

**H-1B FEES PAID BY U.S. COMPANIES HAVE FUNDED 40,000  
MATH AND SCIENCE SCHOLARSHIPS FOR U.S. STUDENTS; FEE  
TOTALS EXCEED \$1 BILLION SINCE 1999**

**EXECUTIVE SUMMARY**

In the 8 years since the U.S. government imposed a \$500 training and scholarship fee on H-1B skilled foreign-born professionals hired by employers, U.S. companies have paid more than \$1 billion in fees that have funded more than 40,000 scholarships for U.S. students in math and science. The fees obtained from employers have also funded hands-on science programs for 75,000 middle and high school students and 3,000 teachers. In addition, more than 55,000 U.S. workers and professionals have received training through the H-1B fees paid by companies. This demonstrates that Congress achieved its goal in 1998 of balancing increased access to skilled professionals with greater educational and training opportunities for U.S. students and workers.

**ESTABLISHING THE FEE**

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.<sup>1</sup>

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.<sup>2</sup> In FY 2006, the immigration service stopped taking new applications in August 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 by January 2006. Senate legislation is pending to increase the annual limit on H-1B visas.

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To place the more than \$1 billion in fees collected from employers since 1999 in perspective, it is more than twice the entire annual budget of the Small Business Administration.<sup>3</sup> 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 Homeland Security for processing.
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### **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.<sup>4</sup> The amount of the scholarship has risen from \$3,125 to \$10,000.

An early evaluation of the NSF scholarships conducted by the General Accounting 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."<sup>5</sup>

### **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 53 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."<sup>6</sup> According to the National Science Foundation, "ITEST impacts 75,000 students (grades 6-12), 3,000 teachers and 1,300 parent/caregivers."<sup>7</sup>

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### **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.<sup>8</sup>

In addition, the Bush Administration recently has used the H-1B fees to provide multi-year grants to communities for training and economic revitalization. "Through the WIRED (Workforce Innovation in Regional Economic Development) initiative, the U.S. Department of Labor will invest \$195 million in thirteen regional economies."<sup>9</sup> 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).<sup>10</sup>

### **CONCLUSION**

The fees U.S. companies pay for each H-1B professional hired have totaled more than \$1 billion and funded 40,000 math and science scholarships, participation of 75,000 middle and high school students in hands-on science programs, and training for more than 55,000 U.S. workers and professionals.

These totals do not include the impact of property taxes paid by U.S. companies, which are a key source of public school funding, nor do they include the individual efforts and donations made by American firms and entrepreneurs. For example, the Intel Corporation spends \$100 million annually on math and science education in the United States.<sup>11</sup> The Oracle Corporation donated \$8.5 million in cash and \$151 million worth of software to schools around the country in 2004.<sup>12</sup> The Bill and Melinda Gates Foundation, funded from the sale of Microsoft stock by founder Bill Gates, has spent more than \$2.6 billion since its inception on grants to improve education in the United States, with an emphasis on scholarships, science education, and innovation in schools.<sup>13</sup>

H-1B visas for skilled foreign-born professionals are essential for the competitiveness of U.S. companies, while 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.

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<sup>1</sup> 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.

<sup>2</sup> Legislation passed in late 2000 increased the annual H-1B cap for FY 2001, 2002, and 2003.

<sup>3</sup> The 2006 discretionary budget authority of the Small Business Administration is \$593 million, according to the Office of Management of Budget. The \$1 billion figure in collected fees since 1999 was derived from data provided by the Department of Homeland Security.

<sup>4</sup> National Science Foundation, FY 2007 Budget Request to Congress, pp. 245-247.

<sup>5</sup> *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.

<sup>6</sup> National Science Foundation, FY 2007 Budget Request to Congress, p. 246.

<sup>7</sup> *Ibid.*, p. 246.

<sup>8</sup> 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 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."

<sup>9</sup> <http://www.doleta.gov/>.

<sup>10</sup> "Workforce Innovation in Regional Economic Development, Selected Regions," U.S. Department of Labor Employment and Training Administration.

<sup>11</sup> Intel Corporation.

<sup>12</sup> [www.oracle.com/corporate/community](http://www.oracle.com/corporate/community).

<sup>13</sup> [www.gatesfoundation.org](http://www.gatesfoundation.org).

**H-1B FEES PAID BY U.S. COMPANIES HAVE FUNDED 40,000 MATH AND SCIENCE SCHOLARSHIPS FOR U.S. STUDENTS; FEE TOTALS EXCEED \$1 BILLION SINCE 1999****RELATED RESEARCH**

*Copies of the following related studies are also available at [www.nfap.com](http://www.nfap.com).*

*H-1B Professionals and Wages: Setting the Record Straight* (March 2006)

*Understanding L-1 Visas and the Recent OIG Report* (March 2006)

*International Students and U.S. Policy Choices* (October 2005)

*The Multiplier Effect* (July 2004)

**ABOUT THE NATIONAL FOUNDATION FOR AMERICAN POLICY**

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