



October 15, 2018

Mr. Timothy S. Keen
Director, Office of Budget and Management
30 East Broad Street, 34th Floor
Columbus, Ohio 43215

Dear Director Keen:

I am pleased to present to you and your staff the FY20-21 operating budget request for the Ohio Department of Higher Education (ODHE), submitted in accordance with the parameters outlined in OBM's Operating Budget Guidance for Fiscal Years 2020-2021. Over the past few months, my staff and I have engaged in a robust and thorough review of agency programs, funds, and line items. This process has culminated in an operating budget request that aligns anticipated non-General Revenue Fund (GRF) resources with requested appropriation levels, adheres to the 90% and 100% limitations set forth for requesting future GRF resources, and prioritizes programs that I believe have the greatest potential in allowing us to achieve our critical statewide objectives.

Table 1, below, provides a high-level overview of our FY20-21 operating budget request. While I understand the budgetary challenges facing Ohio in the upcoming biennium, as you discussed in your introductory letter to the OBM Operating Budget Guidance, I respectfully request your consideration of further discussions regarding the appropriate level of funding in the upcoming biennium for the State Share of Instruction (SSI) line item, specifically. I feel it is critical that we continue to seek additional state support for the SSI to improve college affordability for all Ohioans while reinforcing the importance of the performance-based elements that are the hallmark of Ohio's higher education funding formula.

Table 1
Department of Higher Education: FY20-21 Operating Budget Request

	FY19 Appropriations	FY20 Request	% Change (FY19-FY20)	FY21 Request	% Change (FY20-FY21)
GRF	\$2,597,872,854	\$2,598,074,336	0.01%	\$2,597,877,156	-0.01%
Non-GRF	\$56,160,239	\$46,306,649	-17.55%	\$44,609,251	-3.67%
Total	\$2,654,033,093	\$2,644,380,985	-0.36%	\$2,642,486,407	-0.07%

Current Situation

The Department of Higher Education is responsible for the coordination of all higher education funding and policy for the state of Ohio. The agency's main responsibilities include authorizing and approving new degree programs, administering all state-funded programs, and developing and advocating for policies that maximize higher education's contributions to the state and its citizens.

Our primary objectives for the upcoming operating biennium are centered around: 1) producing an educated workforce that aligns the talents and passions of individuals with the skills and credentials desired by business and industry; 2) increasing our overall degree and certificate completion at our public institutions of higher education, including Ohio Technical Centers (OTCs); and 3) striving to make higher education more affordable while continuing to provide high-quality instruction.

Unlike many other states, Ohio is fortunate to have increased state General Revenue Fund (GRF) support for higher education in the years following the last economic recession, when measured in terms of both real dollars appropriated and per student FTE funding. According to the most recent (FY17) State Higher Education Finance Report as published by the State Higher Education Executive Officers Association (SHEEO), Ohio's educational appropriations per FTE increased 19.2% from FY12 to FY17, compared to a national average of 17.1% over the same time period. In states such as Oklahoma (-16.1%), Louisiana (-13.8%), and West Virginia (-12.4%), educational appropriations per FTE fared much worse. We are grateful and appreciative for this support in recognition of the important role that higher education plays in the key areas of workforce and economic development, among others.

With the steady rise in state support in recent years, Ohio's public colleges and universities have been asked to constrain annual growth in tuition and fees. College Board data show that inflation-adjusted tuition at Ohio's public universities increased just 5.6% from FY08 to FY18, placing Ohio as the best in the nation according to this analysis. By taking full advantage of the Chancellor's biennial budget authority to restrain tuition and fees as enacted by the General Assembly, Ohio has taken an active role in controlling the cost of higher education to ensure affordable access for as many qualified students as possible.

Additionally, 11 of Ohio's 13 eligible public universities have implemented undergraduate tuition guarantee programs, ensuring that the annual cost of tuition, fees, room, and board will not change throughout a student's four-year undergraduate education. This provides predictability and transparency for students and their families.

Ohio has also made a great deal of progress in recent years in the development and implementation of a performance-based funding formula to allocate resources among our public institutions of higher education. According to a national analysis of performance-based funding formulae performed by HCM

Strategists, Ohio was one of only two states to have achieved the highest rating possible, which is defined as a Type IV-Advanced funding formula. According to data compiled by the Lumina Foundation, Ohio is third in the nation in the amount of per-student-FTE higher education funding allocated according to performance-based metrics. Clearly, Ohio's formula is receiving national attention and is changing the behavior of Ohio's public institutions by incentivizing student success, retention, and completion, rather than simply student enrollment.

Partially as a result of Ohio's expanded focus on student success and completion, the number of degrees and certificates awarded at our public colleges and universities increased by 20% from FY11 to FY16. Additionally, the first-to-second-year retention rate of Ohio's college and university students increased from 72% to 78% from FY11 to FY15.

To be economically competitive, our state needs to increase the percentage of working-age Ohioans with a postsecondary certificate or degree to 65% by 2025. In order to reach this goal, Ohio needs to raise educational attainment for in-demand, living wage occupations for citizens in every region, of every race, and of every background. The only way to achieve this ambitious statewide attainment goal is to remove as many barriers to completion as possible, including shortening pathways to certificates and degrees and reducing financial barriers, such as the rising cost of student textbooks.

To that end, just shy of 117,000 Ohio high school students took college classes during the 2015-2016 and 2016-17 academic years through the College Credit Plus (CCP) program, earning college credit while meeting their high school graduation requirements and collectively saving more than \$262 million on college tuition. During the 2016-2017 academic year alone, more than 800 CCP students earned a degree or certificate while still in high school. This groundbreaking program must be continued in the years ahead as we seek to lower the cost of a college education while increasing the number of Ohioans with a postsecondary credential.

Regarding textbook affordability, ODHE has worked with OhioLINK to secure wholesale pricing on e-textbooks with major textbook publishers, resulting in nearly \$40 million in direct annual savings to Ohio's college students. Additionally, through a grant from ODHE, 16 community colleges, The Ohio State University, and Ohio Dominican University are collaborating to develop open educational resource (OER) course materials to provide free textbooks to students in more than 20 high-enrollment courses statewide. The goal is to save students more than \$5 million in textbook costs over the next five years as a result of this effort.

As the examples above demonstrate, we feel as though great progress has been made in furtherance of our agency objectives over the past seven years; however, we are excited to pursue the substantial work that lies ahead to ensure that this momentum is maintained and that progress and innovation continue to define higher education in Ohio.

Challenges for the 2020-2021 Biennium

As we continue to emphasize various strategies that support student success, retention, and completion, we must be aware of the challenges we face in accomplishing these objectives. Preparing students for college is a significant challenge facing our state in the upcoming biennium, and this challenge requires working in full collaboration with the Ohio Department of Education to prepare exceptional teachers and to implement assessments that can be used to determine if students are on track. By starting the assessment and guidance before the senior year, Ohio will have more time to identify those students who need additional instruction in key academic areas aligned to Ohio's Learning Standards to prepare them for college-level coursework or the pursuit of certificates that have industry-recognized value.

Enhancing regional and statewide collaboration between and among our institutions of higher education is a persistent challenge that continues into the upcoming biennium. Significant resources have been and will continue to be allocated to create and support the infrastructure, human resources, and materials that constitute our public higher education institutions. To the greatest extent possible, we need to be purposeful and strategic about limiting duplication across institutions while sharing resources to maximize the state's investment. By continuing to leverage and maximize the impact of regional compacts created under section 3345.59 of the Revised Code, Ohio can make the best use of our valuable public higher education assets.

Technology is a critical component of the state infrastructure. Having now established OH-TECH as our Department of Higher Education lead on IT infrastructure and connectivity, we must continue to support the costs of this infrastructure. We are very grateful to the Office of Budget and Management and the Ohio General Assembly for supporting our request to prioritize the critical maintenance and upgrades of the Higher Education Information (HEI) System in the FY18-19 operating biennium. As we look forward into the FY20-21 biennium, we need to prioritize the ongoing maintenance of the system to protect our investment and ensure our uninterrupted ability to conduct the data management and analysis necessary to perform our statutory responsibilities.

Funding for student financial aid is also a challenge as we seek to find ways to increase access for non-traditional students. Maximizing need-based financial aid for students is a crucial strategy to increase student access to higher education opportunities; therefore, I look forward to conversations about how we can most appropriately utilize the Ohio College Opportunity Grant (OCOG) to increase postsecondary attainment levels throughout Ohio.

As you know, the Ohio War Orphans Scholarship program is available to dependents of soldiers who are either deceased or living with a 60 percent or greater service-connected disability. As the issue of post-traumatic stress disorder (PTSD) gains more national attention in the aftermath of multiple overseas

engagements, this program likely will continue to experience a rapid acceleration in the number of eligible applicants who apply for program funding each year. As a result of this rapid growth, appropriation levels are not currently adequate to provide 100% coverage of tuition and fees for students attending public institutions of higher education. Our budget request seeks funding to restore the program to 100% tuition and fee coverage.

Similarly, I am seeking your support of the requested funding level from the Adjutant General for the Ohio National Guard Scholarship Program. This funding will be critical to ensure that we can fund the college education for soldiers who commit to serve their country.

Lastly, the FY20-21 biennium will represent the final biennium of cash availability resulting from the one-time licensing payment received from Ohio's four casinos. Therefore, I anticipate a potential challenge for programs that have historically relied upon Fund 5JCO for operating appropriations and/or cash transfers.

Setting Priorities

During my time as Chancellor, I have particularly emphasized the priorities of workforce alignment, student success and completion, and affordability and efficiency. These priorities remain in place for the upcoming biennium, along with campus safety and security, and leveraging the skills and resources of our public institutions to address statewide issues.

In the area of workforce alignment, our budget request includes a modest appropriation level to continue providing administrative support to the OhioMeansJobs Workforce Development Revolving Loan Program to promote and encourage Ohio's workforce development and job growth through educational training and retraining in programs related to employment opportunities in growing fields. Additionally, we will take full advantage of agency operating appropriations that will allow our staff to continue prioritizing business and industry needs and working with our colleges and universities to ensure that those needs are well understood and addressed.

To address the priority area of student success and completion, we have arranged our budget request in such a way as to preserve full funding for the State Share of Instruction (SSI) line item so that our colleges and universities can continue striving to excel under Ohio's performance-based funding formula, which allocates 100% of our state support for undergraduate student instructional costs based on outcomes such as course and degree completion. In addition, we have prioritized funding for state grants and scholarships by maintaining or increasing all scholarship line items to ensure that students have continued access to the important resources necessary to pursue the postsecondary credential that is right for them.

We are also seeking to leverage federal support for GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) Ohio to provide direct services to low-income, first-generation, and otherwise disconnected students that include research-based academic interventions and professional development, as well as proven college access practices. This work will increase the number of students who are prepared to enter and succeed in postsecondary education. Additionally, I believe that College Credit Plus must be maintained so that students and their families can continue to have the ability to decide how best to utilize the state resources that are allocated on their behalf.

In the upcoming biennium, the resources of this agency will also be focused on campus safety and security, as well as leveraging the skills and resources of our public institutions to address statewide issues. On campus safety, I am seeking \$750,000 per year to continue developing model best practices in line with emerging trends, research, and evidence-based trainings for preventing and responding to sexual violence and protecting students and staff who are victims of sexual violence on campus.

Lastly, I would like to strategically target a portion of our Research Incentive Third Frontier funding to address the critical statewide issues of opioid addiction, harmful algae blooms, and infant mortality, among others. Together, I believe our institutions of higher education can be critical assets in developing solutions to these issues.

Operational Changes

I am committed to conservative budgeting principles and maximizing internal agency resources. We are dedicated to the utilization of Ohio Shared Services (OSS) and typically conduct more than 99% of eligible agency transactions using the services of OSS, thus maximizing the potential statewide benefits of the shared services model.

Of our entire FY19 budget, less than 0.5% is allotted to payroll expenses, including payroll that is covered by non-GRF sources. Therefore, the overwhelming majority of our budget is disbursed as subsidy to support operations and initiatives conducted by our public colleges and universities as appropriated by the General Assembly.

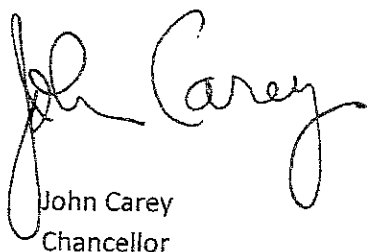
From FY10 to FY19, according to the DAS Monthly Report of State Employees, full-time permanent staff at the Department of Higher Education declined from 80 to 62, a reduction of 22.5%. In FY18, GRF payroll expenses of the agency were below FY12 levels. Clearly, our agency is committed to fiscal responsibility and maximizing operational efficiencies.

I appreciate your consideration of the Department's budget request. I look forward to working with OBM and the Governor's office to refine our request as we mutually seek to develop strategies to emphasize jobs in our great state. I feel our budget is aligned with the goal of creating jobs and

providing the education and skills necessary to meet employer demands for highly skilled workers in today's economy.

As always, please do not hesitate to request any additional information that is necessary to assist your staff in the analysis of our request.

Sincerely,

A handwritten signature in black ink, appearing to read "John Carey". The signature is written in a cursive style with a large, looping initial "J".

John Carey
Chancellor



September 27, 2018

Mr. Timothy S. Keen
Director
Office of Budget & Management
30 E. Broad St., 34th Floor
Columbus, OH 43215



Dear Director Keen:

On behalf of Mr. John Carey, Chancellor of the Ohio Department of Higher Education, and the Ohio Tuition Trust Authority (OTTA), I am pleased to present our fiscal years 2020 and 2021 Biennial Operating & Language Budget Plan. This submission is in accordance with OTTA's statute and supports the Authority's purpose to help families save for higher education expenses through the State-sponsored 529 college savings program, which is marketed and sold as CollegeAdvantage.

The staff of OTTA has undertaken a thorough review of Ohio's 529 Plan, the CollegeAdvantage 529 Savings Program, which is comprised of the market-based Variable Savings Plans (VSP), including the Direct Plan (for customers who make their own investing decisions) and the Advisor Plan (for customers who choose to work with a financial advisor), as well as the Guaranteed Savings Plan (GSP). As a result of our review, we are requesting the following non-GRF operating budget appropriation.

Summary of OTTA Appropriation Request			
Expense Category	FY19 Current Appropriations	FY20 Requested Appropriations	FY21 Requested Appropriations
500-Personal Service-Payroll	\$2,957,279	\$3,143,691	\$3,230,300
510-Purchased Personal Services & Other	\$3,463,979	\$3,715,118	\$3,733,530
520-Supplies & Maintenance	\$1,848,628	\$1,898,558	\$1,911,139
530-Equipment	\$42,000	\$42,000	\$42,000
Total	\$8,311,886	\$8,799,367	\$8,916,969

As an Enterprise Fund, CollegeAdvantage Program participants pay for the operations of the Program. Based on our existing financial standing and biennial projections, OTTA has sufficient resources to fully fund the appropriations requested for FY20 and FY21.

Current situation

Named after Internal Revenue Code (IRC) Section 529, which governs such plans nationwide, a 529 plan provides families with tax-advantaged ways to save for college, including tax-free growth on investments and tax-free withdrawals when used for qualified higher education expenses at any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. Effective January 1, 2018, the term "qualified education expense" includes up to \$10,000 in annual expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school. Ohio residents contributing to Ohio's 529 Plans may also deduct \$4,000 per beneficiary, per married couple, from their Ohio taxable income annually (with an unlimited carryforward of excess contributions).

In alignment with IRC 529, OTTA has the following mission: "Ohio's CollegeAdvantage program provides families across the nation flexible options and educational resources to invest in our trusted tax-advantaged 529 plans for education expenses after high school."

OTTA has been helping families in Ohio and throughout the United States to save for higher education expenses since 1989. OTTA is currently serving nearly 640,000 beneficiaries in the CollegeAdvantage 529 Program. Current customers have savings totaling more than \$11.6 billion in our Plans as of June 30, 2018, an increase of 20.2% over June 30, 2016, when Program assets totaled \$9.6 billion. OTTA's Program assets make Ohio the 6th largest state sponsor of 529 plans in the United States according to Strategic Insight, a national investment research firm.

Ohio's Direct 529 Plan has \$5.98 billion in assets as of June 30, 2018, and nearly 300,000 accounts, with 75% held by Ohioans, and currently ranking 7th in the nation among Direct Plans. Since 2009, the Ohio's Direct 529 Plan has been consistently rated as a top plan by industry ratings firm Morningstar. According to Morningstar, plans receiving a top rating "stand out because of generally attractive investment lineups, well-resourced asset-allocation teams, capable oversight, and competitive fees." In fall 2017, the Direct Plan was recognized as a Silver Plan, one of the top fourteen 529 plans out of 62 reviewed. In addition, Savingforcollege.com consistently recognizes the Direct Plan with their highest rating of 5 Caps out of 5 Caps for both Ohio residents and non-Ohio residents. As of September 2018, the Ohio Direct Plan is one of only three plans nationwide to attain this ranking.

The Advisor Plan (sold and managed by our partner, the world's largest investment manager, BlackRock) is the 4th largest advisor-sold plan with \$5.41 billion in assets and over 318,000 customers as of June 30, 2018. Over 59% of Plan assets are held by out-of-state investors. Morningstar has rated the CollegeAdvantage Advisor Plan with a Bronze Rating (upgraded in fall 2017 from a Neutral Rating). Savingforcollege.com awards the Advisor Plan with 4.5 Caps for Ohio residents and 4.5 Caps for non-Ohio residents.

OTTA is also responsible for the investments that remain in the GSP, which went to market in 1990 selling prepaid tuition credits and, later, units. As of December 31, 2003, the State suspended any further sales of credits/units. However, OTTA is still responsible for servicing the remaining customers by maintaining Plan records, providing regular statements of transactions and account balances, processing redemptions, and managing the investment of Plan assets to ensure adequate resources which support the State's "full faith and credit" obligation of the Plan.

The GSP is required by ORC to have an actuarial valuation completed annually to measure the "actuarial soundness" of the GSP. As of June 30, 2018, the actuarial valuation determined the GSP's present value of Obligations for Future Payments to be \$205.5 million, supported by market value of assets totaling \$269.2 million, creating an actuarial reserve of 30.9%. The actuarial valuation determined "as of June 30, 2018 the Plan has sufficient assets to cover the actuarially estimated value of the tuition and expense obligations under all credits and units outstanding as of that date." It is important to note that the actuarial reserve (or deficit) will fluctuate in future years depending on the actual results of the investment earnings and tuition inflation, the actual distribution of payments from the fund, and changes to the assumptions used in the valuations. The assumptions used in the current valuation include investment return assumption of 3.5% and a tuition inflation assumption of 5.5%.

Budget language background and request

We are not submitting any changes to the Budget Language as part of the biennial budget request.

Challenges for the 2020-2021 biennium

OTTA's ongoing challenges are to: 1.) grow Program assets; 2.) increase the number of new accounts; 3.) raise awareness; 4.) provide best-in-industry management and services, and 5.) manage special considerations related to the GSP.

1.) Growing assets: It is critical that OTTA remain aggressively focused on growing assets. In order to remain a competitive investment program and to increase opportunities to lower fees to investors, we must continue to grow contributions to the Program to more than offset the distributions from the Program for higher education expenses. To achieve this, we must compete for a larger share of account owners' discretionary income so that they make regularly scheduled automated contributions and larger occasional contributions to their accounts. Specific to the Advisor Plan, BlackRock (and the Advisor industry as a whole) continues to add investment partners to the Omnibus ("Omni") structure. The Omni structure streamlines the processing of 529 transactions for Advisor clients and makes it easier for Advisors to conduct business and transactions electronically rather than in a paper environment.

2.) Adding new accounts: OTTA must strive to maintain a healthy balance between mature accounts that are moving toward redemption and new accounts with a longer investment horizon. This balance ensures that the next generation of savers is replacing those graduating out of the program. The 529 marketplace is extremely competitive. Consumers are free to invest their limited disposable income in any 529 plan, either in their own state or any other state. Our own market research shows that Ohio families who are saving for college use bank accounts, other states' 529 plans, Roth IRAs and Savings Bonds as alternative college savings vehicles. So, while a consumer may choose any 529 plan in the country, we also have to be very competitive against traditional savings vehicles offered by banks and financial institutions. Unlike retirement plans where a beneficiary may have decades to save for retirement, the college savings window is generally a shorter period of time. This reality makes it incumbent on OTTA to sustain a persistent and consistent message to a broad spectrum of potential customers.

3.) Raising awareness: Throughout the nation, awareness of 529 plans remains comparatively low. Though similar in function to 401k investment plans, which have become known through employer channels, 529s haven't yet gained the same recognition. In order to add new accounts, OTTA works diligently to increase awareness of 529s in general and Ohio's 529 Plan, CollegeAdvantage, specifically among our target audiences. To do so, we must continue to provide consistent, professional advertising, marketing campaigns, and informational tools that put us "top of mind" among our target audiences.

4.) Provide best-in-industry management and services: It is important to offer a suitable range of investment options in our Plans to ensure customers of CollegeAdvantage are able to create and grow their college savings accounts to suit their individual risk tolerance and investment goals. Along with offering options to meet the needs of our customers, OTTA, in collaboration with our professional investment consultants, and the OTTA Investment Board, have a fiduciary responsibility to monitor

performance of all funds in the three Plans to be able to detect and mitigate any performance issues as soon as possible.

It is also important for OTTA to keep up with ever-evolving technological advancements in order to continue providing our customers with the online investment and account management systems they are accustomed to receiving from their other financial relationships. This includes offering best-in-industry recordkeeping systems, world-class investment funds and managers, superior customer service, and easy-to-use online account management.

5.) Special considerations related to the GSP: As the number of accounts (now only 21,946 as of June 30, 2018) and the tuition cash liabilities of the Plan (\$183 million as of June 30, 2018) continue to dwindle as the GSP further ages, the economies of scale begin to decrease as well. The State and OTTA should consider if there are alternative ways to meet the Plan's obligations to customers while shortening the remaining lifecycle of this ever-decreasing Plan and also mitigating the State's future risk under the "full faith and credit" obligation.

Setting priorities

Strategic planning: OTTA continues to develop and manage the Authority's mission, vision, principles, investment policies, and operations with strategic goals. The strategic goals help identify the Authority's priorities and budgeting.

Budget process: In developing our FY20-21 request, the senior management team reviewed the guidance, goals, and timeline for the budget process. Using a zero-based budgeting approach, each manager developed a department budget for FY20-21 which was then prioritized by projects at the overall Authority level, allocating funds between the VSP (Direct and Advisor) and GSP. At the same time, we took into consideration the Governor's commitments to restraining government spending and his vision of shared services. As such, I am pleased to report that OTTA is submitting a budget request for FY20 and FY21 that has a marginal increase over FY19 budget appropriations. This is mainly due to the payroll increases of 2.75% and 3.0% in FY20 and FY21, respectively, and the 27th pay in FY20. In addition, we are requesting to backfill a marketing position, Digital Media Specialist, beginning in FY20 to assist with ongoing digital marketing and communications. In FY21, as we project increased growth in number of accounts, we are requesting an additional Customer Care Representative to assist with calls and communications with customers in our Columbus call center. Both positions are within our current headcount of 36 which is authorized by the Governor's Office. Additional marginal increases in the operating budget for FY20 and FY21 are attributable to safety and security of our confidential customer information and increased communications with customers directly related to our projected increase in number of accounts. We are able to support these small increases in FY 20 and FY21 with existing our revenue stream and our cash reserves.

Program growth: Our goals for the FY20-21 biennium are to increase contributions by 10% in our Direct Plan and by 1% in our Advisor Plan.

Advertising and marketing: Because it is critical to both grow Program assets and increase the number of new accounts, OTTA must allocate a significant portion of the total Authority's budget to meet growth goals. Seasonal and ongoing campaigns are focused on specific target audiences. Tactics include a mix of

traditional and digital advertising and marketing content designed to reach potential customers where and when they are most likely to consider saving for college with Ohio's 529 Plan, CollegeAdvantage. OTTA continues to utilize professional advertising, strategic partnerships and sponsorships, market research, and other professional services in the creation and implementation of successful marketing strategies.

Customer service: OTTA directly services all Direct Plan and Guaranteed Savings Plan customers from its office in Columbus. It is critically important to be able to provide top-notch services to all customers through the web, phone, email, and regular U.S. mail.

Information services/technology: The IS/IT department continues to maintain and support the in-house recordkeeping system for the GSP to ensure services to these accounts as well as monitors the data warehouse (which tracks data for all three Plans). IS/IT staff collaborate with other departments to provide solutions for marketing, servicing the customer, account validation, data analysis, and digital security. They also monitor all data feeds to and from all investment partners, recordkeeping partners, and financial institutions.

Finance and investments: The finance and investment department is responsible for properly processing, accounting, and reporting for over \$11.6 billion in assets and nearly \$9 million in appropriated budgets that flow through the department's financial records. They are also responsible for monitoring program investments, ensuring regulatory and financial compliance, and overseeing the financial audits and the annual actuarial valuation process.

Operational changes

Fee changes: Effective on or about October 1, 2018, OTTA will reduce the total fees collected from the Advisor Plan from 14 basis points to 7 basis points. This 50% reduction in the Advisor revenue was made to 1) reclassify the revenue sharing received from BlackRock to basis points paid by the customer and 2) reduce the overall fees paid by the Advisor customers by 7 basis points. OTTA collects 2 basis points from customers in the Direct Plan mutual fund options and received 2 basis points from Fifth Third Bank based on AUM in the banking products. We continue to monitor fees and revenue to the agency closely to be sure we are able to keep fees as low as possible. This allows more of the account holders funds to be invested towards college related expenses.

Utilization of temporary staff: During FY18-19, the Authority again utilized temporary staff in the customer service department to meet increased seasonal needs for servicing existing and prospective account holders. Service performance levels have improved under this staffing model, which is also more economical than staffing with FTEs. We plan to continue use of that staffing model during FY20-21.

Staffing and shared services: OTTA continues to evaluate vacancies in staffing to assess if positions needed to be back-filled. Beginning in FY20, OTTA is requesting back-filling the Digital Media Specialist to coordinate OTTA's digital marketing and communications. In FY21, OTTA is requesting adding one Customer Care Representative to service the growing customer base. Other vacant positions at OTTA are being held pending future needs to fulfill the mission of the agency and continue to provide the most efficient operations while serving the needs of the customers and potential customers.

Conclusion

Ohio's 529 Plan, the CollegeAdvantage 529 College Savings Program, helps Ohioans and other families across the country save now and over time to offset the future costs of higher education. In the context of growing concern about rising student loan debt in our country, these savings, no matter their eventual size, help families make higher education attainable and help tomorrow's higher education entrants minimize student loan debt as they pursue educational and career aspirations.

OTTA will continue to make higher education objectives achievable by providing a low-cost, diverse savings platform for families who choose to make college savings a priority. We will be focusing our efforts in the next biennium on growing assets and accounts, increasing awareness of Ohio's 529 Plan, and servicing the current and future customers of CollegeAdvantage while professionally and effectively managing the overall Program and its three plans.

Thank you for your consideration of OTTA's non-GRE appropriation request. If you or your staff have any questions or require additional information, please do not hesitate to contact me.

Sincerely,



Timothy C. Gorrell
Executive Director