



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 15, 2017

### **H.R. 3440** **Dream Act of 2017**

*As introduced in the House of Representatives on July 26, 2017*

#### **SUMMARY**

H.R. 3440 would allow certain noncitizens—namely, inadmissible or deportable aliens—who arrived in the United States before the age of 18 to receive lawful permanent resident (LPR) status under certain conditions. If they met further qualifications—related to education, employment, or uniformed service—the bill would permit them to remove the conditional basis of their LPR status, making them eligible to naturalize.

CBO estimates that H.R. 3440 would provide lawful immigration status and work authorization to around 2 million people who otherwise would be physically present in the United States but lacking such legal authority. The bill would affect direct spending by conferring eligibility for federal benefits—health insurance subsidies and benefits under Medicaid and the Supplemental Nutrition Assistance Program (SNAP), among others—provided that those applicants met the other eligibility requirements for those programs.

H.R. 3440 would also affect federal revenues: The increase in the number of workers with employment authorization would affect receipts of individual and corporate income taxes and payroll taxes. Newly authorized workers also would become eligible for some refundable tax credits (included in the spending total below).

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 3440 would increase direct spending by \$26.8 billion over the 2018-2027 period. Over that same period, CBO and JCT estimate that the bill would increase revenues, on net, by \$0.9 billion—a decline in on-budget revenues of \$4.3 billion and an increase in off-budget revenues of \$5.3 billion.

In total, CBO and JCT estimate that changes in direct spending and revenues from enacting H.R. 3440 would increase budget deficits by \$25.9 billion over the 2018-2027 period, boosting on-budget deficits by \$30.6 billion and decreasing off-budget deficits by \$4.7 billion over that period. Pay-as-you-go procedures apply because enacting the bill would affect direct spending and revenues.

CBO also estimates that providing higher education assistance for newly eligible people under H.R. 3440 would cost \$1.0 billion over the 2018-2022 period; such spending would be subject to the availability of appropriated funds.

CBO and JCT estimate that enacting H.R. 3440 would increase net direct spending by more than \$2.5 billion and on-budget deficits by more than \$5 billion in at least one of the four consecutive 10-year periods beginning in 2028.

This bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Some state and local colleges and universities may experience increased enrollment as a result of this bill, but any associated costs would not result from intergovernmental mandates.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of H.R. 3440 are shown in Table 1. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), 570 (Medicare), 600 (income security), 650 (Social Security), and 750 (administration of justice).

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF H.R. 3440

	By Fiscal Year, in Billions of Dollars										2018- 2022	2018- 2027
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027		
<b>INCREASES IN DIRECT SPENDING</b>												
Estimated Outlays <sup>a</sup>	0.1	0.9	2.0	2.4	2.8	3.1	3.4	3.8	4.1	4.3	8.1	26.8
On-budget	0.1	0.9	2.0	2.4	2.7	3.0	3.3	3.7	4.0	4.1	8.1	26.2
Off-budget	*	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.6
<b>INCREASES OR DECREASES (-) IN REVENUES</b>												
Estimated Revenues	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.9
On-budget	*	-0.3	-0.5	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-1.8	-4.3
Off-budget	*	0.3	0.5	0.6	0.7	0.7	0.6	0.6	0.6	0.6	2.1	5.3

(Continued)

**TABLE 1. CONTINUED**

	By Fiscal Year, in Billions of Dollars										2018- 2022	2018- 2027
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027		
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>												
Impact on Deficit	0.1	0.9	1.9	2.3	2.7	3.0	3.3	3.7	3.9	4.1	7.9	25.9
On-budget	0.1	1.2	2.4	2.9	3.3	3.6	3.9	4.2	4.5	4.6	9.9	30.6
Off-budget	*	-0.3	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-2.0	-4.7
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATIONS</b>												
Estimated Authorization Level	0.1	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	1.2	2.1
Estimated Outlays	*	0.1	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2	1.0	2.0

\* = an increase or decrease of less than \$50 million; components may not sum to totals because of rounding.

a. The changes in direct spending would affect budget authority by similar amounts.

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that H.R. 3440 will be enacted near the start of calendar year 2018. CBO expects that the Department of Homeland Security (DHS) would promulgate regulations and begin receiving and processing applications for conditional LPR status in the latter half of fiscal year 2018. CBO expects that DHS would receive a substantial number of applications during the early months of this program, as it did when implementing its policy of Deferred Action for Childhood Arrivals (DACA), and would require many more months to adjudicate that initial surge of applications.

### **People Affected by the Legislation**

H.R. 3440 would provide conditional LPR status to a subset of the estimated 11-12 million noncitizens in the United States who are inadmissible or deportable under the Immigration and Nationality Act.<sup>1</sup> To be eligible, all applicants must meet several criteria:

1. If they met the bill's other requirements, aliens who have been granted temporary protected status under section 244 of the Immigration and Nationality Act also would be eligible for conditional LPR status.

- They must have had a continuous physical presence in the United States for the four years before the date of enactment;
- They must have been under the age of 18 upon arrival in the United States;
- They must not have violated any of a series of requirements related to crime and national security; and
- They must hold at least a high school diploma or its equivalent, be enrolled in high school, or be participating in a program to prepare for a general educational development (GED) examination.

In addition, people who received deferred action under DACA would be eligible for conditional LPR status, provided that they did not later commit acts that would terminate DACA eligibility. Approximately 800,000 people received deferred action under DACA at some point, and almost 700,000 people are currently in deferred action.<sup>2</sup>

Under H.R. 3440, children who otherwise met the bill's requirements but who were too young to have begun high school would be protected from removal until they entered high school and became eligible to apply for conditional LPR status.

The bill does not place an upper age limit on applicants. That contrasts with DACA, which limited eligibility to those who were under the age of 31 as of June 15, 2012, the date that policy was established.

H.R. 3440 also would enable recipients of conditional LPR status under the bill to remove the conditional basis of that status, thus establishing their eligibility to apply for naturalized citizenship, if they met the other requirements to do so. To be eligible, people would have to meet several criteria, including at least one of the following:

- They must have completed a postsecondary program of education or at least two years toward a four-year degree;
- They must have completed at least two years of honorable service in the uniformed services;

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2. The Administration is phasing out DACA over a two-year period beginning in March 2018. People currently in deferred action will remain lawfully present and authorized to work until their current two-year period of deferred action expires between March 2018 and March 2020.

- They must have maintained lawful employment for at least three years and at least 75 percent of the time during which they had valid employment authorization; or
- They must have received a waiver from satisfying those requirements because of disability or child care responsibilities or because their removal would cause extreme hardship to an immediate relative who is a U.S. citizen or lawful permanent resident.

Under the bill, people who fail to advance beyond the conditional basis of LPR status within eight years would lose eligibility altogether and revert to their prior immigration status.

**Recipients of Conditional LPR Status.** DHS and various immigration researchers use Census Bureau surveys and social science research to estimate the number and demographic and socioeconomic characteristics of people in the country without legal status.<sup>3</sup> Based on that research, CBO expects that around 3.25 million aliens arrived in the U.S. before their 18th birthday and will have been continuously present for at least four years at the time of enactment. Not all of those people would apply for conditional LPR status nor would all applications be approved. Application rates for DACA and the legalization programs under the Immigration Control and Reform Act of 1986 (IRCA) were around 75 percent, according to immigration researchers. The approval rates for both programs were around 90 percent. For H.R. 3440, CBO expects that younger people and those with more education would apply at rates that are higher than those for DACA and IRCA and that older people and those with less education would apply at lower rates.

On that basis, CBO estimates that nearly 2 million people would apply for and be granted conditional LPR status under H.R. 3440, most within the first five years after enactment. Others would apply for and receive that status in the latter half of the decade and even into the second decade after the bill's enactment. Their ages at the time they received the status would range from around 14 to the early 50s, with a median age in the late 20s. The research indicates that the vast majority of conditional LPR recipients would be from Mexico or Central America.

Furthermore, CBO estimates that—of those nearly 2 million people—roughly 1.6 million would be granted unconditional LPR status during the 2018-2027 period; more people would receive that status after that 10-year period. The number of people who would receive unconditional LPR status was estimated as follows:

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3. Some people without legal status are considered lawfully present and have received work authorization under various provisions of law or through actions of the executive branch, such as DACA.

- Using information from the Census Bureau and the Department of Labor about employment rates for lawfully present Hispanic aliens, CBO expects that almost three-quarters of the individuals who qualify for unconditional LPR status would do so on the basis of their work, rather than as a result of having met other criteria.<sup>4</sup>
- Using information from the Department of Education and immigration researchers, CBO expects that all of the current college graduates, one-third of those under the age of 18, and one-tenth of the current high school graduates who receive conditional LPR status would meet qualifications for unconditional status because they have or are working toward a postsecondary degree. That group would represent around one-fifth of the people who would qualify for unconditional LPR status.
- Finally, CBO expects that around 5 percent of the people who receive unconditional LPR status would do so because of disability or child care waivers.

Using naturalization data from DHS, CBO estimates that under H.R. 3440, roughly 1 million of the 1.6 million people receiving unconditional LPR status would become naturalized U.S. citizens during the 2018-2027 period, and that a substantial number of people would naturalize in the following decades. Naturalization primarily affects the federal budget by allowing new citizens to sponsor some of their relatives for LPR status in categories that are not subject to annual numerical caps, as discussed below.

The people who would receive conditional LPR status under the bill fall into four categories: college attendees or graduates, high school graduates and people who had earned a GED, children in high school or under high school age, and certain adults who did not initially meet the educational requirement.

*College Attendees and Graduates Immediately Eligible for Unconditional LPR Status.* People who have already completed two years of higher education would be eligible for *unconditional* LPR status upon enactment. CBO expects nearly 200,000 such people would receive conditional LPR status under the bill, simultaneously having the conditional basis removed.

*High School Graduates Immediately Eligible for Conditional LPR Status.* People who have already completed high school but have not completed two years of postsecondary education would be eligible for conditional LPR status upon enactment. They would need to satisfy further conditions to have the conditional basis removed. CBO estimates that

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<sup>4</sup> This category includes the direct beneficiaries of H.R. 3440 who would serve in the uniformed services.

during the 2018-2027 period, more than 900,000 of those people would receive conditional LPR status and 750,000 in that group would receive unconditional LPR status.

*Students Not Yet Out of High School.* Minors who have not yet entered high school would become eligible for conditional LPR status once they entered high school. CBO expects that those children would receive conditional LPR status during or shortly after ninth grade. Current high school students would be eligible for conditional LPR status upon the bill's enactment. CBO estimates that of the 300,000 such students receiving conditional LPR status, 250,000 would receive unconditional status during the 2018-2027 period.

*Adults Without a High School Diploma.* Adults who have not finished high school or received the GED credential would not be eligible for conditional LPR status until they met the bill's educational requirement. CBO anticipates that several obstacles would confront those adults:

- They are less likely to speak English than are people in the other three groups who would receive conditional LPR status;
- They have lower average household income; and
- They are well past the typical age for completing a GED examination or enrolling in a postsecondary institution.

However, because lawful permanent residence confers significant legal and economic benefits, CBO anticipates that those adults would be highly motivated to qualify, and that they would receive substantial assistance from nongovernmental organizations whose mission is to assist noncitizens. Several facets of the legislation would improve their likelihood of meeting the educational requirements:

- H.R. 3440 would not specify an application deadline for conditional LPR status, so people without a high school diploma would have several years to take the necessary steps, and government agencies and nongovernmental organizations would have time to develop programs tailored to those adults' particular needs and challenges.
- In most states, the GED Testing Service offers examinations in Spanish, and test takers are not required to have completed training in English as a second language to receive certification.

- The minimum education requirement would be enrollment in a program to prepare for the GED examination. The bill would not require applicants to pass the examination to attain conditional LPR status.

Weighing those factors, CBO expects that half of the group of adults without a high school diploma would apply for conditional LPR status under the bill, a rate that is notably below the application rates for DACA and IRCA. As a result, CBO estimates that just over half a million of those people would receive conditional LPR status under the bill.

CBO expects that the people in this category would qualify for unconditional LPR status almost exclusively through employment, not as a result of postsecondary education. CBO estimates that roughly 400,000 of those people would receive unconditional LPR status over the 2018-2027 period and that more would do so after the end of the 10-year budget window.

**Subsequent Family-Based Migration.** Naturalized U.S. citizens and lawful permanent residents can sponsor certain relatives for lawful permanent resident status, a process often called chain migration. Immediate relatives of U.S. citizens—that is, the parents, spouses, and minor children of citizens—can be granted LPR status without being counted against annual numerical limits. In recent years, between 400,000 and 500,000 immediate relatives have received LPR status annually. In contrast, the spouses and children of legal permanent residents and the adult children and siblings of U.S. citizens are eligible for LPR status through family-sponsored preferences, which are capped at 226,000 per year. Because of that annual limit, a very large backlog exists—4 million approved petitions are on file with the State Department—and the vast majority of those relatives must wait more than five years to receive LPR status.

The nearly 2 million direct beneficiaries of H.R. 3440 would be able to sponsor their relatives for LPR status. CBO estimates that over the 2018-2027 period, H.R. 3440 would cause around 80,000 more people to receive LPR status—as the immediate relatives of the direct beneficiaries of H.R. 3440 who naturalize—than would be the case under current law. Virtually all of those new recipients are already in the United States. In subsequent decades, some of the additional people who would receive LPR status through chain migration would arrive from abroad. However, the number of additional people who could receive LPR status during the 2018-2027 period is constrained primarily by two factors: annual caps on certain categories of family-based immigration and the “10-year bar” described below.

*Annual Caps on Family-Sponsored Preferences.* Because of the annual caps, the very large backlog of approved petitions, and a steady stream of new petitions each year, CBO



estimates that, under current law, all 226,000 family-sponsored preferences will be used in each year of the 2018-2027 period (and well beyond that, which factors into CBO's estimate of the long-term budgetary effects of the bill). Some qualifying relatives of the direct beneficiaries of H.R. 3440 would receive LPR status through family-sponsored preferences beginning in the second decade after enactment, but the change would affect only *which* individuals received LPR status in any given year, not *how many*.

*Ten-Year Bar.* The Immigration and Naturalization Act states that aliens who have been unlawfully present in the United States for at least a year are inadmissible until they have been outside of the United States for at least 10 years—a requirement often called the 10-year bar.<sup>5</sup> Additionally, the act and its associated regulations state that aliens who are currently unlawfully present may generally not adjust their status to lawful permanent residence—unless they are seeking status as an immediate relative of a U.S. citizen and have previously been lawfully admitted into the United States.<sup>6</sup>

To be eligible for conditional LPR status under H.R. 3440, an alien must have arrived in the United States before reaching age 18 and must be inadmissible or deportable. Most people who meet those requirements arrived in the U.S. with their parents. And, frequently, the grounds of inadmissibility or deportability that apply to the direct beneficiaries of H.R. 3440 also would apply to their parents. Many of those parents who would qualify for LPR status as immediate relatives of U.S. citizens are likely to be subject to the 10-year bar. Only parents who overstayed previously granted legal admissions or those who have been outside the United States for at least a decade would be immediately eligible to receive LPR status. Parents who are in the United States after an unlawful entry would have to leave the country and wait for 10 years before they could be admitted in LPR status.<sup>7</sup>

Using information from DHS and from immigration research, CBO concludes that the majority of parents of the direct beneficiaries of H.R. 3440 arrived without inspection. That is, they entered the United States unlawfully and therefore are subject to the 10-year bar; they cannot adjust their status from within the United States. In recent years, a growing share of unlawfully present people have overstayed their legal admissions. However, the children of those people who overstayed their visas are probably still minors who would not be eligible until reaching age 21 to sponsor their parents for LPR status.

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5. 8 U.S.C. 1182(a)(9)(B)

6. 8 U.S.C. 1255 and 8 C.F.R. 245.1.

7. Children of U.S. citizens also are eligible to receive LPR status as immediate relatives of U.S. citizens, but the children of naturalized direct beneficiaries of H.R. 3440 would be unlikely to acquire LPR status through that route. If a child was born abroad to a then-minor parent and traveled to the United States with that parent, he or she would probably be eligible for conditional LPR status independent of the parent. If born in the United States, that child is a citizen by birth.

**Citizen Children.** Although U.S. citizen children living with inadmissible or deportable parents are fully eligible for all federal benefit programs, their parents' immigration status can affect the likelihood that their parents would choose to enroll them in those programs. CBO expects that granting LPR status to the parents of citizen children would increase those children's participation in federal benefit programs. Using information from DHS and various immigration researchers, CBO estimates that about 4.5 million U.S. citizens under the age of 18 have at least one inadmissible or deportable parent. CBO expects that about 900,000 of those children live in households with only inadmissible or deportable parents where one or both parents would receive LPR status under H.R. 3440. CBO also estimates that about 60,000 additional citizen children will be born to such parents in each of the next 10 years.

### **Effects on Direct Spending**

In total, CBO and JCT estimate that enacting the legislation would increase direct spending by \$26.8 billion over the 2018-2027 period (see Table 2). Changes in the number and status of foreign-born people in the United States resulting from enacting H.R. 3440 would increase direct spending relative to current law for a variety of federal benefit programs and refundable tax credits. Most of that increase would be for subsidies to be provided through health insurance marketplaces, refundable tax credits, and federal outlays for Medicaid.

**Health Insurance Subsidies.** People who are lawfully present in the United States are generally eligible to receive subsidies for health insurance purchased through the marketplaces if they have household income between 100 percent and 400 percent of the federal poverty guidelines—or if their income is below 100 percent of the guidelines but they are ineligible for Medicaid because of their immigration status—and if they do not have access to health insurance coverage through certain other sources.<sup>8</sup>

CBO and JCT estimate that about 355,000 people who receive LPR status under H.R. 3440 would purchase health insurance through the marketplaces in 2022 and would have income that was low enough to qualify for the subsidies. That number would fall to 175,000 by 2027. CBO and JCT expect that the number of additional people who would enroll in health insurance through the marketplaces as a result of this bill would increase over the next five years, but would start to decline thereafter as some people who attained five years with LPR status would become eligible for Medicaid and would therefore be ineligible for subsidies through the marketplaces. The agencies estimate that the average cost of those subsidies would be about \$4,750 per person in 2018 and about \$5,500 in 2027.

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8. Although people in deferred action under DACA are considered lawfully present under immigration law, federal regulations prohibit those people from receiving subsidies for health insurance purchased through the marketplaces.

In addition, CBO and JCT estimate that, as a result of H.R. 3440, each year the parents of about 15,000 citizen children, on average, would choose to enroll them in coverage through the health insurance marketplaces.

In total, CBO and JCT estimate that enacting H.R. 3440 would increase outlays for subsidies for health insurance purchased through the marketplaces by \$11.8 billion over the 2018-2027 period. (An additional \$1.2 billion in costs associated with health insurance subsidies would take the form of a reduction in revenues; see “Revenues” below).

**TABLE 2. ESTIMATED EFFECTS OF H.R. 3440 ON DIRECT SPENDING BY PROGRAM**

	Outlays by Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027	2018-2027
<b>INCREASES IN DIRECT SPENDING FOR BENEFIT PROGRAMS<sup>a</sup></b>												
Health Insurance Subsidies <sup>b</sup>	60	640	1,280	1,540	1,765	1,775	1,535	1,225	1,030	945	5,285	11,795
Earned Income and Child Tax Credits <sup>c</sup>	30	225	450	550	660	715	700	715	715	695	1,915	5,455
Medicaid	*	25	55	70	100	245	625	1,065	1,340	1,495	250	5,020
SNAP	*	30	70	85	90	140	290	465	550	580	275	2,300
Supplemental Security Income	*	10	25	30	40	75	110	160	210	260	105	920
Social Security (off-budget)	*	5	15	25	35	50	70	90	115	145	80	550
Medicare	0	0	*	5	10	20	35	50	70	95	15	285
Higher Education Assistance <sup>d</sup>	<u>25</u>	<u>60</u>	<u>20</u>	<u>80</u>	<u>60</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>50</u>	<u>50</u>	<u>245</u>	<u>480</u>
Subtotal	115	995	1,915	2,385	2,760	3,065	3,410	3,815	4,080	4,265	8,170	26,805
<b>OTHER INCREASES OR DECREASES (-) IN DIRECT SPENDING<sup>a</sup></b>												
DHS Fees and Spending	-40	-80	65	20	*	5	-10	15	10	5	-35	-10
<b>TOTAL CHANGES IN DIRECT SPENDING<sup>a</sup></b>												
Estimated Outlays	75	915	1,980	2,405	2,760	3,070	3,400	3,830	4,090	4,270	8,135	26,795

SNAP = Supplemental Nutrition Assistance Program; DHS = Department of Homeland Security.

\* = an increase or decrease of less than \$2.5 million; components may not sum to totals because of rounding.

- The changes in direct spending would affect budget authority by similar amounts.
- Includes cost-sharing subsidies and the outlay portion of premium assistance tax credits.
- Refundable tax credits include the outlay portion of the earned income and child tax credits.
- As required under current law, CBO estimates most of the costs of the federal student loan programs using procedures required under the Federal Credit Reform Act of 1990. Section 5106 of the Conference Report on the Concurrent Resolution on the Budget for Fiscal Year 2017 requires that any CBO estimate also include an estimate of the provision’s costs on a fair-value basis. Using those estimating procedures, federal student loans are more costly than estimated under the Federal Credit Reform Act. On a fair-value basis, CBO projects that federal direct spending for assistance for higher education would be \$0.8 billion higher over the 2018-2027 period than it would be under current law.

**Earned Income and Child Tax Credits.** JCT estimates that H.R. 3440 would increase outlays for the earned income and child tax credits, which are refundable, by \$5.5 billion over the 2018-2027 period. Refundable tax credits reduce a taxpayer's overall income tax liability; if those credits exceed other tax liability, the taxpayer may receive the excess in a refund. Such refunds are classified as outlays in the federal budget.

JCT estimates that the increase in outlays for refundable credits projected for the 2018-2027 period would be attributable to earned income tax credits. H.R. 3440 would increase the amount of such credits by increasing the number of people with valid Social Security numbers, which taxpayers and their dependents must have to qualify for those credits. Social Security numbers, however, are not required to receive child tax credits, which are currently received by much of the population affected by H.R. 3440. Outlays for child tax credits are projected to decrease because of the expected increases in taxable income, which would reduce the average amount refunded to recipients.

**Medicaid.** CBO expects that some people who received LPR status under the bill would enroll in Medicaid once they have been in that status for five years and if they met other eligibility requirements for the program. Beginning in 2022, CBO estimates that about 5,000 people would enroll in Medicaid. That number would rise to 275,000 people in 2027. CBO estimates that the average cost per beneficiary would increase from about \$4,300 per person in 2022 to about \$5,200 in 2027. In addition, CBO estimates that under the bill, the parents of about 30,000 citizen children, on average, would choose to enroll them in Medicaid. In total, CBO estimates that enacting H.R. 3440 would increase spending for Medicaid by \$5.0 billion over the 2018-2027 period.

**Supplemental Nutrition Assistance Program.** Under current law, legal permanent residents are eligible for SNAP benefits if they have been in LPR status for at least five years and meet the program's income and asset requirements. Such residents under the age of 18 are eligible for benefits without the five-year waiting period. Under H.R. 3440, CBO estimates that of the people who would receive LPR status under this bill, 20,000 would newly receive SNAP benefits in 2019, rising to 280,000 by 2027. In addition, CBO expects, the parents of about 10,000 citizen children would apply for SNAP benefits on their behalf. By 2027, CBO projects, average annual benefits for those participants would be about \$1,800. Therefore, enacting H.R. 3440 would increase direct spending for SNAP benefits by \$2.3 billion over the 2018-2027 period.

**Supplemental Security Income.** The Supplemental Security Income (SSI) program provides a monthly cash benefit to people who are disabled, age 65 or older, or both and who have low income and few assets. Generally, legal permanent residents become eligible for SSI only after they have been in LPR status for five years and have paid payroll taxes for 10 years. Naturalized citizens are eligible for SSI irrespective of their

history of paying payroll taxes. CBO expects that under H.R. 3440, the number of naturalized citizens receiving SSI benefits would rise from about 5,000 in 2023 to 25,000 in 2027. In addition, CBO estimates that the parents of around 5,000 additional citizen children would apply for SSI benefits on their behalf. In 2018, the monthly benefit will be \$750 for a beneficiary with no other income (a beneficiary who has other income will receive a smaller amount). CBO estimates that enacting H.R. 3440 would increase direct spending for SSI benefits by \$0.9 billion over the 2018-2027 period.

**Social Security and Medicare.** People attain eligibility for Social Security and Medicare benefits by paying payroll taxes for a minimum period—generally equivalent to 10 years, but fewer than that for adults younger than age 31 who have become disabled. To collect Social Security and Medicare benefits while in the United States, a person must be lawfully present in the country. People who received conditional LPR status under H.R. 3440 would gain work authorization, receive valid Social Security numbers, and become lawfully present.

Over the 2018-2027 period relatively few of the people affected by the bill would reach age 62, under current law the age of earliest eligibility for Social Security’s retirement benefits, or 65, the age at which people typically become eligible for Medicare benefits. However, on the basis of disability, some affected people would become eligible for Social Security disability benefits and for Medicare. CBO projects that the bill would result in 10,000 additional people receiving Social Security disability benefits and 6,500 additional people receiving Medicare benefits by 2027. CBO estimates that enacting H.R. 3440 would increase Social Security spending (which is off-budget) by \$0.6 billion and Medicare spending by \$0.3 billion over the 2018-2027 period.

**Higher Education Benefits.** Under current law, legal permanent residents are eligible for the Federal Pell Grant Program and the Federal Direct Loan Program. CBO estimates that under the bill, the number of recipients in those programs would increase quickly between 2018 and 2020 as people who received conditional LPR status under the bill enrolled in postsecondary education programs to meet the requirements for unconditional LPR status. After 2020, that total would dip slightly before rising again as more people became eligible to apply for federal student aid.

Under H.R. 3440, CBO estimates, by 2027 about 90,000 more students per academic year would receive Pell grants than is the case currently. The average grant that year would be about \$3,900, about \$700 of which would be supported by mandatory spending; the remainder would be funded through discretionary spending (see “Spending Subjection to Appropriation” below). CBO also projects that by 2027 about 30,000 additional students would be eligible under H.R. 3440 for federal student loans. Thus, CBO estimates that federal direct spending for assistance for higher education would increase by about

\$0.5 billion over the 2018-2027 period, mostly resulting from an increase in newly awarded Pell grants.<sup>9</sup>

**Department of Homeland Security Fees.** The fees DHS collects to process immigration applications amount to several hundred dollars or more per application. The fees are classified as offsetting receipts (that is, reductions in direct spending) and are available for spending by DHS without further appropriation action. Enacting H.R. 3440 would increase the number of applicants for permanent residence and, eventually, naturalization. CBO estimates that fee collections also would increase and that additional collections and spending would total about \$4 billion each over the 2018-2027 period. Because of the lag between collecting and spending fees, CBO estimates that collections would exceed spending over that period by \$10 million.

### Effects on Revenues

H.R. 3440 would affect revenues in several ways, some that would decrease revenues and some that would increase them. After accounting for both sets of effects, CBO and JCT estimate that enacting the legislation would, on net, increase revenues by \$0.9 billion over the 2018-2027 period. JCT estimates that off-budget receipts (Social Security payroll taxes) for the period would increase by \$5.3 billion; CBO and JCT estimate that on-budget receipts would decrease by \$4.3 billion.

Higher revenues, according to JCT's estimates, would largely stem from increased reporting of employment income by people who would legally be allowed to work under the legislation. That increase in reported wages would cause increases in receipts, mostly in the form of Social Security taxes, which are categorized as off-budget. In addition, CBO and JCT estimate that an increase in the number of people paying penalties associated with not having health insurance would increase revenues by \$0.7 billion over the 2018-2027 period.

Those increases in revenues would be mostly offset for two reasons. First, increased reporting of employment income would result in increases in tax deductions by businesses for labor compensation, including those businesses' contributions to payroll taxes. As a result, corporations would report lower taxable profits and pay less in income taxes. Noncorporate businesses, such as partnerships and sole proprietorships, also would report lower taxable income, which would decrease individual income taxes paid by the

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9. As required under current law, CBO estimates most of the costs of the federal student loan programs using procedures required under the Federal Credit Reform Act of 1990. Section 5106 of the Conference Report on the Concurrent Resolution on the Budget for Fiscal Year 2017 requires that any CBO estimate also include an estimate of the provision's costs on a fair-value basis. Using those estimating procedures, federal student loans are more costly than estimated under the Federal Credit Reform Act. On a fair-value basis, CBO projects that federal direct spending for assistance for higher education would be \$0.8 billion higher over the 2018-2027 period than it would be under current law.

partners and owners. The decrease in income tax receipts would total \$3.8 billion over 10 years. Second, CBO and JCT estimate that there would be a \$1.2 billion decrease in revenues over the 2018-2027 period associated with increases in the nonrefundable portion of the premium assistance tax credit provided through the health insurance marketplaces established under the Affordable Care Act.

**Effects on Spending Subject to Appropriation**

Under current law, legal permanent residents may receive Pell grants. Most of every Pell grant award is supported with discretionary funds (about \$3,200 of the maximum award of \$3,900 in 2027). CBO estimates that under this bill, discretionary spending for Pell grants would increase by about \$2.0 billion over the 2018-2027 period, assuming appropriation of the necessary funds. (For more details, see “Higher Education Benefits” above.)

**PAY-AS-YOU-GO CONSIDERATIONS**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 3. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

**TABLE 3. CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 3440 AS INTRODUCED IN THE HOUSE OF REPRESENTATIVES ON JULY 26, 2017**

	By Fiscal Year, in Millions of Dollars											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2022	2018-2027
<b>NET INCREASE IN THE ON-BUDGET DEFICIT</b>												
Statutory Pay-As-You-Go Impact	105	1,160	2,425	2,900	3,275	3,560	3,855	4,245	4,465	4,595	9,865	30,585
<b>Memorandum:</b>												
Changes in Outlays	75	910	1,965	2,380	2,725	3,020	3,330	3,740	3,975	4,125	8,055	26,245
Changes in Revenues	-30	-250	-460	-520	-550	-540	-525	-505	-490	-470	-1,810	-4,340

## **INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS**

CBO estimates that enacting H.R. 3440 would increase net direct spending by more than \$2.5 billion and on-budget deficits by more than \$5 billion in at least one of the four consecutive 10-year periods beginning in 2028. Several factors would drive an increase in spending on federal benefits:

- The direct beneficiaries of H.R. 3440 would continue to naturalize, making them eligible to sponsor immediate relatives for LPR status without an annual limit.
- The later recipients of conditional LPR status and all family-sponsored legal permanent residents would exceed five years in LPR status, conferring eligibility for full Medicaid benefits and SNAP. (Legal permanent residents who naturalize after five years also would become eligible for SSI.)
- Both the direct beneficiaries of H.R. 3440 and their family members who later receive LPR status would pay enough years of payroll taxes to become eligible for Social Security and Medicare.

## **MANDATES**

This bill contains no intergovernmental or private-sector mandates as defined in UMRA. Some state and local colleges and universities may experience increased enrollment as a result of this bill, but any associated costs would not result from intergovernmental mandates.

## **PREVIOUS ESTIMATE**

On December 15, 2017, CBO transmitted a cost estimate for S. 1615, the Dream Act of 2017, as introduced in the Senate on July 20, 2017. The two bills are identical and CBO's estimates of the effects of both bills are the same.



## **ESTIMATE PREPARED BY**

### **Population**

David Rafferty

### **Federal Costs**

Kathleen FitzGerald, Mark Grabowicz, Lori Housman, Justin Humphrey, Leah Koestner, Sarah Masi, David Rafferty, Lisa Ramirez-Branum, and the staff of the Joint Committee on Taxation.

### **Federal Revenues**

Sarah Masi and the staff of the Joint Committee on Taxation.

### **Mandates**

Rachel Austin

## **ESTIMATE APPROVED BY**

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