

- Almost 130,000 Ohio families have opened accounts in the Guaranteed Savings Plan since 1989.
- As of June 30, 2003, the Variable Savings Plan had \$2.4 billion in assets and a customer base of 435,600.

Tuition Trust Authority, Ohio

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ROLE

The Ohio Tuition Trust Authority (OTTA), which is governed by an 11-member Board of Directors, is responsible for two programs that promote private savings for the payment of college tuition: the Guaranteed Savings Plan and the Variable Savings Plan. These two programs encourage Ohio families to save for college by providing various tax advantages that result from both plans qualifying as a 529 college savings program. The 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.

The Guaranteed Savings Plan program is the third oldest program of its type in the country. It allows for the purchase of tuition units at a price based on 1% of the current weighted average tuition of Ohio's 13 public universities plus an amount to ensure the actuarial soundness of the program. The tuition units are redeemable for an amount equal to 1% of the weighted average tuition that Ohio's 13 public universities are charging at the time of redemption, and this amount is guaranteed by the full faith and credit of the state.

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. Participants have a choice of 15 investment options in various Putnam mutual funds, including four asset allocation options, and 11 asset class options. Participants 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 were 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.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
33	\$5.2 million	\$5.4 million	\$0	\$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Funding for the OTTA comes from two state special revenue fund line items. Line item 095-602, Variable Savings Plan (Fund 5P3) is funded by fees generated through the Variable Savings Plan. And line item 095-601, Operating Expenses (Fund 645) is funded by fees generated through the Guaranteed Savings Plan. Both line items are used to cover the costs of operating the OTTA, and the expenses are divided between the two line items in the expected proportion of the administrative needs of the two plans.

The total appropriation for FY 2004 is \$5,210,361, a 17.8% increase over FY 2003 and \$5,379,314 for FY 2005, a 3.2% increase over FY 2004. The large increase in FY 2004 is almost entirely due to the fact that approximately \$600,000 in FY 2003 funds has been encumbered for outstanding obligations and carried into FY 2004.

BUDGET ISSUES

MIAMI UNIVERSITY TUITION RESTRUCTURING PLAN

Section 89.05 of Am. Sub. H.B. 95 includes a provision allowing Miami University to institute its tuition restructuring plan. Miami University plans to charge in-state students the same tuition as for out-of-state students, though the plan will have no direct effect on students who enroll prior to August 2004, except for paper changes on invoices. Because of this, the OTTA is likely to use the tuition actually charged to Ohio residents in FY 2004 in calculating the weighted average tuition. That is, the OTTA is likely to use \$8,353, rather than the sticker price of \$18,103. However, the OTTA is uncertain at this time on what tuition amount will be used in the calculation of the weighted average tuition beginning in FY 2005 when the tuition restructuring plan will actually affect all Ohio students who enroll after August 2004.

The Miami University tuition restructuring plan could bring an additional expense to the two programs at a time when the Guaranteed Savings Plan ran its first actuarial deficit in FY 2002, amounting to \$23.8 million. However, the Board of Directors of the OTTA has authorized future contingent payments from fees generated by the Variable Savings Plan to offset this deficit. These future payments have an expected value of \$25.1 million, which means that the Guaranteed Savings Plan remains actuarially sound at this point. The downturn in the stock market as well as the large increases in tuition at Ohio's universities after the removal of the tuition caps beginning in FY 2002 have contributed the financial problems in the Guaranteed Savings Plan. In an attempt to offset this problem, the OTTA instituted its first midyear price increase on January 14, 2002. Since then, the OTTA has begun to re-evaluate the price of tuition units on a quarterly basis, leading to three other midyear price increases. The price of a tuition unit has increased by almost 59% since October 1, 2001, from \$56.00 to its current price of \$89.00. Because the redemption value of the tuition units (1% of the weighted average tuition) is guaranteed by the full faith and credit of the state, then the state will be obligated to cover the costs of redeeming the tuition units if the actuarial deficit materializes into an actual deficit. 

FY 2004 - 2005 Final Appropriation Amounts

All Fund Group

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
Report For: Main Operating Appropriations Bill			Version: Enacted						
TTA Ohio Tuition Trust Authority									
645	095-601	Operating Expenses	\$ 3,717,565	\$ 4,237,835	\$3,049,799	\$ 3,570,614	17.08%	\$ 3,689,101	3.32%
5P3	095-602	Variable Savings Plan	\$ 6,836	\$ 40,476	\$1,371,963	\$ 1,639,747	19.52%	\$ 1,690,213	3.08%
State Special Revenue Fund Group Total			\$ 3,724,401	\$ 4,278,311	\$ 4,421,762	\$ 5,210,361	17.83%	\$ 5,379,314	3.24%
Ohio Tuition Trust Authority Total			\$ 3,724,401	\$ 4,278,311	\$ 4,421,762	\$ 5,210,361	17.83%	\$ 5,379,314	3.24%