

THE IMPACT ON CALIFORNIA'S BUDGET OF ALLOWING SAME-SEX COUPLES TO MARRY

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the
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EXECUTIVE SUMMARY

This study, co-authored by UCLA's Williams Project and the Institute for Gay and Lesbian Strategic Studies (IGLSS), estimates the impact of allowing same-sex couples to marry on California's state budget. The study concludes:

SAME-SEX MARRIAGE IN CALIFORNIA WILL POSITIVELY IMPACT THE STATE BUDGET FROM \$22.3 TO \$25.2 MILLION ANNUALLY.

The positive effects of allowing same-sex couples to marry will outweigh any negative fiscal impacts. We estimate, conservatively, that allowing same-sex couples to marry will result in a net gain of \$22.3 to \$25.2 million each year for the State budget. This net impact will be the result of savings in expenditures for state means-tested public benefits programs, an increase in sales tax revenues from increased tourism, increased spending for same-sex weddings by residents, and a decrease in state income taxes.

OPENING MARRIAGE TO SAME-SEX COUPLES WILL SAVE STATE EXPENDITURES ON MEANS-TESTED BENEFIT PROGRAMS.

Extending marriage to same-sex couples will reduce the State's public assistance expenditures. After marrying, a public benefit recipient's same-sex spouse's income and assets will be included in assessing an individual's eligibility for means-tested public benefits, reducing the number of people eligible for such benefits. Using data from the California Health Interview Survey (CHIS), we estimate how many partnered gay or lesbian people are currently receiving means-tested public benefits. We take into account the possibility that losing public benefits may create a disincentive for some of these couples to marry and the fact that low income couples might still qualify for benefits.

Nevertheless, even if only one-fourth of benefit recipients who are currently living with same-sex partners marry and become ineligible for public benefits, the State is likely to reduce its expenditures on these programs by more than \$23.1 million each year.

OPENING MARRIAGE TO SAME-SEX COUPLES WILL INCREASE SALES TAX REVENUES THROUGH INCREASED TOURISM.

If California opens marriage to same-sex couples, couples from other states are likely to travel to California to marry and celebrate their marriages. This will generate a boost to tourism that will lead to higher sales tax revenues. Using different methods to predict the number of couples coming from out of state to register and the State's averages for tourist spending, our best estimate is that sales tax increases are likely to range from \$4 million to \$6.9 million per year during the first three years that same-sex marriage is offered.

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OPENING SAME-SEX MARRIAGE WILL INCREASE SALES TAX REVENUES FROM RESIDENTS' SPENDING ON WEDDINGS.

If California opens marriage to same-sex couples, couples living in California will also plan weddings. Since the average couple in the United States spends \$22,000 on weddings, this will generate millions of dollars in additional sales tax revenues. In our estimates, we take into account that some couple's spending on their weddings will be merely diverted spending and thus not create new sales tax revenues. We therefore reduce the national average by 75% for our model. Using this conservative assumption, we predict that the State will receive an additional \$4.4 million dollars a year in sales tax revenues from spending by California residents on marriages.

ALLOWING SAME-SEX COUPLES TO MARRY WILL DECREASE INCOME TAX REVENUES.

Allowing same-sex couples to marry will have two offsetting effects on income taxes paid by same-sex couples. Giving same-sex couples the right to use the "married filing jointly" tax status will result in lower tax payments for some couples. However, the law will also eliminate the ability of some members of couples with dependent children from using the "head of household" filing status, which would increase the taxes owed by these couples. Using data from Census 2000 on same-sex "unmarried partner" couples who live in California, we find that the net impact is a reduction of \$9.2 million in tax revenues.

PROVIDING CALIFORNIA'S FAMILIES WITH EQUAL RIGHTS IS FISCALLY RESPONSIBLE.

In conclusion, the positive impact of allowing same-sex couples to marry on savings from state means-tested benefit programs and increased sales tax revenues from tourism and resident weddings will outweigh a loss in income tax revenues. The net impact of allowing same-sex couples to marry on California's budget will be a positive impact of \$22.3 to \$25.2 million each year.

SUMMARY OF IMPACTS OF SAME-SEX MARRIAGE ON THE STATE BUDGET (MILLIONS PER YEAR)

Impact on state budget	Western states tourism scenario	5% nationally tourism scenario
Savings from means-tested public benefit programs	+23.1	+23.1
Increased sales tax revenues from tourism	+6.9	+4.0
Increased sales tax revenues from resident weddings	+4.4	+4.4
Decrease in income tax revenues	-9.2	-9.2
Total	+\$25.2 million	+\$22.3 million

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I. INTRODUCTION

This report outlines and estimates the impact of allowing same-sex couples to marry on particular revenue and expenditure items in California's budget. We find that allowing same-sex couples to marry will have four significant impacts on the state budget:

- savings from means-tested benefit programs;
- increased sales tax revenues from increased tourism;
- increased sales tax revenues from resident same-sex couple weddings; and
- a decrease in state income tax revenues.

Based on the analysis set out in this study, our best estimate is that the State budget will benefit from an annual net gain of \$22.3 to \$25.6 million by extending marriage to same-sex couples.

In order to provide the most accurate estimates possible, we draw on the best available data. We assess the impact on State revenues and expenditures using the most recent year for which data is available on all the components that we analyze.¹

A. Number of Same-Sex Couples Who Will Marry

One estimate that is central to our analysis is the number of same-sex couples who will marry. One basis for this analysis is California's state domestic partner registry. California currently allows same-sex couples to register as domestic partners. Different-sex couples are also allowed to register as long as one member of the couple is at least 62 years of age. As of May 2004, approximately 26,387 couples had registered as domestic partners with the State.² Unfortunately, the State does not track how many couples registering are same-sex or different-sex. In this analysis, we assume that most domestic partners are same-sex couples. This assumption is reasonable given that different-sex couples are legally allowed to marry and persons over 62 are less likely to form non-marital, co-habiting relationships.

We predict that, over time, the new state rights and obligations, the potential for access to federal rights and obligations, and the increased social status that marriage provides will encourage more couples to marry than are currently registered as domestic partners. We base this prediction on the experience of Vermont's civil union legislation, which provides those entering into civil unions with all the statewide rights and obligations of spouses in civil marriage. When compared to the number of same-sex couples identified by Census 2000, approximately 44% of Vermont's same-sex couples have entered into a civil union. Currently, the approximately 26,387 couples registered as domestic partners under California law represent only 27% of the same-sex couples identified by Census 2000 as living in California. Thus, we assume that the comprehensive set of rights provided under Vermont law and the higher social status attributed to civil unions has caused a larger percentage of couples to seek legal recognition of their relationships.

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We also assume that, in the short term, the percentage of same-sex couples who marry will not equal the percentage of different-sex couples who marry (over 90%).³ Like different-sex couples, some same-sex couples will not choose to marry -- for the same variety of reasons that different-sex couples choose not to marry. In addition, we assume that same-sex couples will be less likely to marry in the short-term because of fears about marriage "outing" their sexual orientation, both in general and to the government.⁴ In addition, lack of knowledge that the law has been changed to permit same-sex marriage and the lack of a tradition of marriage in the gay and lesbian community may result in a smaller percentage of same-sex couples marrying. In other words, while different-sex couples have been raised assuming that they are able to marry, same-sex couples will have to learn that they now have that right and grow accustomed to the institution.⁵

Therefore, we basis our analysis on the estimate that approximately one-half of the same-sex couples identified in California in Census 2000 will marry, or 46,000 out of 92,000 couples.⁶ Stated differently, we predict that twice as many same-sex couples in California would marry than those who have currently registered as domestic partners with the State.⁷

B. Relationship Between Fiscal Impact of California's Domestic Partnership Law, AB 205, and Fiscal Impact of Marriage

Last year, we completed a study analyzing the economic impact of AB 205, California's comprehensive domestic partnership law.⁸ This study separates out the economic impacts that the State has assumed or accrued under AB 205 from the economic impacts of extending marriage to same-sex couples. However, since we are predicting that more couples will marry than will register as domestic partners, we must revisit some of the same items that we covered in that report.

For public benefit programs, we adjust our figures from last year to account for the fact that more couples will marry than will register or have registered as domestic partnerships, as explained above. Otherwise, we follow the same analysis. However, to estimate this savings we only use the increase in couples marrying from the number of couples who have registered. The State would already accrue the benefit of savings from public benefit programs with regard to those couples who are registered or will register as domestic partners under AB 205.

We considered tourism in our AB 205 report, but we have done a new analysis for this report. As explained above, many more resident couples are likely to marry than are currently registered as domestic partners. In addition, many more out-of-state couples are likely to travel to California to marry than were likely to travel here to register as domestic partners.

Also, with marriage comes the requirement of a formal ceremony, while domestic partnership registration merely required mailing a form to the Secretary of State. We believe the tradition of marriage and the requirement of a ceremony, if only in city hall, will result in both resident and out-of-state same-sex couples being much more likely to have weddings similar to those of different-sex couples. We did not consider the impact of expenditures for weddings in our report

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on domestic partnerships, but that impact is included here.

We also adjust our state income tax analysis from last year. We do so to account for the larger number of couples that we predict will marry and changes in the tax rates from 2002 to 2003.

In our report on AB 205, we concluded that AB205 would have no significant cost impact in a number of other budget areas. These areas included administrative costs, costs for state employee benefits, and costs to the judicial system. If the State extends marriage to same-sex couples, we continue to estimate that these costs will be negligible for the same reasons:

- The administrative costs of extending marriage to same-sex couples will be minimal and most likely be more than offset by filing fees.
- State employees can already include domestic partners in health insurance coverage and other employment benefits that relate to family members, therefore, marriage is not likely to significantly increase these costs.
- While some additional state employees will gain access to survivor benefits that were previously offered only to different-sex spouses, our best estimate remains that the actual cost to the State for providing these survivor benefits will be negligible.
- Giving same-sex couples access to the family court system will generate no noticeable impact on the demands of judges or the judicial system. In addition, dissolutions of same-sex couples will generate fees that would offset any increase in costs.

Therefore, we do not repeat our analysis of administrative costs, state employee benefits, and costs to the judicial system in this report.

II. PUBLIC BENEFIT PROGRAMS

Allowing same-sex couples to marry is likely to affect expenditures on California's public benefits programs. Many public benefits programs are means-tested, and the income of spouses is included in calculating eligibility for benefits.⁹ Programs that fall in this category include CalWORKS or Temporary Aid to Needy Families (TANF), Medi-Cal, SSI Disability, the California Food Assistance Program, and Healthy Families (State Child Health Insurance Program). With same-sex marriage, the income of benefit recipients' same-sex spouses will be included in calculating program eligibility on the same basis as different-sex spouses. If fewer couples qualify for these programs, or if the benefits that a couple qualifies for are lower because of the income that the State will now count, then the State will spend less money.

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If California allows same-sex couples to marry, the State will have the discretion to re-write the regulations for determining whose income and assets count in determining eligibility for these programs. For CalWORKS or Temporary Aid to Needy Families (TANF) (and, therefore, for individuals qualifying for Medi-Cal because they receive TANF), the California Food Assistance Program, and Healthy Families (State Child Health Insurance Program), the State determines the eligibility standards and can amend them to require the State to take into account a same-sex spouse's income and assets in determining the eligibility of an individual or family.

For SSI and Medi-Cal, the federal government determines the generally applicable eligibility standards, and states have more limited discretion in developing their own standards and procedures. Because of the federal Defense of Marriage Act (DOMA), the State may not be able to simply redefine the term "spouse" in eligibility requirements to include recipients' same-sex spouses.¹⁰

However, in assessing eligibility for Medi-Cal, it is likely that the State will be obligated to take into account the resources of same-sex spouses' under state and federal regulations. First, under California's community property rules and Medi-Cal regulations, one-half of the community property of the same-sex spouse will be deemed to be that of the applicant. Thus, one-half of the income or assets of the same-sex spouse will be considered to be the applicant's own resources or available income.¹¹

Second, California regulations require the State to consider any available income, including "contributions from any source," and the resources of third parties who are legally liable for health care costs.¹² Medicaid is a provider of last resort, and federal and state law require the State to assure that Medi-Cal recipients utilize all other resources, i.e., third parties available to them to pay for all or part of their medical care needs before turning to Medi-Cal.¹³

Third parties are entities or individuals who are legally responsible for paying the medical claims of Medi-Cal recipients. They include any "individual who has either voluntarily accepted or been assigned legal responsibility for the health care" of a Medi-Cal applicant or recipient.¹⁴ Examples of third parties in federal and state Medicaid manuals include absent and custodial parents.¹⁵ In addition, federal law requires that the incomes of the sponsors of immigrants must be considered when determining an applicant's eligibility.¹⁶ Given the consideration of the incomes of these groups, in all likelihood the State will consider the income of registered domestic partners income when determining eligibility for Medi-Cal.

The State does not keep track of the proportion of recipients for each benefit program who might have an unmarried same-sex partner whose status would change if they were allowed to marry, nor does the State track the sexual orientation of recipients. However, one helpful source of data is the 2001 California Health Interview Survey (CHIS), a survey of 50,000 representative California households. The CHIS asks respondents about their sexual orientation as well as their marital or partnership status.¹⁷ The CHIS also asks a sub-sample of low-income respondents about their participation in five public benefit programs.

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Thus, it is possible to estimate the proportion of public benefit recipients who are in a same-sex partnership.¹⁸ We use those proportions to estimate the number of people in each program who are in a same-sex partnership. Table 1 shows that the proportions are small, ranging from 0.2% of TANF recipients to 3.1% of Supplemental Security Income/State Supplementary Payment recipients. The CHIS did not ask about enrollment in Healthy Families, a program that provides health insurance for children in low-income families, so we use the same 0.2% enrollment estimate as found for CalWORKS, another program for families that have children. The numbers of individuals implied by the small proportions can be substantial, however, ranging from the hundreds to the tens of thousands.

To assess the impact of same-sex marriage, we need to know how many of these benefit recipients would marry who are not already in registered domestic partnerships and, as a result, how many would lose benefit eligibility because their partner's income is taken into account. Some might argue that the potential loss of eligibility could serve as a disincentive for benefit recipients to marry. Further, some benefit recipients will remain eligible for benefits because their partner's income is so low that, even when considered, it will not disqualify them.

However, several areas of research support that benefit recipients will marry, even if doing so threatens their eligibility. Research about welfare recipients has consistently demonstrated that the threat of losing benefits has only a small impact on an individual's probability of marrying.¹⁹ Moreover, additional research suggests that the decision to marry has a deep symbolic and cultural value apart from economic considerations.²⁰ Finally, marriage might come with other financial advantages that outweigh this consequence, such as spousal benefits from employers.

Accordingly, to estimate the number of recipients with same-sex partners who will marry and lose their eligibility for state means-tested public benefit programs, we make three adjustments. The first adjustment predicts that only 50% of such partnered recipients will marry. This reflects our estimate that 50% of the same-sex couples counted in Census 2000 in California will marry.

Second, we assume that 54% of the remaining couples (27% of all same-sex couples counted by the census) are already registered as domestic partners with the State. We remove these couples from our analysis because the State has already accrued the benefits of this savings in passing AB 205.²¹

Finally, we reduce by half the number of remaining recipients to account for any deterrent effect that losing benefits might have on recipients marrying a same-sex partner and to account for the possible continued eligibility of some of the recipients who do marry. This is a very conservative adjustment because, as explained above, studies indicate that the threat of losing welfare benefits does not significantly deter different-sex couples from marrying.

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Table 1: Public benefit program recipients likely to become ineligible for benefits.

Benefits Program	Total recipients	Percentage of recipients with same-sex partners	Number of partnered recipients	50% of couples marry	Removing domestic partnerships	Deterrent effect from potential loss of benefits
Medi-Cal	5,841,455	1.0%	57,171	28,586	13,149	6,574
TANF/CalWORKS	483,500	0.2%	841	420	193	97
Calif Food Assistance Program	88,909	0.4%	348	174	80	40
SSI Disability	746,943	3.1%	23,247	11,624	5,346	2,673
	630,586	0.2%	1,261	631	290	145

Table 2 presents average monthly expenditures per recipient for each program to calculate the potential savings if fewer recipients are eligible as a result of marrying their same-sex partner. To calculate the average Medi-Cal benefit we also assume that all of the elderly and disabled recipients, who receive higher benefits, will be deterred from marrying and only use the average benefits for adult and children recipients.²²

For programs jointly funded by the federal government and the state, we also subtract the portions of the savings that will accrue to the federal government.²³ The bottom row labeled “annual savings” multiplies average monthly spending by twelve to get an estimate of the annual savings.

Table 2: Benefits’ savings resulting from same-sex marriage

Program	Average monthly payment	Estimated savings
Medi-Cal	387	1,272,198
TANF/CalWORKS	527	50,969
Calif Food Assistance Program	75	3,002
SSI Disability	605	598,442
Healthy Families	39	2,828
Monthly savings		1,927,437
Annual savings		\$23,129,250

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The totals in Table 2 show that if California extends marriage to same-sex couples the State's annual savings from public benefits programs could be substantial: over \$23 million each year.

III. TAX REVENUES FROM SAME-SEX WEDDING TOURISM

Analyses of other states' consideration of opening marriage to same-sex couples have argued that the first state or states to do so would experience a wave of increased tourism that would bring millions of additional dollars in revenues to state businesses.²⁴ In addition, resident couples of California will also have weddings, increasing their expenditures and leading some to spend from savings. This increase in business sales from tourism and weddings, in turn, will bring in sales tax revenues to the State.

Recently, *Forbes* magazine estimated that if gay and lesbian couples throughout the country were allowed to marry this would generate \$16.8 billion in new spending over the next several years, adding significantly to the United States' \$70 billion-per-year wedding industry.²⁵ Another recent estimate concludes that gay marriage will generate \$1 billion dollars in spending a year in the United States.²⁶

In the spring of 2004, the issuing of gay marriages licenses by cities such as Portland, Oregon and San Francisco, California provided support for these predictions. The actual experience of businesses in the cities of Portland²⁷ and San Francisco²⁸ demonstrates that allowing same-sex couples to marry does in fact generate tourism and additional revenues for businesses. For example, same-sex couples from forty-six states and eight countries traveled to San Francisco to get married during the one month that the county issued marriage licenses.²⁹

In addition, in anticipation of same-sex marriage being available in Massachusetts, cities in that state have experienced a spike in hotel reservations, catering requests, and other wedding-related orders.³⁰ Estimates of Massachusetts' potential gain from out-of-state couples coming to the State to marry have exceeded \$100 million.³¹

However, the Governor of Massachusetts, Governor Mitt Romney, has repeatedly issued statements that, according to a 1913 Massachusetts state law, gay and lesbian couples from outside of the state cannot get married in Massachusetts. He has ordered clerks in Massachusetts not to issue licences to out-of-state couples and threatened them with legal action if they fail to comply with his order.³² Governor Romney's statements and actions have made uncertain how much that state will benefit from increased tourism revenues by allowing same-sex marriage.

To estimate the tourism impact of allowing same-sex marriage in California, we based our analysis on conservative assumptions in order not to overstate the revenues that would be generated. We first offer estimates of the number of out-of-state couples who might travel to California to marry. Then we multiply those numbers by the average spending per visitor to get one estimate of new business spending. Next, we multiply that figure by the state multiplier for a more realistic estimate. Finally, we multiply new spending by the state sales tax rate to estimate new tax revenues.

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How many couples will travel to California to get married? Assuming that Massachusetts will attract East Coast and possibly Midwestern couples, California will be most attractive to couples in the Western United States. In our first scenario, we assume that California's same-sex marriage tourism trade will track its current top domestic tourism markets: Nevada, Arizona, Texas, Washington, and Oregon.³³ According to Census 2000, there are 85,409 same-sex unmarried partner couples in these states.³⁴ Those couples, or almost 170,818 individuals, would have easy access to California and seem likely to choose it as a marriage destination.

A somewhat less optimistic but more realistic scenario assumes that only half of the couples in these five states will travel to California and marry. In Vermont, roughly half of that state's number of same-sex couples eventually entered a civil union. In this scenario, California businesses will likely see an additional 85,409 visitors. This scenario may overestimate the number of couples traveling to California if travel is a deterrent that reduces the number of Western state couples registering. However, it is likely that this travel deterrent will be more than offset by the couples who will travel from more distant states.

As our third and most conservative scenario, we move away from looking at just same-sex couples in these five Western states to considering same-sex couples nationally. In other words, we base this scenario on an estimate of the percentage of couples nationally that would travel to California over the next few years if the State allowed same-sex marriage.

We estimate that over the next few years that 10% of same-sex couples nationally will get married -- either in California, Massachusetts, or some other state that may extend marriage to same-sex couples. We exclude, of course, residents of California in this scenario, which are considered in the next section.

We assume that half of these, or 5% of same-sex couples counted in Census 2000 nationally, will travel to California to get married. This estimate is conservative, in that California is the number one tourism destination for domestic travel, accounting for 11.5% of all domestic travel in the United States.³⁵ Compared with Massachusetts, California has over ten times the number of visitors each year: 316 million visitors compared to 26 million.³⁶

All three of our scenarios are conservative to the extent that they do not take into account any fraction of the couples that were not counted in the U.S. Census or any fraction of couples living in foreign countries traveling to California to get married.

Table 3 multiplies the number of visitors from each scenario by the average length of visit, 3.5 days, and the average spending per visitor per day, or \$91.15.³⁷ In addition, couples coming to California to marry will probably spend much more money than average tourists to California. Many couples will do things to mark their marriages such as buying gifts, having special ceremonies, parties, or dinners, and inviting friends and relatives from outside of the State to join them for the occasions.

On average, different-sex couples spend \$22,000 on their weddings in the United States.³⁸ We make a much more modest assumption for estimating how much same-sex couples traveling

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to California will spend. We estimate that they will spend an additional \$11,000 to mark the occasion of their marriage, one-half of that of straight couples. This conservative estimate takes into account that some couples may have already had a commitment ceremony; that same-sex couples may be less able to rely on the resources of their parents and family for wedding expenditures; and that some same-sex couples may not wish to have a public wedding because of fears about publicly revealing their sexual orientation.³⁹

We then assume that these couples will split their expenditures between California and their home state. Although different couples will split their expenditures in different ways, we assume that on average these couples would spend 25% of these expenditures in California and 75% in their home state. Thus we estimate \$2,250 in additional spending for wedding celebration expenditures for each same-sex couple that travels to California to get married.

Next we taken into account the multiplier effect of tourism spending, that over time \$1 brought into California from out-of-state will generate more than \$2.30 of additional spending in the State.⁴⁰ Therefore, we estimate the net marriage tourism impact to be \$166.8 million to \$567.3 million in business revenue and \$12.1 to \$41.1 million in new sales tax revenues. We then spread this tourism spending out over the first three years that California extends marriage to same-sex couples, resulting in annual increase in sales tax revenues of \$4.0 to \$13.7 million dollars per year.

For our *best* estimate of the likely increase in sales tax revenues from same-sex wedding tourism, we use our two more conservative scenarios to create a predicted range of \$4.0 to \$6.9 million in additional sales tax revenues.⁴¹

Table 3: Impact on California sale tax revenues from extending marriage to same-sex couples

Tourism model	Top domestic markets states	50% top domestic markets states	5% nationally (excluding CA)
New visitors	170,818	85,409	50,225
Length of stay	3.5	3.5	3.5
Average expenditure per day	91.15	91.15	91.15
Wedding spending	\$11,000	\$11,000	\$11,000
Wedding spending in California	\$2,250	\$2,250	\$2,250
Total spending	\$246,661,192	\$123,330,596	\$72,524,900
State sales tax	.0725	.0725	.0725
Total sales tax revenues	\$17,882,936	\$8,941,468	\$5,258,055

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Multiplier	2.3	2.3	2.3
Multiplier effect	\$567,320,742	\$283,660,371	\$166,807,270
Total sales tax revenue	\$41,130,754	\$20,565,377	\$12,093,527
Total revenues spread over three years	\$189,106,914	\$94,553,457	\$55,602,423
Sales tax revenues spread over three years	\$13,710,251	\$6,855,126	\$4,031,146
Annual sales tax revenues	\$13.7	\$6.9	\$4.0

In short, even a modest number of same-sex couples traveling to California to marry will bring new customers to the State's existing businesses and will perhaps lead to the development of new businesses to catering to the same-sex marriage ceremony niche. The millions of dollars spent will add jobs and profits to the State's economy, and create millions of dollars of additional sales tax revenues.

IV. INCREASED SALES TAX REVENUES FROM RESIDENT SAME-SEX COUPLES' WEDDINGS

We also take into account that resident same-sex couples will spend money on weddings if California allows them to marry. We estimate the number of resident same-sex California couples that will get married and the amount of money, on average, that they will spend.

As explained in the Introduction, we assume that one-half of the same-sex couples in California that were counted by Census 2000 will marry.

For an estimate of how much they will spend on their weddings on average, we use \$11,000, or one-half of the national average for spending on different-sex weddings.⁴² We then reduce our estimate by 50% to account for the fact that some of this spending will not be from savings. This maybe particularly true for same-sex couples, who may be less able to rely on the savings of their parents or families for their wedding expenditures. In other words, some of the money that the couple spends on the wedding will merely be money that they are not spending on other things, thereby not generating additional business or sales tax revenues. However, when couples spend money on weddings out of their savings, there is a boost to the economy since that money is otherwise out of circulation.

Based on these assumptions, we estimate that same-sex weddings in California will generate an additional \$84.5 million in business revenues and an additional \$6.1 million in sales tax revenues.

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We then spread resident wedding spending out over the first three years that California extends marriage to same-sex couples. This results in an annual increase in sales tax revenues of \$6.1 million dollars for each of these years.

Table 4: Additional sales tax revenues resulting from resident same-sex couples' weddings

Number of resident weddings	46069
Average resident spending on weddings	\$11,000
Average spending from savings	\$5,500
Total spending	\$253,379,500
Sales tax	0.0725
Total sales tax revenues	\$18,370,013.75
Total revenues spread over three years	\$84,459,833.33
Tax revenues spread over three years	\$6,123,337.92
Annual sales tax revenues	\$6.1 million

Based on the predictions cited above that the same-sex marriage business will be a billion-dollar-a-year industry, our scenarios for increased tourism and resident wedding expenditures modestly suggests that if California is only one of a handful of states where same-sex couples could get married, it would receive approximately 14% to 28% of that business.

V. INCOME TAX REVENUES

Extending marriage to same-sex couples will have an impact on income tax revenues since AB 205 did not affect income tax filing status. Same-sex couples who marry will have the right to use the "married filing jointly" tax status, giving them the ability to use that status if it reduces their taxes. Marriage will also likely eliminate the ability of now "single" taxpayers with dependent children from using the "head of household" filing status, which would increase the taxes that some couples owed. In this section, we estimate the impact of these offsetting effects. Overall, we find that the net loss of revenues is likely to be approximately \$9.2 million per year.

To estimate the net tax impact of allowing same-sex couples to marry, we use the income and household characteristics of same-sex "unmarried partner" couples living in California gathered by the Census Bureau's 1% Public Use Micro Sample.⁴³ We use the Census data on total income and on the number of children in a household to estimate each couple's taxes twice. First we estimate what couples pay now. Then we estimate their likely tax payments as a married couple, and finally we calculate the difference between their pre- and post-marriage taxes.

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A. How many couples will marry if California extends marriage to same-sex couples?

For the purpose of this analysis, as explained in the Introduction, we assume one-half of the same-sex couples counted in California in Census 2000 will marry, approximately 46,000 couples.

We also assume that tax consequence will have no impact on who marries.⁴⁴ We make this assumption for several reasons. First, social scientists have done extensive research on the federal “marriage penalty,” the situation in which some married couples pay more in taxes when they marry than if they were to remain single. Overall, the research suggests that the marriage penalty has at most a very small impact on the likelihood that a couple will marry.⁴⁵ Therefore, it seems reasonable to assume that the smaller State tax impact of marriage will also have little effect on the number of people marrying. Second, as noted earlier, marriage might come with other financial advantages that outweigh a negative tax impact, such as gaining spousal benefits from employers. Finally, research by anthropologists and other social scientists suggests that the decision to marry or enter into another form of commitment with a partner has a deep symbolic and cultural value apart from economic considerations.⁴⁶

B. What will the pre- and post-marriage filing status be for individuals in same-sex couples?

We must make several assumptions in order to estimate taxes for couples. First, we assume that the individual listed as the “householder” of a same-sex couple will file as “head of household” if his or her own children under 18 years old are living in the household, and that this person’s unmarried partner will file as single.⁴⁷ The “head of household” status involves lower tax rates and higher deductions compared to single filers. We also assume that after marrying, the former “head of household” will not qualify as such and the couple would then file as “married filing jointly.” Second, when the householder has no children living with him or her, we assume that both partners currently file as single and will file as married filing jointly if they are allowed to marry.

C. How much will couples’ taxes change?

We then calculate taxes twice, pre- and post-marriage. The tax simulations were necessarily simple. To calculate adjusted gross income, we assumed each partner used the standard deduction and had one exemption to claim apiece if single, and one dependent exemption per own child. We then applied the 2003 California state tax schedule to calculate the taxes owed by each individual and couple, first when each partner files as single or as head of household (if children are present), and second when the couple files jointly. Our estimates of the state taxes paid show that 54% of same-sex couples in California would see their taxes fall if they could file jointly as married couples do. The average decrease in taxes for these couples would be \$542. For 35% of same-sex couples, filing jointly would have no impact on their state income taxes. For

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approximately 11% of same-sex couples, their state income taxes would increase if they could file jointly. The average increase in taxes for these couples would be \$866. These couples are generally those couples where one partner previously filed as head of household.

D. Calculating the overall change in tax revenue.

Table 5 shows how the proportions above and predicted changes in taxes can be used to calculate the number of couples falling into each category, assuming 46,069 couples will marry. Multiplying the number of couples in each category by the average change in taxes shows that tax revenues are likely to fall by \$9.2 million, as shown in the lower right hand corner of Table 5.⁴⁸ Although not all of these same-sex couples will get married in the first year that marriage is made available to them, we assume that they will in order to keep our analysis conservative (estimating a higher loss in tax revenues for the first year or two).

Table 5: Summary income tax revenue calculations

Type of couple	Number of couples	Percentage of all couples	Average change in taxes per couple	Total change
Taxes increase	5080	11%	\$866	\$4,399,610
Taxes same	15932	35%	0	\$0
Taxes decrease	25057	54%	-\$542	-\$13,578,076
Total				-\$9,178,466
				Net change in income tax revenue

VI. CONCLUSION

A careful analysis of the different impacts that allowing same-sex couples to marry will have on the California budget, results in off-setting impacts.

- First, the state will save money from expenditures on means-tested public benefit programs.
- Second, out-of-state couples will visit California to marry, generating additional sales tax revenues.
- Third, same-sex couples within the state will spend from their savings on weddings, creating additional sales tax revenues.
- Fourth, marriage will impact some couples' income taxes. Some couples' taxes will rise and some couples' taxes will fall as the result of marrying.

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Overall, the net impact of giving domestic partners equal rights is a positive impact on California's budget of between \$22.3 million and \$25.2 million. We conclude that extending marriage to same-sex couples is fiscally responsible for the State of California.

Table 6: Summary of impacts of same-sex marriage on the state budget (millions per year)

Impact on state budget	Western states tourism scenario	5% nationally tourism scenario
Savings from means-tested public benefit programs	+23.1	+23.1
Increased sales tax revenues from Tourism	+6.9	+4.0
Increased sales tax revenues from Resident Weddings	+4.4	+4.4
Decrease in income tax revenues	-9.2	-9.2
Total	+\$25.2 million	+22.3 million

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Endnotes

1. AB 205 would not go into effect until January 1, 2005.
2. E-mail from the Office of the Secretary of State of California to the Williams Project at UCLA School of Law, May 10, 2004 (on file with authors).
3. Tavia Simmons and Martin O'Connell, Bureau of the Census, U.S. Dept. of Commerce, Married-Couple and Unmarried-Partner Households: 2000, Census 2000 Special Reports, CENSR-5, at 3, 4 tbl. 2 (2003) [hereinafter Simmons and O'Connell, Census 2000 Special Report], available at <http://www.census.gov/prod/2003pubs/censr-5.pdf>.
4. For example, recently a teacher in California had his job threatened after co-workers and students learned that he had married in San Francisco.
5. For example, to combat the gap between changes in state law and people's knowledge about those changes, the State of California sent out three notices to registered domestic partners about the impact of AB 205 on their domestic partnerships.
6. Simmons and O'Connell, Census 2000 Special Report , at 4 tbl. 2.
7. This estimate also seems consistent with the recent experience of San Francisco extending marriages to same-sex couple. During a one month period, approximately 3,700 resident same-sex couples were married. If that rate were to continue -- assuming that the increase in venues and the assured validity of the marriages would roughly offset the sense of urgency and the increased capacity for providing marriages in San Francisco earlier this year-- approximately 44,400 resident same-sex couples would marry in California in a year.
8. See M. V. Lee Badgett and R. Bradley Sears, Equal Rights, Fiscal Responsibilities: The Fiscal Impact of AB205 on California's Budget (Williams Project on Sexual Orientation Law, UCLA, Los Angeles, Cal., and the Institute for Gay and Lesbian Strategic Studies, Amherst, Mass.) (2003).
9. See, e.g., 22 CCR 50251(a) and (b) (2204) ("The responsibility of a relative to contribute to the cost of health services of a Medi-Cal applicant or beneficiary includes spouses. Relative responsibility for spouses applies when the spouses are living together in the home, one is in long-term care, or the separation is know to be temporary) and 22 CCR 50373 (2004) (Medi-Cal Family Budget Unit Determination, No Family in LTC or Board and Care).
10. DOMA is a federal law that limits the definition of "spouse" in all federal laws and regulations to refer "only to a person of the opposite sex who is a husband or a wife." Defense of Marriage Act, Pub. L. 104-199, § 1, 100 Stat. 2419 (1996) (codified at 1 U.S.C. § 7 (1997)). "Spouse" is the term used to specify individuals whose assets and income may be counted for SSI and Medicaid eligibility purposes. Thus, arguably, DOMA would prohibit the state from interpreting the term spouse in the regulations to include same-sex domestic partners. This issue has arisen in Vermont with respect to that state's treatment of couples in a civil union within the Medicaid program. Federal officials have not yet issued a formal opinion on whether a civil union partner could be treated as a spouse. David Mace, Critics Say Rule Change Violates Civil Unions, THE TIMES ARGUS, April 17, 2003.
11. 22 CCR 55076 (2204) ("For the purposes of determining Medi-Cal eligibility, share of community property is to be treated as if each spouse owns one-half of the community property.") 22 CCR 55012 (2004) (where one spouse is in long-term care, Medi-Cal has rebuttable presumption that each spouse has a one-half community property interest in the total monthly gross earned and unearned income of both spouses.)
12. See, e.g. 22 CCR 50501 and 50507(2004)(defining gross unearned income to include "contributions from any source" and "any other income which is available to meet current needs.") and 50513(a)(2004)(income actually available shall be considered in determining the person's or family's eligibility). See California State Medical Plan 4.22 Third Party Liability, submitted (1994) and Supplements and Attachments.
13. For example, federal law mandates that states must "take all reasonable measures to ascertain the legal liability of third parties to pay for care and services available under" Medicaid and to seek reimbursement in cases "where such legal liability is found to exist." 42 U.S.C. 1396a.
14. See generally, CENTERS FOR MEDICARE AND MEDICAID SERVICES, STATE MEDICAID MANUAL, 3900-3910.15, 3900.1 and 3900.2 (2003).
15. California State Medical Plan, Attachment 4.22-A, TN No. 91-04, page 2. (1991).
16. Centers for Medicare and Medicaid Services, Immigrant Eligibility for Medicaid and SCHIP <http://www.cms.hhs.gov/immigrants/> accessed on May 9, 2004.
17. The CHIS asks separately about sexual orientation and partnership status, but the CHIS does not collect data on the sex of the partner. We assume that a gay or lesbian recipient's partner is of the same-sex. We omit bisexuals from this analysis since we cannot identify the sex of their partner. Since some bisexual recipients will also have same-sex partners, this omission means that we are underestimating the number of recipients who would lose public benefits and, therefore, are underestimating the decrease in State expenditures.

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18. We thank Dr. Christopher Carpenter of the University of Michigan for running the tabulations from the confidential version of the CHIS for us.
19. Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature*, Vol. 30, March 1992, pp. 1-61. See discussion on pp. 27-31.
20. See Ellen Lewin, *Recognizing Ourselves: Ceremonies of Lesbian and Gay Commitment*, Columbia University Press, New York, 1998; Suzanne Sherman, ed., *Lesbian and Gay Marriage: Private Commitments, Public Ceremonies*, Temple University Press, Philadelphia, 1992.
21. Out of the 92,138 same-sex couples in California that were counted by Census 2000 (Simmons and O'Connell, p. 4), 19,905 or 22% have registered as domestic partners.
22. Sources for Table 1 & 2: "Public Assistance Facts and Figures," California Department of Social Services, December 2003. (average monthly benefits for CalWORKS, SSI/SSP disabled, and the Calif. Food Assistance Program) accessed at: <http://www.dss.cahwnet.gov/research/res/pdf/Paff/2003/PAFFJan03.pdf>, on May 9, 2004; Medi-Cal 101, California Health Care Foundation, p. 27 (Table: Average Annual Cost Per Beneficiary) (2004)(2001 Data) (average Medi-Cal spending per beneficiary for children and adults); California Budget Project, 2004, <http://www.cbpp.org/2004/0402bbhealthyfam.pdf>, accessed on May 9, 2004 (average monthly cost to the State for Healthy Families per child). Since same-sex couples with children in California, on average have two children, we calculate the average benefit based on a family of one adult and two children. Medi-Cal 101, California Health Care Foundation, p. 27 (Table: Average Annual Cost Per Beneficiary) (2004)(2001 Data) (average Medi-Cal spending per beneficiary for children and adults). We also increase the 2001 benefit rate to a 2003 rate, by including a 3% increase for 2002 and for 2003. Interview with Christopher V. Perrone, M.P.P., Senior Program Officer, California HealthCare Foundation, May 10, 2003.
23. U.S. DEPT. OF HEALTH AND HUMAN SERVICES, Program Data: Supplemental Security Income, 2002 INDICATORS OF WELFARE DEPENDENCE, app. A, available at <http://www.aspe.hhs.gov/hsp/indicators02/appa-ssi.htm#SSI> (accessed May 7, 2004)(SSI-37); Phone Interview with Christopher V. Perrone, M.P.P. Senior Program Officer (Medi-Cal, 5; Healthy Families, 33).
24. For analyses of the Hawaii situation: Jennifer Gerarda Brown, *Competitive Federalism and the Legislative Incentives to Recognize Same-Sex Marriage*, 68 S. CAL L. REV. 745 (1995); *How Will Same-sex Marriage Affect Hawaii's Tourism Industry?* Testimony Before Commission on Sexual Orientation and the Law, State of Hawaii (October 11, 1995) (testimony of Sumner LaCroix and James Mak). For an analysis of Vermont: M. V. Lee Badgett, *The Fiscal Impact on the State of Vermont of Allowing Same-sex Couples to Marry*, 98 IGLSS TECHNICAL REP. 1 (Oct. 1988), available at <http://www.iglss.org/media/files/techrpt981.pdf> (last visited Aug. 25, 2003).
25. Aude Lagorcem, *Same-Sex Weddings, The Gay Marriage Windfall: 16.8 billion*, *Forbes Magazine*, April 4, 2004.
26. Shawn Huber, *Hotels Are Hoping to Capitalize on A Gay Marriage Boom*, *Los Angeles Times*, March 28, 2004.
27. Helen Jung, *Gay marriages may bring tourism joy*, *The Oregonian*, March 5, 2004, (quoting Joe D'Alessandro, president of the Portland Oregon Visitors Association, as saying gay marriage has provided an "economic boom" to Portland as gay couples and their families fly in for weddings.) David Sarasohn, April 11, 2004, *The Oregonian*, Sunday edition, (quoting D'Alessandro as saying, "Its' definitely having a positive impact, because more people are coming to Portland. They fly in, sometimes with families, friends, children, whatever. I've talked to hotel people, and they say they've seen an increase in gay and lesbian customers.
28. Dean E. Murphy, *San Francisco Toasts Gay Weddings*, February 29, 2004, *New York Times*, accessed at http://www.ggba.com/tourism/gay_SF.html. Laura Bly, *Localities cashing in on same-sex marriage*, *USA Today*, February 27, 2004. Helen Jung, *Gay marriages may bring tourism joy*, *The Oregonian*, March 5, 2004 (While San Francisco was issuing marriage licenses to same-sex couples hotels were sold out and Macy's department store ran out of wedding rings). Heather Knight, *Windfall in Castro: Giddy newlyweds have been boon in S.F. neighborhoods*, *San Francisco Chronicle*, February 18, 2004, pg. A1 (gay marriages have been "great for businesses as newlyweds throw their money at the neighborhood's florists, jewelry stores, liquor shops, bookstores, and photo processors."); Douglas Belkin, *Wedding Bell Bonanza Tourism, Marriage Industry Foresee Boom in Same-Sex Nuptials*, *Boston Globe*, Thursday, February 26, 2004.
29. David Webb, *San Francisco Releases Figures On Marriages For Gay Couples*, *Dallas Voice*.
30. See, e.g., Marie Szanislo, *P'town set for gay wed rush*, *Boston Herald*, April 11, 2004, Sunday edition. Laura Bly, *Localities cashing in on same-sex marriage*, February 27, 2004, *USA Today* (Provincetown). Thea Singer, *Three swank cities are becoming marriage meccas for gay couples*, *The Boston Herald*, March 22, 2004, pg. 27 (reporting that hotels, banquet halls, florists, jewelers, and other wedding related businesses in Boston, Cambridge, and Northhampton have seen "an upsurge of 10 to 100 percent in inquiries and bookings from gay couples looking" to marry.)
31. Thea Singer, *Three swank cities are becoming marriage meccas for gay couples*, *The Boston Herald*, March 22, 2004, pg. 27.
32. Pam Belluck, *Romney Wont' Let Gay Outsiders Wed in Massachusetts*, *The New York Times*, April 25, 2005, page 1.

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33. California Tourism, California's Top Domestic Markets --2002, accessed at <http://gocalif.ca.gov/state> on May 9, 2004.
34. Simmons and O'Connel, Census 2000 Special Report , at 4 tbl. 2.
35. California Tourism Visitor Statistics, Highlights, accessed at <http://gocalif.ca.gov/state> on May 9, 2004.
36. *Id.* and Massachusetts Travel Industry Report: 2003, Statewide and Regional Impact Report, Mass. Office of Travel and Tourism (May 2003), Executive Summary.
37. Figures from Monthly Travel Volume: September 2002 Topline Measures (Millions of Person-Trips*) TRAVEL INDUSTRY: RESEARCH & STATISTICS, CAL. DIV. OF TOURISM, September 2002, at http://www.visitalifornia.com/state/tourism/tour_htmldisplay.jsp?BV_SessionID=@@@@1659062557.1061852152@@@@&BV_EngineID=cadcidkhmjifbemgefkmchechi.0&sFilePath=/tourism/detail/T_D_BC_RS_MonthlyTravelVolume.html&sTableName=TOURISM_NAV (last accessed Aug. 25, 2003).
38. Rebecca Mead, You're Getting Married, THE NEW YORKER, April 21 & 28, 2003, at 76.
39. At least on gay wedding professional has estimated that same-sex couples spend \$15,000 on average on their weddings. K. Kaufman, Catering to same-sex couples: Niche: Amid the furor over gay and lesbian marriage, the wedding industry is finding out there is money to be made, The Baltimore Sun, March 7, 2004, page 4A.
40. TRAVEL INDUSTRY ASSOCIATION OF AMERICA, Economic Research: Impact of Travel on State Economies 2000, (October 2002).
41. To put these numbers in context, total California travel and tourism expenditures amounted to \$78.2 billion in 2003 and generated \$5 billion in state and local tax revenue. California Tourism Visitor Statistics, Highlights, accessed at <http://gocalif.ca.gov/state> on May 9, 2004.
42. As explained in the section above, this lower estimate takes into the fact that some of these couples may have already had a commitment ceremony and therefore spend less on their wedding; that same-sex couples may be less able to rely on the resources of their parents and family for wedding expenditures; and that some same-sex couples may not wish to have a public wedding which would reveal their sexual orientation to members of their community.
43. We thank Dr. Gary Gates of the Urban Institute for supplying us with an extract of the 1% Public Use Microsample data from Census 2000. The 1% PUMS provides data on 935 same-sex couples in California. The PUMS gives each individual's total income from all sources in 1999. We used the CPI-U to inflate the 1999 dollars to 2002 dollars.
44. AB 205 requires the State to send a letter to all couples currently registered as domestic partners to notify them of changes in the meaning of this status and of the procedure for dissolving the status. Therefore, by "signing up" we mean both couples who newly sign up and couples who simply retain their registration.
45. For an example, see James Alm and Leslie A. Whittington, "For Love or Money? The Impact of Incomes Taxes on Marriage." *Economica*, Vol. 66, August 1999, pp. 297-316. They find a very small effect of the marriage penalty on the probability of marriage.
46. See Ellen Lewin, *Recognizing Ourselves: Ceremonies of Lesbian and Gay Commitment*, Columbia University Press, New York, 1998; Suzanne Sherman, ed., *Lesbian and Gay Marriage: Private Commitments, Public Ceremonies*, Temple University Press, Philadelphia, 1992.
47. Determination of head of household status is complex, but an unmarried person with a dependent child is likely to be qualified. See Franchise Tax Board, *Forms & Instructions, California 540 and 540A, 2002 Personal Income Tax Booklet*, pp 24-28.
48. When we applied the Census household weights to the estimates of tax revenue changes, we arrived at an almost identical figure.



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