

## OFFICE OF FISCAL ANALYSIS

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HB-6867

### AN ACT CREATING THE UNIVERSAL PRESCHOOL ENDOWMENT.

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#### ***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.

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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.