

Ohio Tuition Trust Authority

- The Authority currently serves over 95,000 contracts
- VSP plan expected to add \$1 billion in assets by the conclusion of the new biennium

OVERVIEW

The Ohio Tuition Trust Authority (OTTA) encourages savings among middle-income Ohio families, expanding access to higher education. The Authority's Board of Directors is comprised of 11 members: 6 members appointed by the Governor, two appointed by the Speaker of the House of Representatives, two appointed by the President of the Senate, and the Chancellor of the Board of Regents.

The OTTA is responsible for two programs that promote private savings for the payment of college tuition: the Guaranteed Savings Plan (formerly known as the Prepaid Tuition Program) and the Variable Savings Plan. The Variable Savings Plan is a new addition to OTTA's savings plan, established by S.B. 161 of the 123rd General Assembly. The Guaranteed Savings Plan and the Variable Savings Plan are referred to as the CollegeAdvantage Savings Plan.

The Guaranteed Savings Plan program allows for the purchase of future tuition at a price based on the current weighted average tuition of Ohio's thirteen public universities. The Authority currently offers two ways to purchase prepaid tuition: 1) any time, any amount purchase coupons and 2) an autopayment plan. Paying via a payroll deduction or automatic cash transfer plan offers a \$2.00 savings per tuition unit purchase over the cost of purchasing units individually. The program guarantees that approximately 100 tuition units will pay for one year of tuition at an average-priced public university. According to OTTA, community and technical colleges require approximately 56 units per year and private universities average 436 units per year.

There are four sections within the OTTA. These are Marketing, Operations, Information Systems, and Administration. The Marketing Department integrates speaking engagements, strategic mailing initiatives, and the Internet to promote the OTTA to its target audience. The Operations Department is focused on maintaining existing accounts and improving the efficiency with which staff provides customer service. The Information Systems Department ensures that the technological capacities of the OTTA can meet the demands of an increasing customer base. The Administrative Section holds the agency accountable with regard to legal and actuarial regulations.

ADDITIONAL FACTS AND FIGURES

Ohio Tuition Trust Authority Staffing Levels						
					<i>Estimated</i>	
Authority Staffing Levels	1998	1999	2000	2001	2002	2003
Totals	22.5	26.5	28.5	30.5	33.5	33.5

- In conjunction with the FY 2000 financial audit, the required actuarial evaluation by Milliman & Robertson, Inc. reconfirmed that the Ohio Tuition Trust Authority is actuarially sound. As of June 2000, program assets stand at \$497 million.

Program Sales Goals

Sales Category	FY 2001 Goal	Total as of 1/01
Contract Goals	<i>18,000</i>	12,650
Tuition Unit Goals	<i>1,700,000</i>	673,291
Sales Revenue Goals	\$ 81.2 million	\$53.4 million

- The current price of any time, any amount purchase coupons is \$51.00 per unit. For the autopayment plans, the price per unit is \$49.00. Both prices are in effect until September 30, 2001.
- The contract goals and sales revenue goals set by OTTA for this fiscal year are combined totals for the Guaranteed Savings Fund and the Variable Savings Plan. The tuition unit goals are totals for the Guaranteed Savings Fund only.

ANALYSIS OF EXECUTIVE PROPOSAL

Ohio Tuition Trust Authority

Purpose To administer savings programs that help provide financial assistance for a college education

The following table shows the line item that is used to fund this agency’s program series, as well as the Governor’s recommended funding levels.

State Special Revenue Fund Group

Fund	ALI	Title	FY 2002	FY 2003
645	095-601	Operating Expenses	\$4,437,885	\$4,611,050
Total funding: Ohio Tuition Trust Authority			\$4,437,885	\$4,611,050

The Executive has recommended \$4,437,885 for FY 2002, a 12.5 percent increase over funding levels for OTTA in FY 2001 and \$4,611,050 for FY 2003, a 3.9 percent increase over FY 2002. The increased funding is, in part, a result of the addition of the Variable Savings Plan that was established by S.B. 161 of the 123rd General Assembly. The additional money will be used to administer this plan, as well as the Guaranteed Savings Fund.

Following is a breakdown of the Tuition Trust Authority’s line item (095-601) by object of expense.

Object of Expense	FY 2002	FY 2003
10 - Personal Service	\$1,821,465	\$1,906,513
13 - Purchased Service	\$1,357,646	\$1,357,646
20 - Maintenance	\$1,177,774	\$1,266,891
30 - Equipment	\$81,000	\$80,000
TOTAL	\$4,437,885	\$4,611,050

The appropriations in this budget are for the operating expenses of the Tuition Trust Authority. The money paid in for the purchase of tuition credits is held separate from the state budget. The \$1,357,646 in the purchased services line includes expenditures for information services contracts, marketing consultants, actuarial services, external audit services, tax and legal counsel, and investment consulting.

PERMANENT AND TEMPORARY LAW

Permanent Law Provisions

There are no permanent law provisions with fiscal effects on this agency.

Temporary Law Provisions

There are no temporary law provisions with fiscal effects on this agency.

REQUESTS NOT FUNDED

There are no specific requests that are not funded this biennium, although the Executive reduced the FY 2002 request by \$101,315, from \$4,539,200 to \$4,437,885 and the FY 2003 request by \$339,709, from \$4,950,759 to \$4,611,050.

A breakdown by object of expense for the requested budget versus the recommended budget is below.

Ohio Tuition Trust Authority – Operating Expenses (095-601)						
Object of Expense	FY 2002 Requested	FY 2002 Recommended	Difference	FY 2003 Requested	FY 2003 Recommended	Difference
Personal Services	\$1,888,445	\$1,821,465	(\$66,980)	\$1,983,733	\$1,906,513	(\$77,220)
Purchased Services	\$1,391,981	\$1,357,646	(\$34,335)	\$1,620,135	\$1,357,646	(\$262,489)
Maintenance	\$1,177,774	\$1,177,774	\$0	\$1,266,891	\$1,266,891	\$0
Equipment	\$81,000	\$81,000	\$0	\$80,000	\$80,000	\$0

The difference in the Personal Services line would not allow the Authority to hire 1-2 of the additional positions that they have requested.

LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund ALI ALI Title</i>	<i>Revised Estimated 2001</i>	<i>As Introduced 2002</i>	<i>House Sub Bill 2002</i>	<i>% Change Est. 2001 to House 2002</i>	<i>As Introduced 2003</i>	<i>House Sub Bill 2003</i>	<i>% Change House 2002 to House 2003</i>
<i>TTA Ohio Tuition Trust Authority</i>							
645 095-601 Operating Expenses	\$3,943,300	\$ 4,437,885	\$ 4,630,385	17.4%	\$ 4,611,050	\$ 4,734,800	2.3%
State Special Revenue Fund Group Total	\$ 3,943,300	\$ 4,437,885	\$ 4,630,385	17.4%	\$ 4,611,050	\$ 4,734,800	2.3%
<i>Total All Budget Fund Groups</i>							
	\$ 3,943,300	\$ 4,437,885	\$ 4,630,385	17.4%	\$ 4,611,050	\$ 4,734,800	2.3%

State Special Revenue Fund Group

645 095-601 Operating Expenses

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,940,504	\$3,241,637	\$3,533,252	\$3,943,300	\$4,437,885	\$4,611,050
	10.2%	9.0%	11.6%	12.5%	3.9%

Source: SSR: Revenue generated from the sale of tuition units, collection of enrollment fees, administrative processing fees, and investment income earnings (transferred to the operating fund from the reserve fund).

Legal Basis: ORC 3334.

Purpose: The operating fund covers the administrative expenses used to operate the Prepaid College Program. (The agency also administers the College Savings Bond Program). The Trust and Reserve Fund, which consists of revenue from the sale of customer contracts, tuition units and investment income earned, is used to pay future tuition obligations and transfers to the operating funds for administrative expenses. Between October 1, 2000 and September 30, 2001, a tuition unit cost \$51.00 (\$49.00 if purchased through a payroll deduction or automatic cash transfer plan). Each unit has a future payout value equaling one percent of the weighted average tuition of the thirteen Ohio public universities. The price is scheduled to change annually when the universities' tuition increases have all been announced. The program guarantees that 100 tuition units will pay for one year of tuition at an average-priced Ohio public university. For the 2000-2001 academic year the weighted average tuition for the thirteen public universities is \$4829.