

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 10, 2013

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2555 by Patrick, Diane (Relating to tuition and fee exemptions for certain military personnel and their dependents.), **As Introduced**

The fiscal implications of the bill cannot be estimated at this time, but there are probable general revenue savings associated with the bill in the range of \$2.3 to \$2.6 million each fiscal year from 2016-2018 and a probable increase in tuition and fee revenue in the range of \$10.0 million to \$15.2 million each fiscal year from 2014-2018 for institutions of higher education. Included below is information regarding these savings and revenue increases.

The bill amends the Education Code relating to tuition and fee exemptions for certain military personnel and their dependents. 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.

The provisions of the bill limit the number of credit hours to which an individual can receive this exemption of tuition and fee payments to 135 credit hours. The provisions of the bill specify that an individual must submit an application for the exemption not later than the 12th class day of the semester or term and meet satisfactory academic progress by maintaining a grade point average of at least a 2.5 on a 4-point scale.

Based on analysis of information provided by the Higher Education Coordinating Board, 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 the exemptions under this section during fiscal years 2014-2018 will be approximately \$1.0 billion in foregone tuition and fee revenue provided to 40,000-60,000 recipients.

It is assumed that approximately 15% of students that would have received this exemption would no longer be eligible due to their inability to meet the criteria defined under the bill's provisions. It was assumed that this would impact primarily renewal students receiving the exemption.

Based on these assumptions, it was estimated that the exemptions that would no longer be provided to students could impact approximately 3,600 to 5,500 award recipients from fiscal years

2014-18. After estimating the size of the population that would be impacted under the provisions of the bill, it was assumed that students no longer eligible for an exemption would either choose to remain at the institution and begin paying the value of tuition and fees or the student would choose to leave higher education. For purposes of the fiscal note, it was assumed that the majority of students would choose to stay at institutions and begin using other methods to pay for the cost of the education.

It is assumed that estimated increases in tuition and fees would come from students that elect to remain at the institution of higher education and begin paying the value of the tuition and fees that had previously been exempted. It is estimated that institutions of higher education will see increased tuition and fee revenue of approximately \$10.0 million to \$15.2 million each fiscal year from fiscal years 2014-18.

It is assumed that estimated savings in General Revenue would come from reduced formula funding for institutions of higher education due to fewer students at the different types of institutions because of students that left an institution after losing the exemption. This savings would not be seen until fiscal year 2016 as formula funding is provided to institutions based on student data prior to the biennium that will be funded. As such, formula funding in fiscal years 2014 and 2015 will be based on students that are enrolled during fiscal year 2013. Using information derived from the analysis described above and applying estimated amounts of general revenue provided per student in formula funding, it is estimated that the state will see savings of approximately \$2.3 to \$2.6 million each year in formula General Revenue from fiscal years 2016-18.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 710 Texas A&M University System Administrative and General Offices, 758 Texas State University System

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