

OFFICE OF FISCAL ANALYSIS

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sHB-5255

AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE
AUDITORS OF PUBLIC ACCOUNTS CONCERNING OVERSIGHT
OF STATE AGENCY GRANTS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Policy & Mgmt., Off.	GF - Cost	92,900	90,770
State Comptroller - Fringe Benefits ¹	GF - Cost	37,700	37,700

Note: GF=General Fund

Municipal Impact: None

Explanation

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The bill requires the Office of Policy and Management (OPM) to meet certain requirements associated with legislatively directed funds (LEGs) which results in a cost of \$92,900 in FY 27 and an annual cost of \$90,770 beginning in FY 28 to OPM and corresponding fringe benefit costs of \$37,700 to the Office of the State Comptroller beginning in FY 27 for a Fiscal Administrative Officer.

This position will develop a contract template, create requirements for certain grantees of LEGs, develop a best practices training program for state agencies, require state agencies to annually report to OPM, and

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.82% of payroll in FY 27.

compile a summary of the agency reports as required in the bill.

Background on OPM Policy on Legislatively Directed Funds

The bill is similar to the recently announced, statewide executive branch [policy](#) on legislatively-directed or earmarked funds (LDFs). There are potential fiscal impacts associated with that policy which are noted below.

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).²

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.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

² The Governor's recommended revised FY 27 budget includes three additional positions within the DECD to enhance oversight of LDF grants and contracts.