

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.

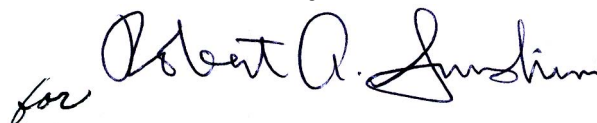
Components of this estimate are shown in the enclosed table.

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,

A handwritten signature in black ink, appearing to read "for Robert A. Orszag".

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
CHANGES IN REVENUES												
On-Budget Revenues	-150	-427	566	503	715	780	775	777	776	769	1,207	5,083
Off-Budget Revenues ^a	<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
CHANGES IN DIRECT SPENDING												
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
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
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.
