
OLR Bill Analysis

sHB 5255

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

SUMMARY

This bill addresses the management and oversight of legislatively earmarked grants (LEGs) by creating requirements for LEG recipients and subrecipients (those that receive a LEG award from a state agency or other pass-through entity), state agencies (executive branch entities, including constituent units of higher education), and the Office of Policy and Management (OPM).

The bill defines LEGs as grants of state funds specifically authorized by the General Assembly in a special or public act, including appropriated and bond funds.

Specifically, the bill requires OPM to:

1. develop a contract template, which state agencies must begin using on January 1, 2027;
2. create requirements for grantees who provide a LEG subaward (a LEG awarded through a pass-through entity to a subrecipient for the same goals for which the funds were authorized), including verifying subrecipients' eligibility and getting authorization to access records and financial statements to monitor and ensure compliance;
3. develop a best practices training program for state agencies;
4. require state agencies to annually report to the OPM secretary on LEG awards and subawards; and
5. compile the agency reports and send a summary of them to the

Appropriations; Finance, Revenue and Bonding; and Government Oversight committees.

EFFECTIVE DATE: October 1, 2026

OPM POLICIES AND PROCEDURES

OPM Template

The bill requires OPM, by December 1, 2026, to develop a standard contract template for LEGs that includes audit specifications and required terms for subawards. On or after January 1, 2027, the bill requires state agencies to use the template for all LEG awards.

OPM Training Program

The bill also requires OPM to create a training program for state agencies on LEG best practices, use of the contract template, and any other grant requirements. The training program must be developed by December 1, 2026, and state agencies must ensure that any employee responsible for awarding LEGs attends the training on or after January 1, 2027. OPM must provide the training at least quarterly.

Requirements for Grantees

The bill requires OPM, by December 1, 2026, to develop requirements for grantees that provide a LEG subaward, including (1) verifying the subrecipient is eligible to receive the grant; (2) receiving authorization from the state agency or pass-through entity to access records, financial statements, and performance reports; and (3) using those documents to monitor the grant to ensure it was used for authorized purposes, complies with any terms and conditions, and achieves any associated performance goals.

REPORTING REQUIREMENTS

State Agency Annual Report

The bill requires state agencies to submit annual reports beginning by December 1, 2027, detailing all LEG awards and subawards they disbursed in the past year, in a form and manner set by the secretary. The report must include state agency evaluations of the recipient or subrecipient and any state agency concerns, and may include any state

agency requests for additional staffing or resources.

OPM Annual Summary Report

Under the bill, the OPM secretary must compile all the state agency reports into a summary and submit it annually, beginning by January 1, 2028, to the Appropriations; Finance, Revenue and Bonding; and Government Oversight committees.

BACKGROUND

OPM Policy on Legislatively Directed Funds

OPM published a General Letter on January 20, 2026, titled “Legislatively Directed Funds Administration Policy.” It addresses legislatively directed funds (LDFs), a concept similar to legislatively earmarked grants. The letter addresses LDF administration, state and federal compliance requirements, best practices, communication, and risk mitigation. The policy requires agencies to, among other things:

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, the intended use of the LDF, the 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 LDFs 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.

Related Bill

HB 5039 (File 66) contains similar provisions addressing the management of LDFs by creating requirements for LDF recipients, administering agencies, and OPM.

COMMITTEE ACTION

Government Oversight Committee

Joint Favorable

Yea 12 Nay 0 (03/17/2026)