

OFFICE OF FISCAL ANALYSIS

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HB-5039

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

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

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.

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