



Testimony of Denise L. Nappier
Treasurer of the State of Connecticut

SUBMITTED TO THE HIGHER EDUCATION & EMPLOYMENT ADVANCEMENT
COMMITTEE
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Senator Hartley, Representative Willis, and members of the Higher Education & Employment Advancement Committee, thank you for the opportunity to offer testimony in support of ***An Act Concerning an Income Tax Deduction for Contributions to Connecticut Higher Education Trust Accounts***, bearing Raised House Bill number 5526.

Let me acknowledge at the outset that I have been very pleased, since first announcing this proposal nearly a month ago, by the support it has generated in the legislature from both sides of the aisle. Beyond this building, the proposal is attracting interest around our State – from individuals and organizations that have first-hand knowledge of the escalating costs of college education and the financial squeeze being felt by so many families. The widespread support we have seen is a testament to just how compelling the need is for legislative action to help families save for higher education.

The proposal before you would, if enacted, allow for a deduction from Connecticut adjusted gross income of up to \$5,000 in CHET contributions for single filers, and as much as \$10,000 in contributions by joint filers. This measure, at its core, will help ensure a better future for our children and our State. Establishing a tax deduction would demonstrate Connecticut's commitment to hard working families seeking a better future for their children, and it will be a solid investment in human capital, the promise of our children.

As some of you may know, the CHET program was established by the Connecticut General Assembly in 1998. This really is your baby, and I have had the responsibility for caring for it. I am pleased to provide an update on how I've cared for your baby, and to suggest what we need to do next when it comes to "care and feeding."

First, let me update you on how this program has grown.

- In 1999, at the outset of my administration, individuals interested in a CHET account needed to put in \$500 to get started. We changed that to \$25, to make the program more accessible and more affordable to Connecticut families.

- In 1999, there was one investment option. In 2000, we added two additional investment options, and plans are in the works to add two more later this spring.
- In 1999, there were 4,000 account owners. Today there are 49,000. And in 1999 the total assets in CHET were about \$18 million. Today, total assets are approaching \$700 million.

As you can see, we have the CHET program that this legislature created, and nurtured it into one of the nation's premier 529 college savings programs -- all toward the goal of encouraging Connecticut families to save for college. And we have done so without having to come back to the legislature to ask for an appropriation or new authority.

Since that time, the environment has changed dramatically.

- Every state in the nation now offers a 529 college savings program, with many of them marketed nationally.
- The federal government has retreated from its historic commitment to help families working to pay for higher education, with drastic cuts to student loans and grants.
- The savings rate in this nation has declined, and just last year, there was a negative savings rate for the first time in more than half a century.
- More than ever, families are caught between the increasing costs of health care and housing, with the result a tightening financial squeeze that impacts a family's ability to pay for college.

This changing environment requires an enhanced strategy for CHET, if we are to remain true to its mission to encourage Connecticut families to save for the cost of higher education.

In a competitive world, if you're not going forward, you're going backward. I think that's where we are now with CHET.

Two-thirds of the states with an income tax offer a tax incentive for residents who contribute to their state 529 program. Connecticut does not.

In fact, all 529 programs are now required to urge potential clients to check with their home state before opening an account, to consider the tax benefits that may be available. I believe that when they check Connecticut, their state should stack up to other states.

Beyond the competitive realities, there is another reality that I know you are concerned with, as members of the Higher Education Committee. We have some of the nation's leading institutions of higher learning here in Connecticut. But too many of our children can't afford to get there.

We need legislative action not only to stay even with the competition, but to reaffirm our state's commitment to helping families help their children reach their higher education goals.

The price tag for helping our families plan and save is relatively small. We project the annual cost of the deduction to be between 5 and 7 million dollars – which represents roughly four-hundredths of one percent (0.04%) of the total state budget. In my view, that's an investment well worth making, and the next logical step for this legislature is to position this program for sustained growth and development.

I urge you to support House Bill 5526, and look forward to working with you and your colleagues as this bill moves forward.