

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 23, 2013**

**TO:** Honorable David Dewhurst, Lieutenant Governor, Senate

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1158** by Van de Putte (Relating to higher education for veterans and their families. ),  
**As Passed 2nd House**

No significant fiscal implication to the State is anticipated. However, it is estimated that if the Legislature wished for annual distributions from the newly created Permanent Fund Supporting Military and Veterans Exemptions to fully offset the cost of the exemptions, the corpus of the fund would need to be appropriated approximately \$4 billion, based upon the historical size and distribution rates of similar total return funds managed by the Texas Treasury Safekeeping Trust Fund. Provisions of the bill do not specify a level of funding and if grants or gifts are used or the Fund is smaller than indicated, the cost of the Fund would decrease proportionately.

The bill amends the Education Code in regards to tuition and fee exemptions for certain military personnel and their families. The bill clarifies certain eligibility requirements, exemption procedures, and removes the age requirement of children to be 25 years of age or younger on the first day of the semester or academic term to receive an exemption of tuition and fees for dependents of certain deceased, disabled, or missing in action veterans. The bill requires an applicant to submit an application for the exemption not later than the end of the semester or term to which the exemption applies.

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.

Based on an analysis of information provided by Texas Higher Education Coordinating Board (THECB) and institutions of higher education, it is estimated that the provisions of the bill could change the cost of the exemption provided in this section of the Education Code for institutions. It is assumed that provisions of the bill together will not provide a significant change in the number of awards or cost of the exemption across all public institutions of higher education and could be absorbed within existing resources.

Provisions of the bill create the Permanent Fund Supporting Military and Veterans Exemptions ("Fund") administered by the Texas Treasury Safekeeping Trust Company. This is a special fund in the treasury outside the general revenue fund and is composed of money appropriated by the legislature, gifts and grants, and returns received from investment of money in the fund. The

amount available for distribution from the fund may be appropriated only to offset the cost to institutions of higher education of providing the exemption under Section 54.341 of the Education Code. The amount appropriated shall be distributed in proportion to each institution's respective share of the aggregate cost of the exemption as determined by the Legislative Budget Board.

In regards to the Fund, provisions of the bill do not specify the initial size of the newly created Fund, nor how much of the cost to institutions of higher education of the exemptions required by Education Code Section 54.341 would be offset by distributions from the fund. Based on analysis of information, it is estimated that the cost of providing the exemptions under Section 54.341 of the Education Code are approximately \$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. As an example, if the Legislature wished for annual distributions from the fund to fully offset the cost of the exemptions, the corpus of the fund would need to be approximately \$4 billion, based upon the historical size and distribution rates of similar total return funds managed by the Texas Treasury Safekeeping Trust Fund. If funding appropriated is less than needed to reimburse 100 percent of the total value of the exemption from the fund distributions or gifts and grants are used for the fund, the cost for the fund could vary.

It is assumed any duties and responsibilities of THECB, institutions of higher education, Comptroller of Public Accounts or the Legislative Budget Board in implementing the provisions of the bill can be absorbed within existing resources.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

**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, 719 Texas State Technical College System Administration, 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

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