



**Testimony of Denise L. Nappier
Treasurer of the State of Connecticut
SUBMITTED TO THE BANKS COMMITTEE
MARCH 11, 2014**

Chairman Leone, Chairman Tong, and members of the Banks Committee, thank you for the opportunity to offer testimony regarding Senate Bill No. 397, *An Act Concerning the Connecticut Higher Education Trust*.

As you know, the Connecticut Higher Education Trust ("CHET") is the state-sponsored, tax-advantaged, 529 college savings plan which the General Assembly established in 1997. As Trustee of CHET, I commend the Committee's interest in encouraging families to save for college with the provisions in this bill.

Senate Bill 397 would expand the current state income tax deduction Connecticut residents can take for contributions they make to their CHET accounts. It would simultaneously double the allowable amount for deduction and expand the universe of plan contributions eligible for deduction to apply to any state-sponsored 529 plan. I understand that the language in Senate Bill 397 will likely be modified to more closely reflect the original intention to increase the maximum deduction on contributions from \$5,000 for individual filers and \$10,000 for joint filers to \$10,000 and \$20,000, respectively.

The intention of the bill is laudable. Two issues, however, merit a cautionary approach. The first is the potential significant impact to state revenues at a time when our State's fiscal health is improving, but has yet to fully recover from the Great Recession. The second is the effect that allowing taxpayer deductions for contributions to other states' 529 plans may have on the overall affordability of CHET – including the competitive fee structure of CHET. As a general matter, all CHET account holders benefit when assets increase in the Trust because of economies of scale that created an opportunity to negotiate lower fees. Since the inception of CHET, account holders have saved nearly \$15 million due to the reduction in fees, which are directly related to the growth of total assets under management.

Thank you for the opportunity to offer these comments for consideration. Please feel free to call on me should you have any questions or require additional information.