

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

LS 7508
BILL NUMBER: SB 5

NOTE PREPARED: Jan 28, 2025
BILL AMENDED: Jan 23, 2025

SUBJECT: State Fiscal and Contracting Matters.

FIRST AUTHOR: Sen. Baldwin
FIRST SPONSOR: Rep. Lehman

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Artificial Intelligence:* This bill allows a state agency to use artificial intelligence software to prepare information and projections for the state budget.

Federal Funds Application Review: The bill requires a state agency to: (1) report to the Budget Committee certain information before submitting a new federal funds request or application to participate in a new federal program; and (2) obtain the Budget Committee's review if the new federal funds request or application to participate in a new federal program would require a transfer in funds between state accounts for a state match.

Vacant Positions: The bill requires that permanent full-time positions which have been vacant for 90 days or more be reviewed and either: (1) reauthorized; or (2) eliminated; by the Budget Director. The bill also requires the Budget Director to provide a quarterly report to the Governor's office regarding those positions that were reauthorized or eliminated by the Budget Director in the preceding three months.

Contract Accountability: The bill requires the Indiana Department of Administration (IDOA) to develop a process for state agencies to submit complaints about contractors. It allows the IDOA to disqualify a contractor with one or more complaints from entering into state contracts.

The bill also requires a state agency to provide the State Comptroller with a contract for inclusion in the Indiana transparency website not later than 30 days after the contract is fully executed. It requires a state agency to provide quarterly reports to the Budget Committee regarding the state agency's active contracts.

Unexpended Contract Amounts: The bill also provides for the reversion of funds appropriated to a state agency for expenses related to a contract that are unused after the end of the contract term.

Contract Language: The bill requires the IDOA to develop certain contract language to be included in state contracts of \$500,000 or more.

Contract Amendments: The bill also requires the Budget Committee to review a proposed amendment to a

contract that: (1) increases the maximum contract amount by not less than \$500,000; or (2) for a contract with an initial maximum contract amount of not less than \$500,000, extends the term of the contract by not less than six months.

Nonpublic Contracts: The bill prohibits any entity that receives state appropriations from entering into a nonpublic contract. It defines "nonpublic contract". It also requires all contracts of any entity that receives state appropriations to be competitively procured. It provides that the following apply to nonpublic contracts of a state entity that have not been competitively procured and that are in existence on June 30, 2025: (1) The nonpublic contract shall terminate December 31, 2025. (2) On or before July 1, 2025, the state entity shall submit a competitive procurement through a public process for any new contract to replace a contract. It requires all contract opportunities of state entities to be posted in the form of a Request for Qualifications "RFQ" on the state entity's website prior to the contract being awarded.

OMPP: The bill requires the Office of the Secretary of Family and Social Services Administration (FSSA) and the Office of Medicaid Policy and Planning (OMPP) to do the following: (1) Establish a reporting work group to review inputs and overall financials validation. (2) Establish a steering committee to develop accompanying commentary. (3) Review monthly reports on the Medicaid program service utilization to identify trends and risks within the state Medicaid program. (4) Post publicly on the FSSA's website monthly financial reports or expenditures and revenues for each state Medicaid program and commentary providing context for each monthly financial report. (5) Submit a quarterly report to the Budget Committee.

Effective Date: Upon passage; July 1, 2025.

Explanation of State Expenditures: Summary - The bill would increase the workload of the State Budget Director to review permanent full-time positions that have been vacant for longer than 90 days. To the extent the State Budget Director elects to eliminate these positions, state expenditures could decrease. Any decrease in state expenditures would depend on if the impacted agency has its appropriation reduced by an amount to reflect elimination of vacant positions. The State Personnel Department (SPD) could also experience an increase in workload, if requested by the Budget Director, to review vacant positions to determine the proper classification for those positions.

This bill is also expected to increase the workload of the IDOA to administer the Contract Accountability program created by the bill. Additionally, the bill will increase the workload of the State Comptroller, State Budget Agency, and Indiana Office of Technology (IOT) to satisfy requirements in the bill concerning state contracting. The bill will also impact the State Budget Committee to review required reports in the bill. Lastly, the bill would increase the workload of all state agencies to provide required information to the IDOA as well as the State Budget Committee. All increases in workload are expected to be accomplished within existing resource and funding levels.

Additional Information -

Vacant Positions: Under the bill, permanent full-time positions that have been vacant for longer than 90 days would be evaluated and either reauthorized or eliminated by the Budget Director. According to state staffing data, about 71% to 79% of all vacant positions have been vacant for 90 days or more.

Unexpended Contract Amounts: The bill allows unexpended funds for state contracts to be reverted to the state agency to which they were appropriated. This could reduce state expenditures on agency operating costs or potentially increase General Fund reversions at fiscal year closeout.

Artificial Intelligence: Allowing state agencies to utilize artificial intelligence (AI) in order to prepare budget projections could decrease state agency workload. There is currently no prohibition on agencies utilizing AI to reduce agency workload. To the extent this bill increases the utilization of AI by state agencies, the bill could decrease state agency workload.

Federal Funds Application Review: The bill requires all state agencies to submit a report to the State Budget Committee before making a new application for federal funds. The bill does not require State Budget Committee approval as a condition of submitting the application to the federal government. This requirement will increase the workload of all state agencies, as well as the State Budget Committee to review submitted requests.

Contract Accountability: Administering the required program for contract accountability is expected to increase the workload of the Indiana Department of Administration (IDOA). Most of the workload will be performed by state agencies that are required to submit quarterly reports to the IDOA concerning contracts in excess of \$500,000 beginning January 1, 2026. The IDOA would be charged with compiling this information into a single quarterly report to the State Budget Committee. These quarterly reports are to contain information concerning the current contract expenditures compared with the maximum contract amount, changes to contract terms, success metrics utilized by the state agency, as well as disqualified contractors.

Any complaints concerning contractors would require a report from the affected state agency as well as review and investigation by the IDOA. If a contractor is disqualified after review, the contractor's information is required to be submitted to the State Comptroller for publishing on the IOT's Transparency Portal. Publishing a list of contractors who have been disqualified from contracting with the state on the IOT's Transparency Portal is expected to increase the workload of the IOT as well as the State Comptroller.

Additionally, the bill requires all contracts entered into by a state agency to be included on the IOT Transparency Portal in an electronic, spreadsheet format. Most of this work is expected to be performed by state agencies that report contracts to the IDOA.

The bill would also require all public agencies (including political subdivisions) that receive state or federal funds for contracts to report these contracts to the State Budget Agency and the State Comptroller within 30 days of the contract being entered into. This information would be included in the state's transparency portal and the State Budget Agency would annually report this information to the State Budget Committee beginning June 1, 2026. Increases in state agency workload to satisfy these requirements is expected to be accomplished within existing resource and funding levels.

Nonpublic Contracts: The bill prohibits state entities from entering into nonpublic contracts beginning in FY 2026. The bill would also nullify any nonpublic contract that is in effect on January 1, 2026. Any state agency with nonpublic contracts in effect would have to enter the request for proposal process beginning July 1, 2025 to replace these contracts. Any impact on state expenditures from this prohibition is indeterminable.

Contract Language: Requiring IDOA to provide contract templates to state agencies by March 1, 2026, is expected to be accomplished within existing resource and funding levels.

Contract Amendments: The bill will increase state agency workload to provide contract amendments to the State Budget Committee for review. The bill does not require State Budget Committee approval as a condition of accepting the amended contract. This requirement will increase the workload of all state

agencies, as well as the State Budget Committee to review submitted requests.

OMPP: The bill codifies requirements for the Office of Medicaid Policy and Planning (OMPP) that are currently performed. These requirements are expected to have no fiscal impact.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill would require political subdivisions to report certain information to the State Budget Agency if the subdivision receives state funds for contracts. Increases in local workload to satisfy reporting requirements is expected to be accomplished under existing resource and funding levels.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: State Staffing Report, December 2024; <https://secure.in.gov/apps/idoa/contractsearch/>

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