
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)