

## LEGISLATIVE BUDGET BOARD

Austin, Texas

### FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 10, 2007

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

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

**IN RE: HB897** by McClendon (Relating to tuition and fee exemptions for certain military personnel and their dependents. ), **Committee Report 1st House, Substituted**

**No significant fiscal implication to the State is anticipated.**

The bill would modify the residency requirements for tuition and fee exemptions for certain military personnel and their dependents. The bill would extend the exemption to children of and spouses of members of the armed forces, who become permanently disabled as a direct result of illness or injury suffered while in service. Since the bill impacts residency requirements and also extends the tuition and fee exemptions to children and spouses each change will be discussed separately.

#### Residency requirements

The Higher Education Coordinating Board estimates that in fiscal year 2006, 8,810 veterans and children of veterans used the Hazlewood exemption. The tuition and fees they were exempted from paying totaled \$16.9 million. The Texas Veterans Commission estimates 1.7 million veterans live in Texas, but has no data about the share of them who are originally from Texas. The Higher Education Coordinating Board assumptions are that: the number of people qualifying to participate in the program because of the change in eligibility requirements will increase by 1% per year through fiscal year 2012. Their enrollment pattern among types of institutions will remain the same as in fiscal year 2006.

Using fiscal year 2006 data as a starting point, the Coordinating Board calculated the number of additional students that would enroll using the exemption if enrollments (8,810) increased by 1 percent per year. Using the average award amounts of \$1,913 for fiscal year 2006, the Coordinating Board estimated the institutions will experience additional losses of tuition and fees through the exemption at \$168,528 in fiscal year 2008, \$338,742 in fiscal year 2009, \$510,658 in fiscal year 2010, \$684,293 in fiscal year 2011, and \$859,664 in fiscal year 2012.

#### Children exemption

To calculate the costs/savings for extending the benefit to the children of disabled veterans, the Coordinating Board assumed the definition of a "permanently disabled" veteran is the same as used by the Department of Veterans Affairs for persons totally disabled for purposes of employability. Based on estimates provided by the Department of Veterans Affairs that there are 17,564 totally disabled veterans in Texas, the Coordinating Board assumed that 50 percent of the veterans were Texas residents when they entered the service and otherwise eligible for benefits through the exemption. The Coordinating Board further assumed that 20 percent of the veterans would average one child of college age and that 15 percent of that group would enroll and take advantage of the exemption in fiscal year 2008. The number participating in the exemption would increase by 4% per year. Based on this methodology, the Coordinating Board estimates there would be 263 children using the exemption in fiscal year 2008 increased to 308 in fiscal year 2012. Using the average award of \$1913, the tuition and fee losses for the institutions would be \$503,999 in fiscal year 2008, \$524,159 in fiscal year 2009, \$545,125 in fiscal year 2010, \$566,930 in fiscal year 2011 and \$589,608 in fiscal year 2012.

## Spouse exemption

It is not known how many deceased veterans may have spouses living in Texas who could and would take advantage of the exemption. To calculate the costs/savings for extending the benefit to the spouses of disabled veterans, the Coordinating Board assumed the definition of a "permanently disabled" veteran is the same as used by the Department of Veterans Affairs for persons totally disabled for purposes of employability. Based on estimates provided by the Department of Veterans Affairs that there are 17,564 totally disabled veterans in Texas (same assumption used for addition of children). The Coordinating Board assumed the number of deceased veterans will at least equal the number of disabled veterans, since there is no time limit for the spouses to use the benefits (totaling 35,128). The Coordinating Board assumed 50% of the 35,128 deceased or disabled veterans were Texas residents at the time they entered the service and their spouses would be eligible. The United States Census Bureau indicates 52.8% of adults are married. The Coordinating Board assumed 5% of the eligible spouses will enroll in fiscal year 2008, increasing by 3% per year. Based on this methodology, there would be 464 spouses eligible for the exemption in fiscal year 2008, increasing to 552 by fiscal year 2012. Using the average award of \$1913, the tuition and fee losses for the institutions would be \$887,038 in fiscal year 2008, \$913,649 in fiscal year 2009, \$941,059 in fiscal year 2010, \$969,291 in fiscal year 2011 and \$998,369 in fiscal year 2012.

Based on these assumptions, the total losses of tuition and fees is \$1,559,566 in fiscal year 2008, \$1,776,550 in fiscal year 2009, \$1,996,842 in fiscal year 2010, \$2,200,514 in fiscal year 2011, and \$2,447,641 in fiscal year 2012. It is assumed the cost will be absorbed by the institutions of higher education since the bill does not require the State to reimburse the institutions.

## **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 781 Higher Education Coordinating Board

**LBB Staff:** JOB, ES, MN, RT, GO