

## Substitute Senate Bill No. 1 Public Act No. 25-93 AN ACT INCREASING RESOURCES FOR STUDENTS, SCHOOLS AND SPECIAL EDUCATION.

### Summary

- Creates a long-term funding mechanism—the **Early Childhood Education Endowment**—to expand and stabilize access to high-quality early childhood education, child care, and related supports (including a health-insurance subsidy for child-care staff).

### Key Provisions

#### 1. Early Childhood Education Endowment (ECEE)

- Begins **July 1, 2025**; managed by the State Treasurer but kept separate from other state funds.
- Funded initially and annually by transfers of **state budget surpluses** (up to \$300 million first year; full surplus thereafter with some limits).
- May also receive gifts, grants, bequests, or other public/private contributions.
- Investment decisions follow a “prudent investor” standard; earnings stay in the fund.

#### 2. Use of Funds

- Starting FY 2026, the Treasurer releases a limited percentage of the endowment to the **Commissioner of Early Childhood**:
  - Up to **12%** FY 2026–27; up to **10%** from FY 2028 onward.
- Funds can be used for:
  - **Administrative costs** (capped % each year).
  - **Expansion costs** (higher provider rates, more slots, longer hours, affordability).
  - **Programmatic costs** (parent outreach, local governance, technical assistance, workforce recruitment and scholarships).
  - **Health-insurance subsidy program** for early-childhood workers.
- Money must **supplement, not replace** existing federal/state funding; unspent funds revert to the endowment.

#### 3. Eligibility Rules

- Funds flow to early-care/education programs or preschool classes meeting quality and nutrition program participation requirements.
- From July 1, 2027, at least **35% of new spaces** must be infant/toddler care.

- From FY 2028, **family co-pays in state-funded spaces**:
  - Under \$100,000 annual income: **no cost**.
  - \$100,000 or more: **≤7% of income**.

#### 4. Health-Insurance Subsidy

- Connecticut Health Insurance Exchange study (by Jan 1, 2026).
- A subsidy program for child-care workers begins FY 2027; paid directly toward qualified health plans purchased through the exchange.

#### 5. Oversight & Reporting

- Establishes a 20-member **Early Childhood Education Endowment Advisory Board** (parents, educators, child-care providers, legislators, philanthropic and corporate reps, and state officials).
- Board reviews spending plans, outcomes, actuarial reports, and submits annual reports to the legislature.
- Every **five years** (first due 2031/2032) the Commissioner of Early Childhood must submit an **impact analysis** on affordability, access, salaries, family contributions, and endowment solvency.

#### 6. Treasurer's Powers

- Can invest, contract for services, insure assets, receive gifts, and set up sub-funds.

#### Statutory Language

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

Section 1. (NEW) (Effective from passage) (a) Commencing on July 1, 2025, there is established the Early Childhood Education Endowment. The endowment shall constitute an instrumentality of the state and shall perform essential governmental functions as provided in section 3-13c of the general statutes, as amended by this act, this section, sections 2 to 13, inclusive, and 15 of this act. The endowment shall receive and hold all payments and deposits or contributions intended for the endowment, as well as gifts, bequests, endowments or federal, state or local grants and any other funds from any public or private source and all earnings until released in accordance with section 3 of this act. (b) The endowment shall not be construed to be a department, institution or agency of the state. Amounts on deposit in the endowment shall not be commingled with state funds and the state shall have no claim to or against, or interest in, such funds. Any contract entered into by or any obligation of the endowment shall not

constitute a debt or obligation of the state and the state shall have no obligation to any designated beneficiary or any other person on account of the endowment and all amounts obligated to be paid from the endowment shall be limited to amounts available for such obligation on deposit in the endowment. The amounts on deposit in the endowment may only be released in accordance with the provisions of section 3 of this act. The endowment shall continue in existence as long as it holds any deposits or has any obligations and until its existence is terminated by law and upon termination any unclaimed assets shall return to the state. Property of the endowment shall not be governed by section 3-61a of the general statutes. (c) The Treasurer shall be responsible for the receipt, maintenance, administration, investing and release of amounts from the endowment. The endowment shall not receive deposits in any form other than cash.

Sec. 2. (NEW) (Effective from passage) (a) For the fiscal year ending June 30, 2025, based on an estimate prepared by the Secretary of the Office of Policy and Management between June 15, 2025, to June 30, 2025, inclusive, of the amount of current unappropriated surplus for such fiscal year, the amount of such estimated surplus, if any, up to a maximum of three hundred million dollars shall be transferred on or before June 30, 2025, by the Treasurer from the General Fund to the Early Childhood Education Endowment established under section 1 of this act. (b) For the fiscal year ending June 30, 2026, and each fiscal year thereafter, based on such estimated amount of current unappropriated surplus described in subsection (a) of this section, if any, the entire amount of such estimated surplus for each such fiscal year shall be transferred by the Treasurer from the General Fund to the Early Childhood Education Endowment, except that if the amount in the Budget Reserve Fund is estimated by the secretary to be less than eighteen per cent of the estimated net General Fund appropriations for the ensuing fiscal year, the amount of such transfer shall be reduced by the amount necessary to increase the amount in the Budget Reserve Fund to eighteen per cent of the estimated net General Fund appropriations for the ensuing fiscal year, or by the maximum amount of the projected surplus, whichever is less, and an amount equal to such reduction shall be transferred to the Budget Reserve Fund. (c) If the Comptroller determines that a deficit will exist for the preceding fiscal year, before the appropriation required by subdivision (1) of subsection (f) of section 4-30a of the general statutes, the amount necessary to fund such deficit shall be deducted from the amount transferred in such preceding fiscal year pursuant to this section and credited to the General Fund effective June thirtieth of such preceding fiscal year. If such deficit exceeds the amount transferred in such preceding fiscal year, no additional funds from the body of the endowment shall be used to fund such deficit.

Sec. 3. (NEW) (Effective from passage) (a) For the fiscal years ending June 30, 2026, and June 30, 2027, the Treasurer, in consultation with the Early Childhood Education

Endowment Advisory Board, shall annually authorize the release of funds from the Early Childhood Education Endowment in an amount not to exceed twelve per cent of the total amount of the endowment to the Commissioner of Early Childhood. Such released funds shall be expended by the Commissioner of Early Childhood in accordance with the provisions of section 4 of this act. (b) For the fiscal year ending June 30, 2028, and each fiscal year thereafter, the Treasurer shall, in consultation with the Early Childhood Education Endowment Advisory Board, annually authorize the release of funds from the endowment in an amount not to exceed ten per cent of the total amount of the endowment to the Commissioner of Early Childhood. Such released funds shall be expended by the Commissioner of Early Childhood in accordance with the provisions of section 4 of this act.

Sec. 4. (NEW) (Effective from passage) (a) As used in this section: (1) "Expansion costs" includes expenses to increase early care and education program provider payment rates, increase equitable access and affordability of high quality early childhood education, extend the hours of operation per day or portion of the year covered or to sustain services previously funded by the Early Childhood Education Endowment; (2) "Programmatic costs" includes costs for parent and early care and education program enrollment campaigns, local governance partners, needs assessment technical assistance, facilities program technical assistance and workforce recruitment and scholarships for educators in alignment with the early childhood priorities of the Early Childhood Education Endowment Advisory Board and the Office of Early Childhood; and (3) "Administrative costs" includes costs relating to (A) personnel, including, but not limited to, the salary and fringe benefits of the employees of the Treasurer's office responsible for administering the Early Childhood Education Endowment and the employees of the Office of Early Childhood and the Department of Education responsible for administering programming that utilizes funds from the endowment, and the stipends provided to parent and program provider members of the Early Childhood Education Endowment Advisory Board pursuant to subsection (g) of section 8 of this act, and (B) data and technology, including, but not limited to, the development and maintenance of payment or parent enrollment portals, establishing or managing memoranda of understanding between the Office of Early Childhood and other states agencies related to the provision of child care. (b) For the fiscal year ending June 30, 2026, the Commissioner of Early Childhood, upon receipt of the funds released by the Treasurer from the Early Childhood Education Endowment pursuant to section 3 of this act, is authorized to expend such funds for the following purposes and in the following manner: (1) Up to eight per cent of such released funds for administrative costs, and (2) of such remaining released funds (A) three hundred thousand dollars for the health insurance subsidy program established pursuant to section 15 of this act, and (B) the remaining balance for expansion costs and programmatic costs. (c) For the fiscal year ending June 30, 2027, the Commissioner of

Early Childhood, upon receipt of the funds released by the Treasurer from the endowment pursuant to section 4 of this act, is authorized to expend such funds for the following purposes and in the following manner: (1) Up to twelve per cent of such released funds for administrative costs, and (2) of such remaining released funds (A) ten million dollars for the health insurance subsidy program established pursuant to section 15 of this act, and (B) the remaining balance for expansion costs and programmatic costs. (d) For the fiscal year ending June 30, 2028, and each fiscal year thereafter, the Commissioner of Early Childhood, upon receipt of the funds released by the Treasurer from the endowment pursuant to section 4 of this act, is authorized to expend such funds for the following purposes and in the following manner: (1) Up to seven per cent of such released funds for administrative costs, and (2) of such remaining released funds for (A) the health insurance subsidy program established pursuant to section 15 of this act, and (B) expansion costs and programmatic costs. (e) Any funds from the endowment that have been released by the Treasurer to the Commissioner of Early Childhood pursuant to section 4 of this act shall: (1) Supplement and not supplant any other local, state or federal funds otherwise available for early childhood care and education; (2) Not be comingled with any state or federal funding received under the child care development block grant pursuant to the Child Care and Development Block Grant Act of 1990; and (3) Not lapse if not expended by the commissioner at the end of the fiscal year and shall be transferred to the Treasurer and deposited in the endowment.

Sec. 5. (NEW) (Effective from passage) For the fiscal year ending June 30, 2026, and each fiscal year thereafter, the Commissioner of Early Childhood may expend, in accordance with the provisions of section 4 of this act, funds released by the Treasurer from the Early Childhood Education Endowment, pursuant to section 3 of this act, to any early care and education program providing child care services, as described in section 19a-77 of the general statutes, or preschool program operated by a local or regional board of education that is (1) receiving financial assistance under Early Start CT pursuant to section 10-550b of the general statutes, (2) participating in the quality improvement system established by the Office of Early Childhood under subdivision (15) of subsection (b) of section 10-500 of the general statutes, and (3) participating in the Child and Adult Care Food Program, 42 USC 1766, as amended from time to time, unless such program has received a waiver from participation in said program by the Commissioner of Early Childhood or is a public school preschool program that offers free or reduced priced lunches pursuant to federal law and regulations.

Sec. 6. (NEW) (Effective from passage) On and after July 1, 2027, any expansion of spaces in early care and education programs paid for with funds from the Early Childhood Education Endowment under section 4 of this act shall be for at least thirty-five per cent infant and toddler spaces.

Sec. 7. (NEW) (Effective from passage) (a) For the fiscal year ending June 30, 2028, and each fiscal year thereafter, the family contribution for child care services provided by an early care and education program that is receiving funding from the Early Childhood Education Endowment shall be as follows: (1) Any family with an annual gross income of less than one hundred thousand dollars shall not be financially responsible for the cost of such child care services; and (2) Any family with an annual gross income of one hundred thousand dollars or greater shall be financially responsible for an amount up to seven per cent of such family's annual gross income. (b) Any family contribution collected by an early care and education program that is receiving funding from the endowment shall be reported in a form and in such manner as prescribed by the Office of Early Childhood. Such amount so collected shall be deducted from the overall rate paid by the Office of Early Childhood to such program and settled in reconciliation.

Sec. 8. (NEW) (Effective from passage) (a) There is established the Early Childhood Education Endowment Advisory Board. The board shall be responsible for (1) providing oversight of the administration of the Early Childhood Education Endowment, (2) ensuring that funds from the endowment are expended in accordance with the provisions of section 4 of this act, (3) reviewing all reports and expenditure plans concerning the endowment submitted by the Treasurer and Commissioner of Early Childhood, (4) reviewing and assessing the outcomes related to the expenditure of funds from the endowment, and (5) preparing and submitting reports and recommendations to the General Assembly concerning the administration of the endowment and permissible expenditure of funds from the endowment, including recommendations for expansion of permissible expenditures of funds from the endowment. (b) The board shall consist of the following members: (1) Two appointed by the speaker of the House of Representatives, one of whom shall be a parent who is a member of the parent cabinet established by the Office of Early Childhood pursuant to section 10-500 of the general statutes and one of whom shall be a member of the House of Representatives; (2) Two appointed by the president pro tempore of the Senate, one of whom shall be the licensee of a family child care home and one of whom shall be a member of the Senate; (3) Two appointed by the majority leader of the House of Representatives, one of whom shall be an educator in an early care and education program in the state and one of whom shall be the parent or guardian of a child receiving services under the birth-to-three program established under section 17a-248b of the general statutes; (4) Two appointed by the majority leader of the Senate, one of whom shall be a representative of a philanthropic organization that is engaged in early childhood education issues or child care issues in the state and one of whom shall be a special education teacher or administrator in a public school preschool program that is providing services under Part B of the Individuals with Disabilities Education Act, 20 USC 1431 et seq., as amended from time to time; (5) One appointed by the minority

leader of the House of Representatives, who is a representative of a child care center; (6) One appointed by the minority leader of the Senate, who is an educator in a preschool program provided by a local or regional board of education; (7) Two appointed by the Governor, one of whom shall be a representative of a corporation with a significant physical presence in the state and that employs individuals who may benefit from early childhood education and state child care initiatives and one of whom shall be a representative from a Head Start program; (8) The Commissioner of Early Childhood, or the commissioner's designee; (9) The Secretary of the Office of Policy and Management, or the secretary's designee; (10) The Commissioner of Education, or the commissioner's designee; and (11) The Treasurer, or the Treasurer's designee. (c) All initial appointments to the board shall be made not later than September 1, 2025. Each appointed member shall serve in accordance with the provisions of section 4-1a of the general statutes and the appointing authorities shall appoint members to ensure representation on the board of all geographic areas in the state, to the extent practicable. Any vacancy shall be filled by the appointing authority. Any vacancy occurring other than by expiration of term shall be filled for the balance of the unexpired term. (d) The Commissioner of Early Childhood, or the commissioner's designee, the member of the House of Representatives and the member of the Senate shall serve as the chairpersons of the board. The chairpersons shall jointly schedule the first meeting of the board to be held not later than October 1, 2025. The board shall meet at least quarterly and host an annual public hearing prior to the completion of the annual report described in subsection (f) of this section. (e) The Treasurer, or the Treasurer's designee, shall, at the first meeting of the board and semiannually thereafter, submit to the board an actuarial chart that includes a review of the total amount of funds within the endowment, the health of the investments of the endowment, the anticipated growth of the endowment and any recommended models for the timing and rate of drawing down from the endowment. (f) Not later than January 1, 2026, and annually thereafter, the board shall develop a report that includes, but is not limited to, (1) the financial health and actuarial future of the endowment based on information received from the Treasurer, (2) the expenditures of funds from the endowment, (3) status updates of early care and education programs, early childhood educators, families and children served, and (4) any recommendations for legislation. The board shall submit such report to the joint standing committees of the General Assembly having cognizance of matters relating to education, children, appropriations and finance, in accordance with the provisions of section 11-4a of the general statutes. (g) The members of the board shall serve without compensation, except the parent and program provider members of the board may, within available resources, be provided a stipend for serving on the board. (h) The board shall be within the office of the Treasurer for administrative purposes only.

Sec. 9. (NEW) (Effective from passage) On and after July 1, 2026, the Commissioner of Early Childhood shall submit recommendations to the Early Childhood Education

Endowment Advisory Board on indicators for prioritization in a competitive procurement process when considering programs for expansion costs, as defined in section 4 of this act.

Sec. 10. (NEW) (Effective from passage) (a) Not later than January 1, 2032, and every five years thereafter, the Commissioner of Early Childhood shall prepare an impact analysis concerning the operations of the Early Childhood Education Endowment and the effect that the expenditure of funds from the endowment have had on the availability, affordability and quality of early child care in the state. Such impact analysis shall include, but need not be limited to, (1) a report on the solvency of the endowment prepared by the Treasurer, and (2) an analysis of the effect that the expenditure of funds from the endowment has had on (A) early care and education programs receiving financial assistance under Early Start CT pursuant to section 10-550b of the general statutes, (B) early care and education programs that are not receiving state financial assistance, (C) access of families to early care and education programs receiving state financial assistance under Early Start CT, (D) tuition and family contribution rates, (E) early childhood educator salaries and benefits, and (F) the state-wide demand for child care. (b) Not later than July 1, 2031, the commissioner shall submit such impact analysis to the Early Childhood Education Endowment Advisory Board and to the joint standing committees of the General Assembly having cognizance of matters relating to education, children, appropriations and finance, in accordance with the provisions of section 11-4a of the general statutes.

Sec. 11. (NEW) (Effective from passage) Upon receipt and review of the impact analysis prepared by the Commissioner of Early Childhood pursuant to section 10 of this act, and following consultation with the Treasurer regarding the solvency of the Early Childhood Education Endowment, the Early Childhood Education Endowment Advisory Board shall develop recommendations concerning the expansion of permissible expenditures of funds from the endowment under section 4 of this act. Not later than January 1, 2032, the advisory board shall submit such recommendations to the joint standing committees of the General Assembly having cognizance of matters relating to education, children, appropriations and finance, in accordance with the provisions of section 11-4a of the general statutes.

Sec. 12. (NEW) (Effective from passage) (a) The Treasurer, on behalf of the Early Childhood Education Endowment and for purposes of the endowment, may: (1) Receive and invest moneys in the endowment in any instruments, obligations, securities or property in accordance with section 13 of this act; (2) Enter into one or more contractual agreements, including contracts for legal, actuarial, accounting, custodial, advisory, management, administrative, advertising, marketing and consulting services for the endowment, and pay for such services from the assets of the endowment; (3) Procure



insurance in connection with the endowment's property, assets, activities or deposits to the endowment; (4) Apply for, accept and expend gifts, grants or donations from public or private sources to enable the endowment to carry out its objectives; (5) Adopt regulations in accordance with chapter 54 of the general statutes for purposes of section 3-13c of the general statutes, as amended by this act, sections 1 to 13, inclusive, and 15 of this act; (6) Sue and be sued; (7) Establish one or more funds within the endowment; and (8) Take any other action necessary to carry out the purposes of section 3-13c of the general statutes, as amended by this act, sections 1 to 13, inclusive, and 15 of this act and incidental to the duties imposed on the Treasurer pursuant to said sections. (b) The Treasurer, on behalf of the endowment and for purposes of the endowment, shall enter into a memorandum of understanding with the Commissioner of Early Childhood to establish information-sharing practices for purposes of section 3-13c of the general statutes, as amended by this act, sections 1 to 13, inclusive, and 15 of this act. Such memorandum of understanding shall be in accordance with applicable state and federal laws.

Sec. 13. (NEW) (Effective from passage) Notwithstanding the provisions of sections 3-13 to 3-13h, inclusive, of the general statutes, the Treasurer shall invest the amounts on deposit in the Early Childhood Education Endowment in a manner reasonable and appropriate to achieve the objectives of the endowment, exercising the discretion and care of a prudent person in similar circumstances with similar objectives. The Treasurer shall give due consideration to rate of return, risk, term or maturity, diversification of the total portfolio within the endowment, liquidity, the projected disbursements and expenditures and the expected payments, deposits, contributions and gifts to be received. The Treasurer shall not require the endowment to invest directly in obligations of the state or any political subdivision of the state or in any investment or other fund administered by the Treasurer. The assets of the endowment shall be continuously invested and reinvested in a manner consistent with the objectives of the endowment until disbursed for eligible expenditures or expended on expenses incurred by the operations of the endowment.

Sec. 14. Section 3-13c of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2025): As used in sections 3-13 to 3-13e, inclusive, and 3-31b, "trust funds" includes the Connecticut Municipal Employees' Retirement Fund A, the Connecticut Municipal Employees' Retirement Fund B, the Soldiers, Sailors and Marines Fund, the Family and Medical Leave Insurance Trust Fund, the State's Attorneys' Retirement Fund, the Teachers' Annuity Fund, the Teachers' Pension Fund, the Teachers' Survivorship and Dependency Fund, the School Fund, the State Employees Retirement Fund, the Hospital Insurance Fund, the Policemen and Substitute Firemen Survivor's Benefit Fund, any trust fund described in subdivision (1) of subsection (b) of section 7-450 that is administered, held or invested

by the State Treasurer, the Connecticut Baby Bond Trust, any Climate Change and Coastal Resiliency Reserve Fund created pursuant to section 7-159d, the Early Childhood Education Endowment and all other trust funds administered, held or invested by the State Treasurer.

Sec. 15. (NEW) (Effective July 1, 2025) (a) As used in this section: (1) "Health benefit plan" and "qualified health plan" have the same meanings as provided in section 38a-1080 of the general statutes; (2) "Health insurance subsidy" means an amount that is a portion of the remaining balance of the cost of a qualified health plan after the application of all available income tax credits, employer contributions and other subsidies; and (3) "Early care and education program" means a program providing child care services, as described in section 19a-77 of the general statutes, that is licensed by the Office of Early Childhood. (b) Not later than January 1, 2026, the Connecticut Health Insurance Exchange, established pursuant to section 38a-1081 of the general statutes, shall study the level of need for coverage under a health benefit plan that exists for employees of early care and education programs for the purpose of modeling and estimating the cost of operating a health insurance subsidy program for such employees pursuant to subsection (c) of this section. Such study shall include, but need not be limited to, gathering data from the Office of Early Childhood and other resources to assess (1) the size and demographics of the population of such employees, (2) the number of such employees without coverage under a health benefit plan, and (3) any other information required to effectively model and estimate the cost of such program. (c) For the fiscal year ending June 30, 2027, the Connecticut Health Insurance Exchange and the Office of Early Childhood shall jointly establish, based on the model developed pursuant to subsection (b) of this section, a health insurance subsidy program for employees of early care and education programs through which such employees may apply to the exchange to receive a health insurance subsidy that is applied to the cost of a qualified health plan purchased through the exchange, whether such plan is an individual health plan, an employer reimbursement arrangement authorized pursuant to federal law or a group health plan offered by an employer. The exchange and the office shall jointly develop eligibility criteria for the health insurance subsidy program that includes, but is not limited to, such employee (1) being ineligible for Medicaid, and (2) applying for and accepting all available income tax credits, employer contributions and other subsidies applicable to the cost of a health benefit plan. The exchange shall post such eligibility requirements and the application forms for the health insurance subsidy program in a conspicuous location on its Internet web site. (d) Not later than May 1, 2026, the Connecticut Health Insurance Exchange shall submit to the Early Childhood Education Endowment Advisory Board, established pursuant to section 8 of this act, a recommendation for the amount of the health insurance subsidy available to participants under the health insurance subsidy program for the fiscal year ending June 30, 2027, based on the amount allocated for such purpose in the Early

Childhood Education Endowment, established pursuant to section 1 of this act, and the estimated number of participants in the health insurance subsidy program for such fiscal year. On or before June 30, 2026, the Early Childhood Education Endowment Advisory Board shall approve or modify such recommendation. The amount of such health insurance subsidy shall be applied directly to the cost of a qualified benefit plan and may not be distributed to any participant.

(e) The Office of Early Childhood shall contract with community organizations to coordinate outreach activities for employees of early care and education programs to assist such employees to obtain coverage under a health benefit plan, whether such coverage is through Medicaid or participation in the health insurance subsidy program.