

## LEGISLATIVE BUDGET BOARD

Austin, Texas

### FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 24, 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.), **As Introduced**

**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 members of the armed forces, who become permanently disabled as a direct result of illness or injury suffered while in service. 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 percentage 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 increased by 1 percent per year. To calculate the costs/savings for extending the benefit to the children of disabled veterans, they 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.

The costs to the institutions was determined by multiplying the number of students per year (starting with 263 in fiscal year 2008 and increasing by 4% per year thereafter to 308 in fiscal year 2012) times the fiscal year 2006 average award of \$1,913. Based on these assumptions, the Coordinating Board estimated the institutions will experience additional losses of tuition and fees through the exemption at \$594,543 in fiscal year 2008, \$781,797 in fiscal year 2009, \$971,435 in fiscal year 2010, \$1,163,501 in fiscal year 2011, and \$1,358,041 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

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