

First Regular Session of the 124th General Assembly (2025)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2024 Regular Session of the General Assembly.

SENATE ENROLLED ACT No. 5

AN ACT to amend the Indiana Code concerning state and local administration.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 4-12-1-7.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2025]: **Sec. 7.5. A state agency may use artificial intelligence software to prepare a statement required under section 7 of this chapter or any budget projections for the state agency.**

SECTION 2. IC 4-12-19 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2025]:

Chapter 19. Federal Funds Requests

Sec. 1. This chapter does not apply to a request for new federal funds that is subject to a nondisclosure agreement to prevent the disclosure of confidential or proprietary business information.

Sec. 2. As used in this chapter, "new federal funds" means federal assistance or other funds that are available from:

- (1) the federal government, which the state is not currently receiving; or**
- (2) a federal assistance program or other federal program, in which the state is not currently participating.**

Sec. 3. (a) As used in this chapter, "state agency" means:

- (1) a department or office of the executive, including the**



administrative, branch of state government; and
 (2) separately elected state officers and any department or office of separately elected state officers.

(b) The term does not include:

- (1) the legislative branch of state government;
- (2) the judicial branch of state government; or
- (3) a state educational institution.

Sec. 4. (a) A state agency shall provide a report to the budget committee not later than January 1, April 1, July 1, and October 1 of each year that details the requests for new federal funds or to participate in a new federal program submitted by the state agency since the date of the state agency's last report under this subsection.

(b) A state agency may not:

(1) accept an award of new federal funds if acceptance of the federal funds:

- (A) requires a state match of funding;
- (B) would require additional permanent full-time employees related to the funding; or
- (C) would mandate new requirements that must be met by the state of Indiana; or

(2) participate in a new federal program;

before the report under subsection (c) has been reviewed by the budget committee. However, budget committee review under subsection (c) is not required before the acceptance of an award of new federal funds if the acceptance does not entail any of the requirements described in subdivision (1)(A) through (1)(C), but the request for new federal funds must nevertheless be included in the report to the budget committee under subsection (a).

(c) To obtain budget committee review, a state agency shall submit a report containing:

- (1) the amount of money that is being requested or is available to be received by the state from the federal government for the new federal funds request;
- (2) the amount of new state money, if any, that will be required to receive the new federal funds or to participate in the new federal program;
- (3) the number of additional permanent full-time employees, if any, the state agency estimates are necessary to receive the new federal funds or to participate in the new federal program;
- (4) any requirement the state must meet as a condition for



receiving the new federal funds or participating in the new federal program; and

(5) the state agency's application for the new federal funds or the new federal program.

(d) A state agency shall submit a report under subsections (a) and (c) in the form and manner designated by the budget committee.

SECTION 3. IC 4-13-1-29 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2025]: Sec. 29. (a) To the extent a contract entered into by a state agency is required to be posted on the Indiana transparency website, the state agency shall provide the contract to the department for inclusion on the Indiana transparency website not later than thirty (30) days after the contract is fully executed.

(b) All contracts provided to the department for inclusion on the Indiana transparency website must be electronically downloadable. The information contained in a search of the contracts on the Indiana transparency website must be available to download in an accessible spreadsheet format regardless of the maximum number of rows.

SECTION 4. IC 4-13-2-18, AS AMENDED BY P.L.9-2024, SECTION 89, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2025]: Sec. 18. (a) For the purpose of the administration of the allotment system provided by this section, each fiscal year shall be divided into four (4) quarterly allotment periods, beginning respectively on the first day of July, October, January, and April. In any case where the quarterly allotment period is impracticable, the budget director may prescribe a different period suited to the circumstances but not extending beyond the end of any fiscal year.

(b) Except as otherwise expressly provided in this section, the provisions of this chapter relating to the allotment system and to the encumbering of funds shall apply to appropriations and funds of all kinds, including standing or annual appropriations and dedicated funds, from which expenditures are to be made from time to time by or under the authority of any state agency. The provisions relating to the allotment system shall not apply to money made available for the purpose of conducting a post-audit of financial transactions of any state agency. Likewise, appropriations for construction or for the acquisition of real estate for public purposes may be exempted from the allotment system by the budget director. The budget director shall prescribe regulations as will ensure the proper application and encumbering of those funds.



(c) No appropriation to any state agency shall become available for expenditure until:

- (1) the state agency shall have submitted to the budget agency a request for allotment, the request for allotment to consist of an estimate of the amount required for each activity and each purpose for which money is to be expended during the applicable allotment period; and
- (2) the estimate contained in the request for allotment shall have been approved, increased, or decreased by the budget director and funds allotted as provided.

The form of a request for allotment, including a request by hand, mail, facsimile transmission, or other electronic transmission, shall be prescribed by the budget agency with the approval of the state comptroller and shall be submitted to them at least twenty-five (25) days prior to the beginning of the allotment period.

(d) Each request for allotment shall be reviewed by the budget agency and respective amounts shall be allotted for expenditure if:

- (1) the estimate is within the terms of the appropriation as to amount and purpose, having due regard for the probable future needs of the state agency for the remainder of the fiscal year or other term for which the appropriation was made; and
- (2) the agency contemplates expenditure of the allotment during the period.

Otherwise the budget agency shall modify the estimate to conform with the terms of the appropriation and the prospective needs of the state agency, and shall reduce the amount to be allotted accordingly. The budget agency shall act promptly upon all requests for allotment and shall notify every state agency of its allotments at least five (5) days before the beginning of each allotment period. The total amount allotted to any agency for the fiscal year or other term for which the appropriation was made shall not exceed the amount appropriated for the year or term.

(e) The budget director shall also have authority at any time to modify or amend any allotment previously made by the budget director.

(f) In case the budget director shall discover at any time that:

- (1) the probable receipts from taxes or other sources for any fund will be less than were anticipated; and
- (2) as a consequence the amount available for the remainder of the term of the appropriation or for any allotment period will be less than the amount estimated or allotted;

the budget director shall, with the approval of the governor, and after notice to the state agency or agencies concerned, reduce the amount or



amounts allotted or to be allotted to prevent a deficit.

(g) The budget agency shall promptly transmit records of all allotments and modifications to the state comptroller.

(h) The state comptroller shall maintain as a part of the central accounting system for the state, as provided, records showing at all times, by funds, accounts, and other pertinent classifications, the amounts appropriated, the estimated revenues, the actual revenues or receipts; the amounts allotted and available for expenditure, the total expenditures, the unliquidated obligations, actual balances on hand, and the unencumbered balances of the allotments for each state agency.

(i) No payment shall be made from any fund, allotment, or appropriation unless the state comptroller shall first certify that there is a sufficient unencumbered balance in the fund, allotment, or appropriation, after taking into consideration all previous expenditures to meet the same. In the case of an obligation to be paid from federal funds, a notice of a federal grant award shall be considered an appropriation against which obligations may be incurred, funds may be allotted, and encumbrances may be made.

(j) Every expenditure or obligation authorized or incurred in violation of the provisions of this chapter shall be void. Every payment made in violation of the provisions of this chapter shall be illegal, and every official authorizing or making a void payment, or taking part in a void payment, and every person receiving a void payment, or any part of a void payment, shall be jointly and severally liable to the state for the full amount paid or received. If any appointive officer or employee of the state shall knowingly incur any obligation or shall authorize or make any expenditure in violation of the provisions of this chapter, or take any part, it shall be ground for removal of the appointive officer or employee of the state by the officer appointing the appointive officer or employee of the state. If the appointing officer is a person other than the governor and fails to remove the officer or employee, the governor may exercise the power of removal after giving notice of the charges and opportunity for hearing to the accused officer or employee and to the officer appointing the accused officer or employee.

(k) The budget director shall be responsible for the authorization of employee positions. Such authorizations shall be based on the following:

(1) A requirement that permanent full-time positions which have been vacant for ninety (90) days or more be reviewed and reauthorized prior to being filled. If requested by the budget director, the state personnel director shall review such vacant positions to determine the proper classification for the



position.

(2) Other relevant criteria as determined by the budget director.

(l) The budget director shall provide a report to the governor not later than January 1, April 1, July 1, and October 1 of each year that lists the permanent full-time positions that were subject to the budget director's review under subsection (k)(1) during the preceding three (3) months.

SECTION 5. IC 4-15-2.2-26, AS ADDED BY P.L.229-2011, SECTION 56, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2025]: Sec. 26. (a) The director, after consulting with appointing authorities and other qualified authorities, shall determine, or cause to be determined, the authority, duties, and responsibilities of all positions in the state civil service.

(b) The director shall prepare a classification plan that groups all positions in the state civil service in classes, based on the authority, duties, and responsibilities of each position. The classification plan must set forth, for each class of positions, the class title and a statement of the authority, duties, and responsibilities of the class. Each class of positions may be subdivided, and classes may be grouped and ranked in such manner as the director considers appropriate.

~~(c) New, reclassified, or reallocated positions must be classified, reclassified, or reallocated in the same manner as positions were initially classified or allocated.~~

~~(d)~~ (c) The director periodically shall:

- (1) review the positions in state civil service; and
- (2) reallocate the positions to the proper classes based on the duties and responsibilities of the positions at the time of the review under subdivision (1).

(d) Upon request by the budget director under IC 4-13-2-18(k), the director shall:

- (1) review permanent full-time positions which have been vacant for ninety (90) days; and**
- (2) either:**
 - (A) reallocate a vacant position to the proper class based on the duties and responsibilities of the position at the time of the review under subdivision (1); or**
 - (B) eliminate the position from state civil service.**

SECTION 6. IC 5-35.7 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

ARTICLE 35.7. FISCAL INTEGRITY AND CONTRACT



ACCOUNTABILITY

Chapter 1. Definitions

Sec. 1. As used in this article, "active contract" means a contract for which the term of the contract has not expired.

Sec. 2. (a) As used in this article, "contract" means a contract, agreement, or similar arrangement by any other name, and includes any amendments, addendums, or extensions.

(b) The term includes contracts entered into for state public works projects by the public works division within the department.

(c) The term does not include the following:

- (1)** A contract between state agencies.
- (2)** A contract between a state agency and an employee of the state agency concerning employment.
- (3)** A contract that is required to be kept confidential under state or federal law to prevent the disclosure of confidential or proprietary business information.
- (4)** A contract for legal services to aid in the performance of the rights, powers, and duties conferred by IC 4-6.
- (5)** A contract entered into with a program established under IC 11-10-7-2.
- (6)** An agreement or contract described in IC 31-25-4-13.1.

Sec. 3. As used in this article, "contractor" means a person who has entered into a contract with a state agency.

Sec. 4. As used in this article, "department" means the Indiana department of administration created by IC 4-13-1-2.

Sec. 5. As used in this article, "initial contract" means the first agreement between a state agency and a contractor concerning the provision of specified goods or services, which may be later amended.

Sec. 6. As used in this article, "maximum contract amount" means the amount in a contract that total remuneration is not to exceed.

Sec. 7. (a) As used in this article, "state agency" means:

- (1)** a department or office of the executive, including the administrative, branch of state government; and
- (2)** separately elected state officers and any department or office of separately elected state officers.

(b) The term does not include:

- (1)** the legislative branch of state government;
- (2)** the judicial branch of state government; or
- (3)** a state educational institution.

Chapter 2. Reporting Requirements



Sec. 1. (a) This chapter applies to a contract with a maximum contract amount of not less than five hundred thousand dollars (\$500,000).

(b) This chapter does not apply to a contract entered into by the Indiana department of transportation for the construction, repair, or maintenance of a highway, street, road, or bridge.

Sec. 2. Not later than January 1, 2026, and not later than each January 1, April 1, July 1, and October 1 thereafter, a state agency must submit a report to the budget committee that provides information regarding the following contracts of the state agency:

- (1)** For a report due January 1, active contracts as of December 1 of the prior year.
- (2)** For a report due April 1, active contracts as of March 1 of that year.
- (3)** For a report due July 1, active contracts as of June 1 of that year.
- (4)** For a report due October 1, active contracts as of September 1 of that year.

Sec. 3. A report submitted by a state agency under section 2 of this chapter must include, at a minimum, the following information:

- (1)** The current contract expenditures compared with the maximum contract amount of the contract.
- (2)** Any changes made to the terms of the initial contract since the prior report, including amendments or change orders, with an explanation of necessity.
- (3)** The metrics used by the state agency to assess the success and performance of the contract.

Sec. 4. A report submitted under section 2 of this chapter must be in an electronic format.

Chapter 3. Reversion of Appropriations

Sec. 1. This chapter applies to a state fiscal year that begins on or after July 1, 2025.

Sec. 2. Unless otherwise provided by law, any funds appropriated by the general assembly to a state agency for an expense related to a contract that remain unused ninety (90) days after the end of the term of the contract:

- (1)** must be unallotted by the budget agency and no longer available for the state agency's use; and
- (2)** on the June 30 after the funds are unallotted, revert to the fund from which they were appropriated.

Chapter 4. Mandatory Contract Terms



Sec. 1. (a) This chapter applies to a contract between a state agency and a contractor that:

**(1) is entered into, renewed, or amended after June 30, 2026;
and**

(2) has a maximum contract amount of not less than five hundred thousand dollars (\$500,000) in the initial contract.

(b) This chapter does not apply to a contract entered into by the Indiana department of transportation for the construction, repair, or maintenance of a highway, street, road, or bridge.

(c) This chapter does not apply to a contract for legal services to aid in the performance of the rights, powers, and duties conferred by IC 4-6.

Sec. 2. A contract between a state agency and a contractor must contain the following provisions:

(1) To the extent practicable, clearly defined scopes and success metrics.

(2) Liquidated damages or other remedies for missed deadlines or overages.

(3) A requirement for either of the following:

(A) An independent third party review verifying that the parties to the contract performed their obligations under the contract in compliance with the terms of the contract.

(B) Other appropriate methods or means for verification and validation of the terms of the contract.

Sec. 3. Not later than March 1, 2026, the department shall provide contract language in its contract templates for state agencies to include the provisions required under section 2 of this chapter.

Chapter 5. Review of Amendments

Sec. 1. This chapter applies to a contract between a state agency and a contractor that is entered into, renewed, or amended after June 30, 2025.

Sec. 2. A state agency shall provide a report to the budget committee not later than January 1, April 1, July 1, and October 1 of each year, in the form and manner designated by the budget committee, that details the contract amendments entered into by the state agency since the date of the last report under this section to which at least one (1) of the following applies:

(1) For any contract, increase the maximum contract amount by an amount that is not less than five hundred thousand dollars (\$500,000).

(2) For an initial contract with a maximum contract amount



of not less than five hundred thousand dollars (\$500,000), extend the term of the initial contract for a period of not less than six (6) months.

Chapter 6. Contract Reporting and Requirements

Sec. 1. (a) This chapter applies to contracts entered into between a state agency and a contractor.

(b) This chapter does not apply to a contract solely entered into for licensed legal counsel.

Sec. 2. (a) All active contracts that are funded in part or in full by state appropriated funds, including state, federal, and dedicated funds, shall within thirty (30) days of entering into the contract be submitted to the state budget agency and the department for inclusion on the state transparency portal under IC 5-14-3.5-2.

(b) The state budget agency shall on or before June 1, 2026, and June 1 each year thereafter compile a report of all contracts submitted under subsection (a) for the immediately preceding calendar year and submit the report to the state budget committee.

Chapter 7. Prohibition of Nonpublic Contracts

Sec. 1. This chapter does not apply to the following:

- (1)** A contract solely entered into for licensed legal counsel.
- (2)** A purchase subject to the small purchase policies established by a state agency under IC 5-22-8.
- (3)** A contract for services provided by a bank holding company or its subsidiaries or for investments, investment services, or financial services entered into by the treasurer of state under IC 4-8.1, IC 5-13, or IC 10-12.
- (4)** A contract entered into with a program established under IC 11-10-7-2.

Sec. 2. As used in this chapter, "nonpublic contract" means a contract that is entered into without solicitation of proposals or competitive procurement. However, the term does not include a contract entered into under the following:

- (1)** IC 5-22-10.
- (2)** IC 4-13.6-5-5 (Emergency conditions).
- (3)** An agreement or contract described in IC 31-25-4-13.1.

Sec. 3. All contract opportunities of state agencies must be posted in the form of a request for proposals or a request for quotations on the department's website at least thirty (30) days prior to the contract being awarded.

Sec. 4. Except as otherwise required by law, a state agency shall not enter into a nonpublic contract.

SECTION 7. IC 12-8-6.5-16 IS ADDED TO THE INDIANA CODE



AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 16. The secretary and the office of Medicaid policy and planning shall do each of the following as it pertains to the state Medicaid program:**

(1) Review monthly reports on the Medicaid program service utilization to identify trends and risks within the state Medicaid program.

(2) Complete and post publicly on the office of the secretary's website:

(A) monthly financial reports or expenditures and revenues for each state Medicaid program; and

(B) commentary providing context for each monthly financial report.

(3) Submit a quarterly report to the budget committee and the Medicaid oversight committee established by IC 2-5-54-2 containing each report required under subdivision (2) and a summary of the overall financial trends for the entire quarter.

SECTION 8. An emergency is declared for this act.



President of the Senate

President Pro Tempore

Speaker of the House of Representatives

Governor of the State of Indiana

Date: _____ Time: _____

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