

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 26, 2015

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1735 by Birdwell (Relating to tuition and fee exemptions at public institutions of higher education for certain military personnel and their dependents.), **As Passed 2nd House**

The fiscal implications of the bill cannot be estimated at this time, but there are probable General Revenue costs associated with the bill due to increased formula funding in fiscal years 2018-2020 and a probable decrease in tuition and fee revenue each fiscal year from 2016-2020 for institutions of higher education. It is assumed provisions of the bill would result in a net decrease in tuition and fee revenue each fiscal year due to the removal of the fixed point residency requirement expanding the number of eligible recipients with a smaller offset in the eligible population due to new residency requirements.

The bill would amend 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 would remove the fixed point residency requirement of the exemption, which provides that a veteran must have entered the armed service in Texas, declared Texas as his or her home of record, or would have been considered to be a resident of Texas at the time of entry into the armed services. In place of the fixed point residency requirement, provisions of the bill would require that recipients of the exemption have resided in the state continuously for the eight years immediately preceding the first class date of the semester. In addition, provisions of the bill would clarify residency requirements for exemption recipients.

The change to the residency requirements would begin with tuition and fees charged for the first academic semester after the effective date of the act, which would either be the summer or fall 2015 semester. Students who received the exemption prior to the 2016 spring semester continue to be eligible under the previous requirements of the exemption.

Under current law, it is estimated that the amount of waived tuition and fees from all exemptions to the different recipient types (veterans, spouses, dependents, and legacy) under this code during fiscal years 2016-2020 will be approximately \$1.7 billion across all institutions of higher

education. It is estimated the exemption would be provided to approximately 49,000 to 68,000 students from fiscal year 2016 to fiscal year 2020.

Based on analysis of information provided by the Texas Higher Education Coordinating Board (THECB), Texas Veterans Commission (TVC), 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, it is estimated that the provisions of the bill would result in an increase in the number of students receiving the exemption and would therefore result in an increase in the amount of waived tuition and fees from the exemption during fiscal years 2016-2020. This increase in waived tuition and fees would be due primarily to the removal of the fixed point residency requirement. While this provision of the bill would result in an increase in waived tuition and fees, the amount of the increase would be partially offset due to the decline in eligible recipients resulting from the requirement that an individual reside in Texas continuously for the eight years preceding the academic semester.

It is assumed that provisions of the bill would result in additional costs in General Revenue from increased formula funding for institutions of higher education due to additional students choosing to attend institutions of higher education because of the receipt of the exemption. This cost would not be seen until fiscal year 2018 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 2016 and 2017 will be based on students that are enrolled during fiscal year 2015.

Based on information provided by TVC, there are approximately 1.7 million veterans residing in Texas. However, the number of veterans that were not previously eligible for the exemption who would now meet the new residency requirements under the bill, be otherwise eligible for the exemption, and choose to attend higher education in Texas, are unknown. Consequently, the fiscal impact to the state in increased formula costs and to institutions of higher education in waived tuition and fee revenue cannot be estimated.

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, 758 Texas State University System, 769 University of North Texas System Administration, 783 University of Houston System Administration, 768 Texas Tech University System Administration, 403 Veterans Commission, 720 The University of Texas System Administration, 781 Higher Education Coordinating Board

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