

TESTIMONY on HR 2517: "Domestic Partnership Benefits and Obligations Act of 2009"

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Good afternoon. My name is M. V. Lee Badgett. I am the Director of the Center for Public Policy and Administration and a professor of economics at the University of Massachusetts Amherst. I also serve as Research Director of the Williams Institute on Sexual Orientation Law and Public Policy at the UCLA School of Law. Over the last fifteen years, I have conducted extensive research on economic and policy issues related to sexual orientation, including several studies of the cost of granting domestic partnership benefits to employees' same-sex partners. I have consulted with many businesses, large and small, on domestic partnership benefits, and I have written reports on this issue for several states. I thank you for the opportunity to speak today about HR 2517, the "Domestic Partnership Benefits and Obligations Act of 2009."

This important legislation would put the federal government in the mainstream of modern compensation practices with respect to the equal treatment of the same-sex partners of federal employees. Over the last fifteen years, domestic partner health care benefits have become a common practice among public and private sector employers. Twenty states now offer benefits to the domestic partners of state employees: Alaska, Arizona, California, Colorado, Connecticut, Illinois, Iowa, Maine, Maryland, Montana, Nevada, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Washington, Wisconsin, and the District of Columbia. More than 250 cities, counties, and other local government entities cover domestic partners of other public employees. In the private sector, almost two-thirds of the Fortune 1000, and 83% of Fortune 100 companies also provide these benefits. These employers have

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generally reported that the implementation of domestic partner benefits has been quite easy and the cost quite manageable.

The employees who receive these benefits gain in terms of security, signing up for such benefits to protect their families' health and well-being. A study that I recently co-authored found that 20% of people in same-sex couples are uninsured, a rate that is significantly higher than average in the United States and is at least partly the result of employers' failure to offer domestic partner benefits. That study suggests that many federal employees' partners and children may currently be completely uninsured. We also know from many studies that uninsured individuals often receive health care that goes uncompensated, shifting costs to the federal, state, and local governments, as well as private insurers.

One of the most common questions about offering domestic partner benefits concerns their direct cost to employers. Last year I co-authored a study that estimated the cost of extending domestic partner benefits to the more than 34,000 same-sex partners of federal employees. We used data from the American Community Survey, conducted by the U.S. Census Bureau, and statistics from the Bureau of Labor Statistics to estimate the number of federal employees who are likely to enroll a same-sex partner in federal benefits specified by this legislation. We drew on data about the cost of federal employee benefits from various sources.

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Based upon figures about the cost of providing benefits to federal employees and future retired federal employees, we estimated that providing these vital benefits for non-postal employees would cost approximately \$41.0 million in the first year and \$675 million over ten years. The majority of these costs are concentrated in the areas of employee health benefits and retiree health benefits.

Health benefits for the same-sex partners of federal employees (including postal service employees) and their dependent children would cost \$60.4 million in the first year – that is a 0.41% increase in healthcare spending for employees in 2008. Not all 34,000 employees with same-sex partners would enroll their partners. Both partners are federal employees in some same-sex couples, and more than half of the remaining partners are likely to have health insurance offered through their own employers. Overall, enrollment in health care plans would increase by a small percentage, approximately 0.55%.

As current federal employees retire in the future, the cost of health benefits for retirees’ partners would increase by \$127 million over ten years. The retirement savings program would actually see a reduction in annuity payments over the short-term as federal employees opt for survivor benefits for their same-sex partners. This reduction amounts to \$108 million over ten years. These findings are similar to those found in the Congressional Budget Office’s analysis of an earlier bill that would have provided domestic partner benefits to same-sex and different-sex partners.

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Costs for other benefits specified in the bill are minimal, such as relocation reimbursements for transferred employees and death and disability claims. While not expensive, the ability to take Family Medical Leave, to enroll a partner in life insurance or long-term care insurance, or to receive death or disability benefits are important benefits to federal employees and can make a large difference in the lives of these employees.

Several factors will help offset some of these costs. First, the federal government is likely to receive increased tax revenue as a result of extending domestic partner benefits to same-sex couples. Employees with same-sex partners currently pay additional federal taxes on the imputed value of domestic partner benefits. Over ten years the additional tax revenue associated with granting domestic partner benefits to federal employees would be approximately \$118 million.

Second, the federal government is likely to see reduced costs of employee turnover if this bill were to be passed and signed into law. The federal government now competes with many large and prominent employers who already offer domestic partner benefits to the same-sex partners of lesbian, gay, and bisexual (LGB) employees, as noted earlier. When the federal government loses an employee to one of those companies or to the state and local governments in the Washington area who offer partner benefits, the government must spend money to recruit, train, and attempt to retain a new employee. While it is difficult to precisely

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predict the savings from avoiding these turnover costs, they are certainly real. Two studies have found that domestic partner benefits reduce the likelihood that an LGB employee will consider leaving his or her job.

Putting these pieces together suggests that the federal government is likely to see these less precisely measurable gains offset the relatively small but measurable cost of offering equal benefits to the same-sex partners of federal employees. The experience of thousands of employers offering domestic partner benefits in the United States today, as well as research by myself and other scholars support my conclusion that the federal government can adopt and implement this new policy easily and affordably. HR2517 will also greatly enhance the financial security of the 34,000 federal employees with same-sex partners, and that sense of security will also generate benefits for their employer.