

Ohio Tuition Trust Authority

Senate Education Committee

*Zak Talarek, Budget Analyst
Legislative Service Commission*

April 27, 2005

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for the

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April 27, 2005

Ohio Tuition Trust Authority

- Funding for FY 2006 is 9.5% above FY 2005
- Funding for FY 2007 is 7.0% above FY 2006
- Funding is entirely provided by fee revenues
- The proposed funding will allow for the hiring of four new staff members over the biennium

OVERVIEW

The Ohio Tuition Trust Authority (OTTA) provides a means for Ohio families to save for their children's college education. The Authority's board of directors is comprised of eleven members: six 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 Board appoints an Executive Director, who oversees the daily operations of the OTTA and the 36 employees (35 full-time and 1 part-time) on the staff with an annual budget of approximately \$5.2 million in FY 2005. The OTTA receives no GRF dollars, and its operations are entirely funded through its fee revenue.

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 Guaranteed Savings Plan and the Variable Savings Plan are collectively referred to as the College Advantage Savings Plan. Funds in both plans can be used at any college in the country, and both plans qualify as a 529 college savings program. A 529 college savings program is a state-operated investment plan named after the section of the Internal Revenue Code that specifies the various tax advantages from participating in the program.

These advantages include tax-free growth while the value of the account accumulates, as well as withdrawals being exempt from both federal and state income taxes if the distributions are used to pay for qualified higher educational expenses. These qualified expenses include tuition, room and board, plus any other fees or costs that are required for enrollment or attendance at the college or university. In addition, Ohio residents can deduct up to \$2,000 per beneficiary per year (with unlimited carry forward) from Ohio taxable income for contributions into the program.

Guaranteed Savings Plan

Ohio's Guaranteed Savings Plan began in October 1989, and is the third oldest program of its type in the country. Beginning on July 1, 1994, the Guaranteed Savings Plan program allowed for the purchase of tuition units that were based on 1% of the weighted average tuition of Ohio's 13 public universities at the time of purchase, and could be redeemed at 1% of the weighted average tuition at the time of the redemption of the units. Tuition credits, which were purchased prior to July 1, 1994, can be redeemed for the greater of 1.15% of the weighted average tuition at the time of the redemption of the credits, or 1% of the actual undergraduate tuition at the state institution of higher education where the beneficiary is enrolled when the credit is used for the payment of tuition at that institution. The program guarantees that approximately 100 tuition units will pay for one year of tuition at an average-priced Ohio public university. In addition, Article VI, Section 6, division (B) of the Ohio Constitution pledges the full faith

and credit and taxing power of the state behind the redemption value of the tuition credits. Thus, any future shortfall would require an appropriation from the General Assembly in order to make the full payment on the value of the tuition credits.

In FY 2002, the Guaranteed Savings Plan ran its first actuarial deficit, amounting to \$23.8 million. In FY 2003, the actuarial deficit increased to \$321.1 million. The downturn in the economy and the stock market, as well as the large increases in tuition at Ohio's universities after the removal of the tuition caps in FY 2002 and FY 2003 are responsible for the financial problems in the Guaranteed Savings Plan. As a result of this large increase in the actuarial deficit, on October 8, 2003, the OTTA suspended sales of new enrollments in the Guaranteed Savings Plan effective immediately. In addition, on that date, it suspended contributions to existing accounts beginning on January 1, 2004 and ending December 31, 2004. In FY 2004, the actuarial deficit declined by 8.3%, to \$294.6 million. However, on August 27, 2004 the suspension was extended for an additional year, through December 31, 2005.

Even though contributions to the plan have been suspended, withdrawals from the Plan are still permitted. The program guarantees that approximately 100 tuition units will pay for one year of tuition at an average-priced Ohio public university. Table 1 presents the redemption value of the tuition units that were purchased in the Guaranteed Savings Plan.

Table 1: Redemption Value of Tuition Units (1% of the Weighted Average Tuition at Ohio's 13 Universities)		
Academic Year	Redemption Value	Percentage Change
1995-1996	36.45	
1996-1997	38.54	5.7%
1997-1998	40.44	4.9%
1998-1999	43.03	6.4%
1999-2000	45.23	5.1%
2000-2001	48.29	6.8%
2001-2002	52.23	8.2%
2002-2003	59.79	14.5%
2003-2004	66.44	11.1%
2004-2005	74.27	11.8%

Variable Savings Plan

The Variable Savings Plan offers individuals market-based choices to save for college. Funds in the Variable Savings Plan are not backed by the full faith and credit of the state of Ohio. This program began in October 2000, with all of the investment options being offered by Putnam Investments. In May 2004, the OTTA added the Vanguard Group as an additional provider of investment options. As a result, participants currently have a choice of 30 investment options, 15 in various Putnam mutual funds, and 15 in various Vanguard Group mutual funds.

Participants choosing one of the Putnam options also have a choice in opening an account through a financial advisor who has a selling agreement with Putnam, or directly through the OTTA. Opening an account directly through the OTTA allows the participant to pay lower fees per share than if the account

is opened through a financial advisor. Only Ohio residents may enroll directly through the OTTA. The OTTA receives 0.05% of a participant's assets on an annualized basis for accounts opened directly through the OTTA, while it receives 0.20% from non-Ohio residents and Ohio residents who enroll through a financial advisor.

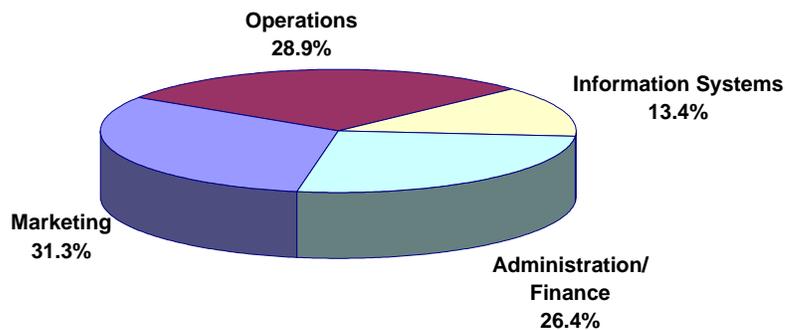
Participants choosing one of the Vanguard Group options must open the account directly with the OTTA. The OTTA receives 0.20% of a participant's assets on an annualized basis. The reason for the higher fee on accounts opened directly with the OTTA as compared to the Putnam options is due to the OTTA being responsible for the administration of the accounts opened through Vanguard Group. The Vanguard Group is only responsible for investing the assets, while Putnam is responsible for both investing and administering the accounts for participants in its investment options.

Summary of FYs 2006-2007 Budget Issues

The executive proposal has recommended \$5,715,986 for FY 2006, a 9.5% increase over funding levels for OTTA in FY 2005 and \$6,114,606 for FY 2007, a 7.0% increase over FY 2006. In addition to the fees charged to participants in the Putnam and Vanguard Group options, the OTTA receives revenue from the Guaranteed Savings Plan that cover the costs of administration. In fact, each of the investment types (Guaranteed, Putnam, and Vanguard) uses its own fees to fund their portion of the operations of the OTTA in its entirety. Hence no GRF dollars are appropriated to the OTTA.

The OTTA is organizationally structured into four departments: Marketing, Operations, Information Systems, and Administration/Finance. The Marketing Department, which will receive \$1,829,325 in FY 2006 and \$1,876,758 in FY 2007, integrates speaking engagements, strategic mailing initiatives, and the Internet to promote the OTTA to its target audience. The Operations Department, which will receive \$1,568,439 in FY 2006 and \$1,846,038 in FY 2007, is focused on maintaining existing accounts and improving the efficiency in providing customer service. The Information Systems Department, which will receive \$766,084 in FY 2006 and \$820,058 in FY 2007, ensures that the technological capacities of the OTTA can meet the demands of an increasing customer base. The Administrative/Finance Department, which will receive \$1,552,158 in FY 2006 and \$1,571,751 in FY 2007, holds the agency accountable with regard to legal and actuarial regulations. The chart below illustrates the percentage of the total budget for the FY 2006-2007 biennium that will go to each of the four departments.

Department Funding as a Percentage of the Total Budget



Staffing Levels

Ohio Tuition Trust Authority Staffing Levels						
Fiscal Year	2002	2003	2004	2005	<i>Estimated</i>	
					2006	2007
Full-Time	33	33	35	35	38	39
Part-Time	1	1	1	1	1	1
Totals	34	34	36	36	39	40

- The increase in the estimated staffing levels for FY 2006 and FY 2007 take into account the OTTA's request for three additional positions in FY 2006 and one additional position in FY 2007. Because the executive proposal completely funds its request, the OTTA will be able to go ahead with its plans to hire an assistant network administrator, an outreach coordinator, and a customer care representative in FY 2006; and an additional customer care representative in FY 2007.
- The assistant network administrator will perform after-hours network duties and monitor data exchanges, which have increased with the addition of the Vanguard Group investment options. The outreach coordinator will have responsibility for coordinating initiatives and work with the Board of Regents to provide scholarships to low-income students, and coordinate outreach efforts toward difficult-to-reach populations. The customer care representatives will keep up with the processing and communication with account holders, which are expected to increase because of the anticipated growth in the Putnam and Vanguard Group investment options.
- The OTTA expects to pay \$2,246,000 in FY 2005, \$2,445,421 in FY 2006, and \$2,575,178 in FY 2007 for wages and fringe benefits. These figures include the three new staff members in FY 2006 and one additional staff member in FY 2007. The assumptions for pay include an estimated 30% for fringe benefits in each fiscal year, average merit raises of 4% that would be awarded each January, and bonuses of \$39,000 in FY 2006 and \$40,000 in FY 2007 (\$1,000 maximum for each employee) that would be awarded in July and are contingent upon meeting goals set by the OTTA. The bonuses replace the OTTA's former cost-of-living adjustments, and are approved and monitored by the OTTA's Board of Directors.
- In FY 2005, 6 employees were funded from the Guaranteed Savings Plan (095-601, Operating Expenses), 14 from the Putnam options (095-602, Variable Savings Plan), and 16 from the Vanguard Group options (095-603, Index Savings Plan). The Putnam options will fund two of the new employees in FY 2006, while the Vanguard Group option will fund one new employee in FY 2006 and one additional employee in FY 2007.

FACTS AND FIGURES

Program Sales and Participation

Guaranteed Savings Plan			
Fiscal Year	New Accounts	Units Purchased	Yearly Revenue
FY 1990*	2,846	51,170	\$1,688,111
FY 1991	12,077	598,620	\$19,937,605
FY 1992	5,924	841,837	\$30,873,315
FY 1993	5,965	783,627	\$31,751,084
FY 1994	4,228	492,234	\$21,600,475
FY 1995	10,115	787,708	\$28,155,356
FY 1996	6,387	724,345	\$26,572,986
FY 1997	10,600	1,219,508	\$46,367,047
FY 1998	11,067	1,159,433	\$45,623,647
FY 1999	12,595	1,335,105	\$55,792,275
FY 2000	13,242	1,446,063	\$63,129,872
FY 2001	7,839	1,478,508	\$70,275,351
FY 2002	16,979	2,935,151	\$163,783,608
FY 2003	9,854	1,360,917	\$105,864,843
FY 2004**	1,369	357,718	\$33,168,874
Total	131,087	15,571,944	\$744,584,449

*Only three months of data

**Through December 31, 2003

- Participation in the Guaranteed Savings Plan was suspended for new enrollees beginning on October 8, 2003, and for existing enrollees beginning on January 1, 2004. Since the suspension remains in effect through at least December 31, 2005, there were no new accounts started or units purchased in FY 2005.

Variable Savings Plan—Putnam Options			
Fiscal Year	New Ohio-Resident Accounts	Yearly Revenue: Ohio only	Yearly Revenue: National
FY 2001*	18,227	\$61,347,127	\$371,185,984
FY 2002	53,392	\$263,860,665	\$1,155,671,151
FY 2003	30,180	\$210,957,071	\$530,607,151
FY 2004	25,833	\$213,500,054	\$454,685,444
FY 2005**	9,952	\$91,226,821	\$186,304,008
Total	137,584	\$840,891,738	\$2,698,453,738

*Variable Options added on October 10, 2000

**Through December 31, 2004

- Only 23.8% of the \$3.5 billion total in yearly revenue in the Putnam investment options is from Ohio. Part of the reason for such a large proportion of the revenue being from outside of Ohio is a result of Putnam being prohibited from sponsoring other state's 529 college savings programs.

Variable Savings Plan—Vanguard Group options			
Fiscal Year	New Ohio-Resident Accounts	Yearly Revenue: Ohio only	Yearly Revenue: National
FY 2004*	12,492	\$21,259,714	\$1,001,767
FY 2005**	8,398	\$96,133,695	\$4,529,860
Total	20,890	\$117,393,409	\$5,531,627

*Vanguard Group options were added in May 2004

**Through December 31, 2002

- The contract between OTTA and the Vanguard Group does not include the same exclusivity requirement that is in Putnam's contract, therefore the Vanguard Group is allowed to sponsor the 529 college savings programs of other states. As a result, 95.3% of the \$122.9 million in total yearly revenue is from Ohio.

The Cost of Guaranteed Tuition Units

Dates		Price per Unit		
From	To	Periodically	Monthly	Newborn
Oct. 1, 1998	Sept. 30, 1999	\$45.50	\$43.00	***
Oct. 1, 1999	Sept. 30, 2000	\$47.50	\$45.00	***
Oct. 1, 2000	Sept. 30, 2001	\$51.00	\$49.00	***
Oct. 1, 2001	Jan. 14, 2002	\$56.00	\$55.00	***
Jan. 15, 2002	Mar. 31, 2002	\$59.50	\$58.50	***
April 1, 2002	June 30, 2002	\$69.00	\$67.00	\$63.00
July 1, 2002	Sept. 30, 2002	\$78.00	\$76.00	\$72.00
Oct. 1, 2002	Dec 31, 2002	\$80.00	\$78.00	\$74.00
Jan. 1, 2003	April 10, 2003	\$81.50	\$79.50	\$75.50
April 11, 2003	April 30, 2003	\$83.00	\$81.00	\$77.00
May 1, 2003	August 27, 2003	\$89.00	\$89.00	\$83.00
August 28, 2003	December 31, 2003	\$95.00	\$93.00	***

- The price of each tuition unit was based on 1% of the weighted average tuition currently in effect at Ohio's 13, 4-year public universities, plus an increase based on actuarial assumptions that include current and future tuition growth, investment returns on the fund, operating and management costs, and program growth.
- On December 31, 2003, the weighted average tuition of Ohio's 13, 4-year public universities was \$6,644. Therefore, the base price of the tuition unit was \$66.44, while the actuarial costs of the tuition unit ranged from \$26.56 for the monthly rate to \$28.56 for the periodic purchase. The total price per unit was therefore \$93 (\$66.44 + \$26.56) for the monthly rate, and \$95 (\$66.44 + \$28.56) for the periodic rate.
- Note that the newborn rate was in effect for both periodic and monthly tuition unit purchases for a child age newborn to 12 months. The OTTA did not set a newborn rate prior to April 1, 2002, or during the period from August 28, 2003 to December 31, 2003.

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 items that are used to fund the agency, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
SSR: 5AM	095-603	Index Savings Plan	\$2,866,240	\$3,104,865
SSR: 5P3	095-602	Variable College Savings Fund	\$2,042,486	\$2,118,568
SSR: 645	095-601	Operating Expenses	\$807,260	\$891,173
State Special Revenue Fund Subtotal			\$5,715,986	\$6,114,606
Total Funding: Ohio Tuition Trust Authority			\$5,715,986	\$6,114,606

The executive proposal has recommended \$5,715,986 for FY 2006, a 9.5% increase over funding levels for the OTTA in FY 2005 and \$6,114,606 for FY 2007, a 7.0% increase over FY 2006. The appropriations in this budget for all three line items are for the operating expenses of the OTTA. The money paid in for the purchase of tuition credits, or funds in the Variable Savings Plan are held separate from the state budget.

Each line item for the OTTA is in its own program. For the total and for each line item, there is a breakdown of the appropriations by object of expense. Each table below includes the actual amounts spent in FY 2004, the estimates for FY 2005, and the amounts recommended for FY 2006 and FY 2007. The funds in the purchased services object code include expenditures for information services contracts, marketing consultants, actuarial services, external audit services, tax and legal counsel, and investment consulting.

Ohio Tuition Trust Authority						
Object of Expense	Actual	Estimated	Recommended			
	FY 2004	FY 2005**	FY 2006	% of Total	FY 2007	% of Total
10 - Personal Service	\$1,979,680	\$2,085,617	\$2,494,221	43.6%	\$2,625,578	42.9%
13 - Purchased Service	\$942,140	\$1,608,275	\$1,521,650	26.6%	\$1,547,856	25.3%
20 - Maintenance	\$1,506,478	\$1,434,038	\$1,632,615	28.6%	\$1,857,172	30.4%
30 - Equipment	\$106,939	\$91,000	\$67,500	1.2%	\$84,000	1.4%
TOTAL	\$4,535,237	\$5,218,930	\$5,715,986		\$6,114,606	

**The estimates by object code for FY 2005 listed in the Executive's Blue Book were incorrect. The amounts listed in the table are the correct estimates for FY 2005.

Program 1: Guaranteed College Tuition Savings Plan

The Guaranteed College Tuition Savings Plan pays for the costs of operating the Guaranteed Savings Plan, and is funded through line item 095-601, Operating Expenses. The executive proposal has recommended \$807,260 for FY 2006, which represents a 3.1% decrease over FY 2005, and \$891,173 for FY 2007, which is a 10.4% increase over FY 2006.

095-601 Operating Expenses						
Object of Expense	Actual	Estimated	Recommended			
	FY 2004	FY 2005	FY 2006	% of Total	FY 2007	% of Total
10 - Personal Service	\$1,234,717	\$338,910	\$413,342	51.2%	\$437,828	49.1%
13 - Purchased Service	\$737,107	\$235,427	\$84,640	10.5%	\$85,371	9.6%
20 - Maintenance	\$857,887	\$240,180	\$295,778	36.6%	\$351,174	39.4%
30 - Equipment	\$106,939	\$18,200	\$13,500	1.7%	\$16,800	1.9%
TOTAL	\$2,936,650	\$832,717	\$807,260		\$891,173	

The decline in the expenditures from FY 2004 to FY 2005 of approximately 71.6% is a result of the suspension of the Guaranteed Savings Plan for new enrollees beginning on October 8, 2003, and the suspension of contributions to existing plans beginning on January 1, 2004. This suspension will continue through December 31, 2005.

Permanent Law Provisions: The executive proposal contains the following changes to the OTTA's revised code language:

- The executive proposal changes the name of "tuition credits" that are purchased under the Guaranteed Savings Plan to "tuition units" and specifies that tuition units include tuition credits that were purchased prior to July 1, 1994. However, because tuition units includes tuition credits, and tuition units entitle the beneficiary to 1% of the weighted average tuition (section 3334.09 of the Revised Code), this could have the effect of reducing the redemption value of tuition credits (those purchased prior to July 1, 1994), which are currently redeemable for the greater of 1.15% of the weighted average tuition at the time of the redemption of the credits, or 1% of the actual undergraduate tuition at the state institution of higher education where the beneficiary is enrolled when the credit is used for the payment of tuition at that institution. The different redemption values for tuition units that were purchased prior to and after July 1, 1994 are currently recognized in the OTTA's administrative rules (rule 3334-1-06 of the Administrative Code). It appears that similar language may be needed in the Revised Code to clarify the difference in the redemption value.
- The executive proposal would change the method of recalculating and processing refunds when a tuition payment contract is terminated under the Guaranteed Savings Plan. The refund procedure when a beneficiary dies or is permanently disabled would remain the same. The refund procedure for a rollover to another qualified tuition program and when a contract is terminated for a beneficiary is under the age of 18 would require in each instance that the amount be determined in an actuarially sound manner. Current law does not provide a method for the refund procedure in either instance. However, the refund procedure when a beneficiary is over the age of 18 would no longer be specified, and would be treated in the same manner as any withdrawal from the program under the executive budget. Current law includes provisions if the beneficiary is over 18

and has decided not to attend college, or when the beneficiary completes his or her degree. These provisions are deleted in the executive proposal.

- The executive proposal would eliminate the requirement that refunds of scholarships in the form of tuition units awarded by a scholarship program established under section 3334.17 of the Revised Code be refunded for "just cause" only. The change would allow the scholarship program to file written notice with the OTTA to request a refund.
- The executive proposal would eliminate the provision allowing a beneficiary who receives a scholarship, waiver of tuition, or similar award that cannot be converted into money to receive a refund in the amount of the scholarship, waiver of tuition, or similar award.
- The executive proposal would eliminate the procedure for refunding a prorated share of tuition paid by a tuition unit when a beneficiary withdraws from an institution prior to the end of an academic year.

Program 2: Variable College Tuition Savings Plan

The Variable College Tuition Savings Plan Program pays for the costs of operating the Putnam Investment options, and is funded through line item 095-602, Variable Savings Plan. The executive proposal has recommended \$2,042,486 for FY 2006, which represents a 20.8% increase over FY 2005, and \$2,118,568 for FY 2007, which is a 3.7% increase over FY 2006.

095-602 Variable Savings Plan						
Object of Expense	Actual	Estimated	Recommended			
	FY 2004	FY 2005	FY 2006	% of Total	FY 2007	% of Total
10 - Personal Service	\$744,963	\$716,485	\$966,200	47.3%	\$1,012,790	47.8%
13 - Purchased Service	\$205,033	\$664,229	\$708,193	34.7%	\$723,555	34.2%
20 - Maintenance	\$648,591	\$279,145	\$347,843	17.0%	\$357,023	16.9%
30 - Equipment	\$0	\$30,354	\$20,250	1.0%	\$25,200	1.2%
TOTAL	\$1,598,587	\$1,690,213	\$2,042,486		\$2,118,568	

The Variable Savings Plan was not established until the passage of S.B. 161 of the 123rd General Assembly, which had an effective date of June 8, 2000. The line item itself was not established until January 2001. Also, at the start of the Variable Savings Plan, funding for the administration of the program came from line item 095-601, Operating Expenses. Beginning in FY 2003, these expenses were paid for out of the Variable Savings Plan line item.

Permanent Law Provisions: The executive proposal contains the following changes to the OTTA's revised code language:

- The executive proposal changes the procedures for rollovers and termination of accounts under the Variable Savings Plan by requiring the refund to be equal to the account balance less any applicable administrative fees. Current law includes separate references to administrative fees and other amounts (such as fees or penalties) that are required by section 529 of the Internal Revenue Code, both of which would be subsumed under the term applicable administrative fees.

Program 3: Index College Tuition Savings Plan

The Index College Tuition Savings Plan Program pays for the costs of operating the Vanguard Group investment options, and is funded through line item 095-603, Index Savings Plan. The executive proposal has recommended \$2,886,240 for FY 2006, which represents a 6.3% increase over FY 2005, and \$3,104,865 for FY 2007, which is an 8.3% increase over FY 2004.

095-603 Index Savings Plan						
Object of Expense	Actual	Estimated	Recommended			
	FY 2004	FY 2005	FY 2006	% of Total	FY 2007	% of Total
10 - Personal Service	\$0	\$1,030,222	\$1,114,679	38.9%	\$1,174,960	37.8%
13 - Purchased Service	\$0	\$708,619	\$728,817	25.4%	\$738,930	23.8%
20 - Maintenance	\$0	\$914,713	\$988,994	34.5%	\$1,148,975	37.0%
30 - Equipment	\$0	\$42,446	\$33,750	1.2%	\$42,000	1.4%
TOTAL	\$0	\$2,696,000	\$2,866,240		\$3,104,865	

This line item was established by the Controlling Board on July 12, 2004. As a result, there were no expenses for operating the Vanguard Group investment options prior to FY 2005. The estimates by object code for FY 2005 that are listed above differ from those listed in the Executive's *Blue Book*.

Permanent Law Provisions: The executive proposal contains the following changes to the OTTA's revised code language:

- The executive proposal changes the procedures for rollovers and termination of accounts under the Variable Savings Plan by requiring the refund to be equal to the account balance less any applicable administrative fees. Current law includes separate references to administrative fees and other amounts (such as fees or penalties) that are required by section 529 of the Internal Revenue Code, both of which would be subsumed under the term applicable administrative fees.

REQUESTS NOT FUNDED

The executive proposal completely funds the requests made by the Ohio Tuition Trust Authority for the FY 2006-2007 biennium.

State Special Revenue Fund Group

5AM 095-603 Index Savings Plan

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$0	\$0	\$0	\$2,696,000	\$2,866,240	\$3,104,865
	N/A	N/A	N/A	6.3%	8.3%

Source: SSR: Fees received from the sales of Vanguard Group investment options within the Variable Savings Program. Currently, the fees are equal to 0.20% of a participants assets on an annualized basis.

Legal Basis: Established by Controlling Board on July 12, 2004

Purpose: The funds from this line item are used to pay the expenses of operating the Vanguard Group investment options within the Variable Savings Program. Operations are structured into four departments: marketing, operations, information systems, and administration and finance.

5P3 095-602 Variable College Savings Fund

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$40,476	\$1,371,963	\$1,598,587	\$1,690,213	\$2,042,486	\$2,118,568
	3289.6%	16.5%	5.7%	20.8%	3.7%

Source: SSR: Fees received from the sales of Putnam investment options within the Variable Savings Program. Currently, these range from 0.05% of assets on an annualized basis for any Ohio resident enrolling directly through the Tuition Trust Authority, to 0.20% of assets on an annualized basis for those enrolling with a financial advisor, or for any non-Ohio resident.

Legal Basis: ORC 3334.19 (originally established by Controlling Board on January 22, 2001)

Purpose: The funds from this line item are used to pay the expenses of operating the Putnam investment options within the Variable Savings Program. Operations are structured into four departments: marketing, operations, information systems, and administration and finance.

645 095-601 Operating Expenses

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$4,237,835	\$3,049,799	\$2,936,650	\$832,717	\$807,260	\$891,173
	-28.0%	-3.7%	-71.6%	-3.1%	10.4%

Source: SSR: Transfers from the Trust and Reserve Fund, which consists of revenue from the sale of customer contracts, tuition units, and investment income earned. Currently, this amounts to less than 0.75% of the assets held in the Trust and Reserve Fund.

Legal Basis: ORC 3334.11

Purpose: The funds from this line item are used to pay the expenses of operating the Guaranteed Savings Plan. Operations are structured into four departments: marketing, operations, information systems, and administration and finance.

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>Estimated 2005</i>	<i>As Introduced 2006</i>	<i>House Passed 2006</i>	<i>% Change Est. 2005 to House 2006</i>	<i>As Introduced 2007</i>	<i>House Passed 2007</i>	<i>% Change House 2006 to House 2007</i>
TTA Ohio Tuition Trust Authority									
5AM	095-603	Index Savings Plan	\$2,696,000	\$ 2,866,240	\$ 2,866,240	6.3%	\$ 3,104,865	\$ 3,104,865	8.3%
5P3	095-602	Variable College Savings Fund	\$1,690,213	\$ 2,042,486	\$ 2,042,486	20.8%	\$ 2,118,568	\$ 2,118,568	3.7%
645	095-601	Operating Expenses	\$832,717	\$ 807,260	\$ 807,260	-3.1%	\$ 891,173	\$ 891,173	10.4%
State Special Revenue Fund Group Total			\$ 5,218,930	\$ 5,715,986	\$ 5,715,986	9.5%	\$ 6,114,606	\$ 6,114,606	7.0%
Total All Budget Fund Groups			\$ 5,218,930	\$ 5,715,986	\$ 5,715,986	9.5%	\$ 6,114,606	\$ 6,114,606	7.0%

As Introduced (Executive)

As Passed by the House

(CD-409-TTA) Change in Tuition Trust Terminology

R.C. 3334.01, 2329.66, 3334.02, 3334.03, 3334.07, 3334.08, 3334.09, 3334.10, 3334.11, 3334.12, 3334.15, 3334.16, 3334.17, 3334.18, 5747.01, 5747.70

Changes the name of "tuition credits" that are purchased under the Guaranteed Savings Plan to "tuition units" and specifies that tuition units include tuition credits that were purchased prior to July 1, 1994.

Fiscal effect: None.

R.C. 3334.01, 2329.66, 3334.02, 3334.03, 3334.07, 3334.08, 3334.09, 3334.10, 3334.11, 3334.12, 3334.15, 3334.16, 3334.17, 3334.18, 5747.01, 5747.70

Same as the Executive.

(CD-410-TTA) Changes in Tuition Trust Refund Procedures

R.C. 3334.10

Changes the method of recalculating and processing refunds when a tuition payment contract is terminated under the Guaranteed Savings Plan, and if the beneficiary is under the age of 18, requires that the amount of the refund be determined in an actuarially sound manner.

Fiscal effect: Possible minimal increase in expenditures associated with the determination of the amount of the refund in an actuarially sound manner.

Changes the procedures for rollovers and termination of accounts under the Variable Savings Plan.

Fiscal effect: None.

Eliminates the requirement that refunds of scholarships in the form of tuition units awarded by a scholarship program established under section 3334.17 of the Revised Code be refunded for "just cause" only, and replaces it with a

R.C. 3334.10

Same as the Executive.

As Introduced (Executive)**As Passed by the House**

requirement that the scholarship program file written notice with the Tuition Trust Authority requesting a refund.

Fiscal effect: None.

Eliminates the provision allowing a beneficiary who receives a scholarship, waiver of tuition, or similar award that cannot be converted into money to receive a refund in the amount of the scholarship, waiver of tuition, or similar award.

Fiscal effect: None.

Eliminates the procedure for refunding a prorated share of tuition paid by a tuition unit when a beneficiary withdraws from an institution of higher education prior to the end of an academic year.

Fiscal effect: Possible minimal decrease in administrative costs since the determination of the refund will solely be between the institution and the beneficiary.