

**TESTIMONY PRESENTED TO THE FINANCE, REVENUE AND BONDING  
COMMITTEE  
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Testimony Supporting House Bill 5048

AN ACT ESTABLISHING THE CHET BABY SCHOLARS PROGRAM

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Good morning Senator Fonfara, Representative Widlitz, and distinguished members of the Finance Committee. Thank you for the opportunity to offer testimony in support of the Governor's Bill, HB 5048, An Act Establishing the CHET Baby Scholars Program.

Governor Malloy wants to build on the success of the state's 529 college savings plan, the Connecticut Higher Education Trust (CHET), because he believes all of Connecticut's children should be able to attend college and that it should be easier for families to start planning early. Studies<sup>1</sup> from the George Warren Brown School of Social Work show that when children have a college savings account in their name, they are seven times more likely to attend college than similar youth who do not have an account. We believe all children can aspire to higher education, and want to help all families, regardless of income, start planning for their children's future.

The bill establishes the CHET Baby Scholars program which is capitalized with \$12 million from a portion of funds from the defunct Connecticut Student Loan Foundation (CSLF) and potential contributions from taxpayers through a proposed income tax refund check-off. This program will provide a one-time incentive of \$100 to families of Connecticut children who open a CHET 529 savings account by the child's first birthday, or within the first year after adoption. Families who make a contribution of \$150 within four years of a child's birth or adoption will receive a one-time match of \$150. If this investment were done in the child's first year of life, a \$400 total contribution in an interest-bearing CHET account could grow to \$1,350 by the time the child reaches age 18 and is ready to pursue higher education.

Governor Malloy also wants to make college savings through existing or future CHET plans easier for children of any age. The bill allows families to direct their income tax refunds to their child's CHET account. The Governor's midterm budget

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<sup>1</sup> "Role of Savings and Wealth in Reducing 'Wilt' between Expectations and College Attendance", Elliot & Beverly (2010), *Journal of Children and Poverty*; originally published at Center for Social Development: George Warren Brown School of Social Work, Washington University in St. Louis.

recommendations include \$90,000 in carry forward funding to make modifications to the tax system and forms to implement this program.

We believe families should not be penalized for investing in their children's future, especially the neediest families. This bill disregards families' assets in any CHET 529 plan from eligibility determination for the Temporary Family Assistance (TFA) program, programs funded under the Low Income Home Energy Assistance Program (LIHEAP) block grant, and the federally appropriated weatherization assistance program. It should be noted that, under existing rules, assets under CHET do not impact eligibility for HUSKY A, HUSKY B, and the Supplemental Nutrition Assistance Program (SNAP).

We also want to eliminate some apprehensions families have about 529 plans and the student financial aid process. This bill allows the assets held in any CHET 529 plan to be disregarded when determining an individual's need for institutional aid grants offered by the state's public colleges and universities.

Finally, the bill merges the operations of the Connecticut Student Loan Foundation with the Connecticut Health Education Facilities Authority, an existing state quasi-public agency. The CSLF has no employees and no longer guarantees federal student loans due to changes in federal law, but has significant liabilities and assets that must continue to be managed.

I would again like to thank the committee for the opportunity to present this testimony. I respectfully request that the committee take favorable action on the Governor's bill and I would be happy to answer any questions you may have.