

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 21, 2005

TO: Honorable Geanie Morrison, Chair, House Committee on Higher Education

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2734 by Guillen (Relating to tuition and fee exemptions for certain military personnel and their dependents.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2734, As Introduced: an impact of \$0 through the biennium ending August 31, 2007.
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General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	(\$3,137,848)
2009	(\$3,765,418)
2010	(\$4,392,988)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1
2006	\$0
2007	\$0
2008	(\$3,137,848)
2009	(\$3,765,418)
2010	(\$4,392,988)

Fiscal Analysis

The bill would grant tuition and fee exemptions to eligible military personnel and their dependents.

The governing board of an institution of higher education would be required to exempt a child of a member or former member of the armed forces if the member became permanently and totally disabled while in service or has completed at least 20 years of active service. An exemption is also offered for spouses where the armed forces member or former member is permanently and totally disabled while in the service and has completed at least 20 years of active service. In both situations, the member must have executed a document while in service indicating Texas as his or her permanent residence and place of legal residence for income tax purposes. The member must have been either a non-commissioned officer or enlisted person when the disability occurred or the service was completed.

The bill extends the restrictions in current law that apply to tuition exemptions for military personnel. The exemptions may not be received for more than a cumulative total of 150 credit hours. The student

must first exhaust federal educational benefits, and an exemption is not available if the student is in default on a student loan. Additionally, the exemptions do not apply to certain courses in aircraft flight training.

The bill applies beginning with tuition and fees charged for the 2005 fall semester.

The Texas Higher Education Coordinating Board (THECB) estimates that institutions will experience a loss in tuition and fee revenues equal to \$3.9 million in fiscal year 2006; \$5.2 million in fiscal year 2007; \$5.3 million in fiscal year 2008; \$6.3 million in fiscal year 2009 and \$7.4 million in fiscal year 2010.

The state will experience an increase in general revenue costs to cover statutory tuition and lab fees foregone at public universities and health-related institutions as well as for basic formula funding for additional students enrolling because of the exemption. The general revenue costs for covering lost tuition and fees range from \$1.3 million in fiscal year 2008 to \$1.8 million in fiscal year 2010. The formula funding costs for new students range from \$1.9 million in fiscal year 2008 to \$2.6 million in fiscal year 2010. Total general revenue costs to the state will equal \$3.1 million in fiscal year 2008; \$3.8 million in fiscal year 2009 and \$4.4 million in fiscal year 2010.

Methodology

The Veterans Administration estimates that 136,437 veterans with 20 years' or more service currently reside in Texas. Of that number, 19% are officers, leaving 81%, or 110,514 relevant to the provisions of the bill. The 2000 census indicated 8.02 percent of our households have college-age children and that in Texas the average number of children per household is 3.5.

THECB assumes the relevant families would have no more than 2 students enrolled at any one time (including child and spouse). In Texas 44.7% of high school graduates attend public institutions, representing 7,924 students. THECB assumes 30 percent of the eligible population would take advantage of the program in the first year, increasing by 10 percent per year for the following four years.

The Veterans Administration indicates there are 5,685 households for veterans who are totally and permanently disabled in Texas. Subtracting 19 percent for the officers and 22 percent for survivors (who are not covered by the provisions of House Bill 2734), 3,592 potential users remain. Since students have to exhaust their federal education benefits before using this exemption, the Veteran's Administration estimated a total of 900 potential users of the exemption for children/spouses of totally and permanently disabled veterans. The majority of Texas students take more than four years to acquire degrees, and an estimated 51 percent of the 900 students would be enrolled beyond the hours covered through their federal education benefits, leaving 459 students to use the new exemption.

THECB assumes students would learn of the program over time, with 30 percent enrolling in the first year; increasing by 10 percent per year thereafter. THECB assumes 20 percent of both groups of exemption users will enroll in college because of the exemption, thus representing both additional general revenue costs to cover foregone tuition and fees and basic general revenue formula funding costs for additional students; 80 percent would have enrolled anyway, and therefore represent only foregone tuition. For fiscal years 2008-2010, THECB estimates the share of foregone tuition and fees at universities and health-related institutions that is made up by the state to equal one fourth of total tuition and fees lost by the institutions. Tuition and fee amounts per student were based on 2004 awards through the Hazlewood Act (TEC 54.203), but with adjustments for Student Services and Property Deposit Fees. Hazlewood awards cover all tuition and fees other than Student Services and Property Deposit Fees; the proposed exemption is for all tuition and fees. There would be no formula funding costs for the 2006-2007 biennium because of the two-year lag in formula funding.

Based on the above assumptions, THECB estimates that in fiscal year 2008, \$1,260,220 will be needed to cover the foregone tuition and fees from the exemption and \$1,877,629 in formula funding for additional students who enroll because of the exemption. The total general revenue cost in fiscal year 2008 would be \$3,137,848. For fiscal year 2009, the cost would be \$1,512,264 for the tuition and fees and \$2,253,155 for the additional students. The total general revenue cost in fiscal year 2009

would be \$3,765,418. For fiscal year 2010, \$1,764,308 for the tuition and fees and \$2,628,680 for the additional students. The total general revenue cost in fiscal year 2010 would be \$4,392,988.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 758 Board of Regents, Texas State University System Central Office, 783 University of Houston System Administration

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