



General Assembly

**Amendment**

February Session, 2026

LCO No. 3954



Offered by:

REP. DATHAN, 142<sup>nd</sup> Dist.

REP. WALKER, 93<sup>rd</sup> Dist.

REP. NOLAN, 39<sup>th</sup> Dist.

REP. WILSON, 46<sup>th</sup> Dist.

REP. CARNEY, 23<sup>rd</sup> Dist.

To: House Bill No. 5039

File No. 66

Cal. No. 71

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

1 Strike everything after the enacting clause and substitute the  
2 following in lieu thereof:

3 "Section 1. (NEW) (*Effective July 1, 2026*) (a) For purposes of this  
4 section and section 4 of this act:

5 (1) "Legislatively directed funds" means an appropriation by public  
6 or special act of the General Assembly that authorizes a specific amount  
7 of money for a contract or other expenditure with a grant, loan or other  
8 economic assistance or incentive to a specific entity. "Legislatively  
9 directed funds" does not include any of the following:

10 (A) An appropriation made in response to a natural disaster or other  
11 emergency situation;

12 (B) An appropriation where the recipient or subrecipient is a state  
13 agency, political subdivision of the state, the Judicial Department, the  
14 Legislative Department or a constituent unit of the state system of public  
15 higher education;

16 (C) An appropriation or other statutorily defined grant program  
17 made through a formula-driven or competitive award process; or

18 (D) Any funds authorized by the State Bond Commission pursuant  
19 to section 3-20 of the general statutes;

20 (2) "State agency" means any executive branch department, board,  
21 council, commission, institution or other agency of the executive branch  
22 of state government, but does not include any constituent unit of the  
23 state system of public higher education; and

24 (3) "Subrecipient" means an entity that is receiving a distribution of  
25 legislatively directed funds from a state agency or other pass-through  
26 entity for purposes of the goals or objectives for which such funds were  
27 authorized, and does not include a subcontractor, as defined in section  
28 4e-1 of the general statutes.

29 (b) The Secretary of the Office of Policy and Management shall adopt  
30 policies and procedures to establish requirements for the administration  
31 of legislatively directed funds by state agencies. Such policies and  
32 procedures shall implement the provisions of this section and shall  
33 include, but need not be limited to, the manner in which legislatively  
34 directed funds are distributed to recipients to ensure that such funds are  
35 used for their intended purposes. Any adoption of, or revisions made  
36 to, such policies and procedures on or after July 1, 2026, shall be  
37 submitted by the secretary via electronic mail to a committee consisting  
38 of the president pro tempore of the Senate, the speaker of the House of  
39 Representatives, the majority and minority leaders of both houses of the  
40 General Assembly, the chairpersons and ranking members of the joint  
41 standing committees of the General Assembly having cognizance of  
42 matters relating to appropriations and the budgets of state agencies,

43 finance, revenue and bonding and government oversight and the  
44 chairperson and vice-chairperson of the Black and Puerto Rican Caucus  
45 of the General Assembly, and shall not be effective until the sixtieth day  
46 after the procedures or proposed revisions to such procedures are  
47 submitted to the committee, unless such requirement is waived by a  
48 majority vote of the membership of the committee. Such policies and  
49 procedures shall have the goal of establishing uniform procedures  
50 across state agencies concerning legislatively directed funds, and shall  
51 require legislatively directed funds to be distributed in a manner that  
52 will ensure such funds are used for and achieve their intended purpose,  
53 provided:

54 (1) For any legislatively directed funds equal to or less than one  
55 hundred fifty thousand dollars, such funds shall be distributed as an  
56 initial or advance payment or scheduled disbursement of funds in  
57 accordance with a written agreement executed between the  
58 administering state agency and the recipient of such funds that includes  
59 the intended use of such funds.

60 (2) For any legislatively directed funds greater than one hundred fifty  
61 thousand dollars, the administering state agency may provide an initial  
62 or advance payment, with the remaining balance distributed in  
63 subsequent payments or on a reimbursement basis upon submission of  
64 documentation of eligible expenditures by the recipient. In determining  
65 whether to provide an initial or advance payments, the administering  
66 state agency, in consultation with the recipient of such funds and  
67 consideration of the stated purposes of the appropriation, shall ensure  
68 the payment schedule (A) is responsive to the recipient's needs to  
69 execute such stated purposes, and (B) facilitates project startup or  
70 capital procurement costs. The distribution of such funds shall be made  
71 in accordance with a written agreement executed between the  
72 administering state agency and the recipient of such funds that includes  
73 the intended use of such funds.

74 (3) In distributing any legislatively directed funds on a  
75 reimbursement basis under this section, the administering state agency

76 shall ensure that its reimbursement procedures (A) do not impose any  
77 administrative barriers or documentation requirements that (i) are  
78 inconsistent with, or more burdensome than, the requirements of this  
79 section, (ii) would prevent nonprofit organizations or community-based  
80 entities from being able to receive such funds or effectively use such  
81 funds, or (iii) would otherwise jeopardize the intended purpose and use  
82 of the funds, (B) provide reimbursement determinations to the recipient  
83 not later than forty-five days after submission of the recipient's claim of  
84 eligible expenses to such state agency, in accordance with the provisions  
85 of subdivision (5) of this subsection, and (C) permit initial or advance  
86 payments to recipients when necessary to ensure the feasibility of the  
87 intended use of such funds and as permitted under this subsection.

88 (4) Prior to transferring, making a pass-through payment or  
89 otherwise paying any legislatively directed funds to a subrecipient, a  
90 recipient of legislatively directed funds shall obtain the written approval  
91 of the administering state agency and, if the approval of the Secretary of  
92 the Office of Policy and Management is required by the policies and  
93 procedures adopted under this section, the approval of the secretary, of  
94 such transfer, pass-through payment or other payment to the  
95 subrecipient.

96 (5) The administering state agency shall remit payment on any  
97 properly submitted request for reimbursement or invoice for  
98 legislatively directed funds that is not disputed by such state agency not  
99 later than forty-five days after receipt of such request or invoice. Not  
100 later than fifteen days after receipt of such request or invoice, the  
101 administering state agency shall either (A) approve such request or  
102 invoice, or (B) provide written acknowledgment of receipt of such  
103 request or invoice.

104 (c) Not later than August first of each year, the Secretary of the Office  
105 of Policy and Management shall hold a pre-award conference for  
106 recipients of legislatively directed funds. Each state agency  
107 administering legislatively directed funds shall designate at least one  
108 employee to participate in such conference. Any such conference shall

109 include, but need not be limited to, (1) detailed instruction on (A)  
110 policies and procedures for administering legislatively directed funds,  
111 including invoicing and reimbursement policies, (B) documentation  
112 requirements, and (C) reporting requirements and deadlines, (2)  
113 identification of one or more designated employees of each  
114 administering state agency whom recipients may contact for fiscal  
115 questions and programmatic questions and the contact information for  
116 such employees, (3) a description of any applicable monitoring, audit or  
117 compliance review processes, and (4) written materials concerning the  
118 information described in subdivisions (1) to (3), inclusive, of this  
119 subsection. Each such conference shall be recorded and a recording of  
120 the conference, along with any written materials distributed to  
121 recipients at the conference, shall be posted on the Internet web site of  
122 the Office of Policy and Management.

123 (d) Not later than October 1, 2027, and quarterly thereafter, the  
124 Secretary of the Office of Policy and Management shall submit a report,  
125 in accordance with the provisions of section 11-4a of the general statutes,  
126 to the joint standing committees of the General Assembly having  
127 cognizance of matters relating to appropriations and the budgets of state  
128 agencies, finance, revenue and bonding and government oversight.  
129 Such report shall include an overview of the status of all legislatively  
130 directed funds authorized for the current fiscal year, including a full  
131 accounting of all such funds that have been disbursed since the  
132 immediately preceding report or, in the case of the initial report, since  
133 the commencement of the fiscal year, and a plan for the disbursement of  
134 any remaining legislatively directed funds.

135 (e) On or before January 1, 2028, and annually thereafter, each  
136 recipient of legislatively directed funds shall submit a report to the state  
137 agency administering such funds, in a form and manner established by  
138 the secretary in the policies and procedures adopted under subsection  
139 (b) of this section, concerning how the recipient utilized the legislatively  
140 directed funds during the immediately preceding fiscal year and, if any  
141 funds were awarded to a subrecipient, how the subrecipient utilized the

142 legislatively directed funds during the immediately preceding fiscal  
143 year.

144 (f) On or before March 1, 2028, and annually thereafter, each state  
145 agency shall submit a report to the secretary, in a form and manner  
146 established by the secretary in the policies and procedures adopted  
147 under subsection (b) of this section, on any legislatively directed funds  
148 the state agency administered during the prior fiscal year, including a  
149 summary of any report received under subsection (e) of this section, or  
150 a statement that the state agency did not administer any legislatively  
151 directed funds during such period.

152 (g) The Secretary of the Office of Policy and Management shall  
153 establish and thereafter maintain on the Internet web site of the Office  
154 of Policy and Management or another publicly accessible Internet web  
155 site maintained by the state a publicly available database of legislatively  
156 directed funds administered by any state agency. On or before June 30,  
157 2028, and at least annually thereafter, the secretary shall publish in such  
158 database all legislatively directed funds administered by a state agency  
159 during the prior fiscal year. Such database shall contain a summary of  
160 the information obtained by the secretary through the annual reports  
161 submitted by recipients of legislatively directed funds and state  
162 agencies that administer such funds pursuant to subsections (e) and (f)  
163 of this section.

164 (h) Not later than January 1, 2029, and annually thereafter, the  
165 Secretary of the Office of Policy and Management shall submit a report,  
166 in accordance with the provisions of section 11-4a of the general statutes,  
167 to the joint standing committees of the General Assembly having  
168 cognizance of matters relating to appropriations and the budgets of state  
169 agencies, finance, revenue and bonding and government oversight.  
170 Such report shall include a summary of the information obtained by the  
171 secretary through the annual reports submitted by recipients of  
172 legislatively directed funds and state agencies that administer such  
173 funds pursuant to subsections (e) and (f) of this section.

174 (i) If the Governor reduces an allotment requisition or allotment in  
175 force concerning legislatively directed funds pursuant to section 4-85 of  
176 the general statutes, the Secretary of the Office of Policy and  
177 Management shall provide written notice of such reduction not later  
178 than seven days thereafter to the president pro tempore of the Senate,  
179 the speaker of the House of Representatives and the majority and  
180 minority leaders of both houses of the General Assembly and shall  
181 include in such notice an explanation of why such funds were reduced.

182 Sec. 2. (*Effective July 1, 2026*) Not later than June 30, 2028, the Secretary  
183 of the Office of Policy and Management shall submit a preliminary  
184 report, in accordance with the provisions of section 11-4a of the general  
185 statutes, to the joint standing committees of the General Assembly  
186 having cognizance of matters relating to appropriations, the budgets of  
187 state agencies, finance, revenue and bonding and government  
188 oversight. Such preliminary report shall include a summary of the  
189 information obtained by the secretary through the reports submitted by  
190 recipients of legislatively directed funds, as defined in section 1 of this  
191 act, and state agencies that administer such funds pursuant to  
192 subsections (e) and (f) of section 1 of this act.

193 Sec. 3. Subsection (d) of section 4-186 of the 2026 supplement to the  
194 general statutes is repealed and the following is substituted in lieu  
195 thereof (*Effective July 1, 2026*):

196 (d) The provisions of this chapter shall not apply to: (1) [To  
197 procedures] Procedures followed or actions taken concerning the lower  
198 Connecticut River conservation zone described in chapter 477a and the  
199 upper Connecticut River conservation zone described in chapter 477c,  
200 (2) [to] the administrative determinations authorized by section 32-9r  
201 concerning manufacturing facilities in distressed municipalities, (3) [to]  
202 the rules made pursuant to section 9-436 for use of paper ballots, and  
203 (4) [to] guidelines established under section 22a-227 for development of  
204 a municipal solid waste management plan, and (5) policies and  
205 procedures established under section 1 of this act concerning the  
206 administration of legislatively directed funds.

207 Sec. 4. (NEW) (*Effective July 1, 2026*) (a) No state agency shall enter  
208 into a written agreement to provide funds, including, but not limited to,  
209 funds in the form of a grant, loan or other economic assistance or  
210 incentive, to a specific entity at the direction of the General Assembly,  
211 unless the General Assembly enacts a public or special act that  
212 appropriates funds for such purposes and, either such public or special  
213 act or the Connecticut State Budget Agency Sheets issued by the Office  
214 of Fiscal Analysis by August first of each year:

215 (1) Identifies the entity with reasonable particularity, including by  
216 specifying the entity's legal name, the actual name the entity is doing  
217 business under or the entity's principal office address;

218 (2) Describes the intended purposes for which the specific entity will  
219 use the funds; and

220 (3) If the funds are intended to be awarded to a subrecipient, provides  
221 the same information required by subdivisions (1) and (2) of this  
222 subsection with respect to such subrecipient.

223 (b) The requirements of subdivisions (1) to (3), inclusive, of  
224 subsection (a) of this section shall not apply to appropriations or funds  
225 that are excluded from the definition of "legislatively directed funds" in  
226 subparagraphs (A) to (D), inclusive, of subdivision (1) of subsection (a)  
227 of section 1 of this act.

228 Sec. 5. (NEW) (*Effective July 1, 2026*) (a) For purposes of this section,  
229 (1) "state agency" means any executive branch department, board,  
230 council, commission, institution or other agency of the executive branch  
231 of state government, but does not include any constituent unit of the  
232 state system of public higher education; (2) "department head" has the  
233 same meaning as provided in section 4-5 of the general statutes; and (3)  
234 "recipient" does not include a state agency, political subdivision of the  
235 state, the Judicial Department, the Legislative Department or a  
236 constituent unit of the state system of public higher education.

237 (b) No funds appropriated to any state agency for Other Expenses

238 shall be used for grants or pass-through payments unless (1) the General  
239 Assembly enacts a public or special act that appropriates funds for  
240 Other Expenses for such purpose, or (2) such use is pursuant to a written  
241 agreement in effect on July 1, 2026, to fulfill a transitional noncompliant  
242 Other Expenses obligation, as described in subsection (c) of this section,  
243 in accordance with the terms of such agreement.

244 (c) (1) Not later than January 1, 2027, each state agency shall conduct  
245 a review of any expenditure or obligation of funds from Other Expenses  
246 that provide financial assistance, a grant or other payment to a recipient  
247 that would violate the prohibition in subsection (b) of this section. Any  
248 such expenditure shall be designated as a transitional noncompliant  
249 Other Expenses obligation.

250 (2) Not later than January 1, 2027, the Secretary of the Office of Policy  
251 and Management, in consultation with the director of the Office of Fiscal  
252 Analysis, shall (A) develop a plan to reclassify or reallocate each  
253 transitional noncompliant Other Expenses obligation into an  
254 appropriate appropriation, grant program or budget classification, and  
255 (B) submit such plan, in accordance with the provisions of section 11-4a  
256 of the general statutes, to the joint standing committees of the General  
257 Assembly having cognizance of matters relating to appropriations and  
258 the budgets of state agencies, finance, revenue and bonding and  
259 government oversight.

260 (3) On and after July 1, 2027, no state agency shall enter into any new  
261 agreement or obligation that would qualify as a transitional  
262 noncompliant Other Expenses obligation or continue any such  
263 obligation unless such obligation has been reclassified or expressly  
264 reauthorized by a public or special act of the General Assembly.

265 (4) Nothing in this subsection shall be construed to permit the  
266 expansion, renewal or increase in funding of any transitional  
267 noncompliant Other Expenses obligation beyond the amount and  
268 duration authorized as of July 1, 2026.

269 (d) On and after July 1, 2026, each state agency that makes an  
270 expenditure from Other Expenses to a recipient that is a municipality or  
271 a nonprofit shall submit to the Secretary of the Office of Policy and  
272 Management a statement that includes (1) the purpose of such  
273 expenditure, (2) the statutory or program guidelines authorizing such  
274 expenditure, and (3) whether such expenditure constitutes financial  
275 assistance or a grant award. Any budget document or report on the  
276 status of the budget submitted by the Governor pursuant to section 4-  
277 71 of the general statutes shall identify any such expenditure and  
278 include the information specified in subdivisions (1) to (3), inclusive, of  
279 this subsection, and if any such budget document or report recommends  
280 that such an expenditure be made annually, such expenditure shall be  
281 included as an individual appropriation and not an expenditure from  
282 Other Expenses.

283 (e) Not later than thirty days after the Auditors of Public Accounts  
284 report the results of any state agency audit in accordance with the  
285 provisions of section 2-90 of the general statutes, the Secretary of the  
286 Office of Policy and Management shall report, in accordance with the  
287 provisions of section 11-4a of the general statutes, to the joint standing  
288 committees of the General Assembly having cognizance of matters  
289 relating to finance, revenue and bonding, appropriations and the  
290 budgets of state agencies and government oversight a detailed list of  
291 each expenditure made by such agency over the amount of ten thousand  
292 dollars from Other Expenses, including (1) the name of the recipient, (2)  
293 the amount of the expenditure, (3) the purpose of the expenditure, and  
294 (4) the date approval was received from the secretary, in accordance  
295 with subsection (d) of this section, if applicable.

296 (f) The Auditors of Public Accounts shall annually review each state  
297 agency's Other Expenses expenditures and submit a report, in  
298 accordance with the provisions of section 11-4a of the general statutes,  
299 to the secretary and the joint standing committees of the General  
300 Assembly having cognizance of matters relating to finance, revenue and  
301 bonding, appropriations and the budgets of state agencies and

302 government oversight identifying any such expenditures that are  
303 inconsistent with the provisions of this section, including, but not  
304 limited to, any expenditure that constitutes a grant award.

305 (g) After any expenditure is identified by the Auditors of Public  
306 Accounts as inconsistent with the provisions of this section in  
307 accordance with subsection (f) of this section, the Secretary of the Office  
308 of Policy and Management shall issue a letter to the department head of  
309 the state agency that made such expenditure stating corrective action  
310 that the state agency shall take to prevent reoccurrence of an  
311 expenditure being made from Other Expenses that is inconsistent with  
312 the provisions of this section. Such expenditure shall be subject to  
313 recoupment or lapse and may result in a reduction in subsequent Other  
314 Expenses appropriations."

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>	New section
Sec. 3	<i>July 1, 2026</i>	4-186(d)
Sec. 4	<i>July 1, 2026</i>	New section
Sec. 5	<i>July 1, 2026</i>	New section