

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 14, 2013

TO: Honorable Kel Seliger, Chair, Senate Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB690 by Lewis (Relating to reimbursing public institutions of higher education for tuition and fee exemptions for certain military personnel and their dependents.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB690, As Engrossed: at full implementation, a negative impact of (\$363,909,583) through the biennium ending August 31, 2015. This impact reflects the cost of reimbursing 100 percent of the cost of the exemption for public institutions of higher education. The cost to general revenue would be proportionate to the estimated amounts shown in the fiscal note depending on the actual level of reimbursement, if any.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$173,345,384)
2015	(\$190,564,199)
2016	(\$204,540,443)
2017	(\$219,541,725)
2018	(\$235,643,221)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2014	(\$173,345,384)
2015	(\$190,564,199)
2016	(\$204,540,443)
2017	(\$219,541,725)
2018	(\$235,643,221)

Fiscal Analysis

The bill amends the Education Code in regards to reimbursing public institutions of higher education for tuition and fee exemptions of certain military personnel and their dependents. The bill provides that the Higher Education Coordinating Board (THECB) shall reimburse institutions for all or a portion of the cost of providing the tuition and fee exemptions listed in Section 54.341 if any legislative appropriation is made to THECB for that purpose. Under provisions of the bill, if the amount available for reimbursement does not cover the entirety of the cost for each institution, THECB will provide the reimbursement based on the proportionate cost incurred by affected institutions.

In addition, under provisions of the bill, the Higher Education Coordinating Board may utilize up to one percent of amounts appropriated for reimbursement to institutions for administration of this section. The bill requires the Higher Education Coordinating Board to establish procedures by which institutions request reimbursement and submit data needed for administration of the reimbursement.

Methodology

Under provisions of the bill, the amount of funding is subject to legislative appropriations, if any, provided to THECB for the purpose of reimbursing institutions for providing exemptions under Section 54.341 of the Education Code. Tuition and fee exemptions in this section of the Education Code primarily provide awards for veterans, awards for children and spouses of certain deceased, disabled, or missing in action veterans, and awards through the Legacy Program by which a veteran assigns the exemption to an eligible child. The exemption applies to statutory tuition, designated tuition, and certain fees at public higher education institutions, including general academic institutions, health related institutions, public community/junior colleges, and other two year institutions.

For purposes of this fiscal note, it is assumed that 100 percent of the total cost of the exemptions under this section incurred by public higher education institutions would be reimbursed. The bill does not specify a level of general revenue to be provided for reimbursement to institutions and as with any legislation, the legislature could choose not to appropriate funding for this purpose or appropriate a level of funding at less than 100 percent of the total cost of the exemption. If funding appropriated is less than 100 percent of the total value of the exemption, the cost to general revenue would be proportionate to the estimated amounts shown in this fiscal note (i.e., appropriating 10% of the cost of the exemption would be 10% of the cost displayed in the fiscal note each fiscal year).

Based on analysis of information provided by THECB, The University of Texas System, Texas A&M University System, Texas State University System, University of North Texas System, University of Houston System, and Texas Tech University System, the estimated cost of 100% of the exemption for fiscal years 2014-2018 totals approximately \$1.0 billion in general revenue.

This amount was estimated first based on the current award value and number of awards provided in fiscal year 2012 for exemptions under Section 54.341 of the Education Code. According to information provided by the Higher Education Coordinating Board, public institutions of higher education reported to THECB in fiscal year 2012 that 31,237 awards were provided for the exemptions for a total cost of approximately \$110.8 million in foregone tuition and fees. This is an increase of 38% in the number of awards over the previous fiscal year.

In estimating the cost of reimbursing institutions in future years for the exemption, the analysis

first assumes an increase in the number of awards provided by institutions in each fiscal year. It is assumed that the number of awards will increase by 28% in fiscal year 2013, 18% in fiscal year 2014 and 8% in fiscal year 2015 before sustaining a level growth in awards of 5.75% in fiscal years 2016-2018. It is assumed the rate of growth in the number of awards will decline from fiscal year 2012 due to a recent expansion of the exemption for the Legacy Program which covered a new population. It is assumed that the rate of the growth in awards will decrease as the new population becomes aware of their eligibility. These increases result in approximately 40,000 awards in fiscal year 2013, 47,000 awards in fiscal year 2014, 51,000 awards in fiscal year 2015, 54,000 awards in fiscal year 2016, 57,000 awards in fiscal year 2017, and 61,000 awards in fiscal year 2018.

It is assumed that the total value of the award each fiscal year will increase by the same percentage increase as the number of awards for the exemption. It is also assumed that the value of awards will additionally increase by 1.5% each fiscal year due to a combination of assumed growth in designated tuition, fees, and types of award provided to a recipient. It is estimated that by incorporating the growth in the number of awards and the value of awards, the general revenue cost would be \$173.3 million in fiscal year 2014, \$190.6 million in fiscal year 2015, \$204.5 million in fiscal year 2016, \$219.5 million in fiscal year 2017, and \$235.6 million in fiscal year 2018 to reimburse institutions 100 percent of the cost of the exemption.

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, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 769 University of North Texas System Administration

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