

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 20, 2005

TO: Honorable Frank Corte, Jr., Chair, House Committee on Defense Affairs & State-Federal Relations

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

IN RE: HB3105 by Corte (Relating to the residency requirements for tuition and fee exemptions for certain military personnel and their dependents.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3105, As Introduced: an impact of \$0 through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	(\$18,970,097)
2009	(\$25,293,462)
2010	(\$28,665,924)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1
2006	\$0
2007	\$0
2008	(\$18,970,097)
2009	(\$25,293,462)
2010	(\$28,665,924)

Fiscal Analysis

The bill would eliminate the requirement that a military veteran be a resident of Texas at the time of enlistment to become eligible for the Hazelwood Act. Under the provisions of the bill, a member of the military or veteran returning from active military service would immediately become eligible for the exemption upon returning and is not required to reside in Texas for 12 months prior to registration. Allowing additional veterans to be eligible for the Act will cost higher education institutions revenue beginning in fiscal year 2006 and the state beginning in fiscal year 2008.

The fiscal impact to the institutions is based on current average tuition and fees times the projected additional students qualifying for the exemption. The cost to the institutions for additional losses in tuition and fee revenues is projected to be \$8.0 million in fiscal year 2006, \$15.9 million in fiscal year 2007, \$23.9 million in fiscal year 2008, \$31.8 million in fiscal year 2009, and \$36.1 million in fiscal year 2010.

The fiscal impact to the state is estimated to be \$19.0 million in fiscal year 2008, \$25.3 million in fiscal year 2009, and \$28.7 million in fiscal year 2010. This is the projected future formula funding for the additional veterans and children who enter college as a result of their eligibility for the exemption.

Methodology

According to the Texas Higher Education Coordinating Board (THECB), 8,556 veterans and 31 children used the Hazlewood exemption in 2003. THECB estimates that the inclusion of the eligible veterans originally considered out-of-state students will quadruple current enrollments in the program by 2009 and further increase enrollments another 10 percent in 2010. This represents an increase of 25 percent in 2006, 50 percent in 2007, 75 percent in 2008, 100 percent in 2009 and 110 percent in 2010.

THECB estimates that one quarter of the additional participants would have entered college without the benefit and therefore do not represent additional formula funding costs to the state. The remaining three-fourths of the additional recipients will enroll because of the benefit and represent formula costs to the state.

Based on actual average awards to Hazlewood Act recipients in 2003 and the fact that award recipients were enrolled on a half-time basis, THECB estimates the general revenue cost to be \$18,970,097 in fiscal year 2008, \$25,293,462 in fiscal year 2009 and \$28,665,924 in fiscal year 2010.

There would be no additional formula funding costs for the 2006-2007 biennium, because of the two-year lag in formula funding.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 720 The University of Texas System Administration, 758 Board of Regents, Texas State University System Central Office, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 710 Texas A&M University System Administrative and General Offices, 783 University of Houston System Administration

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