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Gay-Marriage Ban Comes at What Cost?

Estimates Cited at Proposition 8 Trial Say State Is Losing Out on Millions of Dollars; Others Say Numbers Have Muted Impact

By [CARI TUNA](#)

California's gay-marriage ban is costing San Francisco \$37.2 million a year and the state \$490 million over three years, according to estimates revealed in the high-profile Proposition 8 trial. But those figures don't tell the whole story, some experts say.

The numbers came to light during the trial in U.S. District Court here over the constitutionality of the gay-marriage ban established by voters in 2008. The figures pinpointing the ban's impact on the local economy came from Ted Egan, chief economist in the San Francisco Controller's Office, while the state numbers came from M. V. Lee Badgett, research director at the University of California at Los Angeles's Williams Institute, a sexual-orientation-law think tank.

Mr. Egan and Ms. Badgett were called to testify by the San Francisco City Attorney's Office and lawyers David Boies and Theodore Olson, who are seeking to overturn Proposition 8. Testimony in the trial concluded Wednesday.

The economists' testimony was used to argue that Proposition 8 hurts not only gay couples and their children, but the economy and government coffers, too. But other economists say those numbers—which estimate the spending and tax revenue that could be generated by gay weddings—represent an insignificant part of the local and state economies. They also warn the numbers may be slippery because it's hard to estimate how many gay couples would marry here if the ban were overturned.

The scope of the estimates is "way too narrow" and the tax-revenue figures "are infinitesimal compared to either the county or the state budget," says Stephen Levy, director of the Center for Continuing Study of the California Economy in Palo Alto.

During the trial, Mr. Egan and Ms. Badgett discussed the difficulty of quantifying the broader economic effects of banning gay marriage. The benefits of marriage for individuals and households and the costs of discrimination are hard to capture, but "they wind up being extremely powerful," Mr. Egan said. "In the long term, these are the impacts that would matter for San Francisco, even if we can't attach a number to them now."

He added in an interview that the quantifiable economic impacts—the spending and tax revenue he estimates would be generated by gay weddings—aren't insignificant. "It meets the criteria that we'd use to say this is bad for the San Francisco economy if it were legislation" introduced in the city.

In an interview, Ms. Badgett also defended her figures—the \$490 million in spending and \$40 million in tax revenue that she estimates gay weddings would generate in California in three years if Proposition 8 were overturned—and noted that the state faces a \$20 billion budget gap in the coming fiscal year.

Revenue from gay marriages "might not solve the entire budget crisis, but for given agencies or universities or school systems, the amount of money we're talking about is quite meaningful," she says.

Andrew Pugno, general counsel for ProtectMarriage.com, which is defending the ban in the trial, argues that California's domestic-partnership laws afford gay couples here the economic benefits of marriage.

The numbers from the Proposition 8 trial add to a body of studies that are split on the fiscal significance of legalizing gay marriage. In 2008, before Proposition 8 was passed, a Sonoma State University report estimated that gay weddings would generate up to \$41.7 million in spending in Sonoma County and up to \$3.2 million tax revenue for the county and state from 2009-11.

But other studies have played down gay marriages' potential benefits to state and federal coffers. A July 2008 report on Proposition 8 by California's nonpartisan Legislative Analyst's Office concluded that "over the long run, this measure would likely have little fiscal impact on state and local governments." Similarly, a 2004 Congressional Budget Office report estimated that allowing gay marriages would boost federal tax revenues by less than \$700 million per year over 10 years, or less than 0.1%.

To calculate Proposition 8's cost to San Francisco's economy, Mr. Egan estimated how much gay couples and their guests spent on weddings, hotel rooms and tourism from June 17, 2008, to Nov. 4, 2008, when gay marriage was legal in California. By annualizing those numbers, he concluded that San Francisco is losing out on \$37.2 million in retail and hotel spending and \$2.6 million in sales and hotel tax revenue each year.

But Christopher Thornberg of Beacon Economics, a San Rafael consulting firm specializing in the California economy, says it's unlikely that gay couples would resume marrying at the rate they did in 2008 when many "rushed out to do it." "Realistically, if Proposition 8 gets overturned, the volume probably won't be nearly that large," he says.

Regardless of methodology, Mr. Levy of the Center for Continuing Study of the California Economy says such figures miss the big picture. He says the greatest potential cost is the toll Proposition 8 could take on California's reputation as a haven for workers of all stripes. "If we do something that makes them feel unwelcome compared to other places they might live, we'll lose talent," Mr. Levy says.

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