

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 21, 2009**

**TO:** Honorable Judith Zaffirini, Chair, Senate Committee on Higher Education

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

**IN RE: SB114** by Ellis (Relating to the payment of higher education tuition and fees for certain military personnel and their dependents.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB114, As Introduced: an impact of \$0 through the biennium ending August 31, 2011. Although there would not be an impact on general revenue, the impact to the amount of tuition institutions could charge could be significant.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue (Loss) from <i>Other Funds</i> 997	Probable Revenue (Loss) from <i>Est Oth Educ &amp; Gen Inco</i> 770
2010	(\$42,664,763)	(\$4,372,594)
2011	(\$43,091,411)	(\$4,416,320)
2012	(\$43,522,325)	(\$4,460,483)
2013	(\$43,957,548)	(\$4,505,088)
2014	(\$44,397,124)	(\$4,550,139)

**Fiscal Analysis**

The bill relates to payment of higher education tuition and fees for certain military personnel and their dependents.

Section 1 of the bill, amends Sections 54.058 (b), (c), (d), (f), (g), (i), and (j) and adds Sections 54.058 (b-1) and (k) to the Education Code to provide that members of the U.S. Armed Forces assigned to duty in Texas or their spouses or dependent children are: 1) entitled to pay resident tuition, and 2) exempt from fees excluding general deposit fees or charges related to lodging, board, or clothing. Former members of the U. S. Armed Forces also qualify for the terms as listed above if courses start before the first anniversary of the member's honorable discharge. Spouses and children of members who died or were totally disabled also qualify for the terms listed above. For all qualifying students (members, former members, spouses, or children), the institution shall provide a scholarship to cover the cost of books and other educational materials for each student.

Section 2 of the bill amends Sections 54.203 (a), (b), (b-1), and (d), and adds Sections 54.203(a-1), (b-2), and (b-3) to the Education Code to exempt tuition and fee payment (excluding general deposit or lodging fees) for former honorably discharged military members who declared Texas as their home of record when they entered the service and have resided in the state for 12 months. These same tuition and fee exemptions also apply to spouses and dependents of former military members who: 1) were killed in action, 2) died while in service, 3) are missing in action, 4) died because of service duty, and 5) became totally disabled as a result of service related injury. Institutions are required to exempt qualifying persons from payment of lodging and board if that person resides on campus, or, if that person does not reside on campus, the institution shall provide a reasonable stipend to cover that person's lodging and board. The institution would provide a scholarship to cover cost of books and other educational materials for each student qualifying under this provision.

The bill applies beginning with the 2009 fall semester (fiscal year 2010). Since the bill impacts both institutional funds (designated tuition and fees) and Fund 770 (statutory tuition), these amounts have been separated in the tables.

## **Methodology**

The fiscal note will be split out between the impact of the two sections of the bill.

### **Section 1**

In fiscal year 2007, the Texas Veterans Commission (TVC) estimates that 1.7 million veterans are currently living in Texas, but has no data about the share of them who are originally from Texas. To calculate the total number of veterans and their dependents who would enroll under the waiver, they estimated that 10 percent (of the 1.7 million), or 170,000 have lived in Texas less than 1 year and are considered "non-residents". TVC estimates 75 percent, or 127,500, of these veterans are eligible for Post-911 education benefits. Out of this 127,500, they estimate that two percent (2,550) will enroll because of the new waiver provisions. They then assumed that 30 percent of the 127,500 veterans have spouses. They assume that, of the 38,250 spouses, three percent, or 1,148, of these spouses would enroll in fiscal year 2010. They assume that 75 percent of the 127,500 veterans (95,625) of the veterans have children, but only 20 percent (19,125) are college-age. Out of this 19,125, they estimate that five percent, or 956, children of eligible veterans will enroll. They further assume that the number of people qualifying to participate in the program (veterans, their spouses, and children) will increase by one percent per year through fiscal year 2014. Their enrollment pattern among types of institutions and average award amount will remain the same as in fiscal year 2007.

The Higher Education Coordinating Board first calculated the award amounts and average value of all military waivers received in fiscal year 2007 to determine the percentage of participants using these waivers per type of institution. Applying these same percentages to the fiscal year 2010 estimated number of students, they calculated the number of additional students that would enroll using the waiver if enrollments increased by one percent per year. They estimated the number of students using the waiver in fiscal year 2010 would begin at 4,654, increasing by one percent thereafter, and reaching 4,843 in fiscal year 2014.

The average fee amounts for fiscal year 2007 for undergraduates in Texas were \$1,744 at universities, \$1,394 at health related institutions (HRIs), \$718 at community colleges, \$1,104 at state colleges, and \$614 at technical colleges. The average value of books and supplies for fiscal year 2007 were \$1,070 at universities, \$11,443 at HRIs, \$1,194 at community colleges, \$3,284 at state colleges, and \$6,021 at technical colleges. Applying the fiscal year 2007 average total amounts for fees, books, and supplies for each type of institution to the estimated numbers of additional students, they estimated the amount of revenue that institutions would forego as a result of the additional students. The estimated loss of revenue to the institutions because of the waiver are \$11,222,237 in fiscal year 2010, and \$11,334,459 in fiscal year 2011. Additional losses are estimated at \$11,447,804 in fiscal year 2012, \$11,562,282 in fiscal year 2013, and \$11,677,905 in fiscal year 2014.

### **Section 2 - Hazlewood Exemption**

In fiscal year 2007, 9112 veterans and their dependents used the Hazlewood exemption. TVC

estimates 75 percent, or 127,500 of the 1.7 million veterans in Texas are eligible for Post-911 education benefits. Out of this 127,500, the Higher Education Coordinating Board estimates that two percent (2,550) will enroll because of the new exemption provisions. They know, from information provided by the Veterans Administration, that the current number of 100%-disabled veterans in Texas is 17,564. They used this same number to estimate the number of deceased veterans, for a total of 35,128 veterans. They then assumed 50 percent of these veterans, or 17,564, of the deceased or disabled veterans would have met program requirements for the Hazlewood exemption. They multiplied the estimated number of deceased or 100%-disabled veterans (17,564) by 52.8 percent to arrive at an estimate of 9,274 spouses. They further assumed that of the 9,274 eligible spouses, 5.5 percent, or 510, of these spouses would enroll under the Hazlewood exemption in fiscal year 2010. To estimate the number of children, they calculated that of the 17,564 veterans who met the program requirements for the Hazlewood exemption, 75 percent had children, 20 percent of whom were college-age. They estimate that 20 percent, or 527, of these children would enroll. They further assumed that the number of qualifying veterans and dependents who participate in the program will increase by one percent through fiscal year 2014. Their enrollment pattern among types of institutions and average award amount will remain the same as in fiscal year 2007.

They first calculated the award amounts and average value of Hazlewood exemptions received in fiscal year 2007 to determine the percentage of participants using these exemptions per type of institution. Applying these same percentages to the fiscal year 2010 estimated number of students, they calculated the number of additional students that would enroll using the exemption if enrollments increased by one percent each year. They estimated the number of students using the exemption in fiscal year 2010 would begin at 3,587 increasing by one percent thereafter and reaching 3,733 in fiscal year 2014.

The average award amounts for fiscal year 2007 Hazlewood participants were \$3,208 at universities, \$4,697 at HRIs, \$964 at community colleges, \$858 at state colleges, and \$1,334 at technical institutions. The average value of books and supplies for fiscal year 2007 were \$1,070 at universities, \$11,443 at HRIs, \$1,194 at community colleges, \$3,284 at state colleges, and \$6,021 at technical colleges. The average value of room and board (off-campus) for fiscal year 2007 was \$7,340 at universities, \$2,843 at HRIs, \$5,811 at community colleges, \$2,592 at state colleges, and \$1,564 at technical colleges. Applying the average total fiscal year 2007 Hazlewood exemptions plus the average amounts for books, supplies, and room and board for each type of institution to the estimated numbers of additional students, they estimated the amount of tuition and fee revenue that institutions would forego as a result of the additional students. The institutions will experience additional losses of tuition and fee revenue through the exemption estimated at \$35,815,121 in fiscal year 2010 and \$36,173,272 in fiscal year 2011. Additional losses are estimated at \$36,535,005 in fiscal year 2012, \$36,900,355 in fiscal year 2013, and \$37,269,358 in fiscal year 2014.

The amounts for the two sections total \$47.0 million in fiscal year 2010, \$47.5 million in fiscal year 2011, \$43.5 million in fiscal year 2012, \$43.9 million in fiscal year 2013, and \$44.4 million in fiscal year 2014. These amounts have been split out between Institutional Funds (designated tuition and fees) and Fund 770 (statutory tuition).

### **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, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

**LBB Staff:** JOB, KK, RT, GO