

**Testimony Presented to the  
Finance, Revenue and Bonding Committee  
March 13, 2014  
Supporting House Bill No. 5048  
AN ACT ESTABLISHING THE CHET BABY SCHOLARS PROGRAM**

**Presented by  
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("CHEFA")**

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Good morning Senator Fonfara, Representative Widlitz and distinguished members of the Finance, Revenue and Bonding Committee. My name is Jeanette W. Weldon and I am here speaking on behalf of the Connecticut Health and Educational Facilities Authority (CHEFA) and the Connecticut Higher Education Supplemental Loan Authority (CHESLA, a subsidiary of CHEFA) to offer testimony in support of House Bill No.5048, "An Act Establishing the CHET Baby Scholars Program".

This bill establishes the Connecticut Student Loan Foundation as a subsidiary of the Connecticut Health and Educational Facilities Authority. The Student Loan Foundation currently operates as a 501(c)(3) not-for-profit entity. It was created to improve educational opportunity and promote repayment of student loans. It achieved this purpose by originating and acquiring primarily federally guaranteed student loans and by administering the guarantee of these loans. This is in contrast to the Connecticut Higher Education

Supplemental Loan Authority (CHESLA), which offers student loans that are a non-federal option. CHESLA loans are funded through tax-exempt bonds backed by the state's special capital reserve fund, which helps achieve a relatively low loan rate for Connecticut students.

In 2010, as a result of changes in federal student lending and management challenges, the Student Loan Foundation effectively ceased operations and began winding down its bond and loan portfolios. The wind down is expected to be completed over the next 10 -15 years. Because of the overlap in purpose of the Student Loan Foundation with CHEFA's existing subsidiary, the Connecticut Higher Education Supplemental Loan Authority, House Bill 5048 proposes that going forward the two entities both be structured as CHEFA subsidiaries and have the same members on each of their respective boards.

In a letter to the legislative leadership dated January 10, 2014, the Honorable Denise L. Nappier, State Treasurer and Chair of the Connecticut Student Loan Foundation Board, voiced her support for the management of the Foundation as a CHEFA subsidiary, and stated her belief that synergies and efficiencies can be achieved. I share that view. CHEFA has suggested some technical amendments to the legislation in order to facilitate synergies and to require the same accountability for the Foundation as for a quasi-public agency. We believe that after a transition period, efficiencies will be achieved by moving certain Foundation outsourced services to CHEFA or CHESLA for cost savings. Those savings can be put to use in new or enhanced CHESLA programs that will help students fund their higher education costs.

I endorse and recommend Committee approval of House Bill 5048 and believe that Connecticut students will be the ultimate beneficiaries of this proposed legislation.

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.