Ohio Tuition Trust Authority

Senate Finance and Financial Institutions Committee

Mary Morris, Budget Analyst
Legislative Service Commission

May 9, 2007

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LSC Redbook

for the

Ohio Tuition Trust Authority

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TABLE OF CONTENTS

INTRODUCTION.....1

OVERVIEW.....1

Agency Overview.....1
Program Summary.....2
Guaranteed Savings Plan.....2
Variable Savings Plan.....3
Appropriation Overview.....4
Main Priorities of the FY 2008-2009 Biennium.....6

ANALYSIS OF EXECUTIVE PROPOSAL.....7

Program 1: Guaranteed College Tuition Savings Plan.....7
Program 2: Variable College Tuition Savings Plan.....9
Program 3: Index College Tuition Savings Plan.....10
Program 4: Banking Products.....11

REQUESTS NOT FUNDED.....12

ATTACHMENTS:

Catalog of Budget Line Items
LSC Budget Spreadsheet By Line Item: Executive to House Passed

May 9, 2007

Ohio Tuition Trust Authority

- Non-GRF agency; funding is entirely provided by fee revenue
- Funding increases by 8.6% in FY 2008 and 1.5% in FY 2009
- Funding is provided to hire three new employees in FY 2008

INTRODUCTION

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Ohio Tuition Trust Authority (OTTA), which includes the following four sections.

(1) **Overview:** Provides a brief description of OTTA and its programs and summarizes the executive budget recommendations for OTTA.

(2) **Analysis of the Executive Proposal:** Provides a detailed analysis of the executive budget recommendations for OTTA, including funding for each program.

(3) **Requests Not Funded:** Compares OTTA's budget request with the executive budget recommendations and summarizes the major differences, if any.

(4) **Attachments:** Includes the catalog of budget line items (COBLI) for OTTA, which briefly describes each line item and the LSC budget spreadsheet for OTTA.

OVERVIEW

This overview begins with a brief description of OTTA, including its staffing levels in recent years. Then it summarizes the College Advantages Savings Plan administered by OTTA, analyzes the make-up of the executive budget recommendations for OTTA, and discusses OTTA's major priorities for the FY 2008-2009 biennium.

Agency Overview

OTTA provides a tax advantaged investment option for Ohio families to save for their children's college education. Created in 1989, OTTA is governed by an 11-member board, which appoints an executive director to oversee the daily operations of the agency and its 44 employees. The annual operating budget totals approximately $6.4 million in FY 2007, none of which comes from the General Revenue Fund (GRF) money. All of the agency's operations are funded through fee revenue.

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. These two plans 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 federal Internal Revenue Code that specifies the various tax advantages of participating in the program. As of December 31, 2006, nearly 355,000 Ohio beneficiaries are enrolled in Ohio's 529 college savings program with total assets of $1.7 billion. The program is also offered nationally; assets for Ohio and other states' beneficiaries total $5.9 billion in more than 670,000 accounts.

Tax advantages under a 529 college savings program include tax-free growth while the value of the account accumulates, and withdrawals that are 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, and 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 from Ohio taxable income for contributions into the program. Contributions over $2,000 per beneficiary can be deducted in future years.

Staffing levels. OTTA currently has a staff of 43 full-time employees and one part-time employee. The total number of OTTA direct accounts increased 37% from 149,485 in FY 2004 to 205,026 in FY 2006. During this period OTTA hired seven new employees to accommodate the growth that has come with program expansion. After launching the Vanguard products in FY 2004, OTTA hired three new employees. Following the launch of Fifth Third Bank products in early FY 2006 the Controlling Board authorized the hiring of four additional employees to handle the large increase in demand for information technology services brought on by the new programs. Another administrative coordinator was hired in FY 2007. Table 1 below shows the agency's actual staffing levels from FY 2004 to FY 2007 and estimated staffing levels for the FY 2008-2009 biennium.

Table 1: Ohio Tuition Trust Authority Staffing Levels

	Actual				Estimate	
Fiscal Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Full-Time	35	38	42	43	46	46
Part-Time	1	1	1	1	1	1
Total	**36**	**39**	**43**	**44**	**47**	**47**

The OTTA budget request includes funding for three new employees. Since the executive budget fully funds its request, OTTA will be able to implement the plan of hiring three additional employees in FY 2008. Two of these employees will work in information services, one as a network specialist and the other as support and database analyst. The third new employee will be an additional regional marketing representative for the northeastern region of Ohio, which is currently under-represented. The addition of this marketing representative is to increase OTTA's market penetration in northeastern Ohio. The cost of these three new employees amounts to approximately $172,000 per year and will be funded from the combined revenues of the Variable Savings Plan programs.

Program Summary

OTTA operates two college savings plans, the Guaranteed Savings Plan which is backed by the full faith and credit of the state, and the Variable Savings Plan which is further divided into three investment options: Putnam, Vanguard, and Fifth Third Bank, none of which is backed by the state. All four of these investment options are briefly discussed below.

Guaranteed Savings Plan

Started in October 1989, Ohio's Guaranteed Savings Plan is the third oldest program of its type in the country. Backed by the full faith and credit of the state of Ohio, the program guarantees that approximately 100 tuition units will pay for one year of tuition at an average-priced Ohio public university. As of December 31, 2006, the Guaranteed Savings Plan had about 100,025 accounts totaling $876 million in assets.

Due to a large actuarial deficit, OTTA has suspended sales of new enrollments in the Guaranteed Savings Plan since October 2003 and contributions to existing accounts since January 2004. Determined by an actuarial analysis, an actuarial deficit is essentially the difference between a plan's obligations and the plan's assets used to pay those obligations over a specified period. Without any changes, an actuarial deficit may turn into an actual deficit. In FY 2002, the Guaranteed Savings Plan experienced its first actuarial deficit, amounting to $23.8 million. In FY 2003, the actuarial deficit increased to $321.1 million. The main contributing factors were the downturn in the economy and the stock market, and the large increases in tuitions at Ohio's public colleges and universities after the removal of the tuition caps (the statutory limits on annual tuition increases) in FY 2002 and FY 2003. As a result of the significant increase in the actuarial deficit, OTTA suspended sales of new enrollments in the Guaranteed Savings Plan beginning on October 8, 2003. It also suspended contributions to existing accounts from January 1, 2004 to December 31, 2004; that suspension was subsequently extended through December 31, 2007. As of June 2006, the Guaranteed Savings Plan's actuarial deficit totaled $231.8 million, a 27.8% decrease from FY 2003. It is expected that the suspension will continue through the FY 2008-2009 biennium.

Even though enrollments and contributions to the program have been suspended, withdrawals from the program are permitted. OTTA has already paid out approximately $365.2 million since the program's inception. The Ohio Constitution pledges the full faith and credit of the state behind the redemption value of the tuition units purchased under the Guaranteed Savings Plan. Thus, any actual shortfall would require an appropriation from the General Assembly in order to make the full payment on the value of the tuition units.

Variable Savings Plan

Unlike the Guaranteed Savings Plan, the Variable Savings Plan is not backed by the full faith and credit of the state of Ohio. It offers participants market-based choices to save for college. This program began in October 2000, with all of the investment options being offered by Putnam Investments. In May 2004, OTTA added the Vanguard Group and in September of 2005 it added the Fifth Third Bank as additional providers of investment options. As a result, plan participants currently have a choice of 32 investment options: 15 in various Putnam options, 15 in various Vanguard Group options, and 2 in Fifth Third Bank products.

Putnam accounts. Participants choosing one of the 15 Putnam options have a choice of opening an account either through a financial advisor who has a selling agreement with Putnam or directly through OTTA. Opening an account directly through OTTA allows the participant to pay lower fees than if the account were opened through a financial advisor. Only Ohio residents may enroll directly through OTTA. OTTA receives 0.05% of a participant's assets on an annualized basis for accounts opened directly through OTTA, while it receives 0.20% from non-Ohio residents and Ohio residents who enroll through a financial advisor. In early FY 2006, the administration of 78,000 Putnam accounts was transferred from Putnam to OTTA. For these accounts Putnam pays OTTA an annual fee of $3 for each Putnam investment option.

Vanguard accounts. Participants choosing one of the 15 Vanguard Group options must open the account directly with OTTA. OTTA receives 0.10% of a participant's assets, on an annualized basis, in the Vanguard 500 Index Fund and 0.20% of a participant's assets in all other Vanguard options. The higher fee on Vanguard accounts opened directly with OTTA as compared to the Putnam accounts is due to OTTA's responsibility for the administration of the accounts opened through the Vanguard Group. The Vanguard Group is only responsible for investing the assets.

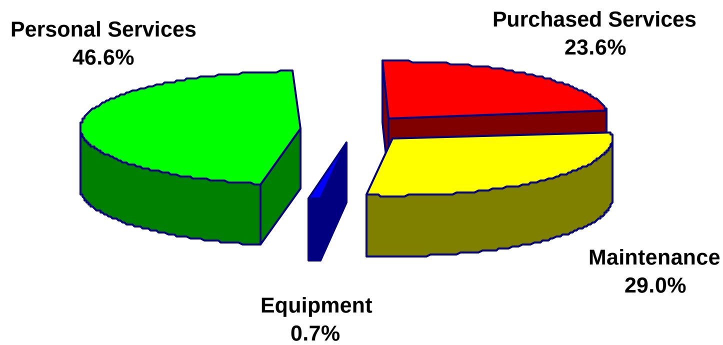
Fifth Third Bank accounts. Participants choosing one of the two Fifth Third Bank options, savings accounts and certificates of deposit (CDs), can save money at fixed interest rates for a fixed amount of time. These two products are backed by FDIC insurance. OTTA receives basis point revenue paid by the Fifth Third Bank out of its funds based on the cumulative assets invested by participants. Participants are not charged for these basis points.

Appropriation Overview

The executive budget provides a total of $6.9 million for FY 2008 and $7.0 million for FY 2009 for OTTA, representing increases of 8.6% and 1.5%, respectively. The much higher increase in FY 2008 results from the plan of hiring three additional employees. All of the funding is to be supported by fee revenues generated from OTTA's four investment options: Guaranteed Savings, Putnam, Vanguard, and Fifth Third Bank.

Appropriations by expense category. Chart 1 shows the executive recommended biennial appropriations by expense category. As an agency with a mission of offering and selling tax advantaged investment options and services to promote private savings for college, it is not surprising to see 70.2% of OTTA's appropriations for the FY 2008-2009 biennium goes to personal services and purchased services, an increase from the 67.3% for the FY 2006-2007 biennium. The combined share for maintenance and equipment, on the other hand, decreases from 32.7% in the FY 2006-2007 biennium to 29.7% for the FY 2008-2009 biennium. OTTA has undergone considerable technology infrastructure enhancements and equipment upgrades in the current biennium, including the development of an extranet portal for direct payroll deduction and web site improvement to increase functionality and access for customers. These improvements lower somewhat the need for equipment and maintenance spending for the FY 2008-2009 biennium.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2008-FY 2009

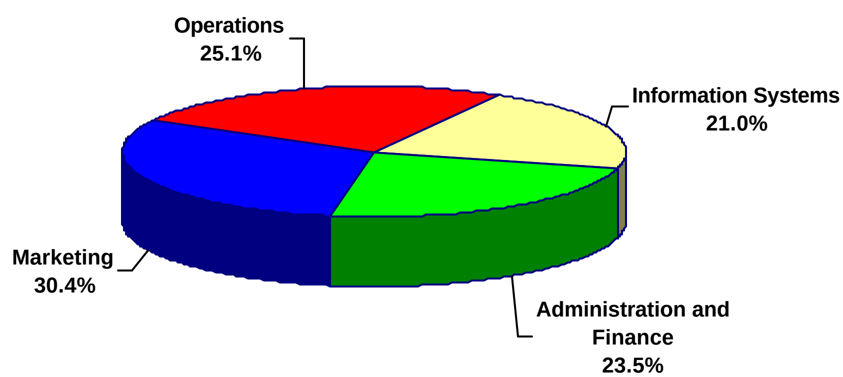


Appropriations by department. OTTA is organized into four departments:

- The marketing department is responsible for integrating speaking engagements, strategic mailing initiatives, and the Internet to promote OTTA to its target audience.
- The operations department focuses on maintaining existing accounts and improving the efficiency of customer service.
- The information systems department ensures that the technological capacities of OTTA can meet the demands of an increasing customer base.
- The administrative and finance department holds the agency accountable with regard to legal and actuarial regulations.

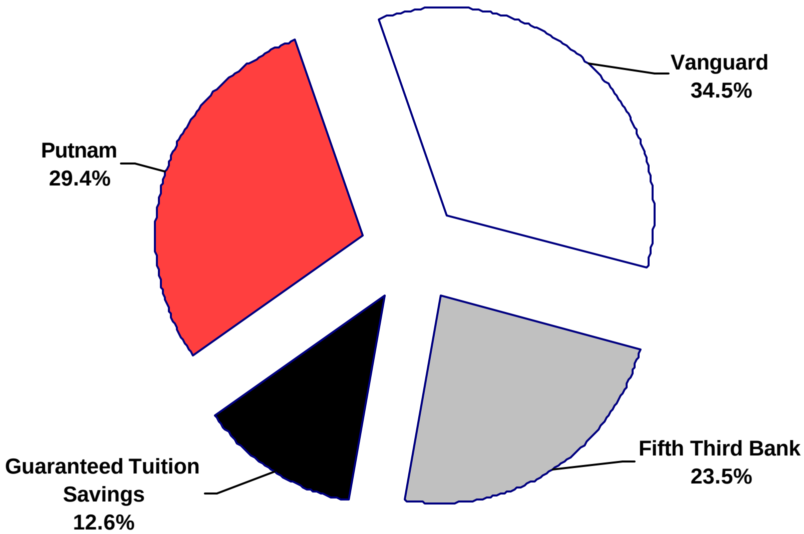
Chart 2 shows the executive recommended biennial appropriations by department. At 30.4%, the marketing department comprises the largest portion of OTTA's biennial budget, reflecting its primary mission of selling tax advantaged investment options to promote private savings for college. The rest of the budget is generally divided evenly among the other three departments.

Chart 2: Biennial Executive Budget Recommendations by Department
FY 2008-FY 2009



Appropriations by program. The executive budget recommendations for OTTA include four programs: guaranteed college tuition savings plan, variable college tuition savings plan (Putnam), index college tuition savings plan (Vanguard), and banking products (Fifth Third Bank). Essentially each investment option is its own program. Chart 3 shows the executive recommended biennial appropriations by program. As seen from the chart, due to the suspension of enrollments and contributions, the guaranteed college tuition savings plan has the smallest share of the biennial budget at 12.6%. The Vanguard index college tuition savings plan has the largest share at 34.5%, followed by the Putnam variable college tuition savings plan (29.4%) and the Fifth Third Bank plan (23.5%).

Chart 3: Biennial Executive Budget Recommendations by Program
FY 2008-FY 2009



Main Priorities of the FY 2008-2009 Biennium

For the FY 2008-2009 biennium, OTTA will primarily focus on the administration and client support of the three active programs: Putnam, Vanguard, and Fifth Third Bank. Its main priorities are to increase the number of investors and contributions to the programs, including developing innovative ways to encourage more low-income families to invest in higher education, and further improve the quality of the programs by developing the right mix of investment options for program participants.

OTTA will also continue its improvement of information technology systems, including further increasing functionality of its web site, better protection of data, and continued automation of services, making withdrawals as simple as possible for participants when they are ready to use their investments for higher education. During the current biennium OTTA has improved information infrastructure by developing an extranet portal for payroll deduction, increasing the functionality and access of the web site, and improving firewall capabilities to reduce the potential for error in data storage and processing.

Furthermore, in the FY 2008-2009 biennium OTTA will pursue marketing through advertisements with the agency Ten United. The specifics of the campaign for the biennium will be planned in Spring 2007; it is likely to include television, print, radio, and web-based advertisements.

ANALYSIS OF EXECUTIVE PROPOSAL

Ohio Tuition Trust Authority

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

The following table shows the line items that are used to fund the agency, as well as the executive recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
State Special Revenue Fund (SSR)				
645	095-601	Guaranteed College Savings Plan	$872,086	$881,169
5P3	095-602	Variable College Savings Fund	$2,031,354	$2,063,596
5AM	095-603	Index Savings Plan	$2,376,852	$2,425,777
5DC	095-604	Banking Products	$1,631,283	$1,648,123
		State Special Revenue Fund Subtotal	**$6,911,575**	**$7,018,665**
Total Funding: Ohio Tuition Trust Authority			**$6,911,575**	**$7,018,665**

OTTA is a single program series agency with four programs that are funded by four appropriation items. The executive budget recommends an 8.6% increase for FY 2008 and a 1.5% increase for FY 2009. These appropriations are for OTTA's expenses of administering the four tax advantaged college savings programs. As indicated earlier, OTTA is a non-GRF agency. All of its appropriations are supported by fee revenues that are deposited in several state special revenue funds.

Program 1: Guaranteed College Tuition Savings Plan

Fund	ALI	Title	FY 2008	FY 2009
SSR 645	095-601	Guaranteed College Savings Plan	$872,086	$881,169
Total Funding: Guaranteed College Tuition Savings Plan			**$872,086**	**$881,169**

Funding in this appropriation item pays for the administrative costs of operating the Guaranteed Savings Plan, which was established in October 1989. The executive budget recommends a 2.1% decrease for FY 2008 and a 1.0% increase for FY 2009. The funding decrease in FY 2008 is a result of the ongoing suspension of the Guaranteed Savings Plan for new enrollees beginning on October 8, 2003, and the suspension of contributions to existing accounts beginning on January 1, 2004. This suspension will continue through December 31, 2007 and is likely to continue through the FY 2008-2009 biennium.

While funding decreases in FY 2008, no services or activities will be eliminated. This decrease mainly reflects the agency's anticipation of a lower demand for services as withdraws continue. Funding for this program comes from the reserve fund within the program, which was assessed on each sale (approximately $5 per contract) when the program was open for new enrollments and contributions. As of January 31, 2007, the program had a total of $70.8 million in its reserve fund.

Since new enrollments and contributions to the program have been suspended, the main activities of the program have been processing withdrawals, answering questions from program participants, and making program participants aware of investment options available under the Variable Savings Plan. The other priority of the program is to effectively manage the existing assets in the program to maximize the investment return while minimizing risk. As of December 31, 2006, the Guaranteed Savings Plan had about 100,025 accounts and $875.7 million in assets.

Sales and Participation. Since the inception of the Guaranteed Savings Plan in October 1989, over 131,000 accounts have been opened and approximately 15.6 million tuition units have been purchased (see Table 3a), enough to support almost 40,000 students attending an average-priced college or university for four years each. The price of each tuition unit was based on 1% of the weighted average tuition in effect at Ohio's 13 four-year public universities at the time of purchase, plus an amount based on actuarial assumptions that include current and future tuition growth, investment returns on the fund, operating and management costs, and program growth.

Table 3a: Guaranteed Savings Plan¾ Sales and Participation

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 (suspended 01/01/2004)	1,369	357,718	$33,168,874
Total	**131,087**	**15,571,944**	**$744,584,449**

Redemption of Tuition Units. Table 3b shows redemption values of tuition units purchased under the Guaranteed Savings Plan. Tuition units purchased on or after July 1, 1994, can be redeemed at 1% of the weighted average tuition of the 13 four-year public universities at the time of the redemption of the units. Tuition units that were purchased prior to July 1, 1994, can be redeemed for the greater of: (a) 1.15% of the weighted average tuition of the 13 four-year public universities at the time of the redemption of the units or (b) 1% of the actual undergraduate tuition at the state institution of higher education where the beneficiary is enrolled, when the unit is used for the payment of tuition at that institution.

Table 3b: Redemption Value of Tuition Units (1% of the Weighted Average Tuition at Ohio's 13 Four-year 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%
2005-2006	79.04	6.4 %
2006-2007	84.61	7.0%

Program 2: Variable College Tuition Savings Plan

Fund	ALI	Title	FY 2008	FY 2009
SSR 5P3	095-602	Variable College Savings Fund	$2,031,354	$2,063,596
Total Funding: Variable College Tuition Savings Plan			**$2,031,354**	**$2,063,596**

Funding in this appropriation item pays for the costs of operating the Putnam investment options, which were added to Ohio's 529 college savings programs in October 2000. The executive budget recommends a 42.2% increase for FY 2008 and a 1.6% increase for FY 2009. These recommended increases include funds for hiring additional employees and for information technology improvements.

This program currently offers 15 investment options, including cash, bond, stock, and age-based basket options. As of December 31, 2006, the program had 519,503 accounts with assets totaling $4,436.1 million. As seen from Table 4, approximately 73% of the total program assets are from non-Ohio participants. The main reason for such a large proportion of non-Ohio assets is that Putnam is prohibited from sponsoring other states' 529 college savings programs as stipulated in Putnam's contract with OTTA. Putnam is a widely recognized national investment firm. When asked, Putnam is more likely to offer Ohio's 529 college savings programs to out-of-state individuals who are interested in participating in a 529 college savings plan.

Table 4: Variable Savings Plan—Putnam Options			
Fiscal Year	**New Ohio Resident Accounts**	**Yearly Revenue: Ohio only**	**Yearly Revenue: Non-Ohio**
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	18,943	$185,707,932	$372,283,274
FY 2006	17,177	$193,690,586	$339,778,824
FY 2007 (as of 12/31/2006)	9,836	$112,022,187	$155,081,471
Total	**173,588**	**$1,241,085,622**	**$3,379,293,299**

OTTA anticipates that in each fiscal year of the FY 2008-2009 biennium, new accounts under this program will grow by approximately 3,000-4,000 and sales will increase by $4-$5 million. As indicated in the Overview section, this program's participants can open accounts directly with OTTA (direct-sold accounts) or with participating financial advisors (advisor-sold accounts). In early FY 2006, 78,000 record keeping and administration of some advisor-sold accounts were transferred from Putnam to OTTA. This change is to enhance efficiency and improve customer service by providing a single point of contact for customers with multiple accounts. OTTA receives an additional fee of $3 per year for each Putnam investment option from those affected accounts, amounting to approximately $240,000 in additional revenue.

Funding source for this program comes from the basis point revenue earned on the cumulative assets in the Putnam investment options. Putnam pays this revenue to OTTA on a quarterly basis. This revenue funds the entire cost of administering the Putnam program as well as some costs of administering Vanguard and Fifth Third Bank investment options. As the latter two are relatively new, they have not yet earned enough fee revenues to fully support their operations.

Program 3: Index College Tuition Savings Plan

Fund	ALI	Title	FY 2008	FY 2009
SSR 5AM	095-603	Index Savings Plan	$2,376,852	$2,425,777
Total Funding: Index College Tuition Savings Plan			**$2,376,852**	**$2,376,852**

Funding in this appropriation item pays for the administrative cost of the Vanguard Group investment options, which were added in May 2004. The executive budget recommends a 12.6% increase for FY 2008 and a 2.1% increase for FY 2009. These funds are to support the hiring of new employees and improvements in technological infrastructure, including web site development, automation of services, and additional backup and storage hardware. Funds will also support the production of additional customer statements and marketing efforts.

This program currently offers 15 investment options, including cash, bond, stock, and age-based basket options. As of December 31, 2006, the program had 66,327 accounts with assets totaling $553 million. As seen in Table 5, approximately 91% of the Vanguard option assets are from Ohio, compared with 27% of the total Putnam option assets being from Ohio (see Table 4). 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 other states' 529 college savings programs. As a result, financial advisors are more likely to suggest a variety of 529 college savings programs to potential out-of-state investors. OTTA anticipates that in each fiscal year of the FY 2008-2009 biennium, new accounts under the Vanguard options will increase by approximately 3,500-4,500 and sales will increase by $18-$20 million. These estimates are based on continued marketing efforts through OTTA's regional marketing representatives and other types of marketing media.

Table 5: Variable Savings Plan—Vanguard Group options

Fiscal Year	New Ohio Resident Accounts	Yearly Revenue: Ohio only	Yearly Revenue: Non-Ohio
FY 2004	12,492	$21,259,714	$1,001,767
FY 2005	13,115	$166,529,023	$12,534,443
FY 2006	14,439	$168,238,244	$16,638,947
FY 2007 (as of 12/31/2006)	11,106	$111,459,274	$13,775,865
Total	**51,152**	**$467,486,255**	**$43,951,022**

Currently the administration of this program is funded through fee revenues from both the Vanguard and Putnam options. The Vanguard program is approaching three years of age. Fee revenue earned from this program, which is paid by Vanguard on a monthly basis, is not yet sufficient to pay the full cost of the program administration. OTTA predicts that Vanguard will be self-sufficient by the end of FY 2009.

Program 4: Banking Products

Fund	ALI	Title	FY 2008	FY 2009
SSR 5DC	095-604	Banking Products	$1,631,283	$1,648,123
Total Funding: Banking Products			**$1,631,283**	**$1,648,123**

Funding in this appropriation item pays for the cost of administering the Banking Products program, which was established in September 2005 when the Fifth Third Bank was added as a provider of tax advantaged investment options under the Variable Savings Plan. The executive budget recommends a 15.7% decrease for FY 2008 and a 1.0% increase for FY 2009. The large decrease from FY 2007 to FY 2008 is due to a change in growth expectations since the program began. In initial estimates of Fifth Third Bank plan's growth, OTTA used historical growth trends for Putnam and Vanguard as a basis. Because of slow market penetration and the small number of the Fifth Third Bank options, these initial estimates were much higher than actual growth in FY 2006 and FY 2007. For FY 2008, OTTA has adjusted its estimates to more accurately reflect the program's expected growth.

This program currently offers two no-fee investment options – savings accounts and certificates of deposit (CDs), both are insured by FDIC. Returns on investments, as measured by APY (annual percentage yield), currently range from 4.00% for the savings accounts to 4.00%-5.00% for CDs, depending on the length of term. As of December 31, 2006, this program had 5,326 accounts with assets totaling $32.8 million.

Table 6: Variable Savings Plan—Fifth Third Bank options

Fiscal Year	New Ohio Resident Accounts	Yearly Revenue: Ohio only	Yearly Revenue: Non-Ohio
FY 2006	1,441	$13,936,698	$2,268,765
FY 2007 (as of 12/31/2006)	1,575	$15,407,774	$4,865,613
Total	**3,016**	**$29,344,472**	**$7,134,378**

OTTA estimates that in each fiscal year of the FY 2008-2009 biennium, new accounts under this program will grow by approximately 6,000-7,000 and sales will increase by approximately $30 million. These estimates are based on increased marketing efforts by the Fifth Third Bank and OTTA's marketing network. The program growth will increase the need for customer services and technology infrastructure support on the part of OTTA.

While participants of the Banking Products program pay no fees, OTTA receives revenue paid by Fifth Third Bank based on the basis points earned on the cumulative assets of the program. Currently, the administration of this program is funded through fee revenues from both the Banking Products and Variable Savings (Putnam) programs. The Banking Products program is less than two years old. Fee revenue earned from this program, which is paid by Fifth Third Bank on a monthly basis, is not yet sufficient to support the entire cost of the program. OTTA anticipates this program to be self-sufficient by the end of FY 2011.

REQUESTS NOT FUNDED

The executive proposal completely funds the requests made by the Ohio Tuition Trust Authority for the FY 2008-2009 biennium.

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State Special Revenue Fund Group

5AM 095-603 Index Savings Plan

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
$0	$2,191,189	$2,332,567	$2,111,156	**$2,376,852**	**$2,425,777**
		6.5%	-9.5%	**12.6%**	**2.1%**

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 participant's assets on an annualized basis, or 0.10% with the Vanguard 500 Index Option.

Legal Basis: ORC 3334.19 (originally 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.

5DC 095-604 Banking Products

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
$0	$0	$979,559	$1,934,012	**$1,631,283**	**$1,648,123**
		N/A	97.4%	**-15.7%**	**1.0%**

Source: SSR: Basis points revenue paid by Fifth Third Bank out of its funds to the Tuition Trust Authority based on the cumulative assets invested by participants.

Legal Basis: ORC 3334.19 (originally established by Controlling Board on October 12, 2005)

Purpose: The funds from this line item are used to pay the expenses of operating the Fifth Third Bank 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

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
$1,598,587	$1,511,472	$1,899,351	$1,428,364	**$2,031,354**	**$2,063,596**
	-5.4%	25.7%	-24.8%	**42.2%**	**1.6%**

Source: SSR: Fees received from the sales of Putnam investment options within the Variable Savings Program. Currently, the fees range from 0.05% of assets on an annualized basis for any accounts opened directly through the Tuition Trust Authority, to 0.20% of assets on an annualized basis for accounts opened through financial advisors.

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

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
$2,936,650	$1,744,268	$998,738	$891,173	**$872,086**	**$881,169**
	-40.6%	-42.7%	-10.8%	**-2.1%**	**1.0%**

Source: SSR: Transfers from the Trust and Reserve Fund, a custodial fund that consists of the revenue from the sale of customer contracts, tuition units, and investment income earned from the Guaranteed Savings Plan. Currently, this amounts to less than 0.50% 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. New enrollments and contributions to the Plan have been suspended since FY 2005.

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

Fund	ALI	ALI Title	Estimated 2007	As Introduced 2008	House Passed 2008	% Change Est. 2007 to House 2008	As Introduced 2009	House Passed 2009	% Change House 2008 to House 2009
TTA		***Ohio Tuition Trust Authority***							
5AM	095-603	Index Savings Plan	$2,111,156	$ 2,376,852	$ 2,376,852	12.6%	$ 2,425,777	$ 2,425,777	2.1%
5DC	095-604	Banking Products	$1,934,012	$ 1,631,283	$ 1,631,283	-15.7%	$ 1,648,123	$ 1,648,123	1.0%
5P3	095-602	Variable College Savings Fund	$1,428,364	$ 2,031,354	$ 2,031,354	42.2%	$ 2,063,596	$ 2,063,596	1.6%
645	095-601	Operating Expenses	$891,173	$ 872,086	$ 872,086	-2.1%	$ 881,169	$ 881,169	1.0%
State Special Revenue Fund Group Total			**$ 6,364,705**	**$ 6,911,575**	**$ 6,911,575**	**8.6%**	**$ 7,018,665**	**$ 7,018,665**	**1.5%**
Total All Budget Fund Groups			***$ 6,364,705***	***$ 6,911,575***	***$ 6,911,575***	***8.6%***	***$ 7,018,665***	***$ 7,018,665***	***1.5%***