TESTIMONY PRESENTED TO THE
Higher Education and Employment Advancement Committee
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Testimony Supporting Senate Bill No. 29

AN ACT CONCERNING THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Good morning Senator Bye, Representative Willis and distinguished members of the Higher Education Committee. Thank you for the opportunity to offer testimony in support of Senate Bill No. 29, "An Act Concerning the Connecticut Health and Educational Facilities Authority".

My name is Jeffrey A. Asher and I am here speaking on behalf of CHEFA and its Board of Directors in support of Senate Bill No. 29. On February 23, 2012, I had a conversation with Michael McKeeman who is Chairman of the Board of the Connecticut Higher Education Supplemental Loan Authority ("CHESLA"). During that conversation, he gave me permission to mention in my testimony that he is committed to this consolidation and that he personally supports this proposed legislation.

The purpose of this legislation is to effect the administrative consolidation of CHEFA and CHESLA.

Since its inception, CHESLA has been managed by the Connecticut Conference of Independent Colleges ("CCIC") through a series of management contracts. The CHESLA Board Management Planning Committee approached CHEFA over a year ago to explore the possibility of CHEFA playing a role in the future management of CHESLA. We suggested that, in light of the outstanding bond issues of both CHEFA and CHESLA and their differing missions, the best option for efficient management and long-term stability would be an administrative consolidation that would permit CHESLA to retain its separate identity as a subsidiary of CHEFA.

We are proposing that CHESLA become a subsidiary of CHEFA. We believe that this alternative provides the most practical structure by having a quasi-public agency managing the operations of another quasi-public agency through the subsidiary structure. We believe that this structure will enable us to operate CHESLA on a more cost effective basis by taking advantage of economies of scale through shared services. Our hope is that cost savings will be available to reduce the cost of borrowing for college students who obtain loans through CHESLA.

In addition to its management contract with CCIC, CHESLA (which has one full-time and one part-time employee) hires outside contractors to perform a variety of functions, including internal accounting functions, general counsel services and certain investment related functions.

We can provide these services on a more cost effective basis using existing CHEFA staff. We would charge CHESLA an annual administrative services fee that would include these shared services and other shared overhead costs such as office space.

The bonds issued by CHESLA are guaranteed by the State through the issuance of a special capital reserve fund guarantee ("SCRF"). Student loan repayments are the primary source of funds to make the debt service payments on these bonds. It is important, for the long-term viability of this program, to make sure that all of the proceeds funded by the bonds are loaned to the students and that there are minimal unspent bonds proceeds. We believe that our existing relationships with many of our higher education clients in the State will greatly assist us in effectively marketing this loan program at each of the colleges and universities.

In summary, I endorse and recommend Committee approval of S.B. No. 29

I would like to thank the committee for the opportunity to present this testimony and I would be happy to answer any questions you may have.