

**FINAL
FISCAL NOTE**

Drafting Number: LLS 09-0409
Prime Sponsor(s): Sen. Veiga
 Rep. Ferrandino

Date: June 19, 2009
Bill Status: Signed into Law
Fiscal Analyst: Bill Zepernick (303-866-4777)

TITLE: CONCERNING THE EXTENSION OF STATE EMPLOYEE GROUP BENEFITS TO DOMESTIC PARTNERS OF STATE EMPLOYEES.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue		
State Expenditures Multiple Funding Sources General Fund, Cash Funds, and Federal Funds		\$116,182 - \$172,922
FTE Position Change		
Effective Date: The Governor signed the bill into law on May 18, 2009, and unless a referendum petition is filed, the bill will take effect August 5, 2009.		
Appropriation Summary for FY 2009-2010: None required.		
Local Government Impact: None.		

Summary of Legislation

The bill makes a domestic partner of a state employee eligible for coverage under state employee group benefit plans. The bill defines domestic partner as an adult over the age of 18, who is of the same gender as the employee, with whom the employee is in a committed relationship of at least one year with the intent for the relationship to last indefinitely. Domestic partners may not be related to the employee by blood to a degree that would prohibit marriage under state law. The bill applies to group benefit plans issued or renewed on or after July 1, 2010.

Background

The key predictor of costs for extending state group insurance benefits to domestic partners of state employees is the take-up rate, which is the percent of employees who will add a domestic partner to their existing coverage. Although census data indicates that about 0.8 percent of households in Colorado consist of same-sex partners, the take-up rate of domestic partners of state employees is anticipated to be lower than this amount for a variety of reasons: For example,

- some domestic partners may have their own insurance through another job; and
- other domestic partners may decline coverage because domestic partners are not recognized under federal tax code and health benefits received through the state employee would count as taxable income.

Various states, municipalities, and private sector companies currently offer coverage to domestic partners, and the take-up rate of domestic partners at these other entities is estimated to range between 0.2 and 0.7 percent. Take-up rate depends on a number of factors, such as workforce demographics and length of time that coverage has been offered to domestic partners. Employees typically phase-in coverage over a period of several years, because during the first years employees and their domestic partners may not be sure if they are eligible for coverage or are unsure of the tax consequences of receiving coverage. After several years, all employees interested in adding a dependent domestic partner are likely to have done so and the take-up rate reaches its maximum.

Other entities adding domestic partner coverage include:

- the University of Colorado system, which added coverage in 2003 and had an initial take-up rate of 0.3 percent, and by 2008 the take-up rate had increased to 0.6 percent;
- the City and County of Denver, which has offered coverage for about 15 years and had a take-up rate of 0.7 percent in 2008;
- the State of New Jersey, which added coverage in 2004 and by 2006 had a take-up rate of 0.3 percent;
- the State of California added coverage in 2001 and by 2004 had a take-up rate of 0.5 percent; and
- the Urban Institute estimates private sector take-up rate at around 0.2% based on population and survey data.

State Expenditures

The bill does not affect state expenditures in FY 2009-10. The bill is estimated to increase costs for all state agencies between \$116,182 and \$172,922 in FY 2010-11 through higher employee insurance costs. The range indicated above is based on between 0.2 and 0.3 percent of state employees adding a domestic partner as a dependent to their existing coverage during the first year of coverage in FY 2010-11. By the fourth year of implementation, the fiscal note estimates the take-up rate will increase to between 0.4 and 0.6 percent, resulting in total costs of \$230,000 to \$350,000 in FY 2013-14. Table 1 provides a summary of potential costs in the first year of extending coverage to domestic partners of state employees.

Table 1. Potential Cost of Expanding State Group Insurance Coverage to Domestic Partners of State Employees, FY 2010-11					
Current Employee Coverage	Cost to Add Domestic Partner	0.2% Take-Up Rate		0.3% Take-Up Rate	
		Number Enrolled	Total Cost	Number Enrolled	Total Cost
Health Insurance					
Employee Only	\$2,702	31	\$83,767	46	\$124,299
Employee + Children	\$3,397	8	27,180	12	\$40,769
Health Insurance Total		39	\$110,946	58	\$165,069
Dental Insurance					
Employee Only	\$131	32	4,193	48	\$6,290
Employee + Children	\$130	8	1,043	12	\$1,564
Dental Insurance Total		40	\$5,236	60	\$7,854
FY 2010-11 TOTAL			\$116,182		\$172,922

Funding

The bill will require appropriations to all state agencies totaling between \$116,182 and \$172,922 in FY 2010-11. This funding will come from multiple sources (General Fund, cash funds, federal funds), depending on how each state agency is funded. Funding sources for this bill will be determined for each state agency during the annual budget process.

Table 2 provides an estimate of the fund sources required to fund the expansion of insurance benefits to domestic partners of state employees in FY 2010-11, based on current funding for state group insurance benefits and the anticipated take-up rate.

Table 2. Estimated Fund Sources for Covering Domestic Partners of State Employees, FY 2010-11			
Fund Source	Percent of Funds	0.2% Take-Up Rate	0.3% Take-Up Rate
General Fund	60%	\$69,710	\$103,753
Cash Funds	20%	23,236	34,584
Reappropriated Funds	10%	11,618	17,292
Federal Funds	10%	11,618	17,292
TOTAL	100%	\$116,182	\$172,922

Departments Contacted

Personnel Law