

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION
Revision 1

April 11, 2007

TO: Honorable Leticia Van de Putte, Chair, Senate Committee on Veteran Affairs & Military Installations

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

IN RE: SB874 by Van de Putte (Relating to the tuition and fee exemption available to certain military personnel and permitting those personnel to transfer the exemption to a child.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill relates to the tuition and fee exemption available to certain military personnel and permitting those personnel to transfer the exemption to a child. The Act will be known as the "Hazlewood Legacy Act". The bill would broaden the base of people eligible for the Hazelwood Act tuition and fee exemptions by including not only qualified military veterans, but also their children. The Fiscal Analysis will be separated into two categories; place of entry, and ability to pass on unused hours to a child.

Place of entry

In fiscal year 2006, 8,810 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 does not have data on how many 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. Based on this methodology the number of additional students would be 88 (8,810 X 1%) for fiscal year 2008 and so on for fiscal year 2009 through fiscal year 2012. Using average award amounts for fiscal year 2006 of \$1,913, the Coordinating Board estimated the amount of tuition and fee revenue that institutions would forego as a result of the additional students. The institutions would experience additional losses of tuition and fees through the exemption estimated at \$168,528 in fiscal year 2008 (\$1,913*88). The losses in tuition would be \$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

Data from the Coordinating Board's Hazlewood Database indicate that since 1995 a total of 31,614 different veterans have participated in the Hazlewood exemption program. The veterans are reported to have used a total of 784,041 semester credit hours -- averaging 25 hours per veteran. This would leave the average veteran 125 hours to assign to a child, if he/she chose to do so. The Coordinating Board estimated that 20 percent of the veterans have college-age children and that 15% of the veterans would choose to assign their unused hours to a child. They also assumed that 80% of the children receiving the assignation would choose to use the benefit. They also assumed the number of children

would increase by 3% per year. Based on these calculations, 948 (31,614*.2*.15) children would use the exemption in fiscal year 2008, rising to 1,067 children in fiscal year 2012.

To estimate the cost to the institutions the Coordinating Board assumed the children would enroll in public institutions in proportion to the enrollments in fiscal year 2006 for veterans using the exemption. They also assumed they would take a similar course load and that the average awards would be similar to those of fiscal year 2006. They reduced the number to 85% to accommodate children who would not choose to use their hours, then multiplied the total number of children expected to enroll times the percent of the students that enroll in each type of institution times the average award for that type. For instance, in fiscal year 2008, 948 children would enroll. 53.38% of them would be at universities. The average university award equaled \$2,738. Therefore, the total cost for universities in fiscal year 2008 equals $948 * .85 * .5338 * \$2738 = \$1,178,035$ (with rounding). The Coordinating Board then used the same methodology for all types of institutions (including community colleges and health-related institutions) for all years, and calculated that the institutions would forgo tuition and fee revenues in the amount of \$1,542,115 in fiscal year 2008, \$1,588,378 in fiscal year 2009, \$1,636,030 in fiscal year 2010, \$1,685,111 in fiscal year 2011 and \$1,735,664 in fiscal year 2012.

The total the costs to the institutions for all the provisions are \$1,710,643 in fiscal year 2008; \$1,927,120 in fiscal year 2009; \$2,146,687 in fiscal year 2010; \$2,369,403 in fiscal year 2011; and \$2,595,328 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: 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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