

**State of Ohio**  
**Tuition Trust Authority**

**Role and Overview**

The [Ohio Tuition Trust Authority \(TTA\)](#) administers college savings programs to help Ohio families financially prepare for higher education. TTA serves as the state sponsoring entity for Ohio's college savings plan, in accordance with the ORC and Section 529 of the Internal Revenue Code.

The authority, which was established by the Ohio General Assembly in 1989, is governed by an 11-member Board of Trustees: six appointed by the Governor, two appointed by the President of the Senate, two appointed by the Speaker of the House, and the Chancellor of the Board of Regents or his designee. The agency's budget in fiscal year 2005 is approximately \$5.4 million.

The agency offers many different types of investment products such as the CollegeAdvantage 529 Savings Plan that allows Ohioans to choose from 35 college investment options. There are 19 variable investment options managed by Putnam Investments and 15 index investment options managed by Vanguard. There are six age-based options, as well as a variety of conservative, moderate, and aggressive options. The Guaranteed Fund, which is backed by the full faith and credit of the State, was designed to keep pace with tuition growth at Ohio's 13 public four-year colleges and universities. Contributions into the Guaranteed Savings Fund have been suspended through December 31, 2005, due to a market-value deficit resulting from high tuition inflation that exceeds investment returns.

In fiscal year 2005, approximately 616,000 investors participated in a TTA program. All funds can be used at any accredited college in the country to pay for tuition, fees, room and board, books, and supplies. The State of Ohio exempts earnings in all funds from state income taxes if funds are used for qualified higher education expenses. Ohio citizens who contribute to a CollegeAdvantage fund can deduct up to \$2,000 per year, per beneficiary from their State of Ohio income taxes. CollegeAdvantage is an Internal Revenue Code 529 qualified state tuition program and qualifies for federal tax benefits. Amounts withdrawn prior to January 1, 2011, will not be subject to federal income taxes, subject to certain exceptions.

In fiscal year 2005, TTA estimates that approximately \$832,717 (or 15.47%) of its budget will be dedicated to Guaranteed Savings Plan operations. The remaining amounts will be used to manage the day-to-day operations of the Variable Option Savings Plan (\$1,850,595 or 34.4%) and the Index Savings Plan (\$2,696,000 or 50.12%).

**Executive Priorities for the Ohio Tuition Trust Authority**

- Promote and ensure the availability of early college savings options for all Ohioans.
- Enhance service to current customers and additional participants through increased Website functionality to attract new participants and help current enrollees manage their accounts, and provide additional college savings products to meet consumer demand.

**Summary of Budget History and Recommendations**

(In thousands) BUDGET FUND GROUP	FY 2002	ACTUAL		ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
		FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
State Special Revenue Fund Group	4,278	4,422	4,535	5,219	15.1	5,716	9.5	6,115	7.0
<b>TOTAL</b>	<b>4,278</b>	<b>4,422</b>	<b>4,535</b>	<b>5,219</b>	<b>15.1</b>	<b>5,716</b>	<b>9.5</b>	<b>6,115</b>	<b>7.0</b>

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(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
	FY 2002	FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
Personal Services	1,822	1,961	1,980	2,086	(44.1)	2,494	125.6	2,626	5.3
Purchased Services	864	1,001	942	1,608	147.9	1,522	(34.9)	1,548	1.7
Maintenance	1,506	1,410	1,506	1,434	16.8	1,633	(7.2)	1,857	13.8
Equipment	85	50	107	91	(83.0)	68	270.9	84	24.4
<b>TOTAL</b>	<b>4,278</b>	<b>4,422</b>	<b>4,535</b>	<b>5,219</b>	<b>15.1</b>	<b>5,716</b>	<b>9.5</b>	<b>6,115</b>	<b>7.0</b>

## PROGRAM SERIES 01: CollegeAdvantage

This program series consists of the Tuition Trust Authority's three primary savings options offered to help Ohio families save for future college expenses. The Authority, created in 1989, provides a mixture of products and investment options to meet the investment needs of Ohioans.

### Program 01.01: Guaranteed College Savings Plan

The Guaranteed Savings Plan, created in 1989 as the first college savings plan supported by the state, has assets worth over \$850.8 million and has over 130,000 participants. The Guaranteed Savings Plan is currently suspended until December 31, 2005. The suspension does not allow new enrollments or contributions into the program; however, the program continues to support accounts for those enrolled prior to program suspension. Basic services associated with this program, such as disbursements to beneficiaries, refunds, rollover of account balances into new funds, and financial reporting, continue to function as normal.

### What the Budget Buys:

- Provides support for seven staff members that are responsible for the day-to-day customer service, processing of payouts, record-keeping, quarterly financial reporting to investors, and other duties as required to ensure that the 130,000 participants in the program are informed about their investments and receive assistance as needed;
- Decreases reflect the suspension of the Guaranteed Fund and the continued operations that are necessary to provide services to existing account owners and beneficiaries; and
- Provides necessary support and supervision needed to identify solutions to minimize the State of Ohio's long-term obligations on the Guaranteed Savings Plan.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	645	095-601	Operating Expenses	807,260	891,173
<b>TOTAL FOR PROGRAM</b>				<b>807,260</b>	<b>891,173</b>

### Program 01.02: Variable Savings Plan

In 2000, the General Assembly authorized TTA to create the CollegeAdvantage 529 Savings Plan. Putnam Investments was hired to manage the funds. The variable options are actively managed funds that seek to exceed the average returns of the financial markets. Customers are able to choose from a variety of savings options and have the ability to manage their own accounts depending on where they would like to invest (Asset Allocation Options, Money Market Options, Fixed Income Options, and Seven Equity Options). These accounts are not guaranteed a fixed rate of return and investors assume all risk. Currently, over 135,000 investors participate in this program, and TTA expects this number to grow by 11,000 in fiscal year 2006 and by 12,100 in fiscal year 2007. TTA and Putnam Investments share record-keeping responsibilities.

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## What the Budget Buys:

- Supports the purchase of vendor services for research, building brand awareness through media and direct mail campaigns, public relations, corporate partnerships to encourage payroll deduction, and investor education;
- Enables marketing research to help TTA identify populations of potential investors and provides investment options catered to their needs;
- Funds 14 staff members to manage the day-to-day record keeping, customer service, marketing, financial reporting and analysis, and technical support functions for the Variable Savings Plan and its 135,000 current direct investors;
- Provides funding for one additional staff member in fiscal year 2006 to keep pace with the consumer demand for services; and
- Supports fulfillment of TTA's directed mission from the Ohio Revised Code and Section 529 of the Internal Revenue Code to help families save for future college expenses.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	5P3	095-602	Variable College Savings Fund	2,042,486	2,118,568
<b>TOTAL FOR PROGRAM</b>				<b>2,042,486</b>	<b>2,118,568</b>

## Program 01.03: Index Savings Plan

In accordance with Amended Substitute Senate Bill 161 of the 123<sup>rd</sup> General Assembly, during fiscal year 2005, the Controlling Board approved creation of a new college savings investment option through TTA in partnership with Vanguard, an investment firm. The index options are passively managed funds that attempt to match a particular stock or bond market index. Vanguard will provide increased options for customers to create new accounts and make changes to their investment options on-line. These accounts are not guaranteed a fixed rate of return and investors assume all risk. During fiscal year 2005, over 13,000 Vanguard accounts have been opened. TTA is responsible for all record-keeping duties.

## What the Budget Buys:

- Supports the purchase of vendor services for research, building brand awareness through media and direct mail campaigns, public relations, corporate partnerships to encourage payroll deduction, and investor education. Marketing research helps TTA identify populations of potential investors and provides investment options catered to their needs;
- Funds will support 16 staff to manage the day-to-day record keeping, customer service, marketing, financial reporting and analysis, and technical support functions for the Index Savings Plan and its investors;
- Provides funding for one additional staff member in fiscal year 2006 and in fiscal year 2007 to keep pace with the consumer demand for services;
- Supports projected enrollment growth of 33,000 new investors in fiscal year 2006 with estimated sales to reach \$152 million and 36,000 new investors in fiscal year 2007 with sales to reach \$256 million; and
- Enables fulfillment of TTA's directed mission from the Ohio Revised Code and Section 529 of the Internal Revenue Code to help families save for future college expenses.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	5AM	095-603	Index Savings Plan	2,866,240	3,104,865
<b>TOTAL FOR PROGRAM</b>				<b>2,866,240</b>	<b>3,104,865</b>

## LINE ITEM SUMMARY - Tuition Trust Authority

FUND	ALI	ALI TITLE	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 RECOMMENDED	% CHANGE	FY 2007 RECOMMENDED	% CHANGE
5AM	095-603	Index Savings Plan	0	0	0	2,696,000	2,866,240	6.3	3,104,865	8.3
5P3	095-602	Variable College Savings Fund	40,476	1,371,963	1,598,587	1,690,213	2,042,486	20.8	2,118,568	3.7
645	095-601	Operating Expenses	4,237,836	3,049,799	2,936,650	832,717	807,260	(3.1)	891,173	10.4
<b>TOTAL State Special Revenue Fund Group</b>			<b>4,278,312</b>	<b>4,421,762</b>	<b>4,535,237</b>	<b>5,218,930</b>	<b>5,715,986</b>	<b>9.5</b>	<b>6,114,606</b>	<b>7.0</b>
<b>TOTAL Tuition Trust Authority</b>			<b>4,278,312</b>	<b>4,421,762</b>	<b>4,535,237</b>	<b>5,218,930</b>	<b>5,715,986</b>	<b>9.5</b>	<b>6,114,606</b>	<b>7.0</b>