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**THE IMPACT OF SAME-SEX MARRIAGE
ON HAWAII'S
ECONOMY AND GOVERNMENT**

BY

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The Impact of Same-Sex Marriage on Hawai'i's Economy and Government

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Abstract

This report provides quantitative and qualitative measures of the impact of same-sex marriage on Hawai'i's economy and government. We find that marriage equality is likely to lead to substantial increases in visitor arrivals, visitor spending, and state and county general excise tax revenues. We estimate that fewer than 100 spouses will be added as beneficiaries to public and private employer-provided health insurance plans. The size of the gains from marriage equality depends critically on upcoming rulings by the U.S. Supreme Court on the constitutionality of California's Proposition 8 and the Defense of Marriage Act.

JEL Codes: J12, K36, I18

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Background

Nine states—Connecticut, Iowa, Maine, Maryland, Massachusetts, New Hampshire, New York, Vermont, and Washington—and the District of Columbia issue marriage licenses to same-sex couples.¹ Five more states provide for civil unions for same-sex couples—Delaware, Hawai`i, Illinois, New Jersey, and Rhode Island—and three states—California, Nevada, and Oregon—provide domestic partnerships for same-sex couples, a legal status virtually identical to civil unions.² Currently, 30 states have enacted a constitutional ban on same-sex marriages, and seven states—including Hawai`i—have a statutory ban.

The marriages, civil unions, and domestic partnerships provided to same-sex couples in these 17 states provide fewer rights and responsibilities than traditional opposite-sex marriages because the U.S. government does not recognize them. Partners in these relationships are denied rights granted to spouses of veterans, federal employees, and military personnel; they are ineligible for federal housing, food stamps, or social security benefits provided to spouses; and they are not treated by the federal government as spouses for tax purposes, bankruptcy, inheritance, student loans, and agricultural loans.

In December 2012, the U.S. Supreme Court agreed to review two major same-sex marriage cases. The State of California has a constitutional provision (“Proposition 8”) limiting marriage to opposite-sex partners that was overturned by the Ninth Circuit Court of Appeals and is currently awaiting a decision by the U.S. Supreme Court.³ Federal legislation, the Defense of Marriage Act (DOMA), denies recognition of same-sex marriage by the federal government⁴ and is similarly awaiting a decision by the U.S. Supreme Court.⁵

This report focuses on the potential impact of HB 1109 and SB 1369, two bills introduced in the 2013 Hawai`i State Legislature that would amend Hawai`i Revised Statute 572 to provide for marriage between same-sex couples.⁶ We examine the potential impact of

¹ Same-sex marriage went into effect in Maryland on January 1, 2013. California recognizes same-sex marriages performed in California between May 15, 2008—when the California Supreme Court issued a decision legalizing same-sex marriage—and November 4, 2008—when California voters approved Proposition 8 which amended the California Constitution to prohibit same-sex marriage. Delaware, Minnesota, and New Jersey are expected to introduce bills similar to HB 1109 during their 2013 legislative sessions. In Rhode Island, a same-sex marriage bill has passed the House and is under consideration in the Senate.

² New Mexico has neither constitutional nor statutory provisions limiting marriage to opposite-sex couples but also has no provisions allowing for marriage or civil union of same-sex partners.

³ *Perry v. Schwarzenegger*, 591 F.3d 1147 (9th Cir. 2009) *cert. granted*.

⁴ *Defense of Marriage Act*, 1 U.S.C.A. § 7 (West, 1996).

⁵ *Windsor v. US*, 669 F.3d 169 (2d Cir. 2012) *cert. granted*.

⁶ Two house bills propose amendments to the Hawai`i Constitution concerning the definition of marriage. HB 164 would amend Article I, Section 23 of the Constitution to explicitly allow for

same-sex marriage on Hawai'i's economy and government, in particular, its effects on visitor arrivals and visitor spending; state and county tax revenues; and access by same-sex spouses to employer-provided health plans.

I. How Many Same-Sex Couples Are Likely to Marry in Hawai'i?

To estimate the effects of marriage equality, we first need to know how many same-sex couples will marry in Hawai'i. An obvious principle is that the impact of marriage equality will be larger as the number of same-sex couples who marry becomes larger. Hawai'i's population of cohabitating same-sex couples—just 3,262 couples reported in the 2010 U.S. Census—amounts to less than 0.5 percent of its 1.4 million population. If the economic impact of same-sex marriage is confined to these couples, it will not very large from the perspective of the overall economy. **Hawai'i's tourism industry provides a channel, however, by which the economic impact of marriage equality could be greatly magnified**, as marriage equality will attract U.S. mainland same-sex couples and their guests to visit Hawai'i to marry, honeymoon, and participate in wedding celebrations. Thus, it is important for us to estimate not just many Hawai'i same-sex couples will marry but how also how many U.S. same-sex couples will visit Hawai'i to marry or honeymoon.⁷

Our estimate of the percent of Hawai'i same-sex couples who marry covers **the first three years of marriage equality (2014-2016)**, as this is a period in which the gains from marriage equality could be extremely large. If U.S. Supreme Court rulings in Spring 2013 in its DOMA and Prop 8 cases allow more U.S. same-sex couples to marry and marriage equality is enacted in Hawaii, then pent-up demand among U.S. same-sex couples to marry could lead to big increases in same-sex marriage-related Hawai'i tourism in 2014-2016. Without marriage equality in Hawai'i, most U.S. same-sex couples and their guests will choose other marriage-friendly states to wed, honeymoon, and celebrate.

Another feature of our estimate of the percent of Hawai'i same-sex couples who marry is its inclusion of those Hawaii same-sex couples who decide to stay in a civil union rather than marry. Some states (e.g., Connecticut and New Hampshire) transiting to marriage equality automatically converted civil unions to marriages, while others (e.g., Vermont) allowed couples to remain in a civil union. Since Hawaii's marriage equality bills do not provide for mandatory conversion, this opens the door for Hawaii couples to choose to remain in civil unions. This is what happened in Vermont, a state that transited from civil union to marriage without mandatory conversion of civil unions. In Vermont, 76 percent of same-sex resident couples entered into a civil union between 2000 and 2009 but only 29 percent married after marriage equality in 2009.⁸

marriage of same-sex couples. HB 165 would amend the same section to limit marriage to opposite-sex couples.

⁷ Visiting Hawaii to marry does not necessarily mean getting a marriage license in Hawaii.

⁸ See Badgett and Herman (2011), *Patterns of Relationship Recognition by Same Sex Couples in the United States*, p. 6. Without federal recognition of same-sex marriage or civil unions, some

Because our estimate of the percent of same-sex Hawaii couples who marry includes those couples with civil unions, the percent of same-sex Hawaii couples who would have chosen to enter into a civil unions provides a *floor* to our marriage estimate. During the first year (2012) that civil unions were available in Hawai‘i, 719 couples entered into civil unions.⁹ The amounts to 22 percent of the 3,262 same-sex cohabitating couples in Hawaii identified in the 2010 U.S. Census. This result is consistent with Burnett and La Croix’s (2011) estimate that 60 percent of Hawaii’s same-sex couples would enter into civil unions within its first six years (2012-2017).¹⁰ The front-loading of Hawaii civil unions into their first available year (2012) was not surprising, as there was (1) a pent-up demand for legal recognition of the couples’ relationships and (2) substantial social and monetary benefits that would **immediately** accrue to couples entering into a civil union, e.g., being allowed in some instances to add your civil union partner as a beneficiary on your employer-provided health insurance plan.

During the first year (2012) in which civil unions were available, Hawai‘i same-sex couples choose them at about the same rate as same-sex couples in three other states that also initiated civil unions in 2012.¹¹ In Figure 1 we compare the percent of a state’s same-sex cohabitating couples in civil unions (denoted by symbol ϕ) with the number of years a civil union has been available in the state. Among the five states initiating civil unions in 2012, the percent of Hawaii same-sex couple choosing them was slightly larger

couples will choose not to convert their relationship because their state’s legal framework governing civil unions and marriages are virtually identical. If, however, the decisions in the Supreme Court’s DOMA cases provide substantial federal recognition to same-sex marriages, then many more Hawaii couples in civil unions would choose to marry.

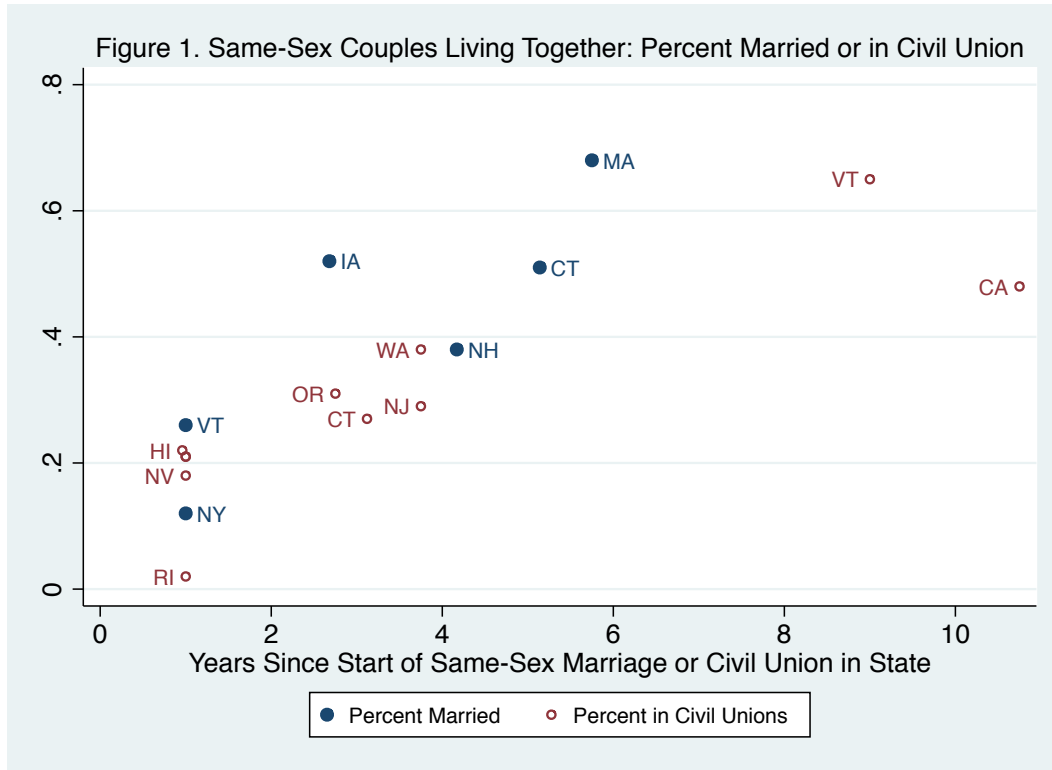
⁹ The State of Hawai‘i Dept. of Health (DOH) data are for civil unions recorded between January 1, 2012 and December 15, 2012. The data released by DOH do not distinguish between in-state and out-of-state couples.

Some Hawai‘i same-sex couples who had previously entered into “reciprocal beneficiary” relationships in Hawai‘i may have delayed entering into civil unions due to uncertainty regarding the status of their relationship during the period between the date when their reciprocal beneficiary relationship ends and the date when they enter into a civil union. In May 2012 the Hawai‘i State Legislature passed HB 2569; it specifies that a couple’s reciprocal beneficiary relationship is terminated when the couple enters into a civil union. Its provisions are retroactive to January 1, 2012.

¹⁰ Kimberly Burnett and Sumner La Croix, The Impact of Civil Unions on Hawai‘i’s Economy and Government, University of Hawai‘i Dept. of Economics Working Paper, No. 11-3, 2010 (revised January 2011).

¹¹ The percent of Hawai‘i same-sex couples taking up civil unions is actually slightly higher than in the other three states, but it s possible that some of the premium stems from the inclusion of opposite-sex civil union couples in the Hawai‘i data.

than in Illinois (21 percent), Delaware (21 percent)¹², and Nevada (NV-18 percent)—and much larger than in Rhode Island (RI-2 percent).¹³



How many more civil unions might take place in Hawaii during its second (2013) and third (2014) years? In the five states with more than three years of experience with civil unions or domestic partnerships, the percent of couples in civil unions grew more slowly after the first year. Figure 1 shows civil union data for New Jersey (NJ-29 percent after 3.75 years), Oregon (OR-31 percent after 2.75 years), Washington (WA-38 percent after 3.75 years, with the state transiting to same-sex marriage beginning in 2013), California (CA-48 percent after 10.75 years) and Vermont (VT—76 percent after 9 years). We base our estimate of the percent of Hawai‘i couples taking up civil unions during its first three years on four factors: (1) Hawaii’s strong take-up rate during its first year of civil unions—22 percent; (2) the percent of same-sex couples who recently entered into civil unions in two western states—Oregon (31 percent after 2.75 years) and Washington (38 percent after 3.75 years); (3) a higher percent of couples who are likely to enter into civil unions during its second year (2013) than its third year (2014) due to persistence in the pent-up demand for civil unions; and (4) the Burnett and La Croix (2011) projection that

¹² We suppress the one-year civil union markers for Delaware and Illinois. They are just below the Hawai‘i (HI) marker and their suppression makes the scatterplot more readable.

¹³ Same-sex couples in Rhode Island appear to have rejected a civil union relationship because they perceive it to be an inferior relationship in a region, New England, where same-sex couples in all other New England states have the right to marry.

60 percent of Hawaii couples will enter into civil unions within 6 years (2012-2017). Our rough estimate is that in the absence of marriage equality, 8 percent of Hawaii same-sex couples would choose civil unions in 2013 and 5 percent in 2014, for **a total of 35 percent entering civil unions over the 2012-2014 period.**

The civil union estimate provides a floor for our estimate of the percent of Hawaii couples who will marry by the end of 2016. A basic principle informing our analysis is that the percent of Hawaii same-sex couples who marry will be higher than the percent that would have entered into civil unions. This is because most same-sex couples place a higher value on marriage than civil union.¹⁴ Badgett and Herman (2011) use state-level data through 2011 to study this question and find that a higher percent of a state's same-sex couples choose to marry than to enter into a civil union three years after each status is enacted.

We update Badgett and Herman's analysis by examining annual data from additional states offering civil unions and same-sex marriages and extending the term considered through 2012 whenever possible. Figure 1 presents a scatterplot that compares the percent of a state's same-sex cohabitating couples who are in civil unions (denoted by symbol ◊) and who are married (denoted by symbol •) with the number of years that each relationship has been available in the state. One state with marriage equality, New York (NY), has a lower percent of same-sex couples married after one year than civil union states, but its first-year marriage data are incomplete and many New York same-sex couples were married earlier in New England states. A second state with marriage equality, New Hampshire (NH), has about the same percent married as Washington (WA) had in civil unions even after a slightly longer period of legalization in New Hampshire than Washington. But in four other states with marriage equality—Connecticut (CT), Iowa (IA), Vermont (VT), and Massachusetts (MA), the percent married exceeds the percent in civil unions in states with similar periods of legalization for civil unions. Thus, our updated examination of state marriage and civil union data reinforces Badgett and Hermann's earlier conclusion that same-sex couples are more likely to enter into a legal same-sex relationship when a state enacts marriage equality rather than establishing civil unions.

We proceed by assuming that the percent of Hawai'i same-sex couples who marry will follow the historical national pattern. Thus, we follow Badgett and Herman (2011) who conclude that 50 percent of same-sex couples tend to marry within three years of its introduction.

The 2010 U.S. Census identified 3,262 same-sex couples living together in Hawaii. Assuming that 50 percent of these couples marry or remain in a civil union within three years after marriage is legalized, this translates to 1,631 couples who marry or remain in a civil union by 31 December 2016.

¹⁴ In the absence of federal recognition of marriage, most same-sex couples value marriage more highly than civil unions because others in society value it more highly than civil unions, i.e., it conveys a superior social status. See also footnote 8.

The percent of resident same-sex couples choosing to marry is likely to be higher if the U.S. Supreme Court in its upcoming DOMA ruling mandates federal recognition of same-sex marriages. This is likely because federal recognition of same-sex marriages would allow some spouses to claim spousal benefits offered by numerous federal programs and other federal rights that adhere to marriage.¹⁵ And there is certainly room for the percent of U.S. and Hawai‘i same-sex couples choosing marriage to increase, as there is currently a huge gap between the percent of opposite-sex and same-sex couples living together who marry. More than 90 percent of opposite-sex U.S. couples living together in the 1990s and early 2000s were married, while only 37-58 percent of same-sex U.S. couples living together in the 2010-2012 period in states offering marriage were married.¹⁶

For purposes of this report, we assume that federal recognition of same-sex marriages would increase the percent of Hawai‘i same-sex couples who marry (or remain in a civil union) in the initial three-year window from 50 percent to 60 percent. **If federal recognition of same-sex marriage pushes the percent of cohabitating same-sex Hawai‘i couples who marry to 60 percent, then 326 additional Hawai‘i same-sex couples would marry in the 2014-2016 window, for a total of 1,957 couples choosing same-sex marriages or remaining in civil unions by 31 December 2016.**

We expect that a large number of same-sex couples living on the U.S. mainland will also choose to marry in Hawai‘i.¹⁷ We discuss this in the following section.

¹⁵ Some spousal benefits provided by federal programs are triggered not just by marital status but also by length of marriage. For example, the Social Security Administration requires that a couple be married for ten years for a spouse to be eligible for Social Security spouse and widow benefits from its retirement and disability programs. See Howard M. Iams and Christopher R. Tamborini, “The Implications of Marital History Change on Women’s Eligibility for Social Security Wife and Widow Benefits, 1900-2009,” *Social Security Bulletin*, 72(2), 2012: 23-38. The ten-year marriage term for eligibility could trigger a wave of marriages after federal recognition as couples race to start the eligibility period.

¹⁶ Part of this marriage gap is surely due to the recent enactment of same-sex marriage by many states. Given more time for couples to plan weddings, save for marriage, and find the right date for them and their families, a larger percent of same-sex couples will marry.

¹⁷ Some couples from states that do not recognize same sex marriage may also choose to marry in Hawai‘i. See M.V. Lee Badgett and Jody Herman, *Patterns of Relationship Recognition*, for a discussion of out-of-state same-sex couples from states without marriage equality traveling to Iowa and Massachusetts to marry. This likelihood is increased if the couple resides in a state that doesn’t issue same-sex marriage licenses, but recognizes an out-of-state marriage as a civil union or domestic partnership. Currently, the states of California and New Jersey have such a policy — California by statute and New Jersey through trial court rulings.

II. Impact of Same-Sex Marriage on Hawai'i Visitor Arrivals and Visitor Spending

There are two main channels by which legalization of same-sex marriages in Hawai'i could affect visitor arrivals to Hawai'i.¹⁸

First, adoption of same-sex marriage could change some visitors' perceptions of Hawai'i and thereby affect their decision to travel. For some (potential) visitors, the extension of same-sex marriage rights will confirm their perception that Hawai'i not only seeks to preserve its distinct Native Hawaiian cultural traditions but also works to integrate other cultures and communities into its society. For other (potential) visitors who are opposed to marriage equality, the extension of same-sex marriage rights may reduce the value they place on a trip to Hawai'i, and they could then decide not to visit less or not at all. We note only that we have no reports of declines in tourism from any civil union or marriage state that can be traced to the change in the state's recognition of same-sex relationships.

Second, the legal recognition of marriage in Hawai'i will surely motivate some U.S. mainland same-sex couples to follow the example set by opposite-sex couples: Travel to Hawai'i to marry or honeymoon. Relatives and friends of some couples will also travel to Hawai'i to attend the couples' ceremonies and join in the celebrations of their marriages. We focus on how same-sex marriage in Hawai'i would affect such travel in the remainder of this section.

How many more visitors could Hawai'i expect to receive if it legalizes same-sex marriages?¹⁹ There are four main categories of visitors that would be affected:

1. Out-of-state same-sex couples from states with same-sex marriage who travel to Hawai'i to marry;
2. Out-of-state visitors who travel to Hawai'i to participate in or attend marriages (and their celebrations) of out-of-state and resident same-sex couples;
3. Out-of-state same-sex couples who travel to Hawai'i to honeymoon;
4. Out-of-state same-sex couples from states without legalized same-sex marriage who travel to Hawai'i to marry.

We provide estimates for categories 1-3. Visitor spending for category 4 will clearly be considerable but we do not provide an explicit estimate.

¹⁸ For a similar analysis of the economic and tourism impacts of extending same-sex marriage in other states, see M.V. Lee Badgett's and her co-authors' extensive research on this topic, available at <http://williamsinstitute.law.ucla.edu/research/>.

¹⁹ Visitor data are from the Hawai'i Tourism Authority, *2011* and *2010 Annual Visitor Research Report*, Tables 37, 38, and 39. We focus on U.S. visitor days but note the potential for marriage-related tourism from countries—think Canada—who recognize same-sex marriage and already send large numbers of visitors to Hawaii.

1. Out-of-state same-sex couples from states with legalized same-sex marriage who travel to Hawai‘i to marry. In 2011, the number of visitor days from U.S. visitors coming to Hawai‘i (by air) to marry totaled 550,375 days. Consider that same-sex marriages are currently legal in 9 states (and the District of Columbia) that generate 17 percent of Hawai‘i’s visitors each year. We estimate the number of same-sex couples from these states that would choose to marry²⁰ in Hawai‘i in three steps. First, we use data on the 2010 count of same-sex couples in states with same-sex marriage to estimate the annual number of same-sex marriages in these states. Second, we use data on visitor counts to Hawai‘i by state and data on the propensity of opposite-sex married couples to marry in Hawai‘i to estimate the number of same-sex couples visiting Hawai‘i each year to marry. Our estimates rely on a simple assumption, that the propensity of a same-sex couple to visit Hawai‘i to marry will be the same as the propensity of a U.S. opposite-sex couple. We also assume that the same-sex couple visiting Hawai‘i to marry spends the same amount per day and spends the same number of days in Hawai‘i as an opposite-sex U.S. couple coming to Hawai‘i to honeymoon. We use data on spending by couples visiting Hawai‘i to honeymoon, as we do not have data on spending by couples visiting Hawai‘i to marry. In 2011, the average U.S. visitor coming to Hawai‘i to honeymoon spent \$236 per day and 10 days in Hawai‘i.²¹

We calculate the number of non-resident couples visiting Hawai‘i to marry and their spending using four scenarios regarding the legal status of same-sex marriage in California and the United States. Scenario One assumes that California continues not to recognize same-sex marriage, while Scenarios Two-Four assume that same-sex marriages in California resume in 2014. The magnitude of the gains in same-sex marriage-related visitor arrivals and visitor spending would be much larger if same-sex marriages in California resume, as this would increase the percent of the Hawai‘i visitor population originating from same-sex marriage states from 17 to 53 percent.²² Scenario Three assumes that one half rather than one third of same-sex couples in Hawai‘i who entered into civil unions in 2012 and 2013 have a wedding and/or wedding celebration with guests. Scenario Four assumes that the U.S. Supreme Court’s decision in the DOMA

²⁰ A mainland U.S. couple who travels to Hawai‘i for their wedding and celebrations could, of course, marry officially in their home state prior to their Hawai‘i wedding ceremony and celebrations. Thus, our analysis does not rely on the marriage data compiled by the State of Hawai‘i’s Department of Health but rather on the Hawai‘i Tourism Authority’s data on U.S. visitors coming to Hawai‘i to marry.

²¹ See Hawai‘i Tourism Authority, *2011 Annual Visitor Research Report*, Table 85.

²² Legalization of same-sex marriage in California would increase access to same-sex marriage from 18.6 percent to 32.5 percent of the U.S. population. The impact of marriage legalization in California on the flow of California honeymoon and marriage visitors to Hawai‘i is likely to be larger because California residents are more likely to visit Hawai‘i than a typical U.S. mainland resident. If we also adjusted for the higher propensity of gay couples to live in California than the typical U.S. state, then the percent of same-sex married couples potentially visiting Hawai‘i to honeymoon or marry would increase from 36 to 41.75 percent.

cases leads to federal recognition of same-sex marriages. This scenario opens the doors to marriage in Hawai‘i to all same-sex couples living in the mainland 49 states, as we assume that a couple’s same-sex marriage is recognized by the federal government regardless of their state of residence. There is also a strong reason to believe that many same-sex couples would move quickly to enter into same-sex marriages to gain access to spousal benefits offered by federal programs and other federal rights that adhere to marriage.

Table 1 reports our estimates for each of the four scenarios. The magnitude of the estimates varies greatly, depending primarily on how the U.S. Supreme Court rules in Spring 2013 in the DOMA cases and the Proposition 8 case. If same-sex marriages in California resume in 2014, the estimates of visitor spending are roughly three times larger when 5 percent of California same-sex couples marry annually during 2014-2016 and five times larger when 10 percent marry annually. If the U.S. Supreme Court decision in the DOMA cases leads to federal recognition of same-sex marriage in 2014, then our estimate of visitor spending is 11 times larger than the estimate in the baseline scenario.

Table 1. Estimated Number of Marriages and Visitor Spending by Non-Resident Same-Sex Couples Marrying in Hawai‘i, 2014-2016

Scenario	DOMA Cases	Prop. 8	CA Same-Sex Couple Marriage Rate	Number of Marriages by Same-Sex Non-Resident Couples, 2014-2016	Visitor Spending by Non-Resident Same-Sex Couples Who Marry
One	Upheld	Upheld	0%	205	\$484,000
Two	Upheld	Overtured	5%	639	\$1,508,000
Three	Upheld	Overtured	10%	1,072	\$2,530,000
Four	Overtured	Overtured	10%	2,410	\$5,688,000

Note: We use data on average honeymoon spending and average days per honeymoon visit to calculate visitor spending by same-sex couples coming to Hawai‘i to marry.

2. Out-of-state guests who travel to Hawai‘i to participate in or attend the marriage and celebrations of either of a Hawai‘i same-sex couple or an out-of-state same-sex couple. We use data from (1) the Hawai‘i State Dept. of Health on the number of resident marriages in Hawai‘i during 2010; (2) the Hawaii Tourism Authority’s *2011 Visitor Research Report* to calculate the number of couples visiting Hawai‘i to marry; and (3) the Hawaii Tourism Authority’s *2011 Visitor Satisfaction and Activity Report* to estimate the number of guests who typically travel from other states to Hawai‘i to attend either an opposite-sex marriage of a Hawai‘i couple (defined as at least one spouse residing in Hawai‘i) or an opposite-sex marriage of a non-resident U.S. couple. Our analysis is primarily driven by the large number of visitors who travel to Hawai‘i annually to attend or participate in a wedding. In 2011, we estimate that of the 3,123,969 U.S. visitors to Hawai‘i, 134,311 U.S. visitors came to Hawai‘i with the primary or

secondary purpose of attending or participating in a wedding.²³ Thus, we find that the average marriage in Hawai‘i attracts an average of 5.71 out-of-state guests to attend wedding ceremonies and/or celebrations. Appendix Table 1 presents data and provides data sources for this estimate. We construct our estimates using the assumption that the average wedding of a same-sex couple will attract the same number of out-of-state guests and the same amount of spending per guest as an average wedding of an opposite-sex couple.

How much additional spending will these guests generate for Hawai‘i? We present estimates for four scenarios regarding the number of resident and non-resident marriages in Hawai‘i. We assume that a guest will spend the usual amount per trip that a typical U.S. tourist spent on a trip to Hawai‘i in 2011 (\$1,564). Appendix Table 2 presents data and provides data sources for our estimates. Our estimates of spending by out-of-state marriage guests follow for each of the scenarios.

Table 2. Spending by Mainland U.S. Guests Who Visit Hawai‘i to Attend or Participate in a Same-Sex Marriage Ceremony or Celebration, 2014-2016

Scenario	DOMA and Prop 8	CA Same-Sex Couple Marriage Rate	HI Civil Unions Marrying With Wedding	Number of Same-Sex Marriages in Hawaii	Number of Out-of-State Guests	Spending by Out-of-State Guests
One	Both upheld	0%	400	1,183	6,756	\$10,564,000
Two	Prop 8 overturned	5%	400	1,617	9,232	\$14,437,000
Three	Prop 8 overturned	10%	600	2,214	12,643	\$19,770,000
Four	Both overturned	10%	600	3,878	22,141	\$34,623,000

Note: In Scenario 4, our estimate of the percent of same-sex couples in Hawai‘i who marry or are in a civil union rises from 50 percent to 60 percent over the 2014-2016 period.

Spending by mainland U.S. wedding guests is substantial in Scenario One because large numbers of mainland U.S. guests attend weddings and wedding celebrations of resident same-sex couples even when few mainland U.S. same-sex couples marry in Hawai‘i. In Scenarios Two and Three, where more California same-sex couples visit Hawai‘i to marry, the number of mainland U.S. guests increases by 37 percent and 87 percent,

²³ More than half of the opposite-sex couples who came to Hawai‘i to marry in 2011 were from Japan. We exclude these couples and their guests from our analysis, as Japan has not legalized any form of same-sex relationship. Of course, some same-sex couples from Japan may still visit Hawai‘i to marry despite the lack of legal recognition of their marriage in Japan.

respectively, in each Scenario.²⁴ Mainland U.S. guests increase by 228 percent in Scenario Four, where the Supreme Court in its DOMA ruling mandates federal recognition of same-sex marriages; our working assumption in this scenario is that all U.S. same-sex couples who travel to Hawai‘i to marry will have their marriages recognized by the federal government.

3. Out-of-state-couples who travel to Hawai‘i to honeymoon.

In 2011, the number of visitor days from U.S. visitors coming to Hawai‘i (by air) to honeymoon totaled 2,156,957 visitor days.²⁵ We estimate the number of same-sex honeymoon visitors who choose to come to Hawai‘i under the assumption that the percent of same-sex newly married couples who choose to honeymoon in Hawai‘i will mirror the percent of opposite-sex newly married couples who choose a Hawai‘i honeymoon. Using data on the number of opposite-sex marriages in the United States, the expected number of same-sex marriages in the United States, and the proportion of Hawai‘i visitors from states with legalized same-sex marriage, we estimate the number of honeymoon visitors using our four standard scenarios.²⁶ Using data from the 2011 *Annual Visitor Research Report*, our estimates are based on each honeymoon visitor spending 9.25 days in Hawai‘i and \$267 per day.²⁷ Appendix Table 3 presents data and provides data sources for our estimates. We present estimates for total visitor spending on honeymoons for each of the four scenarios in Table 3.

We find that honeymoon spending by out-of-state honeymoon visitors is very sensitive to the Supreme Court’s rulings in the DOMA cases. Honeymoon spending roughly triples in Scenario Two when California resumes recognition of new same-sex marriages. This is because California typically generates more than twice as many visitors to Hawai‘i as the other nine marriage states and Washington, D.C. combined. A similar reasoning applies to Scenario Three, where the percent marrying each year in California doubles. Scenario Four has roughly double the visitor spending of scenario three, as we assume that same-sex couples from all states have access to federal marriage rights and that the percent who choose to marry increases to 10 percent in all states due to the pent-up demand to marry.

²⁴ Scenario Three also increases the number of wedding celebrations from 400 to 600 for couples in Hawai‘i who are in civil unions at the end of 2013.

²⁵ About 49 percent of U.S. honeymooners visitors in 2011 were from the eastern United States, the region with 8 of the 9 states (and DC) in which same-sex marriage is legal. By contrast, about 62 percent of U.S. visitors coming to Hawai‘i in 2011 to marry were from the western United States. See Hawai‘i Tourism Authority, *2011 Visitor Research Report*, Table 37.

²⁶ These estimates do not take into account additional spending by newly married Hawai‘i same-sex couples who choose to honeymoon in Hawai‘i.

²⁷ Hawai‘i Tourism Authority, *2011 Visitor Research Report*, Tables 38 and 85.

Table 3. Estimated Visitor Spending by Same-Sex Honeymoon Visitors, 2014-2016

Scenario	DOMA Cases	Prop. 8	CA Same-Sex Couple Marriage Rate	U.S. Honeymoon Visitors to Hawai'i	Spending by U.S. Honeymoon Visitors to Hawai'i
One	Upheld	Upheld	0%	1,851	\$4,572,000
Two	Upheld	Overtured	5%	5,770	\$14,250,000
Three	Upheld	Overtured	10%	9,689	\$23,929,000
Four	Overtured	Overtured	10%	21,773	\$47,303,000

Note: These estimates do not include honeymoon spending in Hawai'i by resident same-sex couples who marry during 2014-2016.

Multiplier Effects. The spending by out-of-state visitors to Hawai'i also generates additional rounds of spending that multiply the impact of the initial spending. The multiplier effects generate additional income for Hawai'i residents and, as discussed in the next section, additional tax revenues for the state and country governments. We use the implicit multiplier from the Hawai'i State Input Output study (1.94) for visitor expenditures to calculate multiplier effects and total spending effects for each of our four scenarios in Table 4.²⁸

Table 4. Summary of Estimates of Direct Visitor Spending and Multiplier Spending Due to Enactment of Same-Sex Marriage in Hawai'i, 2014-2016

Scenario	Spending by Non-Resident Same-Sex Couples	Spending by Guests Attending or Participating in Same-Sex Marriages	Spending by Non-Resident Same-Sex Honeymoon Visitors	Multiplier Spending	Total Spending
One	\$484,000	\$10,564,000	\$4,572,000	\$30,303,000	\$45,923,000
Two	\$1,508,000	\$14,437,000	\$14,250,000	\$58,578,000	\$88,773,000
Three	\$2,530,000	\$19,770,000	\$23,929,000	\$89,684,000	\$135,913,000
Four	\$5,688,000	\$34,623,000	\$47,303,000	\$169,971,000	\$257,585,000

III. Impact of Marriage on State and County Revenues

Opposite-sex Hawai'i couples who choose to marry often find that they are subjected to a marriage tax penalty, i.e., their joint state and federal income tax obligations increase.

²⁸ The implicit multiplier of 1.94 was calculated by Burnett and La Croix (2011) and is based on the share of visitor expenditures reported in the *2005 Hawai'i Input-Output Study*, available at: http://hawaii.gov/dbedt/info/economic/data_reports/2005_state_io.

Politicians regularly pledge that they will eliminate the marriage tax penalty, yet inevitably learn that when the state income tax is a progressive tax (as it is in Hawai‘i),²⁹ the marriage tax can only be eliminated by creating other inequities in the tax code.³⁰

Same-sex married couples would file joint state income tax returns and be subject to the same tax rules and rates as married couples. Because the Hawai‘i income tax is a progressive income tax, some individuals choosing to marry will pay more in state income taxes than if they remained single, i.e., they will be subject to the well known “marriage tax”. So under what circumstances will a couple choosing to marry pay more state income taxes? Married and civil union couples are more likely to pay a “marriage” tax penalty in Hawai‘i when (1) both parties are working, (2) their incomes are similar, and (3) they both earn incomes that are taxed at less than the maximum marginal tax rate.³¹ Alternatively, if only one party is working, the two parties’ incomes are very different, and one party is already being taxed at the highest marginal tax rate, then the married couple will likely receive a marriage subsidy, i.e., the couple’s joint tax bill will fall if they marry. In Hawai‘i, most same-sex couples who choose to marry are likely to pay a marriage tax due to the high percentage of individuals in same-sex couples (77 percent) who are employed (American Community Survey, 2005). Our very tentative conclusion is that enactment of same-sex marriage legislation in Hawai‘i is likely to increase state income tax revenues due to a marriage tax penalty. Any increase in income tax revenues is, however, likely to be small and difficult to estimate with much precision.

Marriages will generate additional revenue for the State of Hawai‘i from its issuance of marriage licenses. In Hawai‘i, a marriage license can currently be obtained via an on-line application for a \$60 license fee and a \$5 processing fee. Revenues from marriage fees

²⁹ An income tax is progressive when the income tax paid by an individual or a married couple or civil union parties increases as a percentage of income as their income increase. Both federal and Hawai‘i income tax rates are progressive in their structure, as the marginal tax rate on income rises with income.

³⁰ Public finance economists have convincingly demonstrated that a progressive income tax — such as the Hawai‘i personal income tax—cannot ensure that couples with equal incomes pay equal taxes AND that a couple’s tax bill will not rise solely as a consequence of their marriage. For an excellent discussion of the marriage penalty, see N. Gregory Mankiw, *Principles of Economics*, 5th ed., Thompson Learning Inc., pp. 257-259.

³¹ Couples in a civil union in Hawai‘i are already subject to marriage penalties/subsidies via the state tax code but not the federal tax code. Enactment of marriage equality in Hawai‘i will not directly affect the federal tax paid by a Hawai‘i same-sex married couple, as the federal government does not recognize same-sex marriages. If, however, the U.S. Supreme Court overturns relevant provisions of DOMA and recognizes same-sex marriage, then married same-sex couples in Hawai‘i would encounter the same federal marriage tax or subsidy as a similarly situated opposite-sex married couple.

for each of our four scenarios are summarized in Table 5.³² Our projections of license fee revenues are somewhat overstated, as some U.S. same-sex couples visiting Hawaii for a wedding ceremony and celebrations will have already been officially married in their home state prior to their visit. We note that the Hawai'i State Department of Health would incur some additional cost to process the additional marriage applications.

Table 5: Revenues from Same-Sex Marriage License Fees, 2014-2016

Scenario	Same-Sex Marriages Subject to Fees, 2014-2016	DOH Application-Processing Fees	Total Revenues from DOH Fees
One	783	\$65	\$50,895
Two	1,217	\$65	\$79,105
Three	1,614	\$65	\$104,910
Four	3,278	\$65	\$213,070

Note: Data on number of same-sex marriages subject to fees is calculated by subtracting the assumed number of Hawaii civil unions converting to marriages from the total number of same-sex marriages estimated to occur in each scenario.

What would be the implications of the additional same-sex marriage spending for state and county excise tax revenues? We use a gross excise tax (GET) rate of 4.35 percent, a weighted average of the 4.0 percent GET rate in Maui, Kaua'i and Hawai'i counties and the 4.5 percent GET rate in the City and County of Honolulu. The State of Hawai'i General Excise Tax is a 4 percent levy on receipts from sales of all final goods and services. The State of Hawai'i collects an additional 0.5 percent levy for the City and County of Honolulu that is dedicated to construction of the City's new rail transit system. Our use of a GET rate of 4.35 percent reflects an assumption that 70 percent of

Table 6. Changes in Gross Excise Tax (GET) Revenues, 2014-2016

Scenario	Additional Visitor and Multiplier Spending	Additional State GET Revenues	Additional City and County of Honolulu GET Revenues
One	\$45,922,800	\$1,836,912	\$160,730
Two	\$88,773,300	\$3,550,932	\$310,707
Three	\$135,913,260	\$5,436,530	\$475,696
Four	\$257,585,160	\$10,303,406	\$901,548

³² Under HB 1109 and SB 1369, civil unions are not automatically converted into marriages. However, civil union parties who apply for a marriage license do not have to pay the \$60 application fee and \$5 processing fee.

expenditures incurred by the new flow of same-sex marriage visitors will be on Oahu and 30 percent of expenditures on the Neighbor Islands. We calculate expected excise tax revenues for our four standard scenarios in Table 6.³³

IV. Impact on Hawai'i State Government Agencies

The costs to government agencies of transiting from same-sex civil unions to same-sex marriage are likely to be minimal. Forms would need to be changed, computers reprogrammed, and training sessions developed and offered to employees at the Hawai'i State Dept. of Taxation, Dept. of Health, and Dept. of Labor. During 2012, the Hawai'i Dept. of Health (DOH) implemented an on-line application process for both civil unions and marriages that has reduced application costs to couples and will facilitate a low-cost transition to same-sex marriage applications.

V. Impact on Healthcare Insurance Coverage

Approval of either HB 1109 or SB 1369 is likely to increase the number of people in Hawai'i covered by public or private employer-provided health insurance over the 2014-2016 period. The increase is, however, likely to be small because same-sex marriage currently offers a spouse without insurance essentially the same opportunities to be added as a beneficiary on an employer-provided health insurance plan as a civil union party. Because (1) same-sex couples in Hawai'i have had the right to enter a civil union since 1 January 2012 and (2) most same-sex couples who had a high demand for one partner to gain health insurance have likely already entered a civil union, **we estimate that fewer than 100 additional people will be added as beneficiaries to a spouse's employer-provided health insurance plan due to enactment of marriage equality.**³⁴

The primary channel by which HB 1109 and SB 1369 could increase overall health insurance coverage involves an uninsured partner being added as a beneficiary to their spouse's public or private employer-provided health insurance plan. For this to occur, three conditions must all be present: (1) the same-sex couple would not have chosen to enter a civil union but does choose to marry by 31 December 2016; (2) at least one spouse is not already covered either by government or private health insurance plans prior to the marriage; and (3) both same-sex spouses elect to take health insurance from the spouse's employer-provided health plan.

We use a three-part analysis to estimate the number of spouses who are likely to obtain health insurance coverage from their spouse. **First**, Burnett and La Croix (2011) estimated that 60 percent of cohabitating same-sex couples in Hawai'i would enter into a civil union within 6 years of its initiation (1 January 2012). Our rough estimate in this report is that 50 percent of Hawai'i's same-sex couples will marry or be in a civil union

³³ We note that the additional personal and corporate income generated by the additional visitor spending would also generate sizeable additional state income tax revenues. We do not estimate the magnitude of these revenues in this report.

³⁴ Self-declared domestic partners are also entitled to become beneficiaries on their partners' employer-provided health plan (if it allows spouses and dependents to join).

within three years of the initiation of same-sex marriage (1 January 2014). After 22 percent of Hawai‘i’s cohabitating same-sex couples entered into a civil union during its first year (2012), we expect that 45 percent would have already entered into a civil union by 31 December 2016. This means that just 5 percent of Hawai‘i’s same-sex couples—couples—will marry who would not have entered into a civil union during the 2012-2016 period. For one spouse to obtain health insurance via their spouse’s second party employer-provided plan, the second party must already have health insurance coverage. For purposes of our analysis, this sets a ceiling of 163 spouses who could possibly obtain coverage by entering into a same-sex marriage.

Second, for the 163 spouses to receive *de novo* health insurance, it must be the case that each marriage will have one spouse without health insurance and a second spouse with employer-provided health insurance. However, when two people marry, the marriage will not lead to an increase in health insurance coverage if (1) neither spouse has employer-provided health coverage; or (2) both spouses have employer-provided coverage; or (3) one spouse was a beneficiary on their spouse’s employer-provided health insurance plan prior to their marriage; or (4) the spouse with employer-provided health coverage works for a company that self-insures its health insurance program for its employees under the federal ERISA law.³⁵ Consider now the types of couples falling into each of the four categories.

1. Neither spouse has employer-provided health insurance. (1) If both parties are retired from the workforce and are over 65, then each party receives almost complete health insurance via enrollment in the federal government’s Medicare program both before and after they marry; their marriage would not affect the number of people covered by health insurance. A similar reasoning applies if just one party is retired and has coverage via Medicare. The Current Population Survey of the U.S. Census for 2011 shows that 91.5 percent of Hawai‘i’s population over the age of 65 is covered by Medicare. In 2011, Hawai‘i population had 194,000 people over the age of 65; that is 18.83 percent of Hawai‘i’s adult population (over 18 years of age) of 1,030,000.³⁶ (2) If both parties are working and each works less than 20 hours per week (e.g., two 25-year old UH graduate students), then neither spouse is likely to have employer-provided health insurance; their same-sex marriages would not affect the number of people covered by health insurance. (3) If neither spouse is working, then neither can claim employer-provided health benefits.

³⁵ The reasoning is that because ERISA is a federal law and DOMA stipulates that the federal government not recognize same-sex relationships, then corporations with self-insured health plans set up under ERISA are not required to offer health insurance to same-sex spouses.

³⁶ All population and insurance coverage data are from *Current Population Survey, Annual Social and Economic (ASEC) Supplement*, Table HI05 (Health Insurance Coverage Status and Type of Coverage by State and Age for All People: 2011). Available at <http://www.census.gov/hhes/www/cpstables/032012/health/toc.htm>.

2. Both spouses have employer-provided health insurance benefits. When both spouses have employer-provided health insurance benefits, their marriage will not change the number of people with health insurance. (For those who are converting their civil union to a marriage, the two spouses will already have coverage via the civil union.)

It is, of course, possible that after these two people marry, one spouse will choose to be covered by the other spouse's employer rather than by their own employer. Some employers even provide supplementary insurance to cover gaps in coverage obtained from a spouse's employer. While a switch to a spouse's insurance carrier is a common occurrence when an opposite-sex couple marries, it almost never happens when a same-sex couple marries or enters into a civil union and both parties continue to work full-time jobs. The limited switching is due to the higher effective price of insurance paid by the employee to cover a domestic partner, civil union partner or same-sex spouse. This price gap is primarily due to federal, and in some cases, state, policies specifying how employer-provided fringe benefits are treated by federal and state tax authorities. Federal law allows the employee to pay premiums on employer-provided health insurance for the employee, spouse, and dependents from the employee's pre-tax income, but premiums paid for the employee's same-sex spouse and the spouse's dependents must be paid from the employee's after-federal tax income. This distinction results in a decreased benefit for a same-sex spouse who considers joining their partner's plan so that any potential gains from the switch are significantly dampened.

How much would this increase the price paid by an employee for employer-provided health insurance for the employee's same-sex spouse vis-à-vis an identical employee's opposite-sex married spouse? Employers are required to report the fair market value of the employer's financial contribution towards health insurance coverage for non-dependent same-sex partners as taxable wages earned for the employee. In addition, the employee's financial contribution must be paid from the employee's after-tax income. The combined effect of these policies is that the cost of the same-sex spouse's health insurance to the employee is higher relative to an opposite-sex spouse by an amount equal to the additional federal and state income taxes, social security tax and Medicare tax on the full premium. In a 2007 study, Lee Badgett found that employees with domestic partners "pay on average \$1,069 per year more in taxes than would a married employee with the same coverage."³⁷ A Hawai'i employee earning \$80,000 would face a marginal federal income tax rate of 28 percent, a marginal Hawai'i income tax rate of 8.25 percent, a social security tax rate of 6.2 percent, and a Medicare tax rate of 1.45 percent.³⁸ Consider a specific example of an employee with an overall marginal rate of 35 percent. In 2011, the median premium costs for single employee, employee plus one, and family health insurance plans provided by a Hawai'i private employer were \$4,800; \$9,400; and \$14,000, respectively.³⁹ At a 35 percent tax rate, the additional tax due on an

³⁷ Lee Badgett (2007), *Unequal Taxes on Equal Benefits*. Los Angeles: The Williams Institute.

³⁸ Matching social security and Medicare payroll taxes would also have to be paid by the employer on the employer's share of the premiums paid for the employee's partner.

³⁹ Agency for Healthcare Research and Quality, U.S. Dept. of Health and Human Services,

employee plus one policy would be \$1,610 and on a family policy \$3,220.

Thus, for Hawai'i same-sex couples with a spouse, civil union party, or domestic partner on their employer-paid health insurance policy, marriage equality in Hawai'i could produce substantial tax savings for the couple if the U.S. Supreme Court ruling in the DOMA cases result in Internal Revenue Service recognition of the marriages of Hawai'i same-sex couples

3. Employer of one party provided health insurance to the employee's same-sex domestic partner prior to their marriage. Since 2006, all full-time state and county employees (defined as working 20 or more hours per week) are allowed an option to purchase health insurance coverage for their "domestic partner" and their partner's dependents at the same premiums paid by a married employee to cover a spouse ("two-party coverage") or a spouse and dependent children ("family coverage"). Since 2012, they have add the same options to purchase insurance for their civil union partners. In 2011, the Hawai'i State Government employed approximately 71,400 people, while the four counties employed 18,500 people.⁴⁰ Many of these 89,900 employees were part-time workers and thus were not eligible to participate in the state-sponsored medical insurance plans. For the 2010-2011 fiscal year, the Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) reported 66,964 employees eligible for medical coverage, 15,189 waivers (often employees who found a better deal with a spouse's plan), and 41,800 employees enrolled in EUTF medical plans. The 38,127 retired state government workers enrolled in EUTF medical plans (as of 30 June 2011) are also eligible to add a spouse, a domestic partner or a civil union party.⁴¹

To sum up, domestic partners and civil union partners of *full-time* state and county employees were already eligible for EUTF coverage prior to marriage equality and will retain coverage if they decide to marry. Domestic partners and civil union partners of

Medical Expenditure Panel Survey (MEPS), Table X.C (2011): Premium distributions (in dollars) for private-sector employees enrolled in single coverage; Table X.D (2011): Premium distributions (in dollars) for private-sector employees enrolled in family coverage; Table X.E (2011): Premium distributions (in dollars) for private-sector employees enrolled in employee-plus-one coverage. Available online at: http://meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_10/2011/ic11_xc_e.pdf.

⁴⁰ The data on federal, state, and county government jobs in Hawai'i are NAIC payroll jobs. Available at <http://uhero.prognoz.com/TableR.aspx>.

⁴¹ We note that most retired state workers are over 65 and are required by the State of Hawai'i to enroll in Medicare. About 25 percent of retired state workers are under the age of 65 and should be counted separately in coverage calculations. Data on medical coverage for current and retired state workers are from Hawaii Employer-Union Health Benefits Trust Fund, State of Hawaii, *Annual Report: Fiscal Year 2010-2011*, December 2011. Available at <http://eutf.hawaii.gov/eutf-board-proceedings/Board%20Proceedings%20-%20Annual%20Reports/EUTF%20Annual%20Report%202010-11%20Final.PDF>.

part-time state and county employees were not eligible for EUTF coverage prior to marriage equality and will not gain access to health insurance if they marry.

4. Private employer self-insures under ERISA. It is somewhat unclear whether a Hawai'i company that self-insures a health insurance program for its employees will be required to offer health insurance to the civil union partners or the same-sex spouses of its employees. The reason is that the self-insured health insurance plan of this company may be governed by provisions of the federal ERISA legislation rather than the State of Hawai'i's Prepaid Health Care Act. Since ERISA only requires plans to extend benefits to spouses, and since, as a federal law, it is bound by DOMA to define marriage as only between a man and a woman, a company which self-insures under ERISA without any reference to state laws may not be required to extend benefits to same-sex spouses.⁴²

What percentage of same-sex couples in Hawai'i will have one full-time employee eligible to elect coverage of a spouse once same-sex marriage legislation is enacted AND one spouse is not already covered by private insurance or Medicare? The U.S. Census Bureau estimated that 92.2 percent of the Hawai'i population was covered by private or public health insurance in 2011.⁴³ For the remaining 7.8 percent of people to receive health insurance, they would need to be matched with a spouse with a full time job who is eligible to add a spouse. Using a sample of all U.S. couples, Michael Ash and Lee Badgett (2006) have found that "about 90 percent of all couple types have at least one full-time worker" (p. 588). In Hawai'i during 2011, 21.6 percent of workers worked for state, county or federal governments, and partners of many of these workers are already either eligible to draw medical insurance benefits. Of the 163 potentially eligible spouses, many will be matched with spouses who either could have added them as a beneficiary on their health plan as a domestic partner prior to marriage or are ineligible to add them after marriage. A generous estimate is that less than half (82) of the spouses would be likely to be a candidate for health insurance if the couple married.

How many of these 80+ eligible spouses will elect to choose coverage under their spouse's health insurance? The federal tax treatment of the spouse's premium and dependent's premium (i.e., additional federal and state taxes must be paid on the employer's share of the additional premium and the employee must pay his share of the premium from after-tax dollars) raises the cost of the premium to the employee by 25-45 percent depending on the employee's income and corresponding federal and state

⁴² For the general rule, see *Rovira v. AT&T*, 817 F.Supp 1062 (S.D.N.Y. 1993). However, the Ninth Circuit upheld a lower court's ruling that a cohabiting same-sex partner was an "alternative payee" under section 1056(d)(3)(B)(ii)(I, II) of ERISA in *Owens v. Automotive Machinists Pension Trust*, 551 F.3d 1138 (9th Cir. 2009). In addition, any insurance utilized by a company which incorporates state law as well as ERISA will be bound to the marriage definition of the state.

⁴³ Current Population Survey, Annual Social and Economic (ASEC) Supplement, Table HI05 (Health Insurance Coverage Status and Type of Coverage by State and Age for All People: 2011). Available at <http://www.census.gov/hhes/www/cpstables/032012/health/toc.htm>.

marginal income tax rates. Suppose that 50 percent of eligible employees with same-sex spouses or civil union partners elect employer-paid health insurance for their spouses/partners and dependents. This amounts to an additional 40 spouses to be covered by health insurance plans of private employers.⁴⁴ Even if we are to change some of our assumptions about the percent of Hawaii couples who marry or are eligible to add a spouse as a beneficiary to their health insurance plan, it would be unlikely for more than 40-80+ additional spouses to be added as beneficiaries on a spouse's employer-provided health insurance plan.

If the US Supreme Court's rulings on the DOMA cases lead the federal government to recognize same-sex marriages, then the effect of marriage equality in Hawaii on the number of people covered by employer-provided health insurance will be larger. First, some same-sex spouses of federal employees, including members of the military, might be eligible to receive spousal benefits offered by some federal government programs. This is particularly important in Hawai'i given the larger number of military personnel stationed in Hawai'i and the large percentage of jobs in Hawai'i provided by the federal government (5.88 percent in 2011). Second, employers who self-insure a health insurance program for their employees under ERISA provisions would need to treat same-sex spouses as they do opposite-sex spouses. This could have a small positive effect on the number of same-sex spouses with health insurance.

VI. Impact of Same-Sex Marriage on Hawai'i's Labor Markets

Passage of same-sex marriage in Hawai'i will provide a strong signal to Hawai'i residents, other U.S. citizens, and foreigners that Hawai'i is continuing to become a more tolerant, cosmopolitan society. The perception and the actualization of Hawai'i as a tolerant society are important for Hawai'i's future economic growth because more tolerant societies are typically able both to retain and to attract a wider variety of talented individuals, in particular entrepreneurial talent.

Hawai'i politicians and news media have regularly identified retention of native-born talent as an important policy priority. Legalization of same-sex marriage will help Hawai'i to retain talented Hawai'i-born gay and lesbian people who might otherwise leave Hawai'i to live in a state that offers them the opportunity of entering into a same-sex marriage. Same-sex marriage would also help firms and governments in Hawai'i to attract talented gay and lesbian people to move to Hawai'i to fill skilled jobs.

Retention and attraction of skilled workers to fill positions in the public and private sectors are important for a small state like Hawai'i. Small states, by their very nature, have small labor markets for particular types of skills, and this can raise the cost to firms

⁴⁴ Some dependents would also be added as beneficiaries to employer-provided health insurance via these marriages. Note, however, that the State of Hawai'i is also likely to spend less on its Medicaid program due to the transition of some family members to private health insurance coverage, e.g. fewer families would elect to cover eligible children under the State Children's Health Insurance Program (SCHIP, now CHIP) plans or, alternatively, the partner's children would lose eligibility for the means tested CHIP program once their parent have married.

of contracting for labor in these markets. Firms in states with small labor pools are less likely to be able to find labor with sufficient skills or well-matched skills. In these cases firms search outside the state to fill positions. Skilled people living in the mainland United States who are candidates for these jobs consider, however, not just whether they are good matches for the firm, but also whether they are good matches with Hawai‘i—whether they will thrive personally in Hawai‘i, find good schools for their children, be able to afford high-quality housing, and whether the State of Hawai‘i, private firms, and Hawai‘i’s people will respect their marriage or their aspirations to marry. By taking steps to recognize same-sex marriage, the State of Hawai‘i is also taking steps to upgrade the pool of skilled labor available to Hawai‘i firms and to reduce firms’ cost of producing products in Hawai‘i.⁴⁵

VII. Same-Sex Marriage, Personal Responsibility, and the Hawai‘i’s Economy

Marriages entail increased responsibilities for the spouses. Each spouse has a responsibility to support the other during good and bad times. Each spouse is liable for any debt incurred by the partner for the necessities of life for either partner or the family unit. There is likely to be less reliance on the State of Hawai‘i’s Medicaid and welfare programs because the means tests for these programs consider resources available to both spouses rather than each individual. A marriage establishes a responsibility for both spouses to support children. It establishes a legal framework for provision of alimony and child support if the relationship between the two spouses ends. By establishing these responsibilities, same-sex marriage provide a framework for more responsible, structured personal relationships that will contribute to social stability and economic growth in Hawai‘i.⁴⁶

VIII. Conclusions

We conclude this report with a summary of our major finding and a brief discussions of the limitations inherent in this study and any other economic impact study.

- A reasonable expectation from the experience of other states enacting same-sex marriage legislation is that the State of Hawai‘i’s adjustment to the passage of such legislation will be smooth and cost little.
- There could be large increases in visitor spending by same-sex couples visiting Hawaii to marry, by out-of-state guests for both resident and non-resident same-sex marriage ceremonies and celebrations, and by out-of-state same-sex couples visiting Hawaii to honeymoon. **Our estimates of total additional spending, including multiplier rounds of spending, range from \$46 million to \$258 million over the 2014-2016 period.**

⁴⁵ See Gary J. Gates, “Marriage and the Creative Class,” Working Paper, Williams Institute, UCLA School of Law, May 2009, for an analysis of the increase in the number of young, highly educated same-sex couples who moved to Massachusetts after marriage equality in 2004.

⁴⁶ This analysis does not apply directly to same-sex married couples who would have entered into a civil union if same-sex marriage had not been enacted. This is because a civil union and a marriage each confer the additional responsibilities discussed in the text.

- The increase in visitor spending will be much larger if the U.S. Supreme Court overturns California's Proposition 8 and same-sex marriages resume again in California. This is because the proportion of Hawai'i's visitors from states with same-sex marriages would increase from 17 percent to 53 percent.
- The increase in visitor spending will be much larger if the U.S. Supreme Court's rulings in the DOMA cases lead to federal recognition of same-sex marriages. This assumes is that any U.S. same-sex couple marrying in Hawai'i would gain federal rights adhering to marriage.
- Passage of same-sex marriage legislation is likely to lead to very small increases in the the number of beneficiaries—fewer than 100 people—added to a spouse's employer-provided health insurance and is not likely to lead to substantial increases in employee health insurance expenditures by either public or private employers.
- Passage of same-sex marriage is likely to lead to substantial increases in state and county general excise tax revenues.
- If the US Supreme Court's rulings in the DOMA cases lead to federal recognition of marriage, there will be substantial tax benefits to some married same-sex Hawai'i couples who have a same-sex spouse as a beneficiary on the other spouse's employer-paid health insurance and to other married same-sex couples who become eligible to draw spousal benefits from some federal programs.

Any and all economic impact studies have significant limitations. Ours is no exception to this iron rule. We highlight three limitations of our study that need to be considered carefully.

First, the substantial size of some of our visitor spending estimates is based on a pent-up demand for same-sex couples living in Hawai'i and the U.S. mainland to marry. This is particularly the case in Scenarios Three and Four, which are based on 10 percent of cohabitating same-sex couples marrying annually over the 2014-2016 period. If, however, the State of Hawai'i decides not to enact same-sex marriage until much later, say in 2017, much of the pent-up demand for marriage will be exercised in other states with marriage equality. U.S. and California same-sex couples will travel to other same-sex marriage states to marry and honeymoon during 2014-2016, and these states with same-sex marriage will receive the additional spending unleashed by the pent-up demand by same-sex couples to marry. No same-sex couple on the U.S. mainland is waiting for Hawai'i to recognize same-sex marriage before they marry. Once the pent-up demand is spent, annual U.S. same-sex marriage rates are likely to be much less than 10 percent, and visitor spending by same-sex couples and their guests coming to Hawaii to honeymoon or marry or attend wedding celebrations after the 2014-2016 period will be substantially lower than projected in this report.

Second, we present our visitor spending results as illustrative rather than definitive in any sense. In this respect, our study is no different from other impact studies examining visitor spending generated by runners coming to the Honolulu Marathon, football fans and players coming to the NFL's Pro Bowl, or out-of-state and foreign students attending the University of Hawaii. Obviously, we and all other observers cannot predict precisely how the U.S. Supreme Court will rule in the DOMA cases and the Proposition 8 case and how those decisions will affect marriage rights. Visitors can only come to Hawai'i when there is available space in hotels, time-share condos, and friends' homes. With the revival of Hawai'i's tourism industry from 2010, there are now periods, e.g., Christmas holidays, when hotels are full and a visiting same-sex couple and their guests might displace other guests and not generate new spending. On the other hand, marriage equality will also trigger other potential visitor and spending that we have not explicitly estimated in this report. These include spending by Hawai'i same-sex couples who honeymoon in Hawai'i and spending by same-sex couples and their guests from non-same-sex marriage states or foreign countries who come to Hawai'i to marry or honeymoon.

Finally, we fully acknowledge that a substantial standard error should be attached to our estimates. Some of the data series used in this report clearly are measured with some error. We are making inferences from a small sample of other states that have had experience with marriage equality for just a short period of time. We recognize that the response by Hawai'i residents and visitors to marriage may differ somewhat from responses in other states.⁴⁷ And the behavior of same-sex couples with respect to marriage may well change over time as they learn more about the many benefits and the many costs adhering to this ancient social institution.

Regardless of these omissions and limitations, the magnitudes of the additional visitor spending that marriage equality would trigger are substantial—up to \$258 million in 2014-2016 in one of our scenarios—and should be considered carefully by Hawai'i's policymakers as they consider HB 1109 and SB 1369.

The views expressed in this paper are those of Sumner La Croix and Lauren Gabriel and are not the official views of the University of Hawai'i, the University of Hawai'i Economic Research Organization or the University of Hawai'i-Mānoa Department of Economics.

⁴⁷ The report's estimates of the percent of Hawai'i same-sex couples who will marry over time can only be used to construct estimates over short time periods, as over longer periods, new same-sex couples will form, others will divorce, and some spouses will die. In sum, a more complete analysis would account for changes in the composition and number of same-sex couples over time.

Appendix Table 1. Average Number of Mainland U.S. Wedding Guests Per Resident and Non-Resident Hawai'i Marriage

Data Series	Value	Source
Number of Resident Marriages in 2010	9,117	<i>State of Hawaii Data Book 2011</i> , Table 2.46
U.S. Mainland Visitors to Hawai'i to Marry in 2011	54,973	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 37.
Average Size of U.S. Group to Hawai'i to Marry in 2011	2.13	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 37.
Estimate of U.S. Couples in 2011 Coming to Hawai'i to Marry	25,809	Calculated.
Number of Hawai'i Marriages in 2010-2011 by All U.S. Couples	34,926	Calculated.
2010 Visitors to Hawaii from the United States	4,637,010	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 1.
Percent of HI Visitors in 2011: Attend Wedding Main Reason	0.029	HTA, <i>2011 Visitor Sat. And Activity Report</i> , Table 8.15.
Percent of HI Visitors in 2011: Attend Wedding Sec. Reason	0.014	HTA, <i>2011 Visitor Sat. And Activity Report</i> , Table 8.16.
Percent of U.S. Visitors Who Attend Wedding in Hawai'i	0.043	Add previous two lines.
2010 U.S. Visitors Attending Hawai'i Weddings	199,391	Calculated.
Average Number of Mainland U.S. Wedding Guests Per Resident and Non-Resident Hawaii Marriage	5.71	

Appendix Table 2: Estimates of Number of U.S. Mainland Same-Sex Marriages in Hawai'i and Out-of-State Guests, 2014-2016

Data Series	Value	Source
U.S. Marriages in 2009	2,077,000	<i>2012 Statistical Abstract of the US</i> , Table 133.
U.S. Couples Coming to Hawai'i to be Married in 2011	25,809	See Appendix 1.
Percent of U.S. Marriages in Hawai'i	0.01	
Scenario One: DOMA and Proposition 8 Both Upheld		
U.S. Same Sex Cohabiting Couples in 2010	646,464	<i>U.S. Census of Population, 2010</i> .
Percent of Hawai'i Visitors from Same-Sex Marriage States	0.17	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 19.
U.S. Same-Sex Cohabiting Couples in Marriage States	109,899	Calculated from previous two lines.
Percent U.S. Same-Sex Couples Who Marry Annually	0.05	Assumption
Estimated Same-Sex Marriages Among U.S. Couples in 2014	5,495	Calculation from previous two lines.
Number of Same-Sex Marriages Among U.S. Couples in HI, 2014-2016	205	Calculation
Guests Per Couple	5.71	Appendix Table 1
Total Out-of-State Guests at all Hawai'i Same-Sex Weddings	6,756	Calculation
Scenario Two: Same-Sex Marriages Resume in California in 2014		
Percent of Hawai'i Visitors from Same-Sex Marriage States	0.17	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 19.
Percent of Hawai'i Visitors from California	0.36	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 19.
Percent of HI Visitors from States with Same-Sex Marriage and CA	0.53	Sum of previous two lines
Estimated Same-Sex Marriages Among U.S. Couples in 2014	17,131	Calculation
Number of Same-Sex Marriages Among U.S. Couples in HI, 2014-2016	639	Calculation
Total Out-of-State Guests at all Hawai'i Same-Sex Weddings	9,232	Calculation
Scenario Three: 10 Percent of CA Same-Sex Couples Marry Annually		
Number of Same-Sex Marriages Among U.S. Couples in 2014	28,768	Calculation
Number of Same-Sex Marriages Among U.S. Couples in HI, 2014-2016	1,072	Calculation
Total Out-of-State Guests at all Hawai'i Same-Sex Weddings	12,643	Calculation
Scenario Four: 10 Percent of All U.S. Same-Sex Couples Marry Annually		
Number of Same-Sex Marriages Among U.S. Couples in HI, 2014-2016	64,646	Calculation
Number of Same-Sex Marriages Among U.S. Couples in HI, 2014-2016	2,410	Calculation
Total Out-of-State Guests at all Hawai'i Same-Sex Weddings	22,141	Calculation

Appendix Table 3: Estimates of Mainland U.S. Same-Sex Honeymoon Visitors to Hawai‘i, 2014-2016

Data Series	Value	Source
U.S. Marriages in 2009	2,077,000	<i>2012 Statistical Abstract of the U.S.</i> , Table 133.
U.S. Visitors Who Honeymoon in Hawaii	233,181	<i>State of Hawaii Data Book 2011</i> , Table 2.46.
Percent	0.11	Ratio of previous two lines.
Scenario One		
U.S. Same-Sex Cohabiting Couples in 2010	646,464	<i>U.S. Census of Population, 2010</i> .
Percent of U.S. Visitors to Hawai‘i from Marriage States	0.17	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 19.
U.S. Same-Sex Couples Living in States With Same-Sex Marriage	109,899	Calculated from previous two lines.
Percent of U.S. Same-Sex Cohabiting Couples Marry Annually	0.05	Assumption
U.S. Same-Sex Marriages in 2014	5,495	Calculation from previous two lines.
Est. Same-Sex U.S. Honeymoon Visitors to Hawai‘i, 2014-2016	1,851	Calculation
Scenario Two		
Percent of U.S. Visitors to Hawai‘i from Marriage States	0.17	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 19.
California Visitors as Percent of U.S. Visitors to Hawai‘i	0.36	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 19.
U.S. Same-Sex Marriages in 2014	17,131	Calculation from previous two lines.
Est. Same-Sex U.S. Honeymoon Visitors to Hawai‘i, 2014-2016	5,770	Calculation
Scenario Three		
Percent of U.S. Visitors to Hawai‘i from Marriage States	0.17	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 19.
California Visitors as Percent of U.S. Visitors to Hawai‘i	0.36	HTA, <i>2011 Annual Visitor Res. Rep.</i> , Table 19.
California Same-Sex Marriages in 2014	23,273	Calculation
Non-California U.S. Same-Sex Marriages in 2014	5,495	Calculation
U.S. Same-Sex Marriages in 2014	28,768	Calculation
Est. Same-Sex U.S. Honeymoon Visitors to Hawai‘i, 2014-2016	9,689	
Scenario Four		
Percent of U.S. Visitors to Hawai‘i from Marriage States	1.00	DOMA Decision
U.S. Same-Sex Marriages in 2014	64,646	Calculation
Est. Same-Sex U.S. Honeymoon Visitors to Hawai‘i, 2014-2016	21,773	Calculation