



General Assembly

February Session, 2026

Governor's Bill No. 5039

LCO No. 537



* 0 0 5 3 7 *

Referred to Committee on GOVERNMENT OVERSIGHT

Introduced by:

Request of the Governor Pursuant
to Joint Rule 9

***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 direct 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 direct 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 |

 Section 1 | *July 1, 2026* | New section || Sec. 2 | *July 1, 2026* | 4-186(d) |
| Sec. 3 | *July 1, 2026* | New section |

Statement of Purpose:

To implement the Governor's budget recommendations.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]