

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 25, 2013

TO: Honorable David Dewhurst, Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1158** by Van de Putte (Relating to higher education for veterans and their families.),
Conference Committee Report

Estimated Two-year Net Impact to General Revenue Related Funds for SB1158, Conference Committee Report: a negative impact of (\$1,320,093) through the biennium ending August 31, 2015. In addition, 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 these particular exemptions, the corpus of the fund would need to be appropriated approximately \$2 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 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	(\$605,062)
2015	(\$715,031)
2016	(\$715,031)
2017	(\$715,031)
2018	(\$715,031)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2014	(\$605,062)
2015	(\$715,031)
2016	(\$715,031)
2017	(\$715,031)
2018	(\$715,031)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	10.0
2015	13.0
2016	13.0
2017	13.0
2018	13.0

Fiscal Analysis

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 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 last class date of the semester or term to which the exemption applies.

Provisions of the bill transfer the administrative responsibility for exemptions under Section 54.341 of the Education Code to the Texas Veterans Commission (TVC) from the THECB. In particular, TVC is required to prescribe a form and necessary evidence requirements for eligible individuals seeking the exemption to submit to institutions of higher education, provide assistance to veterans and family members in claiming and qualifying for the exemptions of tuition and fees under this specified section, and electronically monitor the use of tuition and fee exemptions under this section at institutions of higher education. TVC is also provided authority to adopt rules on the exemption relating to the use of federal and state benefits, number of semester credit hours used, and the exemption for hours that do not receive state funding. In addition, under provisions of the bill, THECB is required to provide TVC with access to a system able to monitor the tuition and fee exemptions provided under this particular section by January 1, 2014. This particular provision requiring THECB to provide this access expires September 1, 2015.

Provisions of the bill amend the Government Code by establishing the Veteran Education Excellence Recognition Award Network and the Veterans Education Counselors Program. TVC shall establish an award program for institutions of higher education in providing education and related services to veterans. For the Veterans Education Counselors Program, TVC shall employ veteran's education counselors to work with institutions of higher education, veterans groups, military installations, and local workforce development boards to perform activities to enhance educational opportunities for veterans. Each institution of higher education shall support the work of regional veteran's education counselors, including providing access to veteran resource centers or other student meeting areas and providing information, as permitted by law, related to

veterans at the institution.

Provisions of the bill create the Permanent Fund Supporting Military and Veterans Exemptions 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(k) 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.

Methodology

To implement the provisions of the bill, it is estimated that the Texas Veterans Commission (TVC) would require 10.0 Full Time Equivalents (FTEs) in fiscal year 2014 and 13.0 FTEs beginning in fiscal year 2015. Based on analysis of information provided by TVC, it is estimated that TVC would need 3.0 FTEs to administratively oversee the exemptions, 3.0 FTEs to administer the Veteran Education Excellence Recognition Award program (beginning in fiscal year 2015), and 7 FTEs for the Veterans Education Counselors Program. Salaries and wages for these 10.0 FTEs needed to implement the provisions of the bill would total \$397,000 out of General Revenue each fiscal year and an additional \$114,000 in salaries and wages for the 3.0 FTEs needed for the Excellence Recognition Award program would begin in fiscal year 2015. Benefit costs associated with those 10 FTE positions would total \$118,068 out of General Revenue in fiscal year 2014 and would be appropriated to the Employee Retirement System (ERS) and an additional \$33,904 in benefit costs would begin in fiscal year 2015. Travel related expenses would total \$45,300 out of General Revenue for each fiscal year. A one-time cost of \$37,934 out of General Revenue in fiscal year 2014 will be needed for telephones, desks, computers, and other office equipment. On-going operating costs would total \$6,760 out of General Revenue each fiscal year.

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.

In regards to the Permanent Fund Supporting Military and Veterans Exemptions ("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(k) 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(k) of the Education Code was \$43.4 million in fiscal year 2012 and it is assumed to grow exponentially in future years. 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 up to \$2 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 this piece of the exemption from the fund distributions or gifts and grants are used for the fund, the cost for the fund could vary.

Based on information provided by the Higher Education Coordinating Board (THECB), TVC 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.

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 significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 710 Texas A&M University System Administrative and General Offices, 783 University of Houston System Administration, 403 Veterans Commission, 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

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