



**Ohio Tuition Trust Authority
Prepared Testimony for the Sunset Review Committee
May 7, 2024**

Chair Wilkin, Vice Chairman Hillyer, and members of the Sunset Review Committee, I'm Trisha Good, Executive Director of the Ohio Tuition Trust Authority (OTTA), an agency within the Ohio Department of Higher Education. Thank you for the opportunity to speak with you today about Ohio's 529 Plan, CollegeAdvantage and our goals and priorities to help Ohioans and families across the country save for the qualified higher education expenses of their loved ones.

Agency Background:

OTTA was created in 1989 under Ohio Revised Code (ORC) Chapter 3334 to help Ohio families save for their children's college education. Our first account was opened in April 1990 and we soon celebrate the agency's 35th anniversary.

OTTA is a non-GRF, self-funded agency. All of OTTA's operating expenses are funded through nominal account fees paid by CollegeAdvantage account owners and no GRF funds are used by the agency.

In 1996, Section 529 was added to the Federal Internal Revenue Code to provide U.S. citizens with a Federal tax-advantaged way to save for college education expenses. In 2017, Ohio authorized an increase to its state tax benefit that now allows Ohio residents to deduct up to \$4,000 a year, per beneficiary, from their Ohio taxable income. This deduction includes an unlimited carry forward for contributions in excess of the \$4,000 deduction per year. This deduction is available to any Ohio resident filing an Ohio tax return making a contribution to any 529 Plan.

In 2009, OTTA was brought under the Department of Higher Education (ODHE) for oversight of agency operations, and the role of OTTA's 11-member Board is limited to a fiduciary duty over the investments in OTTA's college savings plans. OTTA Investment Board members do not receive compensation beyond reimbursement for expenses related to their Board duties.

Sponsoring and Managing Three Plans:

The Ohio Tuition Trust Authority currently sponsors three plans under the CollegeAdvantage 529 College Savings Program: (1) the CollegeAdvantage Direct 529 Savings Plan, (2) the BlackRock CollegeAdvantage Advisor 529 Savings Plan, and (3) the CollegeAdvantage Guaranteed 529 Savings Plan (which has been suspended since December 31, 2003).

A 529 plan grows tax-free at the state and federal level. When used to pay for qualified higher education expenses at any accredited college, university or other program that accepts federal financial aid, 529 withdrawals are tax-free. Qualified higher education expenses include tuition, required fees, books, computers and related equipment and services, room and board on campus (or the equivalent costs for off-site housing). In more recent years the federal government has expanded the qualified expenses to include 1) up to \$10,000 for private K-12 education expenses, 2) up to \$10,000 for student loan repayment for beneficiary or a sibling and 3) apprenticeship programs. Effective January 1, 2024, the federal government now allows 529 rollovers to a Roth IRA (specific requirements must be met to qualify). Funds can be used at community colleges, traditional four-year colleges and universities for undergraduate and graduate degrees, technical or trade schools, certificate programs, and registered apprenticeship programs. Across the three plans, OTTA directly manages or oversees nearly 675,000 accounts and over \$17.2 billion in assets as of March 31, 2024.

Historically, the majority of payments from Ohio's 529 Plan go to Ohio colleges and universities, directly supporting higher education in the state.

Simply put, Ohio's college savings plans make education attainable and help account beneficiaries minimize the need for future student loans and accompanying debt.

1.) CollegeAdvantage Direct 529 Savings Plan

As the sponsor and program manager for the CollegeAdvantage Direct 529 Plan, OTTA is responsible for investments, marketing, information technology, customer service and financial reporting for the Direct Plan. Ascensus College Savings provides recordkeeping and fund accounting services for the Direct Plan.

As of March 31, 2024, the Direct Plan had nearly 399,000 accounts and \$10.55 billion in assets, approximately 72% owned by Ohioans. Account owners may select from 22 different investment options, including ready-made age-based portfolios, ready-made risk-based portfolios, or individual fund options, managed by Vanguard, Dimensional Fund Advisors, and Fifth Third Bank and one age-based portfolio managed by Wilshire. The fees for investment options in the Direct Plan range from 0% to 0.435% and rank favorably as some of the lowest fees among 529 plans nationwide.

Morningstar, the recognized source for independent investments research, has consistently rated Ohio's Direct Plan as one of the nation's best. In Fall 2023, Morningstar reviewed 54 529 plans nationwide, CollegeAdvantage Direct was recognized with a Silver rating. Medal ranked plans follow industry best practices, offering a well-researched asset-allocation approach, a robust process for selecting underlying investments, an appropriate set of options to meet investor needs, strong oversight from the state and investment manager, and low fees.

2.) CollegeAdvantage Advisor 529 Savings Plan – offered through BlackRock

OTTA sponsors and BlackRock manages our Advisor Plan, available to consumers through their financial advisors. BlackRock is the world's largest money manager and an industry-leading investment firm. As the Advisor Plan is sponsored and overseen by OTTA, the OTTA Investment Board has the responsibility of supervising the investment direction and performance of this Plan to ensure that account owners are being offered well-managed, reasonable-cost options with a high-level of earnings potential. BlackRock is responsible for marketing, distribution, customer service, and recordkeeping for the plan.

BlackRock CollegeAdvantage, as of March 31, 2024, had over 270,000 accounts and \$6.62 billion in assets, approximately 48% owned by Ohioans. BlackRock offers Advisor Plan participants a choice of 22 different age-based, target-risk, or single strategy investment options from BlackRock, iShares, and Wells Fargo fund managers.

In Fall 2023, Morningstar recognized BlackRock CollegeAdvantage with a Bronze rating, one of only two advisor-sold plans with a bronze rating.

3.) CollegeAdvantage Guaranteed 529 Savings Plan

In 1990, OTTA first began selling prepaid tuition credits, and later units, which are guaranteed to grow at the rate of the Weighted Average Tuition (WAT) of the State's public universities and are backed by the full faith and credit of the State of Ohio. The Guaranteed Plan closed to new accounts and additional contributions as of December 31, 2003. While the Guaranteed Plan is closed, OTTA is required to manage the Plan investments, maintain recordkeeping systems, provide online account access, process account transactions, prepare and distribute quarterly account statements and annual tax reports, and provide customer service. OTTA also has the responsibility to generate investment returns on assets to match the growth in tuition obligations. As we measure the guaranteed savings plan assets under management against the actual liability, based on the current WAT payout values, we have sufficient assets on a cash basis to meet the payout obligations of the Plan.

As of March 31, 2024, 5,511 accounts still hold approximately \$51 million in account value in the Guaranteed Plan. The number of accounts is down nearly 95% from a Plan high of over 112,000 accounts as of the end of FY03.

Agency Goals and Priorities:

The 529 marketplace is extremely competitive as college savers may choose to invest in any state's 529 plan, or choose different investment vehicles like traditional mutual funds and bank savings accounts. Ohio has to remain competitive with these options as account and asset growth help build scale, which in turn increases efficiencies and helps to drive fees lower.

Accordingly, Ohio's 529 Plan offers affordable, innovative, and performance-driven investment options and services to our existing and prospective account owners. We deliver financial services in a manner consistent with what our investors have come to expect from other financial service providers, provide the best opportunities for investment growth while keeping fees as low as possible. We offer a suitable range of investment options across plans to ensure customers of Ohio's 529 Plan are able to create and grow their college savings accounts to suit their individual risk tolerance and investment goals. Along with meeting the needs of our customers, OTTA, in collaboration with our professional investment consultants and the OTTA Board, monitors performance of all funds in the three plans to detect and mitigate any performance or organizational issues as soon as possible.

While enhancing the financial services we offer throughout our Program, with regard to the Direct Plan, we also seek to grow assets, add new accounts and raise awareness. To continue to grow the culture of saving for college, our annual goal is to increase Direct and Plan accounts and contributions by 5% and 3%, respectively.

Growth occurs through unique partnerships with a variety of organizations around Ohio, sustained public outreach efforts, extensive marketing activities, strong partnerships with a variety of organizations around Ohioans and statewide advertising campaigns aimed at increasing awareness of and participation in Ohio's 529 Plan among Ohioans.

Conclusion

Ohio's CollegeAdvantage 529 College Savings Program helps Ohioans save even small amounts over time to help offset the future costs of higher education. Ohio has one of the oldest, largest and, most importantly, best regarded 529 plans in the country. Over the last 30 years, Ohioans have benefited from active management by the State of Ohio working to build the best product lineup possible, for both the Direct and Advisor plans, with some of the lowest fees in the country for each plan.

We recommend reauthorization of OTTA and its Board.

Thank you for this opportunity. I would be happy to answer any questions.

Trisha Good

Executive Director
Ohio Tuition Trust Authority
Ohio's 529 Plan, CollegeAdvantage
Office: 614-644-1794
Email: TGood@CollegeAdvantage.com