



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Fiscal Note

**Short Title:** Verification of Immigration Status - SAVE.  
**Bill Number:** House Bill 484 (First Edition)  
**Sponsor(s):** Representatives Cleveland, Hurley, Yarborough, and Presnell

### SUMMARY TABLE

#### FISCAL IMPACT OF H.B. 484, V.1 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
<b>State Impact</b>					
General Fund Revenue	-	-	-	-	-
<u>Less Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>General Fund Impact</b>	<b>Likely Limited Budget Cost - Refer to Fiscal Analysis section</b>				
Special Fund Revenues	-	-	-	-	-
<u>Less Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Special Fund Impact</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>				

<b>NET STATE IMPACT</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>
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<b>Local Impact</b>					
Local Revenue	-	-	-	-	-
<u>Less Local Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<b>NET LOCAL IMPACT</b>	<b>Likely Significant Budget Cost - Refer to Fiscal Analysis section</b>
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**TECHNICAL CONSIDERATIONS:** See Technical Considerations Section

### FISCAL IMPACT SUMMARY

This bill will have a fiscal impact with the potential for significant costs to some agencies, including the Department of State Treasurer and the Department of Health and Human Services (and its local affiliates).

## FISCAL ANALYSIS

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The bill requires all State agencies and licensing boards to verify the immigration status of applicants for public benefits using the Systematic Alien Verification for Entitlements (SAVE) system operated by the US Department of Homeland Security. The SAVE system is an information service for authorized agencies to verify their applicants' immigration status. SAVE provides nonimmigrant status, immigrant status, and US citizenship of naturalized and derived citizens. It does not provide information about natural born citizens. Federal, State, and local government agencies and licensing bureaus can use the SAVE system. Agencies have to provide a first and last name, date of birth, and a numeric identifier, including: Alien Number, Form I-94, Arrival/Departure Record, Student and Exchange Visitor Information System (SEVIS) ID number, or unexpired foreign passport number.

As defined in 8 U.S.C. § 1621, public benefit means:

- Any grant, contract, loan, professional license, or commercial license provided by an agency of a State or local government or by appropriated funds of a State or local government; and,
- Any retirement, welfare, health, disability, public or assisted housing, postsecondary education, food assistance, unemployment benefit, or any other similar benefit for which payments or assistance are provided to an individual, household, or family unit by an agency of a State or local government or by appropriated funds of a State or local government.

The SAVE system has the following costs:

- Electronic Verification:
  - \$0.50 per initial verification
  - \$0.50 per retry initial verification
  - \$0.50 per additional verification
  - \$1.50 = maximum charge per verification

There is no monthly charge to agencies if there are no verifications in a given month. However, if there are verifications, the minimum monthly service transaction fee is \$25.

The US Census American Community Survey estimates the 2017 immigrant population in North Carolina to be 8% (787,971 of a total population of 10,052,564). Fiscal Research used 8% to calculate the estimated costs to agencies to access the SAVE system in instances where the number of immigrants receiving benefits was unknown. To the extent that the actual number of immigrants requiring verification is higher or lower, the estimates in the fiscal note may be under- or over-estimated.

The bill is unclear on the treatment of natural born citizens receiving benefits. This estimate assumes that only self-identified immigrants will be checked in the SAVE system. To the extent that verification of citizenship status is required for all benefit recipients, the costs of this bill will increase significantly.

The following sections provide estimates for the costs associated with this bill for each agency that would be impacted.

## **Education**

### **State Education Assistance Authority (SEAA)**

Since 2017, the State Education Assistance Authority (SEAA) has been tasked with determining the residency status (in-state or out-of-state) for every student attending a post-secondary institution in North Carolina. They accomplish this through the Residency Determination Service (RDS), a centralized system of residency verification developed and maintained by SEAA.

SEAA does not currently use SAVE to verify the immigration status of every student seeking a residency determination. SAVE is typically used on a manual basis when residency decisions are being appealed. It is not clear whether this bill would require verifying the immigration status of *all* applicants, including citizens, or only applicants who have an alien registration number. Checking every applicant would broaden the use of SAVE significantly; using 2019 figures, SEAA estimates that there are approximately 34,000 inquiries per month. To check them all would cost \$17,000 per month (\$612,000 annually). However, if SAVE were used only to verify the immigration status of those applicants with an alien registration number for the purposes of receiving State aid, the cost would be lower. In 2018-19, 7,331 undergraduate students completed the Free Application for Federal Student Aid (FAFSA), listed North Carolina as their legal residence, and provided an alien registration number. Verifying the immigration status of each one of these students would cost approximately \$3,666 annually (7,331 times \$0.50). This could fluctuate depending upon the number of applications. It is important to note that not all of these students receive State aid. Some of these students may be enrolled in out-of-state institutions, not eligible for assistance, or not enrolled at all.

Should the bill become law, SEAA also anticipates costs from planning and developing new technology processes to use the SAVE system to verify immigration status by integrating this into their existing program. SEAA cannot provide an estimate for the cost of incorporating SAVE into their existing program nor can they anticipate whether this would increase the number of appeals that would be handled by staff.

## **General Government**

### **Department of Administration (DOA)**

DOA's Division of Purchase and Contracts (P&C) oversees all State contracting procedures related to non-IT goods and services. As defined in 8 U.S.C. § 1621, any contract provided by an agency of State government constitutes a public benefit. This bill would require P&C to verify the immigration status of the contract recipients upon award.

P&C already does require some immigration status verification from organizations bidding on State contracts. More specifically, when bidding on a State contract, all organizations with 25 or more employees must submit a written attestation that they have verified the immigration status of their employees using the federal E-Verify program.

P&C is unable to give an estimate of the direct cost for the bill as currently written. It is unclear if all employees of State contract awardees must have their immigration status verified through the SAVE system, or if only a specific group involved in the contract must be verified. Additionally, the

bill does not specify how frequently repeat verifications would be necessary during the span of a State contract. If H.B. 484 keeps only the existing P&C requirement but instructs prospective contractors to use SAVE instead of E-Verify for verifying employee immigration statuses, then there is no direct fiscal impact to the State related to P&C. However, if H.B. 484 shifts the burden to P&C to independently verify the immigration status of all employees working for State contract recipients, there will be significant costs to the agency.

Department of the Secretary of State (SOS)

SOS is responsible for issuing several types of registrations (see the following table). However, due to the ambiguous federal definition of a public benefit (8 U.S.C. § 1621), it is unclear which registrations would be subject to the requirements of this bill. Approximately 339,500 registrations and commissions are issued annually.

<b>Secretary of State – Annual Averages of New Registrations / Renewals / Commissions</b>		
<b>Service Title</b>	<b>Avg. Occurrences</b>	<b>Avg. # of Known Immigrants</b>
Business Registrations	80,000	n/a
Investment Advisor and Securities Salesman Registrations	210,000	n/a
Lobbying Registrations	1,500	n/a
Notary Commissions	35,000	350
Advance Health Care Directives	8,000	n/a
Investor Education Program Registrations	5,000	n/a

If all registrations and commissions are considered as public benefits, and assuming the percentage of immigrants among this group is similar to that of the broader NC population, SOS would be required to use the SAVE system to verify the immigration status of around 8% or 27,160 of these recipients. The annual cost to the agency associated with performing these verifications is \$13,580 per year (27,160 times \$0.50).

Additionally, this bill creates new administrative responsibilities for SOS. It is unclear whether these responsibilities could be met with existing staff or if the agency would need additional personnel to oversee immigration status verifications in its Business Services and Securities divisions.

Department of State Treasurer (DST)

DST administers a number of retirement, health, and disability benefit programs for employees of the State and local governments, volunteer firefighters and rescue squad workers, and members of the National Guard. The bill would require DST to verify the immigration status of the recipients in order to provide these benefits. Fiscal Research assumed that DST would have to initially ask all recipients whether or not they are immigrants and provide a process for recipients to communicate that information. Based on the cost of mailings and staff time to follow up, Fiscal Research assumed a cost of \$2 per participant. If DST were to require documentary evidence of citizenship for natural born citizens, then the cost might be around \$7 per participant, the cost of one recent dependent eligibility verification audit conducted by the State Health Plan. At \$2 per participant, that initial cost is estimated as follows:

<b>Department of State Treasurer – Estimated Cost to Ask Who is an Immigrant</b>		
<b>Program</b>	<b>Recipients</b>	<b>Cost to Ask Who is an Immigrant</b>
Defined Benefit Pensions	314,000 (as of Dec 2018)	\$628,000
State Health Plan (dependents only)	208,000 (as of Jan 2019)	\$416,000
Disability Income Plan	6,000 (as of Dec 2018)	\$12,000
<b>Total</b>	<b>528,000</b>	<b>\$1,056,000</b>

Assuming that the percentage of immigrants among this group is similar to that of the broader NC population, DST would be required to use the SAVE system to verify the immigration status of roughly 8% or 42,000 of these recipients. If they are required to verify that status each year at a cost of \$0.50 per verification, that would have an ongoing cost of \$21,000 per year.

Fiscal Research has assumed that the Department could rely on employing agencies to verify the immigration status of active subscribers in the State Health Plan and contributing participants in the UNC Optional Retirement Program and that retirees in the State Health Plan are already counted as pension recipients. Based on the experience with the dependent eligibility verification audits, it is expected that 5% to 10% of recipients will fail to respond to the initial request before the deadline and will thus have their benefits suspended in January 2020, resulting in a significant operational disruption to the Department. A cost for this disruption has not been determined.

#### Housing Finance Agency

The Housing Finance Agency (HFA) provides a public benefit in the form of home rehabilitation projects paid for by direct loans to individuals and through community partner loans. Verifying the immigration status of these individuals would be a new requirement for HFA. In 2018, a total of 772 direct loans were provided to individuals for rehabilitation projects and 500 people received community partner loans. These two benefits impacted a total of 1,272 individuals in 2018. Assuming future loan awards are similar and the percentage of immigrant applicants is 8%, HFA would be required to verify the immigration status of 102 people annually. Therefore, the annual cost would be \$300 for the monthly transaction fee if HFA runs all of the verifications on a monthly basis and is required to pay the minimum monthly transaction fee of \$25 (\$25 times 12). If the community partners run the verifications, the costs could be higher as multiple entities would be required to pay the transaction fee.

In addition, HFA estimates one-time information technology costs of \$45,000 to receive immigration information from community partners and to store the data. There would also be additional administrative costs to the agency and to the community partners to comply. Per statute, HFA cannot use General Fund appropriations for administrative costs, so these expenses would be covered by non-State dollars.

#### Occupational Licensing Boards

There are 60 active occupational licensing boards in the State and they license approximately 820,000 individuals. An occupational license qualifies as a public benefit under this bill and therefore any immigrant licensees would need to be verified through the SAVE system. Most occupational licensing boards in the State do not currently verify the immigration status of their licensees. The initial costs to implement this bill for licensing boards would involve verifying the

immigration status of all existing licensees. Recurring costs would be verifying the immigration status of any renewals, many of which occur on an annual basis, to determine if the immigration status has changed and to verify the status of any new licensee. Other costs associated with this bill would be administrative and related to updating information technology capacity to capture immigration information and store the data, as well as staff time. Occupational licensing boards are receipt supported, so these expenses would be covered by non-General Fund dollars.

## **Justice and Public Safety**

### **Department of Public Safety - Office of Victim Services (OVS)**

OVS does not currently verify immigration status of recipients of either the Victims Compensation Program or the Rape Victim Assistance Program. Between FY 2013-14 and FY 2017-18, OVS reported an annual average of 3,386 claims filed with the agency and 2,243 awards issued by the agency. Assuming that 8% of the awardees are immigrants, verification would apply to an average of 179 awardees annually. The estimated cost to verify the immigration status of these awardees would be at least \$300, assuming OVS does verification checks monthly and is required to pay the monthly transaction fee of \$25 (\$25 times 12).

Victims are not currently required to appear in person at the central office in Raleigh, but OVS does accept notarization of their signatures. OVS anticipates increased costs related to amending the application to require identification and increased costs related to training other agencies who refer victims to their programs and assist victims with the applications, such as victim-witness coordinators in District Attorney offices and nonprofits who focus on domestic violence. OVS is concerned that implementing the requirements of this bill would affect the agency's ability to process claims in a timely manner, increase appeals of claim determination, and reduce the number of claims from sexual assault victims who wish to remain anonymous. OVS is unaware of any similar compensation program in other states that currently requires verification of the victim's immigration status.

## **Natural and Economic Resources**

### **Department of Agriculture (DACS)**

DACS does not currently use the SAVE system. The agency anticipates that many of their programs and services would fall under the State or local benefit definition, including licenses for pesticide applicators, scale technicians, meat handlers, and others. The agency also contracts with individuals for booth space at fairs and marketing shows, and provides grants and cost share assistance through various programs. The Department estimates that it would need to apply the SAVE system to approximately 43,160 individuals who are licensed or permitted annually by the Department. The Department does not currently have a procedure to assess immigration status, so it would have to implement one. Beyond licensing and permitting, the Department contracts with approximately 1,300 individuals annually.

Assuming immigrants comprise approximately 8% of the State's population, DACS will need to verify 3,557 individuals of the 44,460 people who receive a permit or contract each year. The cost of verifying 3,557 individuals with an initial verification would be \$1,779 (3,557 times \$0.50). This

estimate assumes the Department will be able to verify each individual with an initial verification and will not require any additional attempts at verification which can cost up to \$1.50 each.

An outstanding question for DACS is whether participants in the USDA Nutrition programs, outside of the School Lunch programs, are subject to the SAVE system under this act. The Department serves approximately 266,000 individuals annually through the Emergency Food Assistance Program, and 11,000 through the Commodity Supplemental Food Program. If 8% of these recipients were included, and verified using only an initial verification at \$0.50 each, the cost to the Department of complying with this act could be \$11,080 annually.

### Department of Commerce

The Department of Commerce, Division of Employment Security, currently uses the SAVE system.

### Department of Environmental Quality (DEQ)

DEQ does not currently use the SAVE system. The agency anticipates that all of its licensure programs would fall under the State or local benefit definition, including license for commercial fishing (14,925 licenses) and for-hire fishing (787 licenses), and water and wastewater operator licenses for water pollution control and animal waste management systems, as well as drinking water systems (500 licenses). While the majority of the Department's grants, contracts, and loans are with organizations or local governments, it does issue a very low number of grants, contracts, or loans to individuals, typically less than five annually.

DEQ issues approximately 16,212 licenses annually. They currently have no data regarding the immigrant status of any of these license holders. Assuming 8% of all licensees are immigrants, 1,297 status checks through the SAVE system would be required each year (16,212 times 8%). The initial verification cost of those checks would be \$649 (1,297 times \$0.50). If additional checks are required, that number may increase.

In addition to the direct cost of using the system, DEQ anticipates additional costs associated with employee and licensee training and public information. No estimate is available for these associated costs.

### Transportation

#### Division of Motor Vehicles (DMV)

DMV currently participates in the SAVE system.

### Health and Human Services (HHS)

Most HHS programs and services covered by H.B. 484 are administered at the local level. These entities include Local Health Departments (LHDs), county Departments of Social Services, and other non-governmental organizations (NGOs), including both State and county subcontractors. They conduct intake and eligibility determination for the service or benefit, and would be responsible for verifying eligibility using the SAVE system. Due to the variability in how these entities operate, the Department is unable to estimate the cost to implement the bill.



Programs administered through the Division of Social Services (DSS) through the county Departments of Social Services and various NGOs do utilize the SAVE system to confirm immigration status as required by federal law. The major programs already using SAVE include but are not limited to: Medicaid, Work First Family Assistance, and Food and Nutrition Services. The Child Care Subsidy program verifies immigration status but does not currently require the use of SAVE in doing so.

There are two divisions in DHHS that do not use SAVE, Vocational Rehabilitation (DVR), and the Division of Services for the Blind (DSB). These divisions directly administer service programs to individuals. While there is a requirement for the DVR and DSB Vocational Rehabilitation programs to verify that an individual applying for services has legal status to work within the US, the agencies are presently not required by federal or State statute to collect information pertaining to whether a service recipient is an immigrant.

DVR and DSB provide the following services or benefits that would be subject to SAVE:

- Education/Training
- Health
- Housing
- Human Service Assistance
- Loans/Grants
- Voter Registration
- Workforce Development

The estimated number of people receiving one or more of the services provided by DVR and DSB annually is 54,990.

The table below shows the estimated impact by division by service. The estimated number of immigrants in North Carolina is 8% of the population, therefore 8% of beneficiaries was used to determine the estimated number of SAVE inquiries. Verifications are \$0.50 each, with \$0.50 for reverifications up to a \$1.50 maximum cost. The minimum amount of \$0.50 was used for estimation purposes. If additional checks are required, that number may increase.

<b>Department of Health and Human Services – Estimated Cost for DVR and DSB SAVE Verification</b>				
<b>Division</b>	<b>Program</b>	<b>Five Year Average 2014-2018</b>	<b>Estimated # of Immigrant Beneficiaries</b>	<b>Estimated Fiscal Impact</b>
DVR	Vocational Rehabilitation Program (DVR-VR)	42,014	3,361	\$1,681
	Independent Living Program (DVR-IL)	3,215	257	\$129
DSB	Vocational Rehabilitation Program (DSB-VR)	2,979	238	\$119
	Independent Living Rehab (DSB-ILR)	401	32	\$16
	Independent Living Older Blind (ILOB)	743	59	\$30
	Independent Living Social Workers (ILS)	4,783	383	\$192
	Medical Eye Care (MEC)	855	68	\$34
	<b>Totals</b>	<b>54,990</b>	<b>4,399</b>	<b>\$2,200</b>



DHHS anticipates increased costs related to staff time for implementation. Although specific total additional administrative costs cannot be determined, they estimate an additional cost per year for DVR and DSB of \$20,000.

The Well Contractor's Certification Commission administratively sits in the Division of Public Health, Environmental Health Section. It certifies and licenses well contractors. There are currently 1,141 licensees and approximately 100 new licensees annually. Using the estimated number of immigrants in North Carolina at 8% of the population and an average cost of \$0.50 charge from SAVE and assuming once existing licenses are verified in SAVE they would not need re-verification, the Commission would require one-time funds of \$46, and ongoing funds of \$225 (nine checks a year, potential for only one a month).

## **TECHNICAL CONSIDERATIONS**

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### Department of State Treasurer

For retirement benefits provided to State and local government employees, it is unclear if the benefit is considered to be provided under the bill when the benefit is earned, i.e. while the employee is working, or when the employee retires. Fiscal Research has assumed that the benefit is deemed to be provided when pension payments are made, i.e. after the employee retires, except for participants in the UNC Optional Retirement Program who are deemed to be provided benefits when they receive employer contributions to their retirement accounts. It is also unclear if a person is deemed an "applicant" only at the point when they commence pension payments or if they are still deemed an "applicant" as long as they continue to receive a pension. It is assumed for this note that they are deemed an "applicant" as long as they continue to receive a pension. Finally, for the State Health Plan, it is unclear if the bill would require the State to verify each member's (including dependent's) immigration status or to only verify the immigration status of the subscriber. It is assumed the State would verify the immigration status of each member.

## **DATA SOURCES**

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DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES; DEPARTMENT OF ADMINISTRATION; DEPARTMENT OF COMMERCE; DEPARTMENT OF ENVIRONMENTAL QUALITY; DEPARTMENT OF HEALTH AND HUMAN SERVICES; DEPARTMENT OF PUBLIC SAFETY; DEPARTMENT OF SECRETARY OF STATE; DEPARTMENT OF STATE TREASURER; DEPARTMENT OF TRANSPORTATION, DIVISION OF MOTOR VEHICLES; NC HOUSING FINANCE AGENCY; VARIOUS OCCUPATIONAL LICENSING BOARDS; US CENSUS BUREAU; US DEPARTMENT OF HOMELAND SECURITY

## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.



**CONTACT INFORMATION**

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July 17, 2019



**Signed copy located in the NCGA Principal Clerk's Offices**