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U.S. BUSINESSES CONTRIBUTE OVER \$91 BILLION A YEAR IN TAXES TO FUND PUBLIC EDUCATION; COMPANY-PAID H-1B SCHOLARSHIP AND TRAINING FEES APPROACH \$2 BILLION SINCE 1999

EXECUTIVE SUMMARY

U.S. businesses pay over \$91 billion a year in state and local taxes directed toward public education, while the mandated scholarship and training fees U.S. companies pay for each H-1B professional hired are approaching \$2 billion since 1999, according to this National Foundation for American Policy analysis. These findings undermine the argument that companies should not be permitted to hire international students and other foreign nationals on skilled visas unless they do more to support U.S. education.

The analysis shows U.S. companies can hire skilled employees they need, while also paying taxes and supporting efforts to enhance U.S. math and science education. American policymakers can also continue to seek improvement in education, while keeping America open to talented individuals from around the globe. It makes little sense to oppose increasing the annual level of green cards or H-1B visas for skilled foreign-born professionals in order to hold U.S. businesses responsible for the inadequate performance of U.S. public education. After all, it is elected officials, not companies, who are responsible for local, state and federal education policy. Moreover, changes to our schools will take years to have a major impact on overall student performance.

The figures presented in this analysis show the argument against H-1B visas further falls apart when examining the already substantial taxes, fees, and charitable contributions made by U.S. companies. The Gates Foundation alone, funded by Microsoft stock, has contributed \$3 billion to U.S. public education since 1999. The H-1B fees paid by companies have funded more than 40,000 scholarships for U.S. students in math and science through the National Science Foundation. The fees obtained from employers have also funded hands-on science programs for 80,000 middle and high school students and 3,700 teachers. In addition, more than 55,000 U.S. workers and professionals have received training through the H-1B fees paid by companies.

The current annual quota on H-1B visas of 65,000 has not been sufficient to meet the demand for highly skilled professionals, researchers and scientists. In 10 of the past 12 years, employers have used up the entire quota of H-1B's prior to the end of the fiscal year (including the 20,000 visas exempt from the cap for graduates with advanced degrees from U.S. universities, which was added to the law in late 2004). In the past four years, the quota was exhausted prior to the start of the fiscal year. Equally troubling, the wait in skilled green card (permanent residence) categories is five years or more.

U.S. COMPANY TAXES PAID TO SUPPORT PUBLIC EDUCATION

The most recent available data show U.S. companies paid \$182.8 billion in state and local property taxes in 2005, according to the Tax Foundation, and half of those tax receipts, approximately \$91.4 billion, were directed to public education.¹ The National Taxpayers Union notes this likely understates the taxes businesses pay that go toward public education, since states and the federal government spend additional money on education that businesses finance, in part, through other taxes paid.²

COMPANY CHARITABLE CONTRIBUTIONS

Several of the most significant U.S. charitable contributors to education are companies that have been outspoken in favor of raising the H-1B cap.

In March 2007 testimony before the U.S. Senate, Bill Gates said, “Unless we transform the American high school, we will limit economic opportunities for millions of young Americans. We must equip America’s students with the knowledge and skills they need to succeed in today’s knowledge economy.” At the same time, he also called for loosening current visa restrictions on skilled individuals. “It makes no sense to tell well-trained, highly skilled individuals, many of whom are educated at our top colleges and universities, that the United States does not welcome or value them,” Mr Gates said. “America will find it infinitely more difficult to maintain its technological leadership if it shuts out the very people who are most able to help us compete.”³

More important than what Bill Gates has said about education is what he has done with his own money. The Bill and Melinda Gates Foundation, funded from the sale of Microsoft stock by founder Bill Gates, has spent more than \$3 billion since its inception on grants to improve education in the United States, with an emphasis on scholarships, science education and innovation in schools.⁴

Microsoft is not alone. The Intel Corporation spends \$100 million annually on math and science education in the United States and sponsors the prestigious Intel Science Talent Search Competition for the nation’s outstanding young scientists.⁵ The Oracle Corporation regularly donates more than \$100 million worth of software to schools around the country every year.⁶

Even companies with no apparent interest in the H-1B visa issue make charitable donations for education in their communities. Murphy Oil recently announced it will provide \$50 million over the next 20 years to fund college scholarships for high school graduates in its hometown of El Dorado, Arkansas. The program will pay El Dorado High School graduates for the full tuition at any Arkansas public university, or students can use the same amount for an out of state college.⁷

COMPANY-PAID H-1B FEES

Total U.S. company training and scholarship fees paid since 1999 on each H-1B foreign-born professional hired will exceed \$1.75 billion by this calendar year, including the filings for FY 2008, and will go over \$2 billion by FY 2009, according to a National Foundation for American Policy analysis of data provided by the Department of Homeland Security. (The \$2 billion threshold will likely be exceeded by April 2008 when companies file for FY 2009.)

The American Competitiveness and Workforce Improvement Act of 1998 (Public Law 105-277) established the H-1B Nonimmigrant Petitioner Account funded by a \$500 fee on each new petition (and the first renewal of H-1B status) for H-1Bs sponsored by U.S. companies. Employers, with the exception of universities, primary and secondary schools, and non-profit research institutes, are required to pay the fee when they first hire an H-1B professional and again the first time they renew that individual's H-1B status in the United States.⁸

Congress increased the fee to \$1,000 in 2000. The "L-1 Visa and H-1B Visa Reform Act," passed in November 2004, raised the training and scholarship fee again to \$1,500. The November 2004 legislation also adjusted the division of the fees as follows:

- 50 percent to National Science Foundation scholarships for U.S. undergraduate and graduate students in science and math.
- 30 percent to Department of Labor training programs for U.S. workers.
- 10 percent to the National Science Foundation for K-12 math and science programs.
- 5 percent to the Department of Labor for processing.
- 5 percent to the Department of Homeland Security for processing.

Congress placed no numerical limitation on the number of skilled foreign nationals employers could hire in H-1 temporary status until the Immigration Act of 1990, when lawmakers chose an annual cap of 65,000 and reconfigured the category as H-1B.

The compromise legislation in 1998 temporarily increased the annual limit on H-1B visa holders, stiffened enforcement and imposed the \$500 training and scholarship fee. With the exception of FY 2001-2003, the H-1B cap has been reached before the end of every fiscal year since 1996, leaving employers with the choice of waiting several months for the start of the next fiscal year to hire prospective employees in the United States or to employ new people outside the country.⁹ In FY 2006, the immigration service stopped taking new applications in August

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2005. The additional 20,000 exemption from the H-1B cap for those who graduated with an advanced degree from a U.S. university, which became law in FY 2005, was exhausted early in both fiscal years 2006 and 2007.

To place the more than \$1.75 billion in fees collected from employers since 1999 in perspective, it is nearly three times the annual budget of the Small Business Administration.¹⁰

The goal of Congress when it introduced the H-1B fee in 1998 was to balance increased access to skilled professionals with greater educational and training opportunities for U.S. students and workers. As noted below, the fees have funded more than 40,000 scholarships for U.S. students in math and science through the National Science Foundation.¹¹ The fees obtained from employers have also funded hands-on science programs for 75,000 middle and high school students and 3,000 teachers.¹² In addition, more than 55,000 U.S. workers and professionals have received training through the H-1B fees paid by companies.¹³

SCHOLARSHIPS FOR U.S. STUDENTS

Seeking to encourage more U.S. students to enter math and science fields, in 1998 Congress initiated scholarships through the National Science Foundation (NSF) as part of the American Competitiveness and Workforce Improvement Act. “Approximately 40,000 students have received scholarships ranging from one to four years,” according to the National Science Foundation.¹⁴ The amount of the scholarship has risen from \$3,125 to \$10,000.

An early evaluation of the NSF scholarships conducted by the Government Accountability Office (GAO) concluded: “The program is attracting a higher proportion of women and minorities than are included among computer science, engineering, and mathematics degree awardees.” GAO also interviewed student recipients. “One student told us that even though she excelled in math in high school, she only considered becoming a math major after she learned about the scholarship opportunity.”¹⁵

K-12 MATH AND SCIENCE PROGRAMS

H-1B fees paid by employers also have been used to fund Private-Public Partnerships in K-12 and Information Technology Experiences for Students and Teachers (ITEST). Both of these are National Science Foundation programs designed to foster early interest in math and science. “The ITEST portfolio consists of 77 local projects that allow students and teachers to work hand-in-hand with scientists and engineers on extended research projects, ranging from biotechnology to environmental resource management to programming and problem-solving.”¹⁶ According to the National Science Foundation, “ITEST impacts 80,000 students (grades 6-12), 3,700 teachers and 1,500 parent/caregivers.”¹⁷

TRAINING AND SKILL GRANTS FOR U.S. WORKERS

More than 55,000 U.S. workers and professionals received training through programs funded by the H-1B fees as of 2003, the latest figures available from the Department of Labor.¹⁸

In addition, the Bush Administration has used the H-1B fees to provide multi-year grants to communities for training and economic revitalization. In 2006, the Department of Labor announced: "Through the WIRED (Workforce Innovation in Regional Economic Development) initiative, the U.S. Department of Labor will invest \$195 million in thirteen regional economies."¹⁹ The goal of WIRED is to use the funds to incorporate "talent and skills development" into broader regional plans. The areas selected to receive the grants are Coastal Maine, Northeast Pennsylvania, Upstate New York, Piedmont Triad North Carolina, Mid-Michigan, Western Michigan, Florida's Great Northwest, Western Alabama and Eastern Mississippi, North Central Indiana, Greater Kansas City, Denver Metro Region, Central & Eastern Montana, and the California Innovation Corridor (Oakland, Los Angeles, and San Diego).²⁰

An update of the Administration's plans in January 2007 stated an intention "to provide up to \$65 million to 13 regions across the country that comprise the second generation" of the WIRED initiative. An initial award of \$500,000 will go to each of the 13 regions. After completing a regional implementation plan, each region will be able to draw upon \$4.5 million over a three-year period," according to the Congressional Research Service.

CONCLUSION

H-1B visas and green cards for skilled foreign-born professionals, researchers and scientists are essential for the competitiveness of U.S. companies. The access to this talent has helped maintain America's edge in science and technology.

Some have asked why America has not done more to help U.S. students and workers enter math and science fields. The answer is that American companies and the U.S. government spend significant amounts of money for that very purpose.

U.S. businesses pay over \$91 billion a year in state and local taxes directed toward public education, while company-paid H-1B scholarship and training fees are approaching \$2 billion since 1999. The fees U.S. companies pay for each H-1B professional hired have funded 40,000 math and science scholarships, participation of 80,000 middle and high school students in hands-on science programs, and training for more than 55,000 U.S. workers and professionals.

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It makes little sense to oppose increasing the annual level of green cards or H-1B visas for skilled foreign-born professionals in order to hold U.S. businesses responsible for the inadequate performance of U.S. public education. American policymakers can continue to seek improvement in U.S. education, while keeping America open to talented individuals from around the globe.

END NOTES

¹ <http://www.taxfoundation.org/files/bp52.pdf>) and <http://www.taxfoundation.org/publications/show/2056.html>. The research staff of the National Taxpayers Union pointed out these studies and figures.

² Email communication from the National Taxpayers Union.

³ Financial Times, InternetNews.com, March 7, 2007.

⁴ www.gatesfoundation.org

⁵ Intel Corporation.

⁶ www.oracle.com/corporate/community

⁷ "College Money Pledged," Associated Press, January 23, 2007.

⁸ An individual on an H-1B petition generally can stay for two three-year periods, although it is possible to extend that stay in certain circumstances.

⁹ Legislation passed in late 2000 increased the annual H-1B cap for FY 2001, 2002, and 2003.

¹⁰ The 2006 discretionary budget authority of the Small Business Administration is \$593 million, according to the Office of Management of Budget. The figure in collected fees since 1999 was derived from data provided by the Department of Homeland Security.

¹¹ National Science Foundation, FY 2008 Budget Request to Congress.

¹² National Science Foundation, FY 2007 Budget Request to Congress.

¹³ U.S. Department of Labor.

¹⁴ National Science Foundation, FY 2007 Budget Request to Congress, pp. 245-247. The scholarship totals will increase once FY 2007 and FY 2008 totals are calculated. A carryover of money into FY 2007, because there were "significant amounts of receipts [that] arrived late in the fiscal year and there was not adequate time to obligate the total amounts," according to NSF's FY 2008 Budget Request, Education and Human Resources section, p. 25.

¹⁵ *High-Skill Training: Grants from H-1B Visa Fees Meet Specific Workforce Needs, but at Varying Skill Levels*, General Accounting Office, September 2002, GAO-02-881, p. 19.

¹⁶ National Science Foundation, FY 2008 Budget Request to Congress, Education and Human Resources section, p. 24.

¹⁷ Ibid.

¹⁸ Department of Labor; *High-Skill Training: Grants from H-1B Visa Fees Meet Specific Workforce Needs, but at Varying Skill Levels*, General Accounting Office, September 2002, GAO-02-881; Stuart Anderson, *Global Battle*

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for *Talent*, AILF, 2003, p. 16, in which it states, “Through December 31, 2002, 55,685 U.S. workers and professionals had either completed training, were in training, or were waiting for their training program to begin.”

¹⁹ <http://www.doleta.gov/>

²⁰ “Workforce Innovation in Regional Economic Development, Selected Regions,” U.S. Department of Labor Employment and Training Administration. “Programs funded by the H-1B Visa Education and Training Fee, and Labor Market Conditions for Information Technology (IT) Workers,” Congressional Research Service, updated January 23, 2007, p. 12.

ABOUT THE NATIONAL FOUNDATION FOR AMERICAN POLICY

Established in the Fall 2003, the National Foundation for American Policy (NFAP) is a 501(c)(3) non-profit, non-partisan public policy research organization based in Arlington, Virginia focusing on trade, immigration and related issues. The Advisory Board members include Columbia University economist Jagdish Bhagwati, Ohio University economist Richard Vedder and other prominent individuals. Over the past 24 months, NFAP's research has been written about in the *Wall Street Journal*, the *New York Times*, the *Washington Post*, and other major media outlets. The organization's reports can be found at www.nfap.com.