVATION OF CBO'S ESTIMATE OF THE NUMBER OF UNAUTHORIZED ALIENS WHO WOULD BE GRANTED RESIDENT STATUS UNDER H.R. 3080

Number of Unauthorized Aliens in U.S. in 1986 (times)	5,600,000
Percent of Aliens Who Came to U.S. Before January 1, 1982, and Would Thus Be Eligible for Legalization (times)	.40
Percent of Eligible Aliens Who Would Apply for Legalization and Be Accepted (plus)	.60
Number of Unemployed Aliens With A History of Employment Who Would Be Accepted (equals)	25,000
Number of Unauthorized Aliens Who Would Be Legalized	1,370,000

SOURCE: Congressional Budget Office.

Second, based on studies by the Immigration and Naturalization Service, we estimated that 40 percent of the 5.6 million aliens would have entered the United States before 1982 and maintained continuous residence in the United States since then, making them eligible for legalization under H.R. 3080. Such a low percentage implies a high turnover in the unauthorized alien population, with many aliens leaving and many others entering the United States each year. This turnover means that with each year's delay in the passage of an immigration bill, fewer aliens would be

eligible for legalization given a fixed cutoff date such as 1982, since some aliens would have returned to their native countries. It also means that earlier cutoff dates would make even fewer aliens eligible for legalization. For example, a 1980 cutoff date, as in the bill reported in July by the Senate Committee on the Judiciary, would qualify only an estimated 17 percent of unauthorized aliens--resulting in an estimated 570,000 actually legalized.

Third, based on discussions with experts, we assumed that 60 percent of eligible aliens would apply for and be granted resident status. Finally, based on an estimated unemployment rate of 5.8 percent--one percentage point below the estimated rate for 1987 for the U.S. population--there would be about 25,000 unemployed aliens with a history of employment who would be granted resident status.

To arrive at a cost estimate, the second set of CBO assumptions dealt with the government benefits that unauthorized aliens would receive after they were legalized. To estimate the number of legalized aliens who would receive benefits under each program, CBO made two important assumptions. First, we assumed that the "public charge" test under current law would be effectively applied so that at the time the aliens requested resident status they would presumably be working (except for the group of unemployed who could demonstrate a history of employment). The employed aliens would then begin to receive program benefits slowly over time as their status changed--that is, as they became unemployed, disabled, or divorced,

thereby allowing them to qualify for the various entitlement programs. Second, we assumed that over time the aliens would receive entitlement programs at the same rate as the U.S. population, adjusted where relevant for age, sex, ethnic origin, or income differences. For example, if 15 percent of U.S. families of Hispanic origin currently receive public assistance, then we assumed that by 1990, 15 percent of the legalized alien families of Hispanic origin would also receive public assistance.

We used the same methodology to estimate public assistance costs to state and local governments, which would be covered by the authorized grants to states. Costs were included for people who would have qualified for the Aid to Families with Dependent Children program--which the bill does not allow the legalized aliens to receive for five years--as well as for people who would qualify only for state and local assistance. By 1990, we estimate that about 225,000 aliens or members of their families would receive state and local General Assistance. Their benefit levels were based on average U.S. benefits in state and local General Assistance programs. These benefits in 1986 were estimated to be \$1,670 a year for a single person for cash benefits and \$600 to \$2,000 a year per person for medical benefits, depending on the person's family and health status.

SENSITIVITY OF THE ESTIMATES

Estimated costs from legalization are quite sensitive to the assumptions underlying the estimates, especially assumptions concerning the number of unauthorized aliens who would be granted resident status. If alternative assumptions were used, estimated federal costs would rise or fall. Assume, for example, that there were 6.5 million unauthorized aliens in the United States in 1986. If 50 percent had arrived before 1982, and if 75 percent of them applied for and were granted legalization, 2.5 million aliens would be legalized. Estimated costs in 1990 would be \$1.8 billion--- more than one and three-quarter times CBO's estimate. On the other hand, if there were only 4.5 million unauthorized aliens, if 30 percent had arrived before 1982, and if 50 percent were granted legalization, only 700,000 aliens would be legalized. In this case, estimated costs would be \$500 million in 1990---only one-half of CBO's estimate. As these numbers indicate, the uncertainty about the number and characteristics of unauthorized aliens leads to a wide range of potential costs from the legalization provisions.

This concludes my statement, Mr. Chairman. I will be happy to respond to any questions you or other members of the Subcommittee may have.