

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 26, 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: HB1300 by Strama (Relating to allowing certain military personnel to receive certain federal and state higher education benefits concurrently.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would allow certain military personnel to receive certain federal and state higher education benefits concurrently. The Higher Education Coordinating Board estimates that in 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 8,810 veterans using the exemption in fiscal year 2006 had to have utilized their federal G I Bill benefits prior to using Hazlewood. The proposed change would allow students in the future to start using their state benefits at any time, either in lieu of or in conjunction with their federal benefits.

The Veterans Commission reports there are approximately 33,260 veterans in Texas receiving federal veterans education benefits. The Higher Education Coordinating Board estimates that 50 percent of them would meet the basic requirements for the Hazlewood exemption, so 16,630 persons could choose immediately to start using Hazlewood along with their federal benefits. However, the Coordinating Board believes it will take time for the word to get out and therefore they estimated only 40 percent of the persons now using federal benefits will begin using state benefits also as of fall 2007, rising by 7 percent per year through fiscal year 2012. They also believe the ability to "stack" federal and state benefits will encourage students to take more hours, on average 3 additional hours per term than at present.

Using fiscal year 2006 statistics as a start, the Coordinating Board calculated the average Hazlewood exemption per type of institution by the tuition and fee charges for a full time student equivalent at such an institution. This resulted in the share of a full-time load taken (on average) per sector. They then raised the average awards as needed to reflect a 9-hour-per-term course load. They then calculated the number of veterans that would represent 40 percent of those receiving federal benefits at this time (6,652), divided them among the types of institutions in proportion to their distribution in fiscal year 2006, and multiplied the numbers by the average awards for 18 hours per year. This generated a total new cost of \$15,002,104 for fiscal year 2008. They used this same approach to calculate figures for fiscal year 2009 and later, just raising the share of the federal aid recipients by 7 percent per year, from 6,652 in fiscal year 2008 to 11,308 in fiscal year 2012.

While the number of individuals using both the federal and state programs at the same time would increase over time, the number waiting to use their state benefits would decrease. The Higher Education Coordinating Board assumed a 3% decrease in the number of "traditional" Hazlewood awards in fiscal year 2008, a 5% decrease in fiscal year 2009, a 7% decrease in fiscal year 2010 and a 10% decrease in fiscal year 2011 and 2012. This decrease would partially off-set the increase of stacked awards.

The net result in additional Hazlewood expenses to the institutions were estimated to be \$14,496,884 in fiscal year 2008, \$16,784,830 in fiscal year 2009, \$19,073,141 in fiscal year 2010, \$21,192,924 in fiscal year 2011 and \$23,818,292 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 fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board

LBB Staff: JOB, ES, RT, GO