

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 27, 2017

TO: Honorable J. M. Lozano, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3766** by Lozano (Relating to tuition and fee exemptions at public institutions of higher education for legacy students who are eligible for tuition and fee exemptions under the Hazlewood Legacy Program.), **As Introduced**

The net fiscal implications of the bill cannot be determined at this time. It is estimated that public institutions of higher education (IHEs) would see an increase in tuition and fee revenue each fiscal year beginning in fiscal year 2020 resulting from more restrictive eligibility requirements introduced by the bill. The net change in waived tuition and fee revenue at IHEs cannot be determined due to the lack of information on the number of students affected by the various provisions of the bill.

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 unused hours of their exemption to an eligible child. The exemption applies to statutory tuition, designated tuition, and certain fees at public institutions of higher education (IHEs), including general academic institutions, health related institutions, public community/junior colleges, and other two year institutions. Included in this fiscal note are the provisions of the bill that would result in a fiscal impact to IHEs.

The following provisions of the bill provide for more restrictive eligibility requirements, and would likely result in an increase in IHEs' tuition and fee revenue. These new restrictions would not apply to persons who received an exemption for an academic year before the 2017-18 academic year.

The bill would extend the amount of service required for eligibility to more than four years instead of 180 days under existing law. The Texas Higher Education Coordinating Board (THECB) indicates that approximately 45 percent of service members nationwide do not continue serving after four years. THECB estimates, assuming Texas veterans follow this trend, a reduction in waived tuition and fees for IHEs that would range between \$82.2 million to \$86.6 million per fiscal year for 2018-2022.

The bill would require the exemption to end for eligible persons at the end of the 15th year after the date the service member is honorably discharged, which would likely limit the use of the exemption; however, data is not currently available to estimate the fiscal impact of this provision.

The bill's provisions would apply beginning with tuition and fees charged for the 2017 fall semester (fiscal year 2018). Tuition and fees charged before the 2017 fall semester would be governed by the law in effect immediately before the effective date of the bill. It is assumed that provisions of the bill would result in additional costs or savings in General Revenue Funds and statutory tuition (General Revenue - Dedicated Funds) from formula funding for IHEs due to the bill's changes to exemption eligibility requirements. This change in formula funding would not be seen until fiscal year 2020 as formula funding is provided to IHEs based on student data prior to the biennium that would be funded. As such, formula funding in fiscal years 2018 and 2019 will be based on students that are enrolled during fiscal year 2017.

Finally, the bill's provisions would transfer all applicable oversight functions, requirements, and administrative resources and obligations from the Texas Veterans Commission to THECB, which would result in no significant fiscal impact.

The bill would take effect immediately if it receives a two-thirds vote in each house; otherwise, it would take effect September 1, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 783 University of Houston System Administration, 403 Veterans Commission, 710 Texas A&M University System Administrative and General Offices, 719 Texas State Technical College System Administration, 720 The University of Texas System Administration, 781 Higher Education Coordinating Board, 758 Texas State University System, 769 University of North Texas System Administration, 768 Texas Tech University System Administration

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