

The Impact of Legalizing Same-Sex Marriage on San Francisco's Economy

Controller's Office of Economic Analysis
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Summary of Findings

- Over 6,700 same sex weddings are projected to occur in San Francisco by the end of June, 2010.
- The combined direct economic impact of resident weddings, visitor weddings, and out-of-town guest spending is projected to total \$19.8 million by June 2010.
- The City stands to earn \$1.7 million in additional taxes and fees from this activity over the next two years.
- Approximately \$620,000 of the fiscal impact will be unallocated General Fund available for appropriation in FY 2008-09, with an additional \$185,000 remaining in fund balance from this fiscal year.



How Does Legalizing Same-Sex Marriage Impact the Economy?

1. Wedding expenditures by San Francisco residents who marry here.
 2. Wedding expenditures by visitors from elsewhere in California and around the world who marry here.
 3. Lodging expenditures by same-sex couples who visit San Francisco to marry.
 4. Retail expenditures by same-sex couples who visit San Francisco to marry.
 5. Lodging expenditures by hotel-staying guests attending same-sex weddings in San Francisco.
 6. Retail expenditures by hotel-staying guests attending same-sex weddings in San Francisco.
- This creates fiscal benefits for the City:
 - Hotel Tax
 - Sales Tax
 - Payroll Tax
 - Marriage License and Ceremony Fees



San Francisco's 2004 Experience

- When same-sex marriages were performed in San Francisco for one month in 2004:
 - 4,037 licenses were issued
 - 3,955 ceremonies were performed
- Geographic breakdown:
 - Approximately 32% from San Francisco.
 - 59% from elsewhere in California
 - 9% from outside of California.

Same Sex Marriages in San Francisco During Fiscal Year 2007-08

- Between June 17th and June 30th—the end of the 2007-08 fiscal year—there are 1,061 same-sex marriage appointments confirmed and paid for.
- Roughly half of these couples live in San Francisco, half are out-of-town.

Assumptions: San Francisco Resident Weddings

- Based on the experience of Massachusetts, we project that 28% of San Francisco's same-sex couples will marry in FY 2008-09, and 9% in FY 2009-10 (a 67% drop). Weddings conducted before June 30, 2008 are deducted from the 2008-09 estimate.
- We assume 100% of San Francisco-resident same-sex couples who marry will do so in San Francisco.
- They will spend an average of 25% of what different-sex weddings cost in San Francisco, or \$9,180 per wedding. However, only 10% of this is assumed to count as new income for figuring an economic impact. Most resident spending will simply be diverted from other expenditures and will not create net economic impact.
- San Francisco-resident weddings will also attract guests from outside of San Francisco, who will stay in hotels and bring income into the city's economy. All of their spending creates a net economic impact.

Assumptions:

Out-of-State Resident Weddings

- In 2004, 340 out-of-state same-sex couples were married in one month. Because out-of-state couples can now marry anywhere in California, we project the rate will be only 20% of the 2004 rate. We also project that the FY 09-10 total will be 67% less than the FY 08-09 total.
- Weddings conducted before June 30, 2008 are deducted from the 2008-09 estimate.
- Out-of-state visitors coming to San Francisco to marry are projected to spend 10% the cost of an average San Francisco wedding, or \$3,672 per event. This does not include their lodging costs or per diem expenditures.

Assumptions:

Out-of-Town California Resident Weddings

- In 2004, nearly 60% of San Francisco's same-sex married couples came from areas of the state outside of San Francisco.
- However, because these couples can now marry almost anywhere in California, we now conservatively assume the future rate will only be 5% of the 2004 rate. We also assume the FY 09-10 total will be 67% less than the FY 08-09 total.
- Weddings conducted before June 30, 2008 are deducted from the 2008-09 estimate.
- We assume in-state couples not from San Francisco will spend, on average, the same amount that out-of-state visitors will spend on their weddings—10% the average cost of a San Francisco wedding.

Assumptions:

Additional Costs to the County Clerk

- The additional tax and fee revenue, and economic impact, associated with same-sex marriage can only be obtained if the County Clerk expands staff to cover the additional demand.
- We assumed the following workload:
 - 1 FTE = 12 marriage licenses/day, or 2,340 per year. This assumption includes breaks and paid time off.
 - Given our projection of 4,042 additional marriages in FY 2008-09, this corresponds to a requirement for 1.73 FTEs.
- At an average total cost of \$77,715 for an 8106, Legal Process Clerk, this corresponds to an additional cost of \$134,243.

Summary of Number of Weddings

| | FY 2007-08 | FY 2008-09 | FY 2009-10 | Total |
|----------------------------------|--------------------|------------|------------|--------------|
| San Francisco Residents | 531 ^[1] | 2,338 | 922 | 3,791 |
| Out-of-Town California Residents | 265 ^[2] | 1,153 | 468 | 1,886 |
| Out-of-State Residents | 265 ^[2] | 551 | 269 | 1,086 |
| Total Marriages | 1061 | 4,042 | 1,659 | 6,762 |



Summary of Economic Impacts

| | July 07-June 08 | July 08-June 09 | July 09-June 10 | Total |
|---|--------------------|---------------------|--------------------|---------------------|
| 1. Wedding-related new spending by San Francisco residents | \$486,995 | \$2,146,613 | \$846,517 | \$3,480,125 |
| 2. Wedding-related spending by California and Out-of-State Residents who marry here | \$1,947,978 | \$6,255,854 | \$2,707,265 | \$10,911,097 |
| 3. Lodging Expenditures by same-sex couples who visit San Francisco to marry. | \$174,059 | \$558,984 | \$241,904 | \$974,947 |
| 4. Retail Spending by same-sex couples who Come to San Francisco to marry | \$118,694 | \$381,181 | \$164,959 | \$664,834 |
| 5. Lodging Expenditures by hotel-staying guests attending same-sex weddings | \$332,613 | \$1,466,118 | \$578,164 | \$2,376,895 |
| 6. Retail expenditures by hotel-staying guests attending same-sex weddings | \$197,329 | \$869,802 | \$343,006 | \$1,410,137 |
| Total | \$3,257,668 | \$11,678,553 | \$4,881,815 | \$19,818,036 |



Summary of Fiscal Impacts

| Summary Fiscal Impact | FY 2007-08 | FY 2008-09 | FY 2009-10 | Total |
|---|------------|-------------|------------|--------------------|
| Total Hotel Tax | \$70,934 | \$283,514 | \$114,810 | \$469,258 |
| Total Local Sales Tax | \$34,387 | \$120,668 | \$50,772 | \$205,827 |
| Total Payroll Tax | \$12,721 | \$45,603 | \$19,063 | \$77,387 |
| Marriage Licenses and Civil Ceremony Fees | \$153,431 | \$584,522 | \$239,969 | \$977,922 |
| Total additional taxes and fees | \$271,474 | \$1,034,308 | \$424,613 | \$1,730,395 |



Fiscal Impact by Fund Type

| Impact by Fund | FY 2007-08 | FY 2008-09 | FY 2009-10 | Total |
|-------------------------|-------------------|---------------------|-------------------|---------------------|
| General Fund | \$ 220,733 | \$ 902,251 | \$ 370,152 | \$ 1,493,136 |
| Non-General Fund | \$ 50,741 | \$ 132,057 | \$ 54,461 | \$ 237,258 |
| Total, All Funds | \$ 271,474 | \$ 1,034,308 | \$ 424,613 | \$ 1,730,395 |



General Fund Impact Including Baselines

| | FY 2007-08 | FY 2008-09 | FY 2009-10 |
|--|-------------------|-------------------|-------------------|
| Gross General Fund Revenue | \$ 220,733 | \$ 902,251 | \$ 370,152 |
| Less Discretionary General Fund Revenue Dedicated to Baselines | | | |
| Childrens' Baseline = 4.84% | \$ 10,683 | \$ 43,669 | \$ 17,915 |
| Library Baseline = 2.19% | \$ 4,834 | \$ 19,759 | \$ 8,106 |
| Muni Baseline = 6.71% | \$ 14,811 | \$ 60,541 | \$ 24,837 |
| Parking & Traffic Baseline = 2.42% | \$ 5,342 | \$ 21,834 | \$ 8,958 |
| Public Education Funding = 0.24% | \$ 530 | \$ 2,165 | \$ 888 |
| Assume New Revenue Does Not Trigger Rainy Day Reserve Deposits | \$ - | \$ - | \$ - |
| Less Additional Temporary County Clerk Staff Starting 7/1/08 | \$ - | \$ 134,243 | \$ 55,112 |
| Total, Baselines and Staff | \$ 36,200 | \$ 282,212 | \$ 115,817 |
| Net General Fund Revenue Available for Appropriation | \$ 184,533 | \$ 620,039 | \$ 254,335 |



Appendix: Hotel Tax Details

| Hotel Tax | FY 2007-08 | FY 2008-09 | FY 2009-10 | Total |
|--|-------------------|---------------------|-------------------|---------------------|
| Number of SF-resident same-sex marriages | 530.5 | 2,338 | 922 | 3,791 |
| x Average number of guests per wedding [3] | 33.25 | 33.25 | 33.25 | |
| x Average % of guests who stay in hotels [4] | 10% | 10% | 10% | |
| Number of hotel-staying guests for resident weddings | 1,764 | 7,775 | 3,066 | 12,605 |
| ÷ Average number of guests per room [5] | 1.74 | 1.74 | 1.74 | |
| Number of rooms occupied by hotel-staying guests for resident weddings | 1,014 | 4,468 | 1,762 | 7,244 |
| x Average number of nights per stay [6] | 1.8 | 1.8 | 1.8 | |
| x Average daily rate [7] | \$ 182 | \$ 182 | \$ 182 | |
| <i>Lodging Expenditures of hotel-staying guests for resident weddings</i> | <i>\$332,613</i> | <i>\$1,466,118</i> | <i>\$578,164</i> | <i>\$2,376,895</i> |
| Number of California and Out-of-State couples + visiting to marry | 531 | 1,704 | 737 | |
| x Average number of nights per stay [6] | 1.8 | 1.8 | 1.8 | |
| x Average daily rate [7] | \$ 182 | \$ 182 | \$ 182 | |
| <i>Lodging Expenditures of California and Out-of-State couples visiting to marry</i> | <i>\$ 174,059</i> | <i>\$ 558,984</i> | <i>\$ 241,904</i> | <i>974,947</i> |
| Total hotel spending for guests and out-of-town couples | \$ 506,672 | \$ 2,025,102 | \$ 820,068 | \$ 3,351,843 |
| x Hotel Tax Rate | 14% | 14% | 14% | |
| New Hotel Tax Revenue attributable to same-sex marriage | \$ 70,934 | \$ 283,514 | \$ 114,810 | \$ 469,258 |
| x % of Hotel Tax to General Fund [8] | 78.1% | 100% | 100% | |
| General Fund Portion of Hotel Tax Revenue | \$ 55,400 | \$ 283,514 | \$ 114,810 | \$ 453,723 |



Appendix: Sales Tax Details

| Sales Tax | FY 2007-08 | FY 2008-09 | FY 2009-10 | Total |
|--|---------------------|---------------------|---------------------|----------------------|
| Number of SF-resident same-sex marriages | 531 | 2,338 | 922 | 3,791 |
| x Average spending per wedding, SF resident [9] | \$ 9,180 | \$ 9,180 | \$ 9,180 | |
| x % of Spending that is New Income to the City [10] | 10% | 10% | 10% | |
| <i>Wedding spending by SF-resident couples</i> | \$ 486,995 | \$ 2,146,613 | \$ 846,517 | \$ 3,480,125 |
| Number of hotel-staying guests for resident | | | | |
| + weddings | 1,764 | 7,775 | 3,066 | 12,605 |
| x Average number of nights per stay | 1.8 | 1.8 | 1.8 | |
| Average daily spend, hotel guests less hotel | | | | |
| x average daily rate [11] | \$ 62 | \$ 62 | \$ 62 | |
| <i>Retail spending from hotel-staying guests for resident weddings</i> | \$ 197,329 | \$ 869,802 | \$ 343,006 | \$ 1,410,137 |
| + Number of California and Out-of-State weddings | 531 | 1,704 | 737 | 2,971 |
| Average California and Out-of-State spending per | | | | |
| x wedding [12] | \$ 3,672 | \$ 3,672 | \$ 3,672 | |
| <i>Wedding Spending by California and Out-of-State couples</i> | \$ 1,947,978 | \$ 6,255,854 | \$ 2,707,265 | \$ 10,911,097 |
| Number of participants in California and Out-of- | | | | |
| + State weddings | 1,061 | 3,407 | 1,475 | 5,943 |
| x Average number of nights per stay | 1.8 | 1.8 | 1.8 | |
| Average daily spend, hotel guests less hotel | | | | |
| x average daily rate | \$ 62 | \$ 62 | \$ 62 | |
| <i>Retail spending by California and out-of-state couples who come to San Francisco to marry</i> | \$118,694 | \$381,181 | \$164,959 | \$664,834 |
| Total Retail Spending attributable to same-sex marriages in San Francisco | \$ 2,750,996 | \$ 9,653,451 | \$ 4,061,747 | \$ 16,466,194 |
| x City Sales Tax | 1.00% | 1.00% | 1.00% | |
| General Fund Sales Tax attributable to same-sex marriages in San Francisco | \$ 27,510 | \$ 96,535 | \$ 40,617 | \$ 164,662 |
| x Local Transportation Tax (TDA) | 0.25% | 0.25% | 0.25% | |
| TDA (MTA) Tax attributable to same-sex marriages in San Francisco | \$ 6,877 | \$ 24,134 | \$ 10,154 | \$ 41,165 |



Appendix: Payroll Tax Details

| Payroll Tax | FY 2007-08 | FY 2008-09 | FY 2009-10 | Total |
|--|--------------|---------------|--------------|---------------|
| Total Spending attributable to same-sex marriage in San Francisco | \$ 3,257,668 | \$ 11,678,553 | \$ 4,881,815 | \$ 19,818,036 |
| Ratio of City Output to Wage and Salary | | | | |
| x Disbursements, City-wide [13] | 35% | 35% | 35% | |
| Share of San Francisco Payroll Subject to Payroll | | | | |
| x Tax [14] | 75% | 75% | 75% | |
| Taxable Payroll attributable to same-sex marriage in San Francisco | \$ 848,054 | \$ 3,040,225 | \$ 1,270,861 | \$ 5,159,139 |
| x Payroll Tax Rate | 1.5% | 1.5% | 1.5% | |
| Payroll Tax attributable to same-sex marriages in San Francisco | \$ 12,721 | \$ 45,603 | \$ 19,063 | \$ 77,387 |



Appendix: Marriage License Fee Details

| Marriage Licenses & Ceremony Fees | FY 2007-08 | FY 2008-09 | FY 2009-10 | Total |
|--|-------------------|-------------------|-------------------|-------------------|
| Number of SF-resident same-sex marriages | 531 | 2,338 | 922 | 3,791 |
| + Number of out-of-state same-sex marriages | 531 | 1,704 | 737 | 2,971 |
| Total number of licenses | 1,061 | 4,042 | 1,659 | 6,762 |
| x Marriage License Fee | \$89 | \$89 | \$89 | |
| Total License Fee Revenue | \$ 94,429 | \$ 359,743 | \$ 147,688 | \$ 601,861 |
| x 70% of License Fee Revenue to General Fund [15] | \$ 66,100 | \$ 251,820 | \$ 103,382 | \$ 421,302 |
| + Civil Ceremony Fee | \$67 | \$67 | \$67 | |
| x % of marriages taking place at City Hall [16] | 83% | 83% | 83% | |
| Total Civil Ceremony Fee Revenue | \$ 59,002 | \$ 224,779 | \$ 92,280 | \$ 376,061 |
| City Fees attributable to same-sex marriage | \$ 153,431 | \$ 584,522 | \$ 239,969 | \$ 977,922 |



Appendix: Notes on Assumptions

1. Based on estimates from the County Clerk that 1,061 same sex marriages are scheduled before June 30th, and they are split roughly 50-50 between local and non-local.
2. Non-local marriages are assumed to be split 50:50 between in-state and out-of-state.
3. *The Wedding Report*. San Francisco-specific figure. Average same-sex wedding is assumed to 10% the size of the average different-sex wedding. See comment 9 below, citing the UCLA Williams Institute report, "The Impact of Extending Marriage to Same-Sex Couples on the California Budget." Our assumptions are more conservative.
4. No data available on this point – 10% seems to be a conservative assumption.
5. OEA estimate from Hotel-Condo conversion ordinance report, February 2008.
6. Assume wedding guests stay only half as long as the average San Francisco visitor (3.6 nights). Source for the 3.6: San Francisco Convention and Visitors Bureau.
7. Source: PKF Consulting, final figure for 2007.
8. Assuming all growth in hotel tax revenue goes to the General Fund.
9. Source: The Wedding Report. The Williams Institute report assumes that same-sex wedding expenses are only 25% of different-sex wedding expenses, partly because fewer family resources may be available for same-sex weddings. We use the same assumption.
10. Only spending that is new to the City's economy creates a net economic impact. We assume 10% of wedding expenses comes from savings, debt, deferred travel, or other major expense that would otherwise not have been consumed within San Francisco.
11. Per diem spending for visitors staying in hotels, less the average daily hotel rate. Source: SFCVB/PKF Consulting.
12. See average spending per comment 9. The Williams Institute report assumes out-of-state wedding costs are assumed to be 10% of the local average for different-sex couples. We use the same assumption.
13. Source: REMI model. Formula is San Francisco's wage and salary disbursements divided by total Output, in billions, for 2006.
14. Source: Recent OEA analysis of payroll tax by industry.
15. Approximately 70% of Marriage license fee revenue goes to the General Fund.
16. Marriages may not take place at City Hall, in which case the City receives a Marriage License fee but no fee for performing the ceremony. Based on license and ceremony fee information from the Clerk's office, we estimate that 83% of same-sex marriage licenses.