LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT

LS 6672 | **NOTE PREPARED:** Dec 19, 2025
BILL NUMBER: SB 265 | **BILL AMENDED:**

SUBJECT: Various Employment Matters.

FIRST AUTHOR: Sen. Pol | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
X FEDERAL

Summary of Legislation: *Penalties for Adverse Employment Actions:* The bill provides that, under certain circumstances, an employer who takes an adverse action against an employee commits an infraction. It specifies that, under certain circumstances, an adverse employment action is prima facie evidence of an unlawful retaliation. It also provides that, under certain circumstances, an employer who knowingly or intentionally fails to pay an employee or former employee commits an infraction.

Worker's Compensation: The bill increases the amount of worker's compensation and worker's occupational diseases compensation benefits available for injuries and disablements:
(1) in fiscal year 2027;
(2) in fiscal year 2028;
(3) in fiscal year 2029;
(4) in fiscal year 2030;
(5) in fiscal year 2031; and
(6) in fiscal year 2032 and thereafter.

Unemployment Benefits: The bill amends the definition of "wage credits". It specifies the rate for unemployment insurance benefits for initial claims filed by an individual who is totally unemployed for any week beginning after June 30, 2026.

It specifies, for initial claims filed for any week beginning after June 30, 2026:
(1) the maximum weekly benefit amount; and
(2) an additional weekly benefit for eligible and qualified individuals with dependents.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Summary* - The bill would increase expenditures from the Unemployment Insurance Benefit Fund for unemployment benefits by an estimated 41%. If unemployment benefit claims remained at the same levels as in FY 2025, a 41% increase in benefit payments would increase annual benefit payments by $122.5 M. The bill increases the maximum weekly benefit amount from $390 per week to $514 per week. It also provides an additional $50 per dependent up to a maximum of $150 per week for three dependents.

The number of unemployment insurance claimants and the length of time that they receive unemployment benefits can vary significantly depending on economic conditions. The bill's impact to the Unemployment Insurance Benefit Fund will be greater during periods of high unemployment. Ultimately, the impact will depend on the total number of unemployment insurance beneficiaries in future years who are able to get increased weekly benefits and/or an additional weekly amount based on their number of dependents.

The bill would also increase state expenditures for state agencies as employers and providers of unemployment benefits, worker's compensation benefits, and potentially for civil penalties if they were to take adverse employment actions against employees seeking wage recovery. The estimated increase in state expenditures due to employer costs for worker's compensation and unemployment benefits is approximately $640,000 in FY 2027 and $724,000 in FY 2028. The portion of increased expenditures coming from the state General Fund for state employee worker's compensation and unemployment benefits is approximately $210,000 in FY 2027 and $240,000 in FY 2028.

<u>Additional Information</u> - *Unemployment Benefits for the State as an Employers:* The bill would increase state expenditures for unemployment benefits depending on the number of laid off state employees who would be eligible for an increased weekly benefit and dependent assistance for unemployment claimants who have dependents. The bill is estimated to increase unemployment insurance benefits by 41%. Based on FY 2025 unemployment benefits paid out for state employees, the increase in cost for state agencies as employers would be approximately $545,000 of which around one-third would come from the General Fund ($182,000 based on FY 2025 unemployment benefit rates for state employees). In FY 2025, state employers paid for unemployment benefits for 420 former state employees totaling $1.3 M. The state is a reimbursable employer for unemployment benefits which means that the state pays the actual amount of benefits when state employees are laid off instead of paying SUTA taxes into the Unemployment Insurance Benefit Fund. [This bill has the potential to impact all agencies as employers, thus impacting all funds that provide operating funds to agency staff.]

Unemployment Insurance Benefit Fund: The change in the benefit calculation and increase in the maximum weekly benefit may increase claimant benefits by 29%, which is anticipated to cost $87 M based on FY 2025 unemployment benefit levels. An additional $50 per eligible dependent may further increase benefit payments by $36 M based on FY 2025 unemployment benefit payments.

The Unemployment Insurance Benefit Fund is funded by quarterly contributions made by employers. The amount of each employer's contribution is based on each employer's individual unemployment account history (experience balance) and tax rate. Unemployment insurance benefits are paid by employer premiums. These provisions increase benefit amounts and expenditures from the Unemployment Insurance Benefit Fund. The balance of the fund at the end of FY 2025 was $1.74 B. If there is an insufficient balance in the fund to pay benefits, the federal government advances the fund an amount sufficient to pay benefits. To the extent an increase in benefit payments threatened the solvency of the fund, employer tax rates (and/or a surcharge based on a federal loan) would increase.

Department of Workforce Development (DWD): The DWD will incur administrative costs associated with the changes to the unemployment insurance benefit calculations. The costs of administering the unemployment compensation program are typically paid through federal funds.

Worker's Compensation: The bill would increase state expenditures for workers' compensation payments to state employees by an estimated $95,000 in FY 2027 and $179,000 in FY 2028. The increase would continue to grow through FY 2032. Of this total, approximately two-thirds would come from dedicated and federal funds, and approximately one-third would be state General Fund expenditures. The proposal increases the maximum weekly wage used to calculate wage replacement benefits, and it increases payments for permanent partial impairment (PPI). These provisions will impact the state as an employer and provider of worker's compensation benefits. [This bill has the potential to impact all agencies as employers, thus impacting all funds that provide operating funds to agency staff.]

The state as an employer pays directly for costs for worker's compensation for state employees. In FY 2025, state expenditures for worker's compensation for state employees totaled $15.2 M. Of that total, 14.3% went towards PPI payments and wage replacement (4.7% for PPI payments and 9.6% for wage replacement).

The rate increase for PPI is estimated to increase state expenditures for worker's compensation by approximately $49,000 in FY 2027 and by $95,000 in FY 2028 based on state payments to employees for PPI in FY 2025 of $722,741. PPI payments equal the employee's degree of impairment multiplied by the PPI rate amount. Current and proposed PPI rates by degrees of impairment are shown in Table 1.

Table 1. Current and Proposed Rates Per Degree of Impairment for Permanent Partial Impairment (PPI)

Degrees of Permanent Partial Impairment (PPI)	1-10	11-35	36-50	51-100	% Increase from Current Law
Current Law (FY 2027 and After)	$1,970	$2,197	$3,585	$4,569	
FY 2027	$2,104	$2,346	$3,829	$4,880	7%
FY 2028	$2,230	$2,487	$4,059	$5,173	13%
FY 2029	$2,319	$2,586	$4,221	$5,380	18%
FY 2030	$2,412	$2,689	$4,390	$5,595	22%
FY 2031	$2,508	$2,797	$4,566	$5,819	27%
FY 2032 and After	$2,608	$2,909	$4,749	$6,052	32%

The annual increase in wage replacement is estimated to increase the cost of wage replacements for state employees by $46,000 in FY 2027 and by $83,000 in FY 2028 based on FY 2025 wage replacement payments for state employees and state staffing data. The benefit increases for wage replacement will only impact individuals with wages above the maximum under current law. The current and proposed wage replacement rates are shown in Table 2.

Table 2. Current and Proposed Rates for Wage Replacement

	Maximum Weekly Wage	Wage Replacement: 2/3 Weekly Wages	500 Weeks Maximum Total Benefit	% Increase from Current Law
Current Law (FY 2027 and After)	$1,316	$877	$439,000	
FY 2027	$1,406	$937	$468,000	7%
FY 2028	$1,490	$993	$496,000	13%
FY 2029	$1,550	$1,033	$516,000	18%
FY 2030	$1,612	$1,075	$537,000	22%
FY 2031	$1,676	$1,117	$558,000	27%
FY 2032 and After	$1,743	$1,162	$581,000	32%

Penalties for Adverse Employment Actions: Employers who take adverse employment action against an employee seeking wage recovery may have increased costs related to court fees and civil judgments of $1,000; $2,500; or $5,000 depending on whether the employer had prior violations.

Explanation of State Revenues: *Unemployment Insurance Benefit Fund:* The increase in unemployment benefits under the bill would result in and increase in revenue to the Unemployment Insurance Benefit Fund from employers required to pay SUTA taxes.

Penalty Provision: The bill makes taking an adverse employment actions against an employee seeking wage recovery a Class B infraction. Fee revenue per case ranges from $85.50 and $103, depending on whether the case is filed in a court of record or a municipal court. The following linked document describes the fees and distribution of the revenue: Court fees imposed in criminal, juvenile, and civil violation cases.
Civil judgments of $1,000; $2,500; or $5,000 would be imposed depending on whether the employer had prior violations.

Explanation of Local Expenditures: See *Explanation of State Expenditures*. The bill will impact local units as employers and would increase local unit expenditures for unemployment insurance, worker's compensation, and potentially due to penalties for adverse employment actions.

Explanation of Local Revenues: If additional court actions result in a guilty verdict, certain local units will collect more revenue. The following linked document describes the fees and distribution of the revenue: Court fees imposed in criminal, juvenile, and civil violation cases.

State Agencies Affected: All agencies as employers.

Local Agencies Affected: All units as employers, trial courts, local law enforcement agencies.

Information Sources:. Bureau of Labor Statistics. Table 5. Employment Status of the Population by Sex, Marital Status, and Presence and Age of Own Children under 18, 2023-2024 Annual Averages. https://www.bls.gov/news.release/famee.t05.htm; DWD. Unemployment Insurance Employer Handbook. https://www.in.gov/dwd/files/Employer_Handbook.pdf; Indiana Supreme Court, Indiana Trial Court Fee Manual; JWF Specialty. FY 2025 State of Indiana Costs for Worker's Compensation; National Center for Special Education Research Institute of Education Sciences. (2011, September). *The Post-high School Outcomes of Young Adults With Disabilities up to 8 Years After High School.* https://ies.ed.gov/ncser/2025/01/20113005-pdf; Pew Research Center. (2021, October). Rising Share of U.S. Adults Are Living Without a Spouse or Partner. https://www.pewresearch.org/social-trends/2021/10/05/rising-share-of-u-s-adults-are-living-without-a-spouse-or-partner/; State Staffing Data; U.S. Census Bureau. America's Families and Living Arrangements: 2023. AVG3. Average Number of People per Family Household With Own Children Under 18, by Race and Hispanic Origin, Marital Status, Age, and Education of Householder. https://www.census.gov/data/tables/2023/demo/families/cps-2023.html; U.S. Census Bureau. (2024). Indiana Population by Age and Sex. *American Community Survey 1-Year Estimates.* https://data.census.gov/table/ACSST1Y2024.S0101?q=indiana%20population%20by%20age; U.S. Department of Labor, Employment and Training Administration, Data Downloads. https://oui.doleta.gov/unemploy/DataDownloads.asp; Young, Natalie. (2021, March). *Childhood Disability in the United States: 2019.* American Community Survey Briefs. U.S. Census Bureau. https://www.census.gov/content/dam/Census/library/publications/2021/acs/acsbr-006.pdf

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