CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 11, 2010

S. 1102
Domestic Partnership Benefits and Obligations Act of 2009

As ordered reported by the Senate Committee on
Homeland Security and Governmental Affairs on December 16, 2009

SUMMARY

S. 1102 would make same-sex domestic partners of certain federal employees eligible to receive the same employment benefits as married spouses of federal employees. Those benefits include health insurance, survivor annuities, compensation for work-related injuries and travel and relocation benefits that affect the federal budget, as well as other benefits that do not have an impact on the budget, such as life insurance and vision and dental benefits.

CBO estimates that enacting S. 1102 would increase direct spending by $101 million over the 2010-2015 period and $310 million through 2020.[1] We estimate that enacting the bill would not have any direct impact on federal revenues. Over the same period, CBO estimates that discretionary spending would also increase, by $394 million, assuming appropriation of the necessary funds. Providing additional health insurance benefits through the Federal Employees Health Benefits (FEHB) program would account for the largest increase in both mandatory and discretionary spending—$294 million and $355 million, respectively.

Some of the costs of S. 1102 would derive from providing health benefits to the domestic partners of active workers of the U.S. Postal Service (USPS); cash flows of the USPS are classified as "off-budget." CBO's estimate of direct spending includes such off-budget costs totaling $197 million between 2011 and 2020.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. (Under the Statutory Pay-As-You-Go Act of 2010, only the on-budget effects are subject to those procedures.)

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[1] Different time periods apply for the Senate's pay-as-you-go rules. CBO estimates that enacting S. 1102 would increase on-budget direct spending by $20 million over the 2010-2014 period and by $91 million over the 2010-2019 period.

S. 1102 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1102 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 600 (income security).

	By Fiscal Year, in Millions of Dollars												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2015	2010-2020
CHANGES IN DIRECT SPENDING													
Federal Employees Health Benefits (FEHB) Program													
On-Budget (non-postal)	0	1	3	4	6	8	10	12	15	18	21	21	97
Off-Budget (postal)	0	9	13	15	16	18	20	22	25	28	30	71	197
Federal Employment Compensation Act (FECA) Benefits	0	2	3	3	3	4	4	4	4	4	4	15	35
Survivor Annuities	0	0	-1	-1	-2	-2	-2	-2	-3	-3	-3	-6	-19
Total Changes	0	11	18	21	24	28	32	36	41	46	52	101	310
On-Budget	0	2	5	6	7	10	12	14	16	19	22	30	113
Off-Budget	0	9	13	15	16	18	20	22	25	28	30	71	197
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
FEHB Program Costs for Active Employees													
Estimated Authorization Level	0	19	28	30	32	34	37	39	42	45	48	144	355
Estimated Outlays	0	19	28	30	32	34	37	39	42	45	48	144	355
FECA Agency Costs													
Estimated Authorization Level	0	2	3	3	3	4	4	4	4	4	4	15	35
Estimated Outlays	0	1	2	3	3	4	4	4	4	4	4	13	33
Travel and Relocation Benefits													
Estimated Authorization Level	0	1	1	1	1	1	1	1	1	1	1	3	6
Estimated Outlays	0	1	1	1	1	1	1	1	1	1	1	3	6
Total Changes													
Estimated Authorization Level	0	22	32	34	37	39	41	44	47	50	53	163	397
Estimated Outlays	0	21	31	34	36	39	41	44	47	50	53	160	394

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1102 will be enacted late in calendar year 2010 and that the necessary amounts will be appropriated for each year. CBO assumes that about 0.33 percent of federal employees would choose to register a same-sex domestic partnership if given the opportunity. That figure is based on information previously gathered from state and local governments as well as more recent research on the experience of organizations that have adopted similar policies. CBO estimates that approximately 80 percent of individuals eligible under the proposal would move from single to family health coverage and that 85 percent would elect a survivor benefit for a domestic partner. S. 1102 applies to eligible current federal employees, other than members of the armed services.

Direct Spending

Federal Employees Health Benefits Program. S. 1102 would extend eligibility for health benefits to the same-sex domestic partners of future federal retirees. Unlike premiums for current workers, the government's share of health care premiums for retirees is classified as direct spending. For each year over the 2011-2020 period, CBO projects that approximately 200 additional family coverage policies would be added to the FEHB program by future non-Postal Service retirees choosing to cover same-sex domestic partners. As a result, direct spending would increase by $97 million from 2011 to 2020.

Postal Service employees also would be eligible for same-sex domestic partner coverage under S. 1102. CBO estimates that providing health benefits to the domestic partners of active postal workers would result in about 2,000 Postal Service employees moving from individual to family coverage plans. Additionally, CBO anticipates that approximately 100 future retirees from the Postal Service would move to family coverage for their same-sex domestic partners.

The cash flows of the Postal Service are classified as off-budget, although the total federal budget records the agency's net spending (gross outlays less offsetting collections). CBO estimates that extending FEHB benefits to the same-sex domestic partners of Postal Service workers would increase off-budget costs by $197 million through 2020.

Federal Employment Compensation Act (FECA) Benefits. FECA provides compensation to federal civilian employees for disability due to personal injury sustained while in the performance of duty. Married workers currently receive slightly higher FECA benefits for wage replacement than do single workers. Additionally, if an employee dies of an employment-related injury or disease, his or her spouse receives a death benefit. CBO projects that S. 1102, if enacted, would extend additional FECA benefits to roughly 1,000 federal employees each year. Over the 2011-2020 period, those additional benefits would total $35 million.

Survivor Annuities. Under current law, federal employees who are eligible to receive retirement benefits may elect to provide their spouses with a survivor annuity by reducing the value of their own retirement benefit. The required annuity reductions and survivor benefit levels vary between the Federal Employees' Retirement System (FERS) and the Civil Service Retirement System; a federal employee who elects survivor benefits reduces his retirement annuity between 5 percent and 10 percent in order to provide a survivor benefit ranging from 25 percent to 55 percent of the employee's annuity.

Under S. 1102, eligible federal employees with a registered same-sex domestic partner would become eligible for a survivor benefit for their partner at retirement, following the same rules and regulations as for married spouses. CBO estimates that 85 percent of federal employees who register a domestic partner would elect survivor benefits if given the opportunity. On that basis, CBO projects that an average of 1,500 new federal retirees per year (through 2020) would add survivor benefits for their domestic partners. Accordingly, those individuals would collect smaller retirement annuities, thereby lowering direct spending. A portion of those savings would be offset by payments of survivor benefits to surviving partners as some retirees die over the next 10 years. However, in the near term, the estimated annuity reductions outweigh the additional survivor benefits. On net, CBO estimates that direct spending would decrease by $19 million over the 2011-2020 period.

Spending Subject to Appropriation

In total, CBO estimates that implementing S. 1102 would increase discretionary spending by $394 million over the 2011-2020 period, assuming the appropriation of the necessary amounts.

FEHB Program Costs for Active Federal Employees. S. 1102 would allow federal employees to add same-sex domestic partners to their health insurance policies. Federal agencies pay about 70 percent of health-care premiums for active employees; thus, as premiums rise, so do agency contributions. In 2011, family coverage policies for active workers are projected to cost the federal government approximately $6,000 more than individual coverage policies. CBO estimates that providing additional family coverage policies to approximately 4,000 non-Postal Service employees who would elect coverage for same-sex domestic partners would increase agency spending subject to appropriation by $355 million over the 2011-2020 period, assuming the appropriation of the necessary funds.

FECA Agency Costs. As discussed under the direct spending section, this bill would result in increased spending for federal workers' compensation. The additional benefits that would be paid to workers are considered mandatory spending. However, employing agencies reimburse the Department of Labor for the provision of those benefits using funds from their discretionary appropriations. CBO estimates that enacting S. 1102 thus would increase the need for appropriations to agencies' salaries and expense accounts, with increased outlays totaling $33 million through 2020.

Travel and Relocation Benefits. S. 1102 would provide the same benefits to same-sex domestic partners as to married spouses for travel and relocation expenses. In general, such benefits include the transport of household goods, reimbursement for taxes incurred during relocation, and expenses incurred during a real estate transaction (such as closing costs or purchase assistance). CBO estimates that including domestic partners in travel and relocation benefits would total about $6 million over the 2011-2020 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in on-budget outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 1102, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on December 16, 2009

	By Fiscal Year, in Millions of Dollars												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2015	2010-2020
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Impact	0	2	5	6	7	10	12	14	16	19	22	30	113

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1102 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no cost on state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On December 17, 2009, CBO transmitted a cost estimate for H.R. 2517, the Domestic Partnership Benefits and Obligations Act of 2009, as ordered reported by the House Committee on Oversight and Government Reform on November 18, 2009. That bill would provide the same benefits to domestic partners of eligible federal employees as S. 1102, but would extend those benefits to the domestic partners of eligible current federal retirees in addition to current employees. As a result, H.R. 2517 would have higher direct spending costs than S. 1102: about $600 million over 10 years, as compared to $310 million for 10 years under the Senate bill.

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