

# SENATE BILL No. 5

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-12; IC 4-13-2-18; IC 4-15-2.2-26; IC 5-14-3.5; IC 5-35.7.

**Synopsis:** State fiscal and contracting matters. Allows a state agency to use artificial intelligence software to prepare information and projections for the state budget. 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. 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. 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. 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. Requires a state agency to provide quarterly reports to the budget committee regarding the state agency's active contracts. Requires the department of administration (department) to develop a process for state agencies to submit complaints about contractors. Allows the department to disqualify a contractor with one or more complaints from entering into state contracts. 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. Requires the department to develop certain contract language to be included in state contracts of \$500,000 or more. Requires the budget committee to  
(Continued next page)

**Effective:** July 1, 2025.

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## Baldwin

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January 14, 2025, read first time and referred to Committee on Appropriations.

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Digest Continued

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.



Introduced

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 BILL No. 5



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

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

1           SECTION 1. IC 4-12-1-7.5 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2025]: **Sec. 7.5. A state agency may use artificial intelligence  
4 software to prepare a statement required under section 7 of this  
5 chapter or any budget projections for the state agency.**  
6           SECTION 2. IC 4-12-19 IS ADDED TO THE INDIANA CODE AS  
7 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY  
8 1, 2025]:  
9           **Chapter 19. Federal Funds Requests**  
10          **Sec. 1. As used in this chapter, "new federal funds" means**  
11 **federal assistance or other funds that are available from:**  
12           **(1) the federal government, which the state is not currently**  
13 **receiving; or**  
14           **(2) a federal assistance program or other federal program, in**  
15 **which the state is not currently participating.**



1           **Sec. 2.** As used in this chapter, "new federal funds request"  
2 means a formal submission from a state agency to the federal  
3 government applying for or otherwise seeking to obtain new  
4 federal funds or to participate in a new federal program that will  
5 result in federal funds being transferred to the state.

6           **Sec. 3.** As used in this chapter, "new state money" means money  
7 that the federal government requires the state to expend in any  
8 fiscal year as a condition for receiving federal funds or  
9 participating in a federal program.

10           **Sec. 4. (a)** As used in this chapter, "state agency" means an  
11 authority, branch, commission, committee, division, office, or other  
12 instrumentality of the executive branch of state government.

13           **(b)** The term does not include:

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

17           **Sec. 5. (a)** Subject to subsection (b), before submitting a new  
18 federal funds request or applying to participate in a new federal  
19 program, the state agency must submit a report to the budget  
20 committee containing:

- 21           (1) a federal funds request summary; and  
22           (2) the state agency's application for the new federal funds or  
23           to participate in the new federal program.

24           **(b)** If a state agency's new federal funds request or application  
25 to participate in a new federal program would require the state  
26 agency to transfer funds between state accounts for a state match  
27 as a condition to receive the funds or to participate in the program,  
28 the state agency must obtain the budget committee's review of the  
29 materials required under subsection (a)(1) and (a)(2).

30           **(c)** A federal funds request summary must contain, at a  
31 minimum:

- 32           (1) the date by which the application is due to the federal  
33 government;  
34           (2) the amount of money that is being requested or is available  
35 to be received by the state from the federal government from  
36 the new federal funds request;  
37           (3) the amount of new state money, if any, that will be  
38 required to receive the new federal funds or to participate in  
39 the new federal program;  
40           (4) the number of additional permanent full-time employees  
41 and additional permanent part time employees, if any, the  
42 state agency estimates are necessary to receive the new



1           **federal funds or to participate in the new federal program;**  
 2           **and**  
 3           **(5) any requirements the state must meet as a condition for**  
 4           **receiving the new federal funds or participating in the new**  
 5           **federal program.**

6           **Sec. 6. A state agency may not submit a new federal funds**  
 7           **request or an application to participate in a new federal program**  
 8           **until the state agency has complied with the requirements of**  
 9           **section 5 of this chapter. If the budget committee has not received**  
 10           **a report or conducted a review, as applicable, the state agency may**  
 11           **not submit the application to any federal agency.**

12           SECTION 3. IC 4-13-2-18, AS AMENDED BY P.L.9-2024,  
 13           SECTION 89, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 14           JULY 1, 2025]: Sec. 18. (a) For the purpose of the administration of the  
 15           allotment system provided by this section, each fiscal year shall be  
 16           divided into four (4) quarterly allotment periods, beginning  
 17           respectively on the first day of July, October, January, and April. In any  
 18           case where the quarterly allotment period is impracticable, the budget  
 19           director may prescribe a different period suited to the circumstances  
 20           but not extending beyond the end of any fiscal year.

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

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

36           (1) the state agency shall have submitted to the budget agency a  
 37           request for allotment, the request for allotment to consist of an  
 38           estimate of the amount required for each activity and each  
 39           purpose for which money is to be expended during the applicable  
 40           allotment period; and

41           (2) the estimate contained in the request for allotment shall have  
 42           been approved, increased, or decreased by the budget director and



- 1 funds allotted as provided.
- 2 The form of a request for allotment, including a request by hand, mail,  
3 facsimile transmission, or other electronic transmission, shall be  
4 prescribed by the budget agency with the approval of the state  
5 comptroller and shall be submitted to them at least twenty-five (25)  
6 days prior to the beginning of the allotment period.
- 7 (d) Each request for allotment shall be reviewed by the budget  
8 agency and respective amounts shall be allotted for expenditure if:
- 9 (1) the estimate is within the terms of the appropriation as to  
10 amount and purpose, having due regard for the probable future  
11 needs of the state agency for the remainder of the fiscal year or  
12 other term for which the appropriation was made; and
- 13 (2) the agency contemplates expenditure of the allotment during  
14 the period.
- 15 Otherwise the budget agency shall modify the estimate to conform with  
16 the terms of the appropriation and the prospective needs of the state  
17 agency, and shall reduce the amount to be allotted accordingly. The  
18 budget agency shall act promptly upon all requests for allotment and  
19 shall notify every state agency of its allotments at least five (5) days  
20 before the beginning of each allotment period. The total amount  
21 allotted to any agency for the fiscal year or other term for which the  
22 appropriation was made shall not exceed the amount appropriated for  
23 the year or term.
- 24 (e) The budget director shall also have authority at any time to  
25 modify or amend any allotment previously made by the budget director.
- 26 (f) In case the budget director shall discover at any time that:
- 27 (1) the probable receipts from taxes or other sources for any fund  
28 will be less than were anticipated; and
- 29 (2) as a consequence the amount available for the remainder of  
30 the term of the appropriation or for any allotment period will be  
31 less than the amount estimated or allotted;
- 32 the budget director shall, with the approval of the governor, and after  
33 notice to the state agency or agencies concerned, reduce the amount or  
34 amounts allotted or to be allotted to prevent a deficit.
- 35 (g) The budget agency shall promptly transmit records of all  
36 allotments and modifications to the state comptroller.
- 37 (h) The state comptroller shall maintain as a part of the central  
38 accounting system for the state, as provided, records showing at all  
39 times, by funds, accounts, and other pertinent classifications, the  
40 amounts appropriated, the estimated revenues, the actual revenues or  
41 receipts; the amounts allotted and available for expenditure, the total  
42 expenditures, the unliquidated obligations, actual balances on hand,



1 and the unencumbered balances of the allotments for each state agency.

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

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

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

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

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

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

42 SECTION 4. IC 4-15-2.2-26, AS ADDED BY P.L.229-2011,



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

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

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

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

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

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

- 23 **(1) review permanent full-time positions which have been  
24 vacant for ninety (90) days; and**
- 25 **(2) either:**

26 **(A) reallocate a vacant position to the proper class based  
27 on the duties and responsibilities of the position at the time  
28 of the review under subdivision (1); or**

29 **(B) eliminate the position from state civil service.**

30 SECTION 5. IC 5-14-3.5-2, AS AMENDED BY P.L.9-2024,  
31 SECTION 148, IS AMENDED TO READ AS FOLLOWS  
32 [EFFECTIVE JULY 1, 2025]: Sec. 2. (a) The state comptroller,  
33 working with the office of technology established by IC 4-13.1-2-1, or  
34 another organization that is part of a state educational institution, and  
35 the office of management and budget established by IC 4-3-22-3, shall  
36 post on the Indiana transparency website the following data:

- 37 (1) A listing of state expenditures and fund balances, including  
38 expenditures for contracts, grants, and leases.
- 39 (2) A listing of state owned real and personal property that has a  
40 value of more than twenty thousand dollars (\$20,000).
- 41 **(3) A listing of contractors who are currently disqualified  
42 from participating in state contracts under IC 5-35.7-3-3.**





- 1           **(4) Every contract provided by a state agency as required**  
 2           **under section 6(b) of this chapter.**  
 3           The website must be electronically searchable by the public and must  
 4           be intuitive to users of the website.
- 5           (b) The data base must include for each state agency:  
 6           (1) the amount, date, payer, and payee of expenditures;  
 7           (2) a listing of state expenditures by:  
 8                (A) personal services;  
 9                (B) other operating expenses; or  
 10              (C) total operating expenses;  
 11           to reflect how the funds were appropriated in the state budget act;  
 12           (3) a listing of state fund balances;  
 13           (4) a listing of property owned by the state; and  
 14           (5) the information report required under IC 4-12-1-21(c).
- 15           (c) The data base must include for each state educational institution  
 16           a listing of the annual salaries for employees of the state educational  
 17           institution.
- 18           SECTION 6. IC 5-14-3.5-6, AS AMENDED BY P.L.9-2024,  
 19           SECTION 151, IS AMENDED TO READ AS FOLLOWS  
 20           [EFFECTIVE JULY 1, 2025]: Sec. 6. **(a)** To the extent any information  
 21           required to be in the data base is collected or maintained by a state  
 22           agency or state educational institution, the state agency or state  
 23           educational institution shall provide that information to the state  
 24           comptroller for inclusion in the data base.
- 25           **(b) To the extent a contract entered into by a state agency is**  
 26           **required to be included in the data base, the state agency shall**  
 27           **provide the contract to the state comptroller for inclusion in the**  
 28           **data base not later than thirty (30) days after the contract is fully**  
 29           **executed.**
- 30           SECTION 7. IC 5-35.7 IS ADDED TO THE INDIANA CODE AS  
 31           A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,  
 32           2025]:
- 33           **ARTICLE 35.7. FISCAL INTEGRITY AND CONTRACT**  
 34           **ACCOUNTABILITY**
- 35           **Chapter 1. Definitions**
- 36           **Sec. 1. As used in this article, "active contract" means a**  
 37           **contract for which the term of the contract has not expired.**
- 38           **Sec. 2. (a) As used in this article, "contract" means a contract,**  
 39           **agreement, or similar arrangement by any other name, and**  
 40           **includes any amendments, addendums, or extensions.**
- 41           **(b) The term includes contracts entered into for state public**  
 42           **works projects by the public works division within the department.**



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**(c) The term does not include:**

- (1) A contract between state agencies.**
- (2) A contract between a state agency and an employee of the state agency concerning employment.**

**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 an authority, branch, commission, committee, division, office, or other instrumentality of the executive branch of state government, including the department.**

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

**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 (1) The current contract expenditures compared with the  
2 maximum contract amount of the contract.

3 (2) Any changes made to the terms of the initial contract since  
4 the prior report, including amendments or change orders,  
5 with an explanation of necessity.

6 (3) The metrics used by the state agency to assess the success  
7 and performance of the contract.

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

10 **Chapter 3. Disqualification of Contractors**

11 **Sec. 1. Not later than July 1, 2026, the department shall develop  
12 and implement the following:**

13 (1) A process for a state agency to submit a complaint about  
14 a contractor under section 2 of this chapter.

15 (2) A process for the department to review and investigate  
16 complaints submitted about a contractor under subdivision

17 (1).

18 (3) A process for a contractor to appeal a disqualification  
19 under section 3 of this chapter.

20 **Sec. 2. (a) A state agency must submit a complaint about a  
21 contractor to the department if the contractor engages in any of  
22 the following behavior:**

23 (1) Exceeding the costs to the state agreed upon in a contract.

24 (2) Failing to perform by deadlines agreed upon in a contract.

25 (3) Failing to perform under the terms agreed upon in a  
26 contract.

27 (4) Any additional behavior or criteria determined by the  
28 department.

29 (b) Complaints received by the department under subsection (a)  
30 are confidential and are not subject to disclosure under IC 5-14-3.

31 **Sec. 3. (a) The department shall review and investigate a  
32 complaint submitted by a state agency under section 2 of this  
33 chapter.**

34 (b) After reviewing and investigating one (1) or more complaints  
35 about a contractor, the department may disqualify the contractor  
36 from entering into state contracts for a period of three (3) to five  
37 (5) years, subject to the appeals process developed by the  
38 department as required under section 1 of this chapter.

39 **Sec. 4. The department shall provide the state comptroller with  
40 the name of a contractor disqualified under section 3 of this  
41 chapter. The state comptroller shall post the list of disqualified  
42 contractors to the state transparency portal under IC 5-14-3.5-2.**



1           **Sec. 5. The department shall adopt rules under IC 4-22-2 to**  
 2 **implement this chapter.**

3           **Chapter 4. Reversion of Appropriations**

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

6           **Sec. 2. Unless otherwise provided by law, any funds**  
 7 **appropriated by the general assembly to a state agency for an**  
 8 **expense related to a contract that remain unused sixty (60) days**  
 9 **after the end of the term of the contract:**

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

14           **Chapter 5. Mandatory Contract Terms**

15           **Sec. 1. This chapter applies to a contract between a state agency**  
 16 **and a contractor that:**

- 17           (1) **is entered into, renewed, or amended after June 30, 2026;**  
 18 **and**  
 19           (2) **has a maximum contract amount of not less than five**  
 20 **hundred thousand dollars (\$500,000) in the initial contract.**

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

- 23           (1) **Clearly defined scopes and success metrics.**  
 24           (2) **Liquidated damages for missed deadlines or overages.**  
 25           (3) **Provisions for independent verification and validation of**  
 26 **contract terms before payments are made.**

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

31           **Chapter 6. Review of Amendments**

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

35           **Sec. 2. (a) A state agency must provide to the budget committee**  
 36 **for its review, in the form and manner designated by the budget**  
 37 **committee, a contract amendment that would do at least one (1) of**  
 38 **the following:**

- 39           (1) **For any contract, increase the maximum contract amount**  
 40 **by an amount that is not less than five hundred thousand**  
 41 **dollars (\$500,000).**  
 42           (2) **For an initial contract with a maximum contract amount**



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

4           (b) A state agency may not enter into a contract amendment to  
5           which subsection (a) applies if the contract amendment has not  
6           been reviewed by the budget committee.

7           Sec. 3. A contract amendment subject to review in section  
8           2(a)(1) of this chapter must be paid from funds already  
9           appropriated to the state agency.

