

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**March 7, 2005**

**TO:** Honorable Royce West, Chair, Senate Committee on S/C on Higher Education

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

**IN RE: SB392** by Van de Putte (Relating to the residency requirements for tuition and fee exemptions for certain military personnel and their dependents.), **As Introduced**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for SB392, 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	(\$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. 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**

In 2003, 8,556 veterans and 31 children used the Hazlewood exemption. The Texas Higher Coordinating Board (THECB) estimates that the inclusion of originally out-of-state veterans will quadruple current enrollments in the program by 2009 and increase another 10 percent in 2010. This represents an increase for 2006 of 25%, 50% for 2007, 75% in 2008, 100% in 2009 and 110% increase 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:** 710 Texas A&M University System Administrative and General Offices, 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, 783 University of Houston System Administration

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