

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 12, 2017**

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

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

**IN RE: HB4089** by Miller (Relating to tuition and fee exemptions at public institutions of higher education for certain military personnel and their dependents.), **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 a decrease in tuition and fee revenue each fiscal year from 2018-2022 as the bill would remove a requirement for active military duty in order to receive tuition and fee exemptions. This change would make an unknown number of persons newly eligible for waived tuition and fees. It is also estimated that IHEs would see an increase in tuition and fee revenue each fiscal year beginning in fiscal year 2020 resulting from other, 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 bill would change eligibility by removing the requirement for active military duty, making an unknown number of persons eligible for waived tuition and fees. Presumably, reserve service and possibly national guard service would be eligible for the benefit. It is estimated that IHEs would see a decrease in tuition and fee revenue as a result of this change, but to what degree is undeterminable at this time.

The bill would also provide other, more restrictive eligibility requirements. These new restrictions would not apply to persons who currently reside in Texas and entered the service in Texas, declared Texas as the person's home of record, or would have been determined to be a resident of Texas and entered service before September 1, 2017.

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.

The bill would extend the amount of service required for eligibility to more than two years instead

of 180 days under existing law. The Texas Higher Education Coordinating Board (THECB) indicates that approximately 12 percent of service members do not continue serving after two years. THECB estimates, assuming Texas veterans follow this trend, a reduction in waived tuition and fees for IHEs that would range between \$5.2 million to \$5.3 million per fiscal year for 2018-2022.

The bill's provisions related to the Legacy Program would require that a service member must have served for more than six years before their children would be eligible for the exemption, which would limit the number of those previously eligible. THECB indicates that approximately 65 percent of service members do not continue enlistment after serving six years. Assuming Texas veterans follow this trend, THECB estimates a reduction in waived tuition and fees for IHEs related to the Legacy Program would range between \$90.7 million to \$92.2 million per fiscal year for 2018-2022.

The bill would require the exemption to end for the veteran or veteran's children for the Legacy Program at the end of the 20th 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 require a Legacy Program student to maintain a course load of at least 24 semester credit hours (SCH) per academic year, which is not a current requirement. THECB reports that Legacy Program students in fiscal year 2013 had average SCH of less than 24 at approximately 66 percent of IHEs. THECB indicates this would have the greatest effect on Legacy Program students at public community colleges. Data is not currently available to estimate the fiscal impact of this provision.

The bill's provisions require a Legacy Program student to maintain a cumulative grade point average (GPA) of at least 2.5 on a four-point scale, which would limit the number of those previously eligible. THECB reports that Legacy Program students in fiscal year 2013 had an average GPA of less than 2.5 at approximately 54 percent of IHEs. THECB indicates this would have the greatest effect on Legacy Program students at public community colleges. Data is not currently available to estimate the fiscal impact of this provision.

The following provisions of the bill would further restrict eligibility, although data to estimate the fiscal impact is unavailable: placing a limit of one graduate degree for persons eligible for the exemption; requiring a degree plan listing all courses required to graduate that has been evaluated and signed by the applicant's academic advisor; applying exemptions only to credit hours that THECB certifies for purposes of formula funding; restricting Legacy Program students to undergraduate education only; and requiring persons to use any state or federal grant aid or federal education benefits for which they are eligible before using the Hazlewood exemption.

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 create a joint interim committee to study and review the

Hazlewood exemptions provided in the Education Code, and would require the committee to report its findings and recommendations no later than December 1, 2018. The committee would be abolished on March 1, 2019.

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:** 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, 783 University of Houston System Administration, 758 Texas State University System, 769 University of North Texas System Administration, 768 Texas Tech University System Administration

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