CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 15, 2012

S. 1910
Domestic Partnership Benefits and Obligations Act of 2011

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 16, 2012

SUMMARY

S. 1910 would make same-sex domestic partners of certain federal employees (including certain employees of the District of Columbia who were first employed by the District before October 1, 1987) eligible to receive the same employment benefits as married spouses of federal employees. Benefits that would affect the federal budget include health insurance, survivor annuities, compensation for work-related injuries, and travel and relocation benefits.

S. 1910 also would require insurance plans that participate in the Federal Employee Health Benefits (FEHB) program to recover payments when a third party is liable for the health care costs of a covered enrollee, and would clarify that federal law regarding such recoveries preempts state or local law.

CBO estimates that enacting S. 1910 would decrease net direct spending by $13 million between 2013 and 2022. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Over the same period, CBO estimates that implementing the bill would have a discretionary cost of $144 million, assuming appropriation of the necessary funds.

Some of the costs of S. 1910 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 the bill includes such off-budget costs, which would total $68 million between 2013 and 2022.

S. 1910 would impose intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the cost of those mandates would be small and would not exceed the threshold established in UMRA for intergovernmental mandates ($73 million in 2012, adjusted annually for inflation). This bill contains no private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1910 is shown in the following table. The impacts of this legislation fall mostly within budget functions 550 (health) and 600 (income security).

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
CHANGES IN DIRECT SPENDING[a]												
Federal Employees Health Benefits (FEHB) Program												
Estimated Budget Authority	0	-1	-1	0	-1	0	1	2	3	4	-4	7
Estimated Outlays	0	-1	-1	0	-1	0	1	2	3	4	-4	7
Survivor Annuities												
Estimated Budget Authority	-1	-1	-1	-2	-2	-2	-3	-3	-3	-3	-7	-22
Estimated Outlays	-1	-1	-1	-2	-2	-2	-3	-3	-3	-3	-7	-22
Federal Employment Compensation Act (FECA) Benefits												
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	1	2
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	1	2
Total Changes												
Estimated Budget Authority	**-1**	**-3**	**-2**	**-2**	**-3**	**-3**	**-2**	**-1**	*****	**1**	**-10**	**-13**
Estimated Outlays	**-1**	**-3**	**-2**	**-2**	**-3**	**-3**	**-2**	**-1**	*****	**1**	**-10**	**-13**
Total On-Budget Outlays	*-1*	*-6*	*-7*	*-8*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-30*	*-81*
Total Off-Budget Outlays	*	*3*	*5*	*5*	*7*	*8*	*8*	*9*	*10*	*11*	*20*	*68*
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
FEHB Program Costs for Active Employees												
Estimated Authorization Level	0	9	12	13	14	15	16	17	18	19	48	133
Estimated Outlays	0	9	12	13	14	15	16	17	18	19	48	133
Travel and Relocation Benefits												
Estimated Authorization Level	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	1	1	1	1	1	1	1	1	1	1	5	10
FECA Agency Costs												
Estimated Authorization Level	*	*	*	*	*	*	*	*	*	*	*	1
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	*	1
Total Changes												
Estimated Authorization Level	**1**	**10**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**53**	**144**
Estimated Outlays	**1**	**10**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**53**	**144**

Sources: Congressional Budget Office and staff of the Joint Committee on Taxation.

Note: * = less than $500,000.

a. Negative numbers indicate a decrease in the deficit.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1910 will be enacted late in 2012 and that the necessary amounts will be appropriated for each year. CBO expects that few federal employees (less than 1 percent) would choose to register a same-sex domestic partnership if given the opportunity. That figure is based on information from state and local governments as well as research on the experience of organizations that have adopted similar policies. CBO estimates that approximately 60 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. 1910 would apply to eligible current federal employees, except members of the armed services.

CBO estimates that S. 1910 would increase recoveries under the FEHB program by approximately 25 percent. Because recoveries limit future premium rate increases, an increase in those collections would reduce future FEHB premiums compared to what they would be under current law.

Direct Spending

Federal Employees Health Benefits Program. The FEHB program provides health insurance coverage to federal workers and annuitants as well as to their spouses, dependents, and survivors. S. 1910 would extend eligibility for those benefits to the same-sex domestic partners of current workers and future federal retirees, resulting in additional family policies under the FEHB program. In addition, the legislation would require plans participating in the FEHB program to recover payments when a third party is liable for the health care costs of a covered enrollee, and clarify that federal law regarding such recoveries preempts state or local law. Under S. 1910, CBO expects that recoveries would lower premiums paid by the government, offsetting some or all of the additional costs of the new family policies.

The federal government's share of health care premiums for retirees is classified as direct spending (unlike premiums for current workers, which are discussed in the next section). CBO projects that over the 2013-2022 period approximately 100 additional family policies would be added to the FEHB program each year by future non-Postal Service retirees who choose to cover same-sex domestic partners. As a result, payments made by the government for future retiree health benefits would rise by $43 million over that period. However, by increasing federal health program recoveries, S. 1910 would result in lower premium payments by the government on behalf of retirees, reducing spending for annuitants by $103 million over the same period. The net effect of S. 1910 on direct spending for non-Postal Service FEHB annuitants would be a decrease of $60 million over the 2013-2022 period.

Same-sex domestic partners of Postal Service employees and future retirees also would be eligible for coverage under S. 1910. Over the 2013-2022 period, CBO estimates that providing health benefits to the domestic partners of active postal workers would result in about 1,000 Postal Service employees moving from individual to family coverage plans annually. Additionally, CBO anticipates that fewer than 100 future retirees from the Postal Service would move to family coverage for their same-sex domestic partners each year.

The cash flows of the Postal Service are classified as off-budget, although the total federal budget records the agency's net spending. CBO estimates that extending federal health benefits to eligible partners would increase payments for those individuals by $88 million from 2013 through 2022. However, increased recoveries from federal health insurance plans would offset those payments by $21 million over the same period. On net, S. 1910 would increase off-budget costs by $68 million through 2022, CBO estimates.

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 or her 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. 1910, eligible federal employees with a registered same-sex domestic partner would become eligible at retirement for the same survivor benefit for their partner. Based on existing take-up rates and demographic data, 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 around 300 new federal retirees per year (through 2022) 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 to surviving partners over the next 10 years. However, over the 2013-2022 period, the estimated annuity reductions would outweigh the additional survivor benefits. On net, CBO estimates that direct spending would decrease by $22 million over that period.

Federal Employment Compensation Act (FECA) Benefits. FECA provides compensation to federal civilian employees for disabilities that result from personal injuries sustained while performing official duties. 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 estimates that enacting S. 1910 would extend additional FECA benefits to less than 100 federal employees each year. Over the 2013-2022 period, those additional benefits would total $2 million. (About $1 million of those costs would accrue to the Postal Service, and thus would be off-budget.)

Spending Subject to Appropriation

In total, CBO estimates that implementing S. 1910 would have a discretionary cost of $144 million over the 2013-2022 period, assuming appropriation of the necessary amounts.

FEHB Program Costs for Active Federal Employees. CBO estimates that providing family coverage policies to approximately 3,000 non-Postal Service employees who would elect coverage for same-sex domestic partners would increase federal agency contributions to FEHB premiums by $243 million over the 2013-2022 period. However, by increasing federal health program recoveries, government premium payments for current non-Postal Service employees would decrease by $110 million over the same period. On net, implementing S. 1910 would increase agency spending by $133 million over the 2013-2022 period, assuming appropriation of the necessary funds.

FECA Agency Costs. As discussed above under “Direct Spending,” this bill would result in increased spending for federal workers’ compensation. The additional benefits that would be paid to workers are considered direct spending. However, employing agencies reimburse the Department of Labor for providing those benefits using funds from discretionary appropriations (except for the Postal Service, which does not receive appropriations). CBO estimates that enacting S. 1910 would therefore increase the need for appropriations to agencies’ salaries and expense accounts; assuming the availability of appropriated funds, outlays would increase by $1 million through 2022.

Travel and Relocation Benefits. S. 1910 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 these benefits would increase spending by about $10 million over the 2013-2022 period, assuming appropriation of the necessary amounts.

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 outlays that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

CBO Estimate of Pay-As-You-Go Effects for S. 1910, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 16, 2012

	By Fiscal Year, in Millions of Dollars											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT												
Statutory Pay-As-You-Go Impact	-1	-6	-7	-8	-10	-10	-10	-10	-10	-10	-30	-81

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1910 would impose an intergovernmental mandate as defined in UMRA by requiring the District of Columbia to provide health insurance benefits to the domestic partners of employees first employed by the District before October 1, 1987. The bill also would preempt state and local laws that prohibit FEHB insurers from seeking reimbursement from enrollees when the enrollees recover funds from third parties. Information from agency, state, and industry sources indicates that relatively few beneficiaries would be added to the FEHB program, and the limits on state and local authority would impose no duties with costs. Therefore, CBO estimates that the cost of the mandate would be small and would not exceed the threshold established in UMRA for intergovernmental mandates ($73 million in 2012, adjusted annually for inflation).

S. 1910 contains no private-sector mandates as defined in UMRA.

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