

Early Childhood Education Endowment

Report Submitted to the Advisory Board

Office of the Treasurer

September 19, 2025





Introduction

Public Act 25-93 established the Early Childhood Education Endowment (the Endowment) to fund the expansion of early childhood education in Connecticut. It is funded by the estimated surplus of each fiscal year, capped at \$300 million for Fiscal Year 2025. In June, \$300 million was transferred to the Endowment and began to be deployed alongside the investments of the Connecticut Retirement Plans and Trust Funds (CRPTF).

The Early Childhood Education Endowment Advisory Board was also established in P.A. 25-93 and is responsible for the oversight and administration of the Endowment. Pursuant to the act, the Treasurer must submit an actuarial chart at the first meeting that includes (1) a review of the total amount of funds within the Endowment, (2) the health of the investments of the Endowment, (3) the anticipated growth of the Endowment and (4) any recommended models for timing and rate of draw down from the Endowment.

The enclosed report addresses the statutory requirements included in P.A. 25-93.

Total Amount of Funds & Health of the Investments of the Endowment

Please see the Appendix for the monthly System and Organization Controls (SOC) Report for the Endowment. It includes the monthly market value, performance, and asset allocation for the Endowment as of August 31, 2025. As illustrated in the SOC Report, the total amount of the fund is currently \$307.5 million, having achieved a return of 2.5% in the two months since its inception.

Anticipated Growth of the Endowment

The following sections include scenarios based on two preliminary assumptions: a 6.9% rate of return and \$300 million in contributions.

The 6.9% assumed rate of return is linked to the assumed rate of return of the CRPTF. Because the Endowment is deployed alongside the CRPTF, the asset allocation and benchmarks for the CRPTF are substantially similar to the asset allocation and benchmarks for the Endowment. Therefore, it is appropriate to also assume a rate of return of 6.9% for the Endowment.

The contribution assumption of \$300 million is based on a conservative average of the last six fiscal year surpluses, excluding FY 2022 as an outlier with a significantly higher surplus of over \$1 billion attributed to an influx of federal funding related to the COVID-19 pandemic.

Assuming a 6.9% investment return, continued contributions of \$300 million into the Endowment, and an annual expenditure rate at the statutory cap, the Endowment will grow to over \$1 billion by Fiscal Year 2029. The statutory cap is the statutorily capped expenditure of 12% through Fiscal Year 2027, and 10% for each fiscal year thereafter.



Figure 1.1 below shows the growth of the Endowment for the next ten years based on these assumptions.

Figure 1.1 Projected Endowment balance with consistent contributions and spending rates at the statutory cap.

Fiscal Year	Projected Endowment Balance
2027	\$553,633,158
2028	\$824,225,496
2029	\$1,085,495,927
2030	\$1,337,765,593
2031	\$1,581,344,568
2032	\$1,816,532,248
2033	\$2,043,617,712
2034	\$2,262,880,082
2035	\$2,474,588,863
2036	\$ 2,679,004,277

Alternatively, Figures 1.2 and 1.3 below assume surpluses only through Fiscal Year 2030 and 2028, respectively. In those cases, the Endowment balance begins to decrease as spending levels remain higher than the assumed rate of turn. It is important to note that these scenarios are for illustrative purposes only and do not reflect any actual budget projections. In Figure 1.2 below, when contributions end after 2030, the Endowment continues to grow to over \$1 billion by Fiscal Year 2029, but its growth ends once contributions end, and the balance begins decreasing by \$46 to \$40 million annually through Fiscal Year 2036.

Figure 1.2 Projected Endowment balance with contributions ending in Fiscal Year 2031 and spending rates at the statutory cap.

Fiscal Year	Projected Endowment Balance
2027	\$553,633,158
2028	\$824,225,496
2029	\$1,085,495,927
2030	\$1,337,765,593
2031	\$1,291,679,568
2032	\$1,247,181,207
2033	\$1,204,215,814
2034	\$1,162,730,580
2035	\$1,122,674,511
2036	\$1,083,998,374

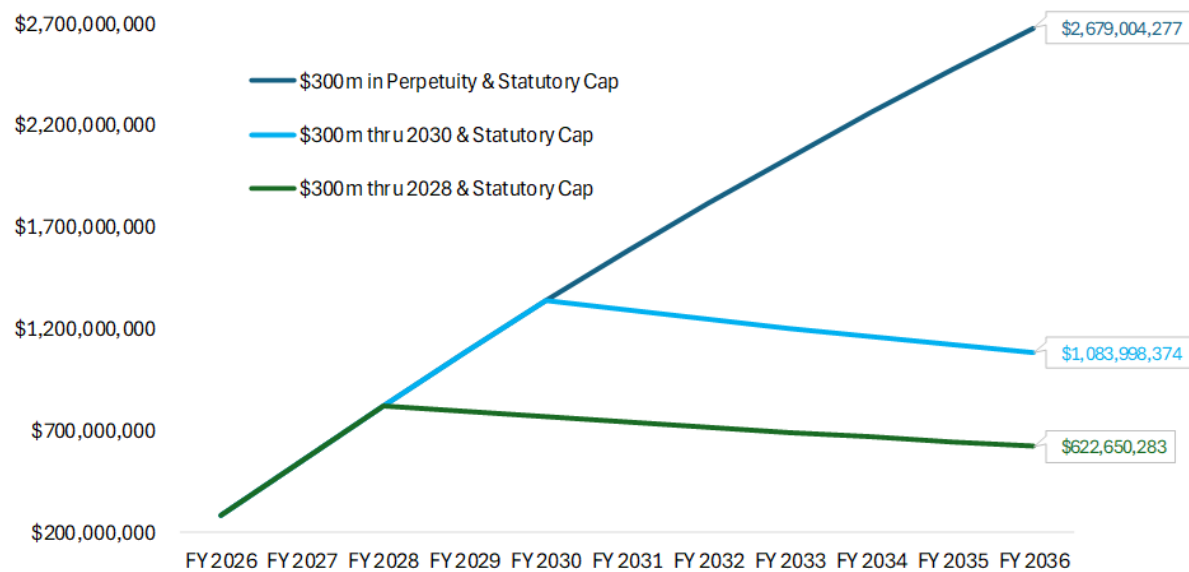


Similarly, the chart below illustrates \$300 million in yearly contributions through Fiscal Year 2028. In this scenario, the balance of the Endowment never reaches \$1 billion.

Figure 1.3 Projected endowment balance with contributions ending in Fiscal Year 2029 and spending rates at the statutory cap.

Fiscal Year	Projected Endowment Balance
2027	\$553,633,158
2028	\$824,225,496
2029	\$795,830,927
2020	\$768,414,552
2031	\$741,942,671
2032	\$716,382,746
2033	\$691,703,360
2034	\$667,874,179
2035	\$ 644,865,914
2036	\$622,650,283

Chart 1.0 Projected Endowment Balance: \$300m Contributions vs. Statutory Cap



Note: Assumes a 6.9% rate of return on invested capital.

Source: Office of the Treasurer



Recommended Models for Timing and Rate of Draw Down

There are two primary impacts to consider when determining the recommended model for timing and rate of drawing down from the Endowment – the impact on the balance of the Endowment and the available expenditures. Because the amount of available expenditure is based on a percentage of the fund balance, the two considerations are linked.

Impacts on Projected Endowment Balance

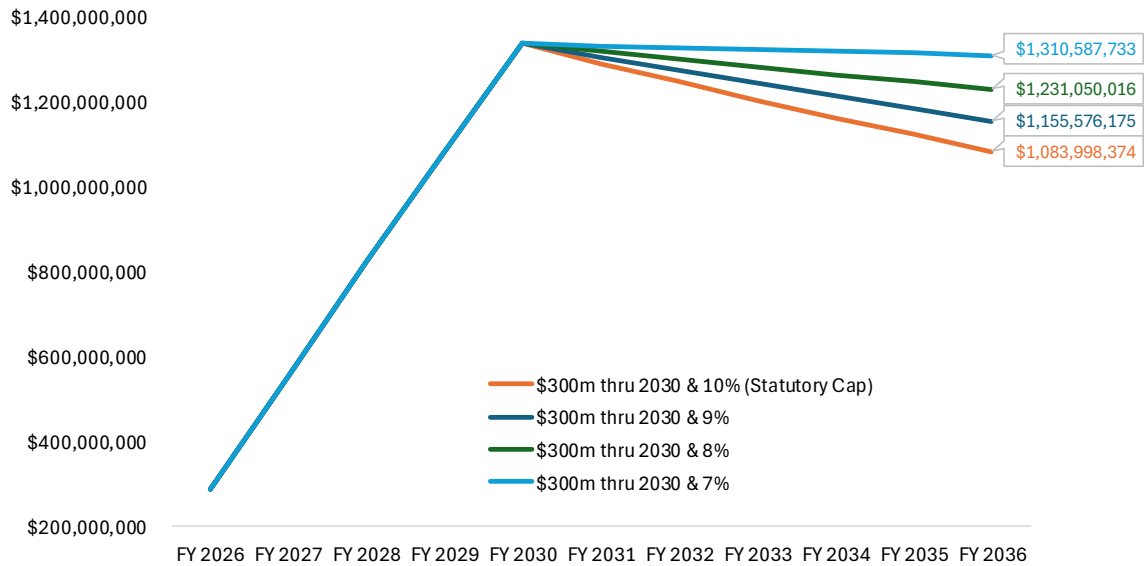
As illustrated by the charts above, contributions have a significant impact on the balance of the Endowment. Comparatively, Figures 2.1 and 2.2 and the corresponding charts below show the projected balance for each contribution scenario described above when expenditures are reduced to progressively lower rates after contributions end.

Figure 2.1 Projected endowment balance when contributions end after 2030

Fiscal Year	Statutory Cap	9%	8%	7%
2027	\$553,633,158	N/A	N/A	N/A
2028	\$824,225,496	N/A	N/A	N/A
2029	\$1,085,495,927	N/A	N/A	N/A
2030	\$1,337,765,593	N/A	N/A	N/A
2031	\$1,291,679,568	\$1,305,518,753	\$1,319,357,938	\$1,333,197,123
2032	\$1,247,181,207	\$1,274,049,224	\$1,301,203,573	\$1,328,644,255
2033	\$1,204,215,814	\$1,243,338,267	\$1,283,299,012	\$1,324,106,935
2034	\$1,162,730,580	\$1,213,367,598	\$1,265,640,817	\$1,319,585,110
2035	\$1,122,674,511	\$1,184,119,372	\$1,248,225,600	\$1,315,078,727
2036	\$1,083,998,374	\$1,155,576,175	\$1,231,050,016	\$1,310,587,733



Chart 2.1 Projected Endowment Balance: \$300m Contributions through FY 2030 vs. Varying Spend



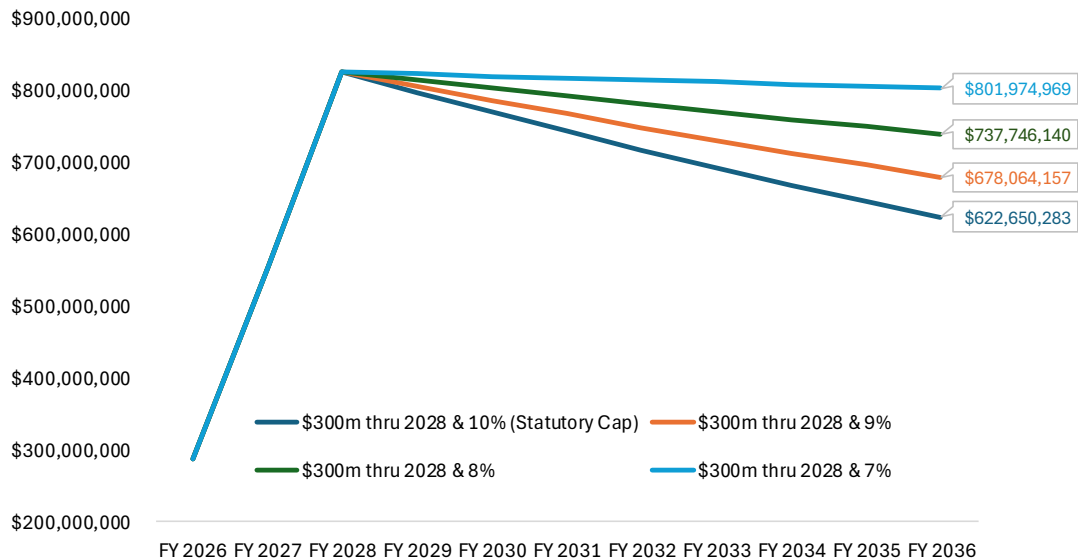
Note: Assumes a 6.9% rate of return on invested capital
Source: Office of the Treasurer

Figure 2.2 Projected endowment balance when contributions end after 2028

Fiscal Year	Statutory Cap	9%	8%	7%
2027	\$553,633,158	N/A	N/A	N/A
2028	\$824,225,496	N/A	N/A	N/A
2029	\$795,830,927	\$804,357,540	\$812,884,153	\$821,410,766
2030	\$768,414,552	\$784,968,502	\$801,698,867	\$818,605,648
2031	\$741,942,671	\$766,046,836	\$790,667,491	\$815,810,110
2032	\$716,382,746	\$747,581,277	\$779,787,906	\$813,024,118
2033	\$691,703,360	\$729,560,830	\$769,058,024	\$810,247,641
2034	\$667,874,179	\$711,974,767	\$758,475,786	\$807,480,645
2035	\$644,865,914	\$694,812,615	\$748,039,159	\$804,723,099
2036	\$622,650,283	\$678,064,157	\$737,746,140	\$801,974,969



Chart 2.2. Projected Endowment Balance: \$300m Contribution through 2028 vs. Varying Spend



Note: Assumes a 6.9% rate of return on invested capital

Source: Office of the Treasurer

The figures and charts above illustrate that, once contributions end, the rate of spending has a significant impact on the balance of the Endowment.

It is important to note that the amount by which the Endowment is reduced decreases each year in each of the above scenarios. Assuming the pattern continues, the depletion of the Endowment balance will slow significantly.

Impacts on Available Expenditures

When expenditures are at the statutory cap and contributions continue, the dollar amount available to spend continues to grow, as illustrated in Figure 2.3 below.

Figure 2.3 Available expenditures when contributions continue through 2036

Fiscal Year	Statutory Cap
2027	\$70,313,040
2028	\$85,363,315
2029	\$112,422,550
2030	\$138,549,593
2031	\$163,776,559
2032	\$188,134,457
2033	\$211,653,225
2034	\$234,361,771
2035	\$256,288,008
2036	\$277,458,886



When contributions end, spending rates have a significant impact on the health of the Endowment balance. Because the available expenditure is a percentage of the balance, the dollar amounts available to spend is also lower. Figures 2.4 and 2.5 below show the dollar amount of available expenditures for each contribution scenario described. The charts illustrate that rates of spend that are more in line with the rate of return result in a more measured depletion of the balance of the Endowment and consistent and sustainable available expenditures.

Figure 2.4 Available expenditures when contributions end after 2030

Fiscal Year	Statutory Cap	9%	8%	7%
2027	\$70,313,040	N/A	N/A	N/A
2028	\$85,363,316	N/A	N/A	N/A
2029	\$112,422,550	N/A	N/A	N/A
2030	\$138,549,593	N/A	N/A	N/A
2031	\$133,776,559	\$120,398,903	\$107,021,247	\$93,643,592
2032	\$129,167,957	\$117,496,688	\$105,548,635	\$93,323,799
2033	\$124,718,121	\$114,664,430	\$104,096,286	\$93,005,098
2034	\$120,421,581	\$111,900,444	\$102,663,921	\$92,687,485
2035	\$116,273,058	\$109,203,084	\$101,251,265	\$92,370,958
2036	\$112,267,451	\$106,570,744	\$99,858,048	\$92,055,511

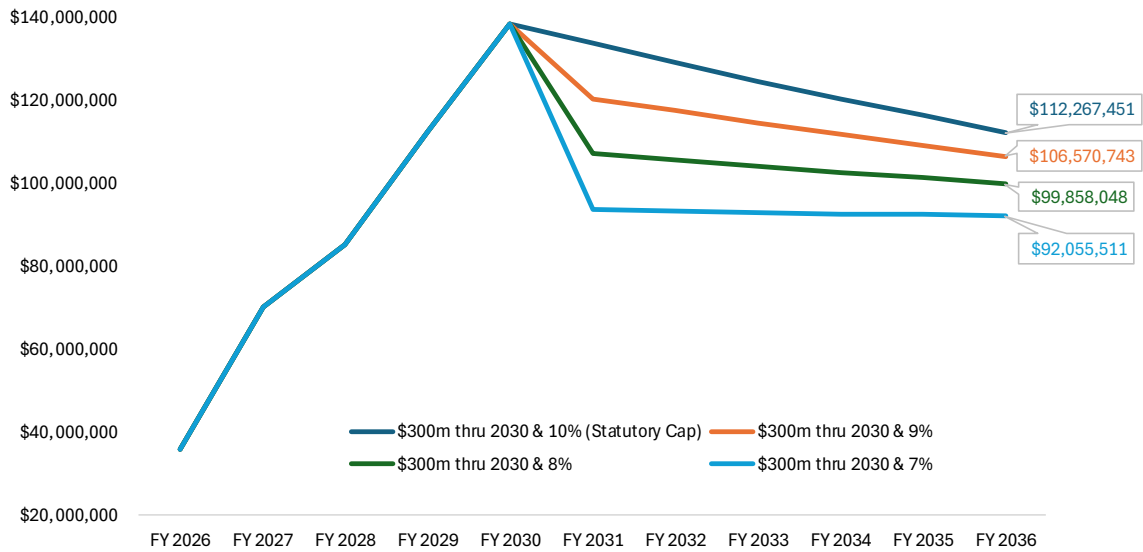
Figure 2.5 Available expenditures when contributions end after 2028

Fiscal Year	Statutory Cap	9%	8%	7%
2027	\$70,313,040	N/A	N/A	N/A
2028	\$85,363,316	N/A	N/A	N/A
2029	\$82,422,550	\$74,180,295	\$65,938,040	\$57,695,784
2030	\$79,583,093	\$72,392,179	\$65,030,732	\$57,498,754
2031	\$76,841,455	\$70,647,165	\$64,135,909	\$57,302,395
2032	\$74,194,267	\$68,944,215	\$63,253,399	\$57,106,708
2033	\$71,638,275	\$67,282,315	\$62,383,032	\$56,911,688
2034	\$69,170,336	\$65,660,475	\$61,524,642	\$56,717,335
2035	\$66,787,418	\$64,077,729	\$60,678,063	\$56,523,645
2036	\$64,486,591	\$62,533,135	\$59,843,133	\$56,330,617

The charts below further illustrate the dependency of the available expenditures on the balance of the Endowment. While as a percentage, the rate of spend may differ, as the balance is depleted, the difference between the actual dollar amount becomes smaller.



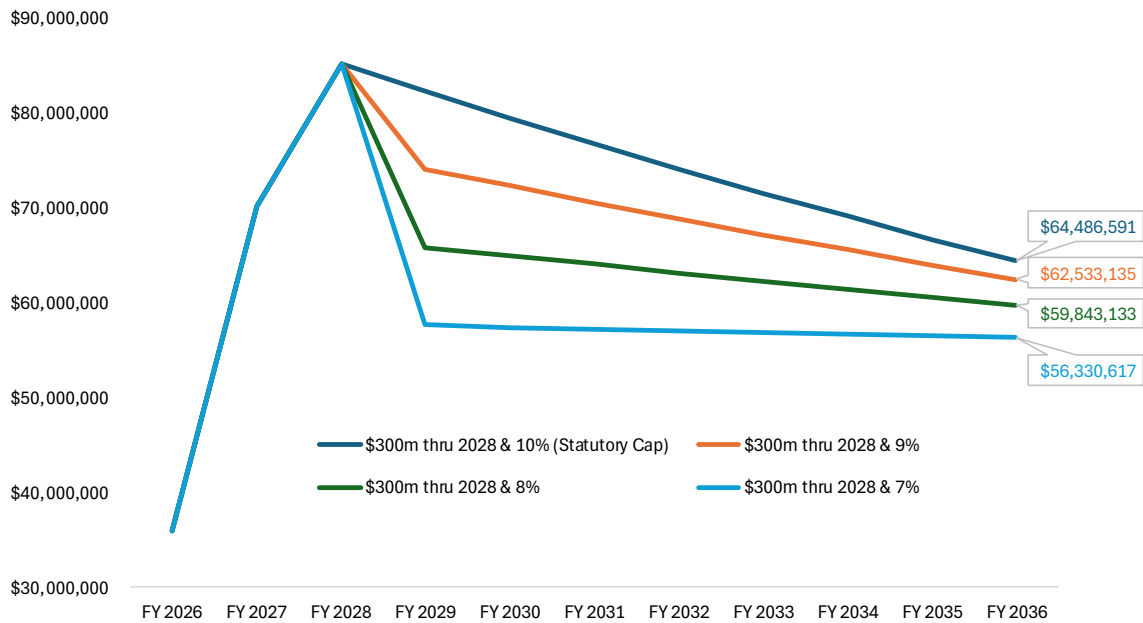
Chart 2.3 Available Expenditures: \$300m Contribution through 2030 vs. Varying Spend



Note: Assumes a 6.9% rate of return on invested capital

Source: Office of the Treasurer

Chart 2.4 Available Expenditures: \$300m Contribution through 2028 vs. Varying Spend



Note: Assumes a 6.9% rate of return on invested capital

Source: Office of the Treasurer



Conclusion

The timing and rate of draw down of the Endowment are influenced by a number of factors, most of which are unknowable at this point in the lifetime of the Endowment. The consistency and size of the contributions will have a significant impact on the balance and available expenditures, which will determine, in part, how quickly the Endowment will reach its goal of achieving universal childcare in the state. If the initial contributions grow the Endowment quickly, it may only be necessary to spend a smaller amount as a percentage and limit future expenditures to investment earnings, which would preserve the corpus and ensure sustainability of the Endowment.