

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 2007 is approximately \$6.4 million.

The agency offers many different types of investment products within the CollegeAdvantage 529 Savings Plan that allows Ohioans to choose from 36 college investment options. There are 19 variable investment options managed by Putnam Investments, 15 index investment options managed by Vanguard, and two banking options managed by Fifth Third Bank. 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 universities. Contributions into the Guaranteed Savings Fund have been suspended through December 31, 2007, due to a market-value deficit resulting from high tuition inflation that exceeds investment returns.

In fiscal year 2006, approximately 690,000 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 Amounts withdrawn that are used for qualified higher education expenses are not subject to federal income taxes.

In fiscal year 2007, TTA estimates that approximately \$948,696 (or 14.9%) 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 (\$1,411,024 or 22.2%), the Index Savings Plan (\$2,091,390 or 32.8%) and the Banking Products Plan (\$1,913,592 or 30.1%).

More information regarding the Ohio Tuition Trust Authority is available at www.collegeadvantage.com/.



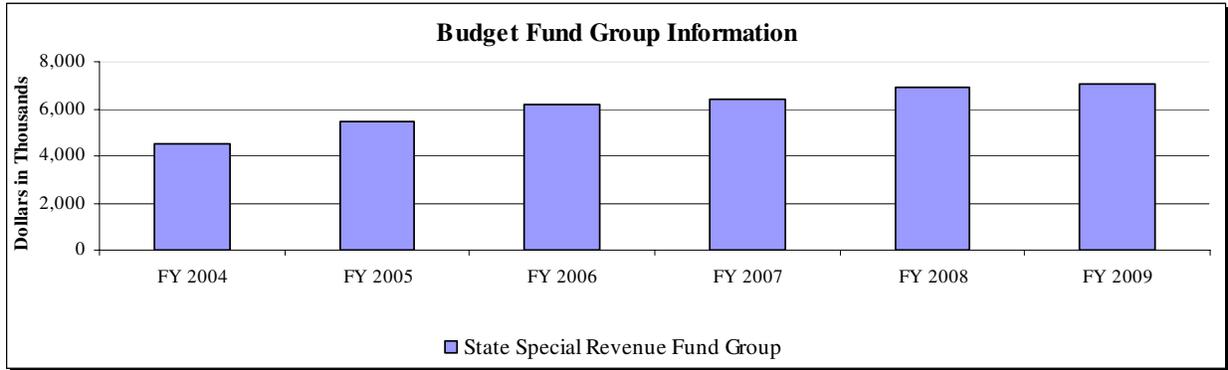
Turnaround Ohio Initiatives

- Promote and ensure the availability of early college savings options for all Ohioans.
- Partner with other state agencies, higher education organizations and community groups to help Ohioans obtain a college degree.

Agency Priorities

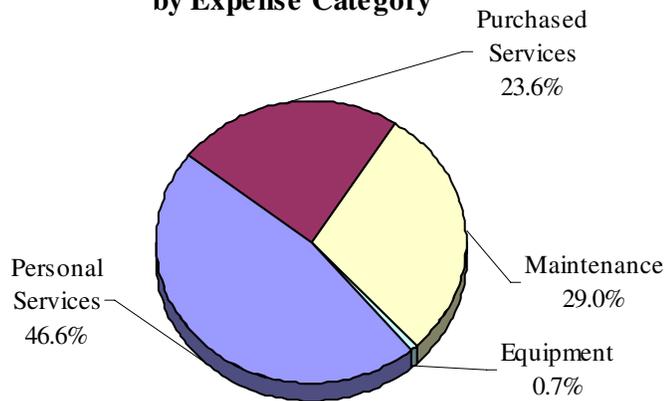
- Continue to strive for the best mix of savings and investment choices for customers and prospects in order to increase contributions and participants in the plan.
- Continue to improve customer support and administration of the plan, including enhancements to the website, improvements in the security of assets and more efficient internal operations in all departments.
- Work to raise awareness of the value and economic impact of higher education, and the importance of early college savings.
- Seek innovative ways to bring more low income families and a more diverse ethnic population into the plan to save for college.

Summary of Budget History and Recommendations



(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	FY 06-07	FY 2008	%	FY 2009	%
State Special Revenue Fund Group	4,535	5,447	6,210	6,365	2.5	6,912	8.6	7,019	1.5
TOTAL	4,535	5,447	6,210	6,365	2.5	6,912	8.6	7,019	1.5

**FY 2008-09 Biennial Appropriation
by Expense Category**



(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	FY 06-07	FY 2008	%	FY 2009	%
Personal Services	1,980	2,170	2,557	2,566	.4	3,182	24.0	3,310	4.0
Purchased Services	942	1,614	1,628	1,654	1.6	1,601	(3.2)	1,691	5.6
Maintenance	1,506	1,580	1,912	2,054	7.4	2,067	.6	1,979	(4.2)
Equipment	107	82	113	91	(19.6)	62	(32.6)	39	(36.6)
TOTAL	4,535	5,447	6,210	6,365	2.5	6,912	8.6	7,019	1.5

PROGRAM SERIES 01: College Advantage

This program series consists of the Tuition Trust Authority’s four primary savings plans 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 Savings Plan

The Guaranteed Savings Plan, created in 1989 as the first college savings plan supported by the state, has assets worth over \$859.1 million and has over 100,000 participants. The Guaranteed Savings Plan is currently suspended until December 31, 2007. 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.

The Executive Recommendation will:

- Provide support for six 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 100,000 participants in the program are informed about their investments and receive assistance as needed;
- Provide necessary support and supervision needed to identify solutions to minimize the State of Ohio’s long-term obligations on the Guaranteed Savings Plan; and
- Enhance the website to allow more online accessibility and functionality for account owners.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	645	095-601	Gurantd College Savings Plan	872,086	881,169
TOTAL FOR PROGRAM				872,086	881,169

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 Equity Options). These accounts are not guaranteed a fixed rate of return and investors assume all risk. Currently, over 70,000 investors participate in the Putnam direct program. TTA is responsible for all record-keeping responsibilities of the Putnam direct program.

The Executive Recommendation will:

- Support the purchase of vendor services for marketing research, building brand awareness through media and direct mail campaigns, public relations, corporate partnerships to encourage payroll deduction, and investor education;
- Support infrastructure improvements and enhancements to the website to allow greater efficiencies within the operations of TTA and more online accessibility and functionality for account owners;
- Fund 13 staff members to manage the day-to-day record-keeping, customer service, marketing, financial/investment reporting and analysis, and technical support functions for the Variable Savings Plan and its 70,000 current direct investors;
- Provide funding for one additional staff member in fiscal year 2008 to support the growth in volume of sales, transactions and accounts; and
- Support the 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				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	5P3	095-602	Variable College Savings Fund	2,031,354	2,063,596
TOTAL FOR PROGRAM				2,031,354	2,063,596

Program 01.03: Index Savings Plan

In accordance with Amended Substitute Senate Bill 161 of the 123rd 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. These accounts are not guaranteed a fixed rate of return and investors assume all risk. During fiscal year 2006, over 21,000 new Vanguard accounts were opened. TTA is responsible for all record-keeping duties.

The Executive Recommendation will:

- Support the purchase of vendor services for marketing research, building brand awareness through media and direct mail campaigns, public relations, corporate partnerships to encourage payroll deduction, and investor education;
- Support infrastructure improvements and enhancements to the website to allow greater efficiencies within the operations of TTA and more online accessibility and functionality for account owners;
- Provide support for 13 staff members to manage the day-to-day record-keeping, customer service, marketing, financial/investment reporting and analysis, and technical support functions for the Index Savings Plan and its 67,000 current investors;
- Provide funding for one additional staff member in fiscal year 2008 to support the growth in volume of sales, transactions, and accounts; and
- Support the 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				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	5AM	095-603	Index Savings Plan	2,376,852	2,425,777
TOTAL FOR PROGRAM				2,376,852	2,425,777

Program 01.04: Banking Products

The Banking Products Plan was added to the College Advantage program series as another savings option September 1, 2005, in accordance with Amended Substitute Senate Bill 161 of the 123rd General Assembly and Controlling Board action TTA108. This program provides conservative college savings options, provided by Fifth Third Bank, for risk-averse savers, parents with children near college age, or those with children currently enrolled in college who may not want to take on risk or lose principal. These options may also appeal to investors looking to diversify their 529 portfolios. The Fifth Third Banking Products include Certificates of Deposit with maturities from 3 months to 12 years and a 529 savings account, all of which are FDIC insured up to \$100,000. During fiscal year 2006, over 3,000 new Fifth Third accounts were opened. TTA is responsible for all record-keeping duties.

The Executive Recommendation will:

- Support the purchase of vendor services for marketing research, building brand awareness through media and direct mail campaigns, public relations, corporate partnerships to encourage payroll deduction, and investor education;
- Support infrastructure improvements and enhancements to the website to allow greater efficiencies within the operations of TTA and more online accessibility and functionality for account owners;

State of Ohio
Tuition Trust Authority

- Provide support for 13 staff members to manage the day-to-day record-keeping, customer service, marketing, financial/investment reporting and analysis, and technical support functions for the Banking Products and its 5,400 current investors; and
- Support the 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				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	5DC	095-604	Banking Products	1,631,283	1,648,123
TOTAL FOR PROGRAM				1,631,283	1,648,123

LINE ITEM SUMMARY - Tuition Trust Authority

FUND	ALI	ALI TITLE	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 RECOMMENDED	% CHANGE	FY 2009 RECOMMENDED	% CHANGE
5AM	095-603	Index Savings Plan	0	2,191,189	2,332,568	2,111,156	2,376,852	12.6	2,425,777	2.1
5DC	095-604	Banking Products	0	0	979,559	1,934,012	1,631,283	(15.7)	1,648,123	1.0
5P3	095-602	Variable College Savings Fund	1,598,587	1,511,472	1,899,350	1,428,364	2,031,354	42.2	2,063,596	1.6
645	095-601	Gurantd College Savings Plan	2,936,650	1,744,269	998,738	891,173	872,086	(2.1)	881,169	1.0
TOTAL State Special Revenue Fund Group			4,535,237	5,446,930	6,210,215	6,364,705	6,911,575	8.6	7,018,665	1.5
TOTAL Tuition Trust Authority			4,535,237	5,446,930	6,210,215	6,364,705	6,911,575	8.6	7,018,665	1.5