
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)