



An Inexpensive Way to Make the Federal Workforce Fairer and More Competitive

A Primer on the Domestic Partnership Benefits and Obligations Act

Jeff Krehely June 21, 2010

The Domestic Partnership Benefits and Obligations Act, or DPBO, would allow same-sex domestic partners of civilian (nonmilitary) federal employees to qualify for the same package of benefits currently offered to the spouses of heterosexual federal workers. These benefits include health and dental insurance, life insurance, and family compensation for work-related injuries. This legislation is modeled after policies enacted by many state and local governments, as well as some of the nation's leading nonprofit and for-profit entities.

Eighty-three percent of Fortune 100 companies and 60 percent of Fortune 500 companies currently offer these benefits, along with nearly 80 percent of the 200 top-grossing United States law firms. Twenty-two state governments, along with the District of Columbia and hundreds of local governments, also offer similar benefits to their employees. According to the Employee Benefit Research Institute, “market competition and diversity” are the primary reason why workplaces decide to offer these benefits.

Further, a 2008 CAP study found that states with these policies were able to implement them relatively easily. Most states reported low costs, a boost in staff retention, and favorable public support.

A more detailed look at DPBO strongly suggests the federal government would see similar results if the legislation were passed, and that the legislation's benefits far outweigh its costs.

The current legislation

Two versions of DPBO currently exist. The House version, H.R. 2517, provides benefits to current employees and current and future retirees, while the Senate bill, S. 1102, would cover current employees and future retirees but not current retirees. Both bills include benefits that would affect the federal budget, including health insurance, survivor annuities, compensation for work-related injuries and travel, and relocation benefits.

Other benefits, including life insurance and vision and dental benefits, have no impact on the budget because individuals pay for them directly. The legislation merely allows domestic partners to qualify to purchase the benefits.

Both bills have been voted out of their respective committees and now wait for votes before the full House and Senate.

President Barack Obama announced on June 2, 2010, that the federal government would be extending some benefits to domestic partners of federal employees, including access to child care services and long-term care insurance plans. He reiterated his support for the current DPBO legislation and urged Congress to pass the legislation so he could sign it into law.

Cost

Health insurance benefits are the biggest cost in both bills, and these would affect both mandatory and discretionary spending. The Congressional Budget Office's score of the Senate bill from 2010 to 2019 is about \$260 million in direct (entitlement) spending, with another \$340 million in spending subject to appropriation (these figures include postal service employees).

The CBO scored the House bill for the same time period at about \$600 million in direct spending and \$300 million in spending subject to appropriation (again, inclusive of the postal service). The table on the right summarizes the estimated costs of both bills.

The CBO analysis, however, does not take into account the fact that same-sex domestic partners must pay income taxes on health insurance benefits unlike married heterosexual couples, for whom these benefits are tax free. [The Williams](#)

House vs. Senate versions of the Domestic Partner Benefits and Obligations Act of 2009

Ten-year cost projections of bills, 2010-2019, in millions

	House	Senate
Direct spending	\$ 596	\$ 258
Appropriations spending	\$ 304	\$ 344
Total spending	\$ 900	\$ 602

Source: Congressional Budget Office

Institute estimates that this inequity in tax law will generate about \$120 million in new income taxes over ten years if same-sex domestic partners of federal workers qualified for and were able to purchase these health insurance benefits. The CBO's cost estimates above would be reduced by about this amount.

What's more, the government will realize other savings in personnel costs if these benefits are extended to same-sex domestic partners of employees. As Dr. M. V. Lee Badgett from the Williams Institute testified, the federal government must compete with private and public employers that offer these benefits, and it likely loses employees who need them. When a federal worker leaves to take one of these jobs, says Badgett, "the government must spend money to recruit, train, and attempt to retain a new employee. While it is difficult to precisely predict the savings from avoiding these turnover costs, they are certainly real."

CBO also estimates that 0.33 percent of the federal workforce would register a same-sex domestic partner, based on uptake of similar benefits in state and local governments and other nonprofit and for-profit companies. Considering that about 2.6 million people work for the federal government (including the postal service), about 8,600 public employees would likely use the new benefits.

Federal personnel spending would not significantly increase under DPBO

We estimate that the federal government (including the postal service) spends about \$193 billion each year on salaries and benefits. Extending benefits to same-sex domestic partners of civilian federal employees would increase total salary and benefits expenses by about 0.03 to 0.05 percent, depending on which of the above cost estimates is used.

Relatively speaking, DPBO's cost is a miniscule fraction of the federal government's total personnel expenses, but these benefits would have a large impact on the families that would qualify for them. And it is a very small price to pay for making the government workplace fairer.

DPBO would help the government remain competitive with the private sector

As mentioned earlier, a large and growing number of private sector workplaces offer DPBO-like benefits to their employees. This discrepancy makes it increasingly difficult for the federal government to attract, recruit, and retain the best and brightest employees. Further, the federal government is already at a competitive disadvantage because it pays its workers less than they would make in comparable jobs in the private sector. Specifically, the average pay gap between federal and private sector jobs is 22 percent according to [the current federal Pay Agent](#) computed by the Bureau of Labor Statistics for the Office of Personnel Management. Similar gaps have been [reported](#) for most of the past decade.

[Data](#) also show that the federal civilian pay raise was less than the average annual increase in wages for other jobs in 12 of the past 20 years. This research also shows that federal civilian employee salaries have increased by 428 percent since 1969, compared to 632 percent for all workers in the U.S. economy.

Implementing policies like DPBO will help mitigate the impact of the overall compensation gap between federal civilian workers and private sector employees. Doing so would also help attract more people to federal public service, which is a concern considering that [nearly 600,000 federal workers will retire](#) between now and 2018.

Conclusion

Offering benefits to the same-sex domestic partners of federal employees is a common-sense step for the government to take. Extending these benefits is relatively inexpensive, and it puts the federal government on equal footing with the policies of leading private U.S. employers as well as a growing number of state and local governments. It would also help mitigate the gap between public and private compensation. Finally, these benefits would help families headed by same-sex couples to gain access to health and life insurance policies that would otherwise be out of their financial reach.

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