Title
Potential Impact of HB444 the State of Hawai‘i

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Authors
Goldberg, Naomi G
Sears, Brad
Badgett, M V Lee

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TO: Representative Blake Oshiro  
33rd Representative District, House of Representatives, Hawai‘i State Legislature  
FROM: Naomi G. Goldberg, R. Bradley Sears, and M.V. Lee Badgett  
The Williams Institute, University of California, Los Angeles  
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RE: Potential Impact of HB444 the State of Hawai‘i

Executive Summary
This memo summarizes current research about the potential impact on the State of Hawai‘i of HB444 HD1 SD1: Relating to Civil Unions on the state economy and budget. We estimate that between 569 and 1,285 same-sex couples will enter civil unions in the first four years that registration is available. Over twenty studies conducted during the past ten years, including by a number of state governments and the Congressional Budget Office, suggest that HB444 will have the following positive fiscal effects. Our analysis is consistent with a recent analysis of the HB444 conducted by researchers at the University of Hawai‘i showing measurable and positive effects.¹

**Civil unions will boost the economy of Hawai‘i through increased spending and jobs.**
- Over twenty studies by academic institutions, governments, and trade industry associations have shown that recognizing same-sex couples is likely to increased spending in a state, creating jobs and tax revenues.  
- As same-sex couples enter civil unions, businesses in Hawai‘i will experience increased spending on civil union celebrations. We estimate that over four years, these couples will spend between $4.2 million to $9.5 million on their civil union celebrations. This estimate is just of spending by the couples themselves.  
- If out-of-state guest travel to these celebrations is similar to that of travel to weddings of same-sex couples in Massachusetts, out-of-state guests will spend between $17.8 million and $40.3 million in Hawai‘i over four years on hotels, food, entertainment, and retail. This estimate does not include the spending of in-state guests or the spending by all guests on gifts.  
- This increase in spending by same-sex couples and their out-of-state guests will also lead to the creation of 193 to 333 new jobs in the state, most directly in businesses related to the travel and events.

**Civil unions will attract highly-skilled “Creative Class” workers to Hawai‘i.**
- A 2009 study shows that LGBT friendly policies such as civil unions could attract highly skilled worker to a state.  
- LGBT-friendly policies, like legal recognition for same-sex couples, signal to potential employers and employees a welcoming and diversity-friendly climate.  
- Such an environment is likely to attract the so-called “Creative Class,” a mix of individuals in occupations including financiers, software engineers, artists, teachers, and scientists, who represent a key to regional economic development in today’s post-industrial and global
economy. Individuals in the creative class are generally young, highly educated, mobile, and are more likely to value innovation and diversity.

- Individuals in same-sex couples are nearly twice as likely as other adults to be in the creative class.
- A 2009 study of marriage for same-sex couples in Massachusetts evaluating the impacts of marriage there after five years found that Creative Class individuals were 2.5 times more likely to move to Massachusetts in the three years after marriage equality than in the three years prior.

Businesses in Hawai‘i will be more productive and will not experience significant increases in costs.

- To the extent HB444 encourages more Hawaii businesses to adopt favorable corporate policies toward lesbian, gay, bisexual, and transgender employees, such as non discrimination policies and domestic partner benefits, research has shown such policies improve productivity of current employees.
- Businesses in states with legal recognition of same-sex couples do not report experiencing significant costs as a result of such recognition. Studies of employers who recognize same-sex couples find that there is generally a 0.3 to 1% increase in enrollment when employers offer same-sex partner benefits and a 1.3 to 1.8% increase when benefits are offered only to different-sex couples.

Civil unions will positively impact the State’s budget through increased revenue and savings.

- Over twenty studies by academic institutions and governments have shown that legal recognition of same-sex couples would have a positive impact on a state’s budget. The net positive impact on a state’s budget is driven by three fiscal impacts: tax revenues from celebrations by same-sex couples, filing fees, and savings in means-tested public benefits programs.
- We estimate that the State of Hawai‘i will collect $714,000 to $1.6 million in excise tax revenues a result of civil union expenditures by same-sex couples and their out-of-state guests over four years.
- The State will also experience an increase in revenue from the filing fee associated with obtaining a civil union. Based on the number of couples expected to enter a civil union, we estimate that the State will see an increase in revenues of $34,100 to $77,100 over four years.
- As a result of entering a civil union and having a higher household income, some individuals in Hawai‘i may no longer be eligible for means tested public assistance. As a result, the State of Hawai‘i will experience a savings in these public assistance programs. Studies of other states and the Congressional Budget Office have estimated this saving to range from hundreds of thousands to tens of millions of dollars. A state with a similar size same-sex couple population as that of Hawai‘i, New Hampshire, was estimated to save $400,000 per year in spending on public benefits programs.

The experience other states that have passed domestic partnership and civil union laws has shown that implementation of HB444 will not create any significant costs or problems.

- Several states that have evaluated similar civil union or domestic partnership laws after they have been passed have shown that they do not result in any significant implementation costs or issues.
- For example, in 2009 testimony by officials in New Jersey indicated that state departments had minimal costs associated with their civil union law and implementation was “seamless.”
Introduction
HB444 HD1 SD1: Relating to Civil Unions, which would extend the same rights, benefits, protections, and responsibilities of spouses in a marriage to partners in a civil union. The impact on the business climate, the economy, and the state budget is explored in this memo using research and experiences of other states that have extended relationship recognition to same-sex and different-sex couples.

Over twenty studies by academic institutions and state and local governments have predicted that relationship recognition for same-sex couples will have a positive economic impact on businesses and the state economy as a result of spending on celebrations by couples. This analysis relies on the same methods used in previous studies of the fiscal impact of relationship recognition for same-sex couples on Washington, New Mexico, New Hampshire, California, Connecticut, Colorado, New Jersey, Massachusetts, Vermont, Maryland, Maine, Iowa, Oregon, Arizona, Alaska, and the District of Columbia. These studies have found that extending the rights and obligations of marriage to same-sex couples would have a positive impact on each state’s budget.

Similar conclusions have been reached by legislative offices in Connecticut and Vermont and by the Comptroller General of New York. In addition, the Congressional Budget Office has concluded that if all fifty states and the federal government extended the rights and obligations of marriage to same-sex couples, the federal budget would benefit by nearly $1 billion each year. We find that Hawai’i may also experience a positive impact on the economy and the state as a result of celebration spending by same-sex couples.

The estimates included in this memo are conservative for several reasons, including that we do not include different-sex couples in our estimates. According to the 2008 American Community Survey, there are 22,759 unmarried different-sex couples who would also be eligible to enter civil unions if HB444 were enacted. These estimates also do not include same-sex couples or different-sex couples who may travel from other states to Hawai’i to enter civil unions. Given Hawai’i’s existing destination for weddings, it is possible that there may be additional wedding tourism by couples entering civil unions.

Estimates of the Number of Same-Sex Couples Likely to Enter Civil Unions
We predict that approximately as many as 272 same-sex couples in Hawai’i may enter into a civil union within the first year. This figure is based upon estimates from the 2008 American Community Survey, which finds that there are 2,472 same-sex couples living in Hawai’i. Research from New Jersey, which instituted civil unions in 2007, shows that 11% of same-sex couples living in New Jersey entered civil unions in the first year. Applying this figure to the same-sex couples living in Hawai’i, we estimate that, in the first year, 272 same-sex couples will enter into civil unions. After four years, 23% of same-sex couples in New Jersey had entered into civil unions. If Hawai’i experiences similar civil union registrations, we estimate that 569 same-sex couples will enter civil unions within the first four years.

It is possible that same-sex couples in Hawai’i may be more likely to enter civil unions than those couples living in New Jersey. Unlike New Jersey which is located in a region with several other states offering various forms of legal recognition to same-sex couples (marriage in Massachusetts, Connecticut, New Hampshire, Vermont, and Washington, D.C., and civil unions in Maine), same-sex couples in Hawai’i do not have as many options for legal recognition in neighboring states. In Massachusetts, which has had marriage equality for same-sex couples since 2004, in the first year 37% of same-sex couples living in Massachusetts married and after four years, 52% of same-sex couples in Massachusetts married. Applying such figures to the same-sex couples living in Hawai’i, we estimate that 915 same-sex couples
will enter a civil union in the first year and 1,285 same-sex couples may enter civil unions in the first four years.

**Civil unions will boost the economy of Hawai‘i through increased spending and jobs.**

Prior research has shown that civil unions are likely to generate economic gains for Hawai‘i businesses, generating tax revenues for state and local governments.\(^{14}\) Weddings create economic activity as well as jobs, providing a boost to the economy. Forbes magazine projects that if same-sex marriage rights were granted nation-wide, same-sex weddings would generate $16.8 billion dollars in expenditures, adding significantly to America’s annual $70 billion wedding industry.\(^ {15}\) Another recent estimate concludes that gay marriage will generate a billion dollars per year in spending in the United States.\(^ {16}\)

It is likely that some of some of the same-sex couples entering civil unions will have celebrations. A previous survey of same-sex married couples in Massachusetts found that same-sex couples spent, on average, $7,400 on their celebrations, including invitations, flowers, clothing, entertainment, catering, and other related expenses.\(^ {17}\) Based on the estimated 569 to 1,285 same-sex couples who will enter civil unions in the first four years, we estimate that this celebration-related spending could amount to $4.2 million to $9.5 million.

In addition to spending by couples on their celebrations, it is possible that same-sex couples in Hawai‘i will invite out-of-state guests to attend their celebrations. A survey of same-sex couples who married in Massachusetts found that they had, on average, 16 out-of-state guests in attendance at their celebrations.\(^ {18}\) We assume that each out-of-state guest will spend the equivalent of the average per diem spending by a Hawai‘i tourist for the average number of days spent in Hawai‘i by a Hawai‘i tourist. The average amount spent by U.S. tourists in Hawai‘i in 2009 per day was $150 for a total trip duration of 10 days.\(^ {19}\) Multiplying this by the number of out-of-state guests attending celebrations, we find that, over four years, celebrated-related expenditures by out-of-state guests could total between $17.8 million and $40.3 million based upon the ranges set forth above for the number of couples expected to enter civil unions.

In total, we predict that celebration-related spending by same-sex couples and their guests could total between $4.2 million and $30.8 million over four years, with the most likely spending at the lower end of that range. Such spending will help local Hawai‘i businesses as well as lead to the creation of new 193 to 333 new tourism-related jobs, based upon 2008 data from the State of Hawai‘i estimating the number of jobs created by tourism-related spending.\(^ {20}\) This is a conservative estimate given that it only takes into consideration same-sex couples, not different-sex couples, who may enter a civil union, and it is limited to those couples living in Hawai‘i, not same-sex or different-sex couples may travel to Hawai‘i to enter a civil union. In 2009, 1% of U.S. visitors to Hawai‘i indicated that they were visiting to be married.\(^ {21}\) Given the fact that same-sex couples can now marry in five states and the District of Columbia, the demand for Hawaii civil unions by same-sex couples is likely to be relatively low. However, if out-of-state couples decide to have a ceremony in Hawaii, the business revenue increase would be significantly enhanced.

**Civil unions will attract highly-skilled “Creative Class” workers to Hawai‘i.**

Researchers have recently argued that diversity in laws and policies could positively impact the diversity of communities and, in turn, economic development. Richard Florida, a researcher at the University of Toronto, argues that a vibrant and visible lesbian and gay community marks one of the best predictors of a region’s ability to attract a group of workers that he dubs the “creative class”.\(^ {22}\)
Florida suggests that the “creative class” (comprised of an eclectic mix of individuals in occupations including artists, teachers, financiers, software engineers, and scientists) represents a key to regional economic development in today's post-industrial and global economy. The creative class is a relatively young, highly educated, and mobile workforce that values innovation and diversity as keys to creating stimulating work environments.

Florida argues that LGBT-friendly policies like legal recognition for same-sex couples signal a welcoming and diversity-friendly climate that fosters entrepreneurship and innovation and attracts the creative class and the companies that employ them. Using the concentration of same-sex couples as an indicator, Florida has found that the “gay index” of a region can be predictive of housing prices, regional development, overall wages, the number of young college graduates moving to an area, and overall economic health.

One study finds a connection between marriage equality and the migration of the creative class. A 2009 study of marriage equality in Massachusetts found that there was a small but positive impact on the number of individuals in same-sex couples who were attracted to the state. This study found that marriage equality in Massachusetts resulted in an increase of younger, female and more highly educated and skilled individuals in same-sex couples moving to the state. These creative class individuals in same-sex couples were 2.5 times more likely to move to Massachusetts in the three years after marriage equality than in the three years before.

Businesses in Hawai’i will be more productive and will not experience significant increases in costs. To the extent HB444 encourages more Hawaii businesses to adopt favorable corporate policies toward lesbian, gay, bisexual, and transgender (LGBT) employees, such as nondiscrimination policies and domestic partner benefits, research has shown such policies improve productivity of current employees without imposing significant costs. Businesses that have favorable corporate policies toward same-sex couples and LGBT people are better able to attract, recruit, and retain employees, especially those in the creative class.

In one public opinion survey, almost half of LGB employees indicated that partner benefits would be their most important consideration if offered another job. Domestic partner benefits are also important for heterosexual employees; 6% of heterosexual employees reported that domestic partner benefits would be the most important factor in deciding whether to accept a new job – more than those who would look for onsite child care, and 7% of heterosexual workers who actually changed jobs reported that domestic partner benefits were the most important factor in their decision.

Prior research has shown the fiscal impact on businesses of extending benefits to same-sex couples is much less than generally assumed. Previous studies suggest a 0.3 to 1% increase in enrollment when employers offer same-sex domestic partner benefits and a similar increase in costs, and a 1.3 to 1.8% increase when the benefits are offered only to different-sex couples. Other research supports that the argument that providing benefits will ultimately benefit employers in terms of recruitment and retention, overall cost savings, and lower uninsured health care costs for state and federal governments.

And, while employers may experience a small increase in health care costs as enrollment increases slightly, it is likely that these increased costs would be offset by the benefits gained. Providing domestic partner benefits to employees ultimately reduces the number of uninsured people. As a result, state and federal governments would likely see a reduction in Medicaid spending and
uncompensated care. Furthermore, reducing the number of uninsured people would also likely reduce the health care costs for all employers.

Numerous studies from various academic disciplines suggest that LGBT workers will have greater job satisfaction and be more productive workers if they have legal protection from discrimination. Several studies have found higher levels of disclosure in workplaces when employers have their own non-discrimination policies that include sexual orientation. Hawai’i businesses would benefit from being able to increase their competitiveness in attracting such employees.

**Civil unions will positively impact the State’s budget through increased revenue and savings.**

Prior research also indicates that as a result of celebration spending by same-sex couples and their guests, the State of Hawai’i can expect an increase in excise tax revenues. If same-sex couples and their guests spend the expected $5.6 million to $12.6 million over four years, the state would collect between $714,000 and $1.6 million in excise taxes, assuming the current excise rate of 4%.

In addition, the state will also experience increased revenue through the filing fee associated with civil unions. If 569 same-sex couples enter civil unions over four years, the State will collect an additional $34,100 in fees, assuming the proposed filing fee of $60 per couple. If 1,285 same-sex couples enter civil unions over four years, the State would see an increase in revenue of $77,100.

Finally, the state will experience savings through a decrease in the number of individuals eligible for means tested benefits programs. A number of other studies, including one conducted by the Congressional Budget Office, has estimated that if the rights and obligations of marriage are extended to same-sex couples, state governments will save money in means tests benefit programs like Medicaid and SSI. Spouses are obligated to provide for one another’s basic needs. After entering a civil union, a same-sex partner’s income and assets would be included in assessing an individual’s eligibility for means-tested public benefits after entering a civil union. This will reduce the number of people eligible for such benefits, thereby saving the state money.

Although New Hampshire has different state-level public benefits programs and share of costs on federal benefit programs, it has a similar number of same-sex couples as does Hawai’i. A 2005 study found that allowing same-sex couples to marry in New Hampshire would save the state approximately $400,000 per year in means tested benefits programs. Savings to states are the largest in the areas of Medicaid and Social Security Insurance spending.

**The experience other states that have passed domestic partnership and civil union laws has shown that implementation of HB444 will not create any significant costs or problems.**

The costs to the State of Hawai’i to implement civil unions are likely to be minimal. Several studies of other states find that state governments have the capacity to implement civil unions. For example, the New Jersey Civil Union Review Commission recently held hearings to evaluate the effectiveness of civil unions eighteen months after implementation. At these hearings, multiple state officials testified that the costs associated with implementing the civil union legislation were minimal and that implementation was relatively easy. For example, officials from the Departments of Children and Families, Labor and Workforce Development, the Motor Vehicle Commission, the Office of the Courts, and other testified that the costs of implementing the new civil union law were “negligible to none,” “the most minimal of costs,” and that the implementation itself had been “seamless.” Specific officials mentioned that some forms needed to be reprinted, but that such printed fell within the annual procedures.
A 2005 analysis conducted by the Connecticut Legislative Commissioner concluded that the state’s departments were well-prepared to implement the necessary changes and that the costs to do so were minimal.\(^8\) For example, the state’s judicial department was expected to expand court-based services as a result of the civil union legislation, but the costs for the expansion were small.

**Conclusion**

This memo estimates the impact on the State of Hawai‘i, its economy, businesses, and budget of HB444. Extending civil unions to different-sex and same-sex couples in Hawai‘i will positively boost the economy of the state through increased spending and job creation, will attract highly educated and talented members of the “Creative Class,” will increase the ability of businesses to recruit and retain employees, and will generate revenue and savings for the State. Additionally, based upon the experiences of states that have implemented civil unions, including Connecticut and New Jersey, the costs to the State of Hawai‘i of implementing HB444 would be minimal.

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11 Id.
12 Id.
18 Id.
22 The Rise of the Creative Class (Basic Books, 2002).
24 March 2003 poll by Harris Interactive/Witeck-Combs.
25 Id.
28 Id.
29 Id.
34 State of Hawai‘i, Department of Taxation. [http://www6.hawaii.gov/tax/a7_faq.htm](http://www6.hawaii.gov/tax/a7_faq.htm)
Naomi G. Goldberg is the Peter J. Cooper Public Policy Fellow at the Williams Institute, UCLA School of Law. Naomi’s research interests focus on policies affecting families, including adoption, foster care, and aging issues.

R. Bradley Sears is Executive Director of the Williams Institute, UCLA School of Law, where he is also an Adjunct Professor of Law and teaches sexual orientation and disability law courses. His current research focuses on HIV discrimination by health care providers.

M.V. Lee Badgett is Research Director at the Williams Institute, UCLA School of Law, and Director of the Center for Public Policy and Administration at the University of Massachusetts Amherst, where she is also on the faculty of the Department of Economics. She studies family policy and employment discrimination related to sexual orientation.

For more information, contact:

The Williams Institute
UCLA School of Law
Box 951476
Los Angeles, CA 90095-1476
T (310)267-4382
F (310)825-7270
williamsinstitute@law.ucla.edu
www.law.ucla.edu/williamsinstitute