

OFFICE OF FISCAL ANALYSIS

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HB-5039

AN ACT REQUIRING TRANSPARENCY AND ADDITIONAL
OVERSIGHT OF THE DISTRIBUTION OF CERTAIN
LEGISLATIVELY DIRECTED FUNDS.

As Amended by House "A" (LCO 3954)

House Calendar No.: 71

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Policy & Mgmt., Off.	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes policies and procedures to administer legislatively directed funds (LDFs). The associated impacts are noted below.

OPM Potential Cost. The bill results in a potential cost to the Office of Policy and Management (OPM) to hold a pre-award conference. Any cost is dependent on the number of recipients that must attend the conference.

Reporting Requirements. The bill also establishes various reporting requirements which have no fiscal impact. The bill requires the OPM to (1) adopt policies for state agencies that oversee the administration of LDFs, and (2) publish a database annually beginning January 1, 2027. This does not result in a fiscal impact to OPM as they have the resources necessary to meet these requirements.

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Reviewer: MM

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The bill also requires OPM and the Auditors of Public Accounts (APA) to review and report on expenditures made by state agencies under the Other Expenses line item. It is anticipated that OPM and APA can accommodate these requirements within existing resources.

The bill also establishes policies and procedures to administer LDFs. There is no direct fiscal impact as the bill is similar to the recently announced, statewide executive branch [policy](#) on legislatively-directed or "earmarked" funds (LDFs). But there are potential fiscal impacts associated with that policy which are noted in the background below.

Background on OPM January 20th Policy

State Agencies Administration. 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).¹

Potential Lapses in Appropriations. 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.

House "A" requires OPM to hold a pre-award conference which results in a potential cost to that agency. The amendment also makes modifications to the administration of LDFs and establishes additional

¹ The Appropriations Committee revised FY 27 budget includes three additional positions within the DECD to enhance oversight of LDF grants and contracts.

reporting requirements which have no fiscal impact.

The Out Years

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