



House of Representatives

General Assembly

File No. 321

February Session, 2026

Substitute House Bill No. 5255

House of Representatives, April 1, 2026

The Committee on Government Oversight reported through REP. DATHAN of the 142nd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

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

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective October 1, 2026*) (a) As used in this section:
- 2 (1) "Legislatively earmarked grants" means grants of state funds
3 specifically authorized in a special or public act of the General
4 Assembly, and includes appropriated funds and bond funds;
- 5 (2) "Subaward" means an award of legislatively earmarked grants
6 through a pass-through entity to a subrecipient for purposes of the goals
7 or objectives for which the state funds were authorized;
- 8 (3) "Subrecipient" means an entity that is receiving an award of a
9 legislatively earmarked grant from a state agency or other pass-through
10 entity; and

11 (4) "State agency" means any department, board, council,
12 commission, institution or other executive branch agency of state
13 government, including, but not limited to, each constituent unit.

14 (b) Not later than December 1, 2026, the Secretary of the Office of
15 Policy and Management shall develop: (1) A standard contract template
16 for legislatively earmarked grant awards, including, but not limited to,
17 audit specifications and required terms for subawards, (2) general
18 requirements for recipients of legislatively earmarked grant awards that
19 provide a subaward using such legislatively earmarked grant awards,
20 including, but not limited to, verifying that the subrecipient is not
21 suspended, disbarred or otherwise not eligible to receive a legislatively
22 earmarked grant award and obtaining an authorization for the state
23 agency or other pass-through entity to access relevant records, financial
24 statements and performance reports for purposes of monitoring the use
25 of the legislatively earmarked grant award to ensure that the subaward
26 was used for authorized purposes and such use complied with any
27 terms and conditions of the subaward and achieved the performance
28 goals associated with the legislatively earmarked grant award, and (3) a
29 general training program for state agencies in best practices concerning
30 legislatively earmarked grant awards and subawards, including on
31 using the applicable template and the requirements developed under
32 this subsection. The secretary shall offer the training developed
33 pursuant to this subsection not less than quarterly.

34 (c) On and after January 1, 2027, all state agencies shall use such
35 contract template for legislatively earmarked grant awards and shall
36 ensure that any of their employees responsible for awarding
37 legislatively earmarked grant awards and subawards attend the
38 training developed pursuant to subsection (b) of this section.

39 (d) Not later than December 1, 2027, and annually thereafter, each
40 state agency shall submit a report of all legislatively earmarked grant
41 awards and subawards disbursed by the state agency during the
42 preceding year to the Office of Policy and Management, in a form and
43 manner prescribed by the secretary. Such report shall include any

44 evaluations conducted by the state agency of the recipient or
 45 subrecipients of such awards or subawards and any concerns the state
 46 agency has concerning such recipients or subrecipients and may include
 47 any requests of the state agency for additional staffing or resources for
 48 purposes of complying with the monitoring requirements of this
 49 section. Not later than January 1, 2028, and annually thereafter, the
 50 secretary shall compile such reports into a summary of all such awards
 51 and subawards categorized by agency and shall submit such summary,
 52 in accordance with the provisions of section 11-4a of the general statutes,
 53 to the joint standing committees of the General Assembly having
 54 cognizance of matters relating to appropriations and the budgets of state
 55 agencies, finance, revenue and bonding and government oversight.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2026	New section

Statement of Legislative Commissioners:

In Subsec. (b), "grantees" was changed to "recipients of", "legislatively earmarked" was inserted before references to "grant" for consistency and in Subsec. (d) a reference to "Office of Policy and Management" was added for clarity.

GOS *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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

Background on OPM Policy on Legislatively Directed Funds

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.

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.

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)