

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6479

BILL NUMBER: SB 117

NOTE PREPARED: Mar 1, 2006

BILL AMENDED: Feb 28, 2006

SUBJECT: Employee Tobacco Use Incentives.

FIRST AUTHOR: Sen. Gard

FIRST SPONSOR: Rep. T Brown

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Tobacco Use:* This bill allows an employer to implement financial incentives related to employer provided health benefits to reduce employee tobacco use.

Wage Issues: The bill permits a wage assignment for payment for: (1) certain uniforms; and (2) tools and portable equipment.

The bill increases from \$800 to \$3,000 the amount of the maximum wage claim for which the Commissioner of the Department of Labor may take an assignment.

The bill repeals and relocates language making it a Class C infraction for an employer to sell merchandise or supplies to an employee for a price higher than to the public.

The bill repeals a chapter concerning the regulation of wage payments, which includes: (1) a provision requiring an employer to pay employees in commercial paper; (2) a duplicate provision concerning frequency of wage payments; (3) a provision containing outdated language concerning liens of laborers; and (4) language in conflict with other law concerning the later payment of wages.

Cigarette Manufacturer/Importer License Fee: This bill also provides that an applicant for a license as an importer or manufacturer of cigarettes must provide certain information to the Alcohol and Tobacco Commission and must submit a fee of \$1,500 with the application that is deposited in the Enforcement and Administration Fund.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Tobacco Use:* IC 22-5-4-1 provides that an employer can not discriminate with respect to compensation and benefits based on the employee's use of tobacco. The bill provides that the employer may implement financial incentives intended to reduce tobacco use and related to employee health benefits provided by the employer. The fiscal impact of the provision is indeterminable, but will depend on state and local action and the impact of providing incentives related to health benefits to those who use tobacco products.

The bill could reduce health insurance costs paid by the state and local units for employees if incentives resulted in fewer employees who smoke and if insurance companies would lower premiums for a pool of nonsmoking employees. Additionally, if the bill results in fewer state and local employees smoking, health insurance costs could also decrease if by not smoking the employees reduce their use of the health care system for illnesses caused by smoking.

Whether the state or local unit would pass on any or all of the savings to the employees in the form of lower health insurance premiums, additional benefits, or higher salaries is indeterminable.

Wage Issues: The impact on the state and local governments would be as an employer and should be a minor impact, if any. Increasing to \$3,000 from \$800 the amount of the maximum wage claim for which the Commissioner of the Department of Labor may take an assignment could increase the administrative costs of the Department of Labor. The increase in costs would probably be minor.

Explanation of State Revenues: (Revised) *Cigarette Manufacturer/Importer License Fee:* This bill also provides that an applicant for a license as an importer or manufacturer of cigarettes must provide certain information to the Alcohol and Tobacco Commission (ATC) and must submit a fee of \$1,500 with the application that is deposited in the Enforcement and Administration Fund (EA Fund).

This provisions will increase fee revenue to the EA Fund. The amount of the increase is indeterminable. Currently no fee is charged for these licenses. The fees are to be deposited in the EA Fund. The balance of the EA Fund at the end of FY 2005 was \$5.7 M.

Explanation of Local Expenditures: See *Explanation of State Expenditures* above.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources:

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