



# House of Representatives

General Assembly

**File No. 858**

January Session, 2025

House Bill No. 6867

*House of Representatives, May 8, 2025*

The Committee on Appropriations reported through REP. WALKER of the 93rd Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT CREATING THE UNIVERSAL PRESCHOOL ENDOWMENT.***

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

1 Section 1. (NEW) (*Effective from passage*) (a) There is established the  
2 Universal Preschool Endowment. Said endowment may contain any  
3 moneys required or permitted by law to be deposited in the endowment  
4 and shall receive and hold all payments and deposits for contributions  
5 intended for said endowment, as well as gifts, bequests, endowments or  
6 federal, state or local grants and any other funds from any public or  
7 private source and all earnings until disbursed in accordance with the  
8 provisions of this section.

9 (b) The amounts on deposit in said endowment shall not constitute  
10 property of the state and said endowment shall not be construed to be a  
11 department, institution or agency of the state. Amounts on deposit in  
12 said endowment shall not be commingled with state funds and the state  
13 shall have no claim to or against, or any interest in, such deposits. Any  
14 contract entered into by or any obligation of said endowment shall not  
15 constitute a debt or obligation of the state and the state shall have no

16 obligation to any person on account of said endowment and all amounts  
17 obligated to be paid from said endowment shall be limited to amounts  
18 available for such obligation on deposit in said endowment. Said  
19 endowment shall continue in existence as long as it holds any deposits  
20 or has any obligations and until its existence is terminated by law.

21 (c) Notwithstanding the provisions of sections 3-13 to 3-13h,  
22 inclusive, of the general statutes, the Treasurer shall invest the amounts  
23 on deposit in said endowment in a manner reasonable and appropriate  
24 to achieve the objectives of said endowment, exercising the discretion  
25 and care of a prudent person in similar circumstances with similar  
26 objectives. The Treasurer shall give due consideration to rate of return,  
27 risk, term or maturity, diversification of the total portfolio within said  
28 endowment, liquidity, the projected disbursements and expenditures  
29 and the expected payments, deposits, contributions and gifts to be  
30 received. The Treasurer shall not require said endowment to invest  
31 directly in obligations of the state or any political subdivision of the state  
32 or in any investment or other endowment administered by the  
33 Treasurer. The assets of said endowment shall be continuously invested  
34 and reinvested in a manner consistent with the objectives of said  
35 endowment until expended by the Commissioner of Early Childhood in  
36 accordance with the provisions of this section.

37 (d) The Treasurer, on behalf of said endowment and for purposes of  
38 said endowment, may:

39 (1) Receive and invest moneys in said endowment in any  
40 instruments, obligations, securities or property in accordance with this  
41 section;

42 (2) Enter into one or more contractual agreements, including  
43 contracts for legal, actuarial, accounting, custodial, advisory,  
44 management, administrative, advertising, marketing and consulting  
45 services for said endowment and pay for such services from the assets  
46 of said endowment;

47 (3) Procure insurance in connection with said endowment's property,

48 assets, activities or deposits to said endowment;

49 (4) Apply for and accept gifts, grants or donations from public or  
50 private sources to enable said endowment to carry out its objectives;

51 (5) Adopt regulations in accordance with chapter 54 of the general  
52 statutes for purposes of this section;

53 (6) Sue and be sued;

54 (7) Establish one or more accounts within said endowment; and

55 (8) Take any other action necessary to carry out the purposes of this  
56 section and incidental to the duties imposed on the Treasurer pursuant  
57 to this section.

58 (e) The Commissioner of Early Childhood may expend the amounts  
59 on deposit in the Universal Preschool Endowment, if any, for the  
60 purposes of creating sufficient capacity for preschool to be universally  
61 available to children who are three and four years of age and children  
62 who are five years of age and not eligible to enroll in school, pursuant  
63 to section 10-15c of the general statutes, through a public-private  
64 system, in accordance with local needs assessments and through a  
65 competitive grant process prescribed by the Office of Early Childhood  
66 in consultation with the State Department of Education. Such amounts  
67 shall not be expended for any other purpose.

68 (f) Not more than ten per cent of the balance of said endowment,  
69 determined as of December thirty-first of the prior fiscal year, may be  
70 expended in any fiscal year, except that up to thirty million dollars of  
71 said endowment may be expended in the fiscal year ending June 30,  
72 2026. The Treasurer shall ensure that sufficient liquidity exists within  
73 the Universal Preschool Endowment to allow for expenditures in each  
74 fiscal year to the extent authorized by this subsection.

75 Sec. 2. Section 3-13c of the general statutes is repealed and the  
76 following is substituted in lieu thereof (*Effective from passage*):

77 As used in sections 3-13 to 3-13e, inclusive, and 3-31b, "trust funds"  
78 includes the Connecticut Municipal Employees' Retirement Fund A, the  
79 Connecticut Municipal Employees' Retirement Fund B, the Soldiers,  
80 Sailors and Marines Fund, the Family and Medical Leave Insurance  
81 Trust Fund, the State's Attorneys' Retirement Fund, the Teachers'  
82 Annuity Fund, the Teachers' Pension Fund, the Teachers' Survivorship  
83 and Dependency Fund, the School Fund, the State Employees  
84 Retirement Fund, the Hospital Insurance Fund, the Policemen and  
85 Firemen Survivor's Benefit Fund, any trust fund described in  
86 subdivision (1) of subsection (b) of section 7-450 that is administered,  
87 held or invested by the State Treasurer, the Connecticut Baby Bond  
88 Trust, the Universal Preschool Endowment, any Climate Change and  
89 Coastal Resiliency Reserve Fund created pursuant to section 7-159d and  
90 all other trust funds administered, held or invested by the State  
91 Treasurer.

92 Sec. 3. (NEW) (*Effective from passage*) (a) For the fiscal year ending June  
93 30, 2025, after the accounts for the General Fund have been closed and  
94 the Comptroller has determined the amount of unappropriated surplus,  
95 if any, in said fund, the amount of such surplus to a maximum of three  
96 hundred million dollars shall be transferred by the Treasurer to the  
97 Universal Preschool Endowment established under section 1 of this act.

98 (b) For the fiscal year ending June 30, 2026, and each fiscal year  
99 thereafter, after the accounts for the General Fund have been closed and  
100 the Comptroller has determined the amount of unappropriated surplus,  
101 if any, in said fund, the entire amount of such surplus shall be  
102 transferred by the Treasurer to the Universal Preschool Endowment,  
103 except that if the amount in the Budget Reserve Fund is less than  
104 eighteen per cent of the net General Fund appropriations for the current  
105 fiscal year, the amount of such transfer shall be reduced and an amount  
106 equal to such reduction shall be transferred to the Budget Reserve Fund.

107 (c) Any amount transferred pursuant to this section shall be deducted  
108 in determining the amount of unappropriated surplus to be transferred  
109 to the Budget Reserve Fund pursuant to subsection (b) of section 4-30a

110 of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	3-13c
Sec. 3	<i>from passage</i>	New section

**ED**      *Joint Favorable C/R*

APP

**APP**      *Joint Favorable*

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 26 \$	FY 27 \$
Resources of the General Fund	GF - Potential Revenue Loss	Up to 300 million	See Below
Resources of the UPE Trust	UPE Trust - See Below	See Below	See Below
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill establishes the Universal Preschool Endowment (UPE), describes eligible programmatic expenses and reimbursements for the endowment, and provides investment thresholds to enable additional allowable uses of the endowment.

The bill requires up to \$300 million of unappropriated General Fund (GF) surpluses after the close of accounts for FY 25, and the entire surplus if the Budget Reserve Fund (BRF) is at its maximum threshold (18% of net GF appropriations for the current fiscal year) after the close of accounts for FY 26 and beyond, to be transferred into the Universal Preschool Endowment. To the extent there are General Fund surpluses at the close of FY 25, FY 26, and in the out years, there will be a transfer of resources of the General Fund to the UPE in each fiscal year following the surplus year. General Fund surpluses would otherwise be deposited in the Budget Reserve Fund (BRF), subject to statutory requirements regarding the use of BRF excess when applicable.

The bill also requires the resources of the UPE be invested by the

Treasurer separate and apart from other state investments, but in the same manner as several other state investment funds. Investment revenues are indeterminate, as they are dependent on available resources, market returns, and future investment decisions.

To the extent revenues are deposited into the endowment and amounts on deposit in the endowment meets or exceeds the amount needed to endowment the program, there will be ongoing annual administrative and investment costs associated with the UPE.

The bill allows the UPE to enter into contracts for various administrative, legal, and investment services. It also allows the Commissioner of Early Childhood to expend funds from the endowment to create enough capacity to make preschool universally available, through a public-private system, to three- and four-year-olds as well as five-year-olds who are ineligible for kindergarten due to turning five after September 1 of the school year. Administrative expenses include a one-time cost to the State Treasurer associated with the establishment of the UPE of up to \$100,000 and ongoing administrative costs to the Office of Early Childhood.

The bill limits the use of resources of the UPE, such that no more than ten percent of the endowment's balance (as of December 31<sup>st</sup> of the prior fiscal year) may be expended in any fiscal year, except that \$30 million may be spent in FY 26. Any fiscal impact is dependent on the level of transfers or deposits into the endowment and subsequent expenditures from the endowment.

### ***The Out Years***

The ongoing fiscal impacts identified above will continue into the future subject to the annual balance in the UPE.

**OLR Bill Analysis****HB 6867*****AN ACT CREATING THE UNIVERSAL PRESCHOOL ENDOWMENT.*****SUMMARY**

This bill establishes the Universal Preschool Endowment, funds it with transfers of unappropriated surplus (including up to \$300 million of FY 25 surplus), and requires the state treasurer to administer it and invest the money in it.

The bill allows the Office of Early Childhood (OEC) commissioner to spend funds from the endowment to create enough capacity to make preschool universally available, through a public-private system, to three- and four-year-olds as well as five-year-olds who are ineligible for kindergarten due to turning five after September 1 of the school year. The commissioner must distribute funds according to local needs assessments and through a competitive grant process developed in consultation with the State Department of Education. The bill prohibits spending endowment funds for any other purpose.

Under the bill, up to 10% of the endowment's balance as of December 31 of the prior fiscal year may be expended in any fiscal year, except that \$30 million may be spent in FY 26.

EFFECTIVE DATE: Upon passage

**TRANSFERS TO THE FUND**

Each fiscal year, after the General Fund accounts have been closed and the comptroller has determined the amount of any unappropriated surplus, the bill requires the treasurer to transfer to the Universal Preschool Endowment the unappropriated surplus as follows:



1. For FY 25, up to \$300 million and
2. For FY 26 and beyond, the entire amount of the surplus, except that if the Budget Reserve Fund is below its maximum threshold (i.e. 18% of net General Fund appropriations for the current fiscal year), the transfer amount must be reduced and an amount equal to the reduction must be transferred to the budget reserve fund.

The bill requires the amounts the bill transfers to the endowment to be deducted when determining the amount of unappropriated surplus to be transferred to the Budget Reserve Fund as required by law. The state constitution requires any unappropriated surplus to be used (1) to fund a budget reserve fund, (2) to reduce bonded indebtedness, or (3) for any other purpose authorized by at least three-fifths of the members of each chamber (Conn. Const. art. III, § 18 (c)).

### **ENDOWMENT REQUIREMENTS**

Under the bill, the endowment receives and holds all deposits, contributions, gifts, bequests, endowments, government grants, and other sources of funds, and the earnings on those funds, until disbursed as the bill requires.

The bill specifies that funds in the endowment are not the property of the state and cannot be combined with state funds. It also specifies that the endowment is not a state department, institution, or agency, and the state has no claim on funds in the endowment. The endowment must continue to exist as long as it has deposits or obligations and until terminated by law.

Under the bill, any contract entered into by the endowment, or any obligation of the endowment, is not a state debt or obligation, and the state has no obligation on account of the endowment. Amounts that must be paid from the endowment are limited to the amount deposited in the endowment available for the payments. The endowment's deposits may be disbursed only in keeping with the bill.

### **TREASURER'S DUTIES**

On behalf of the endowment and to carry out its purposes, the bill authorizes the treasurer to:

1. receive and invest the endowment's money as described below;
2. enter into contractual agreements for services for the endowment (e.g., legal, actuarial, administrative, and consulting) and pay for them with the endowment's assets;
3. get insurance in connection with the endowment's property, assets, activities, or deposits;
4. apply for and accept public or private gifts, grants, or donations;
5. adopt regulations;
6. sue and be sued;
7. establish accounts within the endowment; and
8. take other necessary action to carry out the bill's purposes and incidental to the treasurer's duties under the bill.

#### **INVESTMENT OF THE ENDOWMENT**

The bill requires the state treasurer to (1) invest the endowment's funds in a reasonable way to achieve its objectives; (2) exercise a prudent person's care and discretion; and (3) give due consideration to the rate of return, risk, maturity, portfolio diversification, liquidity, projected disbursements and expenditures, and expected deposits and other gifts. It also requires that he maintain sufficient liquidity to allow for the OEC commissioner's expenditures (see above).

Under the bill, these requirements apply regardless of existing state laws on the treasurer's investment authority, including the (1) requirement that the treasurer's trust fund investments be reviewed by the Investment Advisory Council and (2) statutory constraints that limit the percentage of state funds invested in common stock and investments in companies doing business in specified countries.

The treasurer cannot require that the endowment invest in government obligations (e.g., bonds) or other funds he administers. The bill requires that the endowment’s assets be continuously invested and reinvested, consistent with the endowment’s objectives, until they are spent by the OEC commissioner according to the bill.

It also explicitly subjects the treasurer’s endowment investments to the same oversight and requirements that the law establishes for other treasurer-administered funds, such as the Teachers’ Pension Fund, the State Employees Retirement Fund, and the Connecticut Municipal Employees’ Retirement Fund.

**BACKGROUND**

***Related Bills***

HB 5003, §§ 1 & 2 (File 198), favorably reported by the Committee on Children and the Education Committee, transfers unappropriated surplus funds into a fund dedicated to early childhood care and education programs, and the treasurer manages the fund and invests its assets.

SB 1, §§ 1-11 (File 637), favorably reported by the Education Committee, establishes the Universal Preschool Trust, funds it with unappropriated surplus, and allows trust funds to be used for early childhood program expenses, the scope of which expands overtime as the trust grows.

**COMMITTEE ACTION**

Education Committee

Joint Favorable Change of Reference - APP  
Yea 29 Nay 14 (03/31/2025)

Appropriations Committee

Joint Favorable  
Yea 40 Nay 14 (04/24/2025)