



Testimony of Denise L. Nappier
Treasurer of the State of Connecticut
SUBMITTED TO THE FINANCE, REVENUE & BONDING COMMITTEE
MARCH 13, 2014

Chairman Fonfara, Chairman Widlitz, and members of the Finance, Revenue and Bonding Committee, thank you for the opportunity to provide testimony on House Bill 5048, *An Act Establishing the CHET Baby Scholars Program*.

As Trustee of the Connecticut Higher Education Trust (“CHET”), I am pleased to support this initiative, which would offer incentives for a newborn’s family to start saving for college in a child’s first few years – when the investments will have the greatest opportunity to grow. I commend Governor Malloy for proposing this important measure.

This bill, if enacted, would provide a contribution of \$100 to families of newborns that open a CHET account before the baby turns one. If a family adds another \$150 to the CHET account before the child turns four, CHET will then match that with another \$150. Given that a CHET account can be opened with as little as \$25, every newborn in Connecticut has an opportunity to have a CHET account with at least \$425 before they start grade school.

And while this account size may, in and of itself, seem modest, the mere existence of a college savings plan can positively influence a child’s life. Studies have shown that children with a college savings account, of any amount, are six times more likely to attend and graduate from college than those with no account. The CHET Baby Scholars Program has the potential to influence lifelong savings behavior and help families and children alike understand the importance of owning assets.

The funding for CHET Baby Scholars would come from the Connecticut Student Loan Foundation (“CSLF”), a nonprofit organization created by state statute. Because of changes in the federal student loan program, CSLF is no longer guaranteeing, purchasing, or making new loans as was originally intended. However, more than \$10 million in funds remain in CSLF that were earmarked for supporting access to higher education -- a purpose which is consistent with the CHET Baby Scholars Program. Investing these funds in CHET Baby Scholars represents a smart investment in the next generation of human capital and the growth and vitality of our State.

Other worthy provisions of the bill would exclude the value of a CHET account in determining financial aid at state colleges and universities, and from consideration of other state-funded, means-tested programs. These exclusions will ensure that families struggling to make ends meet while saving for a child’s educational future won’t be unfairly penalized.

Favorable consideration should also be given to the sections of the bill that would reestablish the CSLF as a subsidiary of the Connecticut Health and Educational Facilities Authority (CHEFA). Under this proposal, CHEFA would manage CSLF alongside the Connecticut Higher Education Supplemental Loan Authority (CHESLA), an active student loan agency which is also a subsidiary of CHEFA as a result of legislation passed two years ago.

On January 10th of this year, I wrote to both Governor Malloy and legislative leaders encouraging such a combination because CSLF has been in the process of winding down its

operations given changes in federal law. There remains, however, an ongoing need to manage the operations of CSLF – including a \$387 million outstanding bond portfolio and loan portfolio. CSLF currently has no staff, and is being managed by an external management company (with expertise in federal student loan programs) and supported by external legal counsel. If CSLF were managed as part of CHEFA and CHESLA, important economies of scale and synergies could be achieved. The combination makes sense and should be approved.

Thank you for the opportunity to offer testimony in support of this worthwhile proposal.