

## OMB Circular 1.2

### OMB Guidance on SEA 5 (2025) – FAQs and Answers (effective July 1, 2025)

#### Purpose

The purpose of this Office of Management and Budget Circular (OMC) is to provide guidance to state agencies on certain questions that agencies have raised concerning SEA 5 (2025 Session). This Circular may be amended from time-to-time to address new questions that arise.

#### FAQs and Answers

##### 1. Scope and Applicability

- **Leases:** SB5 defines “contract” broadly (including agreements, amendments, extensions, etc.). Based on this, we believe leases and lease amendments are covered—but would appreciate confirmation.

Leases are included in the definition.

- **Quasi-entities:** It’s unclear whether SB5 applies to entities like the State Parks Inns Authority or the Natural Resources Foundation. Does “state agency” extend to these bodies?

Earlier versions of the bill included the following definition of “state agency” in the relevant provisions: “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.” The issue of whether this covered quasi-agencies was raised with the sponsors and the language was narrowed to its final form. For this reason, we believe it does not cover quasi-agencies.

- **Residential leases for employment:** We believe these may fall under the employment exemption in IC 5-35.7-1-2(c)(2), especially for roles where on-site housing is mandatory.

When employees have to live in a residence on state-owned property as a condition of their employment, the leases for the properties fall under this exemption.

## **2. Contract Transparency Requirements**

- Must all executed contracts be posted to the Indiana Transparency Portal within 30 days, regardless of execution method (SCM vs. paper)?

Yes. State agencies will follow the existing process for ensuring that contracts are transmitted to IDOA so that IDOA can post them.

- If SCM-processed contracts are automatically posted by IDOA, do agencies still bear responsibility for verification and follow-up?

No, but of course if agencies are aware one or more of their contracts have not been timely posted, they should notify their IDOA contact with the details to facilitate compliance.

- What's the protocol if a contract is not posted timely, especially for paper contracts where legal or business units may not see the fully executed version?

If an agency becomes aware that a contract has not been posted timely, please reach out to your IDOA contact person for support. It is recommended that at least one person in the business or legal unit be assigned responsibility to ensure that each contract is fully-executed.

## **3. Contract Amendments, Renewals, and Terminations**

- The \$500K/six-month threshold for amendments and renewals raises concern. Will this apply to:

- Long-term real estate leases?

Yes

- Straightforward renewals that were anticipated in the original contract?

Because SEA 5 only calls for a report of such renewals to the budget committee, please include these to be on the safe side.

- Will the Budget Committee need to approve such amendments, or merely review them?

The final version of the bill only requires quarterly reports to the budget committee on such amendments or renewals, not approval or review.

#### **4. New Procurement Timeline**

- The new requirement to publicly post all contract opportunities (e.g., RFQs) for 30 days will extend current procurement lead times considerably. Some agencies currently use a delegated process requiring only 7-day notification to 4 vendors for contracts under \$75K. We need clarity on whether SEA 5 overrides this practice.

See OMB Circular 1.1 for IDOA guidance.

- Must opportunities be posted directly on IDOA's website, or is posting on the agency's own website with an IDOA link sufficient?

Agencies must issue a Request for Quotes/Qualification (RFQ), which must be posted for 30 calendar days on IDOA's website. See instructions [here](#). For remaining questions, after reviewing DPAP requirements, please contact [idoaprocsupport@idoa.in.gov](mailto:idoaprocsupport@idoa.in.gov).

#### **5. Federal Grant Compliance**

- SB5 appears to require Budget Committee review prior to submitting a federal grant application or program request if it involves a state match or fund transfer.
- We're unclear whether this review must be formal (i.e., approval required) or if it's more like an EDS certification process.

The final version of the bill requires agencies to submit quarterly reports to the budget committee that include specified information on their federal grant applications. There is no requirement for prior review or approval before the application is submitted. The agency cannot accept the funds until the budget committee has "reviewed" the report. In this context, "review" means the report was on the budget committee's agenda for a meeting and the agenda was approved after the meeting.

#### **6. Vacant Position Review**

- The 90-day window for position vacancies before Budget Director review/elimination could incentivize premature or underqualified hiring to avoid losing positions.

This concern was raised during session, but obviously we have to follow the statute. The recommendation is to track the time your postings are active and, as the 90 day

deadline approaches, communicate with your agency's budget analyst to advocate for them to remain active.

## **7. Contract Closeout and Third-Party Review**

- Who is responsible for tracking and verifying contract term completion? Will IDOA handle this centrally, or will agencies need their own system?

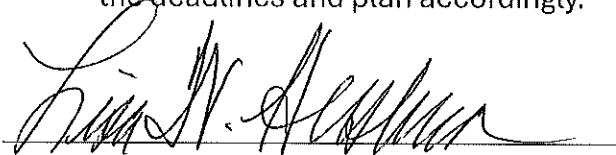
See SBA Financial Management Circular 3.1. State agencies are responsible.

- Does an agency's Internal Audit or another internal division qualify as the "independent third party" reviewer under Section 6, IC 5-35.7-4?

No. Please refer to OMB Circular 1.1 for IDOA's guidance.

- What process should be used for grant closeout and PO management when final payments are delayed due to year-end processes or pending reimbursements?

Prior to fiscal year end close, the Comptroller's office issues a memo to agencies outlining important deadlines for fiscal year end close. CFO/Controllers should review the memo with accounting and program staff to make sure they are aware of the deadlines and plan accordingly.



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