



House of Representatives

General Assembly

File No. 66

February Session, 2026

House Bill No. 5039

House of Representatives, March 18, 2026

The Committee on Government Oversight reported through REP. DATHAN of the 142nd Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT REQUIRING TRANSPARENCY AND ADDITIONAL OVERSIGHT OF THE DISTRIBUTION OF CERTAIN LEGISLATIVELY DIRECTED FUNDS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2026*) (a) For purposes of this section
2 and section 3 of this act:

3 (1) "Legislatively directed funds" means an appropriation by public
4 or special act of the General Assembly that authorizes or obligates a
5 specific amount of money for a contract or other expenditure with a
6 grant, loan or other economic assistance or incentive to a specific entity.
7 "Legislatively directed funds" does not include any of the following:

8 (A) An appropriation made in response to a natural disaster or other
9 emergency situation;

10 (B) An appropriation where the recipient is a state agency or political
11 subdivision of the state;

12 (C) An appropriation made through a formula-driven or competitive
13 award process; or

14 (D) Any funds authorized by the State Bond Commission pursuant
15 to section 3-20 of the general statutes.

16 (2) "State agency" means any department, board, council,
17 commission, institution or other executive branch agency of state
18 government, but does not include any constituent unit of the state
19 system of public higher education.

20 (b) The Secretary of the Office of Policy and Management shall
21 establish policies and procedures regarding requirements for the
22 administration of legislatively directed funds by state agencies. Such
23 policies and procedures shall include, but need not be limited to, that:

24 (1) State agencies shall only distribute legislatively directed funds to
25 recipients on a reimbursement basis, unless the state agency establishes,
26 to the satisfaction of the secretary or the secretary's designee, that (A) a
27 unique circumstance exists necessitating that such funding be disbursed
28 other than on a reimbursement basis, and (B) the recipient has
29 demonstrated that it has sufficient financial controls;

30 (2) The recipient of legislatively directed funds shall establish, to the
31 satisfaction of the administering state agency, that it has a plan and the
32 capacity to utilize such funding and that it has sufficient financial
33 security protections to ensure safe use and administration of the funds;
34 and

35 (3) Prior to transferring any legislatively directed funds to a
36 subawardee or a subrecipient, a recipient of legislatively directed funds
37 shall obtain the written approval of the administering state agency of
38 such transfer to the subawardee or subrecipient.

39 (c) On or before September 1, 2026, and annually thereafter, each
40 recipient shall submit a report to the state agency administering its
41 legislatively directed funds, in a form and manner established by the
42 secretary under subsection (b) of this section, concerning how the

43 recipient utilized the legislatively directed funds during the
44 immediately preceding fiscal year.

45 (d) On or before November 1, 2026, and annually thereafter, each
46 state agency shall submit a report to the secretary, in a form and manner
47 established by the secretary under subsection (b) of this section, on any
48 legislatively directed funds the state agency administered during the
49 prior fiscal year, including a summary of any report received under
50 subsection (c) of this section, or a statement that the state agency did not
51 administer any legislatively directed funds during such period.

52 (e) On or before January 1, 2027, and annually thereafter, the
53 Secretary of the Office of Policy and Management shall publish on the
54 Internet web site of the Office of Policy and Management a database of
55 all legislatively directed funds administered by a state agency during
56 the prior fiscal year. Such database shall contain a summary of the
57 information obtained by the secretary through the annual reports
58 submitted by recipients of legislatively directed funds and state
59 agencies that administer such funds pursuant to subsections (c) and (d)
60 of this section.

61 Sec. 2. Subsection (d) of section 4-186 of the 2026 supplement to the
62 general statutes is repealed and the following is substituted in lieu
63 thereof (*Effective July 1, 2026*):

64 (d) The provisions of this chapter shall not apply to: (1) [To
65 procedures] Procedures followed or actions taken concerning the lower
66 Connecticut River conservation zone described in chapter 477a and the
67 upper Connecticut River conservation zone described in chapter 477c,
68 (2) [to] the administrative determinations authorized by section 32-9r
69 concerning manufacturing facilities in distressed municipalities, (3) [to]
70 the rules made pursuant to section 9-436 for use of paper ballots, [and]
71 (4) [to] guidelines established under section 22a-227 for development of
72 a municipal solid waste management plan, and (5) policies and
73 procedures established under section 1 of this act concerning the
74 administration of legislatively directed funds.

75 Sec. 3. (NEW) (*Effective July 1, 2026*) No state agency shall enter into a
76 contract to provide funds, including, but not limited to, funds in the
77 form of a grant, loan or other economic assistance or incentive, to a
78 specific entity at the direction of the General Assembly or any member
79 of the General Assembly, unless the General Assembly enacts a public
80 or special act that appropriates funds for such purposes and such public
81 or special act (1) identifies the entity with reasonable particularity,
82 including by specifying the entity's legal name, the actual name the
83 entity is doing business under or the entity's principal office address, (2)
84 describes the purposes for which the specific entity will use the
85 appropriation, and (3) if the legislatively directed funds are intended to
86 be subawarded or subcontracted to a specific entity, the public or special
87 act provides the same information required by subdivisions (1) and (2)
88 of this section with respect to such subawardee or subcontractor. The
89 requirements of subdivisions (1) to (3), inclusive, of this section shall not
90 apply to appropriations or funds that are excluded from the definition
91 of "legislatively directed funds" in subparagraphs (A) to (D), inclusive,
92 of subdivision (1) of subsection (a) of section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2026</i>	New section
Sec. 2	<i>July 1, 2026</i>	4-186(d)
Sec. 3	<i>July 1, 2026</i>	New section

GOS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: None

Explanation

The bill establishes policies and procedures to administer legislatively directed funds (LDFs). There is no direct fiscal impact as the bill is similar to the recently announced, statewide executive branch [policy](#) on legislatively-directed or "earmarked" funds (LDFs). But there are potential fiscal impacts associated with that policy which are noted below.

State Agencies Administration

The implementation of the policy may increase an agency's administration workload based on (1) the volume of LDFs, (2) the complexity of any particular LDF, and (3) agency resources already dedicated to managing LDFs. Some additional staffing (e.g., temporary, part-time or full-time) may be required by certain agencies to accommodate this workload.

For context, PA 25-168, the FY 26 and FY 27 budget, includes 321 LDFs across sixteen executive branch agencies totaling approximately \$89 million in FY 27. The number of LDFs each such agency administers in FY 27 ranges from one to 200 administered by the Department of Economic and Community Development (DECD).¹

¹ The Governor's recommended revised FY 27 budget includes three additional positions within the DECD to enhance oversight of LDF grants and contracts.

Potential Lapses in Appropriations

To the extent that some designated recipients are unwilling or unable to comply with the new requirements under the policy, some LDF appropriations in FY 27 and beyond may go unspent and lapse.

OPM Policies and Procedures

The bill requires the Office of Policy and Management (OPM) to (1) adopt policies for state agencies that oversee the administration of LDFs, and (2) publish a database annually beginning January 1, 2027. This does not result in a fiscal impact to OPM as they have the resources necessary to meet these requirements.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future dependent upon the number and type of LDF appropriations adopted per fiscal year.

OLR Bill Analysis**HB 5039*****AN ACT REQUIRING TRANSPARENCY AND ADDITIONAL OVERSIGHT OF THE DISTRIBUTION OF CERTAIN LEGISLATIVELY DIRECTED FUNDS.*****SUMMARY**

This bill addresses the management and oversight of legislatively directed funds (LDFs) by creating requirements for LDF recipients, administering state agencies (defined as executive branch entities other than public higher education institutions), and the Office of Policy and Management (OPM).

The bill defines an LDF as a specific amount appropriated by the General Assembly by public or special act for a contract or other expenditure with a grant, loan, or other form of economic assistance to a specific entity. It does not include funds authorized by the State Bond Commission or appropriations (1) in response to a natural disaster or emergency, (2) to a state agency or political subdivision as the recipient, or (3) made through a formula or competitive award process.

Specifically, the bill:

1. requires OPM to adopt policies and procedures for state agencies that administer LDFs;
2. requires annual reports and publications by LDF recipients, awarding agencies, and OPM; and
3. limits state agencies from contracting to provide funds to an entity at the direction of the General Assembly or one of its members, unless the General Assembly has included specific recipient information in legislation.

EFFECTIVE DATE: July 1, 2026

OPM POLICIES AND PROCEDURES

The bill requires OPM to establish policies for state agencies that administer LDFs. The policies must at least require:

1. state agencies to only distribute LDFs to recipients on a reimbursement basis, unless the agency satisfies the OPM secretary or his designee that (a) a unique circumstance necessitates disbursing the funds in a different way, or (b) the recipient demonstrates that it has sufficient financial controls;
2. LDF recipients to satisfy the relevant agency of their plan and capacity to use the funding and maintain financial security protections for safe use of the funds; and
3. LDF recipients to obtain written state agency approval before transferring any LDFs to a subawardee or subrecipient.

The bill allows OPM to adopt policies and procedures without going through the regulatory process.

Reporting Requirements

The bill creates reporting and publishing requirements, including that:

1. each LDF recipient must annually, beginning by September 1, 2026, submit a report to the administering state agency describing how the LDFs were used in the preceding fiscal year, in a manner set by the OPM secretary;
2. each state agency must annually, beginning by November 1, 2026, submit a report to the secretary including a summary of LDFs administered by the agency, or state that the agency does not administer any LDFs, in a manner set by the OPM secretary; and
3. OPM must annually, beginning by January 1, 2027, publish a

database on OPM's website of all LDFs administered by a state agency in the previous fiscal year, including summaries from the annual reports described above.

LDF LEGISLATIVE REQUIREMENTS

The bill prohibits state agencies from entering into a contract to provide funds to a specific entity at the direction of the General Assembly or a legislator unless a public or special act appropriates the funds and includes (1) the awardee's identity, including their legal name, the actual name the entity is doing business under, or the principal office address; (2) a description of the purpose of the LDF; and (3) the same information described above about any intended subawardee or subcontractor. These requirements do not apply to appropriations or funds that are excluded from the definition of LDF.

BACKGROUND

OPM Policy on LDFs

OPM published a General Letter on January 20, 2026, titled "Legislatively Directed Funds Administration Policy." It addresses LDF administration, state and federal compliance requirements, best practices, communication, and risk mitigation. The policy requires, among other things, agencies to:

1. request information, if not already included in a public act, from legislative leadership about the legislative intent of the LDF, whether a subaward is permitted, and the name and address of the recipient and any subawardee;
2. document information on an intake form about the recipient or subawardee for state agency review, including general recipient information, intended use of the LDF, budget related to the LDF, organization documents, risk assessment, and any other necessary information;
3. conduct an internal review and approval process, including management and fiscal office validation, issuing final grant approval letters, and withholding LDF if the recipient or

subawardee fails to comply with various policies;

4. use a standard process for making payments on an invoice basis;
and
5. follow other OPM best practices for LDFs.

COMMITTEE ACTION

Government Oversight Committee

Joint Favorable

Yea 12 Nay 0 (03/17/2026)