

SUBJECT: Reimbursing higher education institutions for the Hazlewood Act benefit

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 9 ayes — Branch, Patrick, Alonzo, Clardy, Darby, Howard, Martinez, Murphy, Raney

0 nays

WITNESSES: For — None

Against — None

On — Kent Hance, Texas Tech University System; Dan Weaver, Texas Higher Education Coordinating Board; (*Registered, but did not testify:* Denise Trauth, Texas State University)

BACKGROUND: The state's Hazlewood Act is a benefit that provides an exemption on college tuition and most higher education fees to veterans and their children. The state does not reimburse public universities and colleges for the benefit, which serves as a form of financial aid for Texas veterans by allowing them to be exempt from tuition for up to 150 credit hours. The children and spouses of veterans who were killed in action or who are 100 percent disabled from active duty also are eligible for the benefit.

The 81st Legislature in 2009 expanded the benefit through SB 93 by Van de Putte, also known as the Hazlewood Legacy Act, which allows Texas veterans to pass on unused credit hours to their children from age 18 to 25. Only one child at a time can use the benefit.

According to a study from the Legislative Budget Board, providing the benefit cost higher education institutions an estimated \$110 million in fiscal 2012, up from about \$25 million in fiscal 2009. The cost to state universities and colleges has increased by about 350 percent during this period.

Earlier this legislative session, the House passed HB 1025 by Pitts, a supplemental appropriations bill that would make a one-time appropriation of \$30 million to directly reimburse general academic institutions and

health-related institutions, as well as junior colleges and community colleges, that reported costs related to providing an exemption to students using the Hazlewood benefit. The appropriation would be distributed to each participating institution and would be based on the proportionate cost each reported in 2012.

**DIGEST:**

CSHB 690 would require the Texas Higher Education Coordinating Board to annually reimburse a higher education institution for all or a portion of its cost in providing Hazlewood Act exemptions on tuition and fees to students. If the total costs could not be covered, the coordinating board would be required to provide a reimbursement to participating institutions based on their proportionate costs from providing the exemptions.

The bill would stipulate that the coordinating board could not use more than 1 percent of the money it was appropriated for the reimbursements. It also would require the coordinating board to establish procedures for an institution to request and submit necessary data to the coordinating board for the reimbursement.

Reimbursements for tuition and fees would apply beginning with the 2013 fall semester.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS  
SAY:**

CSHB 690 would help relieve a growing financial burden placed upon the state's higher education institutions through a well-meaning but flawed expansion of the Hazlewood benefit during the 81st Legislature.

Honoring our state's veterans by offering them an exemption on college tuition is an important legacy to preserve but it should not continue as an unfunded mandate, especially after the number of students using the Hazlewood benefit has grown exponentially beyond the best projections of lawmakers and public policy experts.

Some institutions, particularly those located near military installations, have been hit hard by the requirement to waive tuition and fees to students using the benefit. If full reimbursements to institutions were not possible, the bill would provide a flexible and fair way to distribute partial reimbursements to those universities and colleges based on their

proportionate costs from providing the exemptions.

The reimbursements would help institutions avoid the need to compensate for revenue shortfalls through reductions in critical services and the imposition of fees and tuition hikes that affect all students. While more should be done to ensure that the state's public universities and colleges are adequately funded across the board, this bill would bring forward a fair solution to a problem that will only become more serious as a new wave of Texas veterans seek higher education.

**OPPONENTS  
SAY:**

The state cannot afford to reimburse universities for providing the Hazlewood Act benefit because doing so would expend revenues that could be used elsewhere. According to the Legislative Budget Board, reimbursing 100 percent of the cost of the exemptions to higher education institutions through fiscal 2014-15 would cost the state about \$364 million. While it is unlikely the Legislature would appropriate funding for this purpose at that level, even a fraction of the amount necessary to reimburse colleges and universities would cost tens or even hundreds of millions of dollars. These revenues are desperately needed to restore funding for other state priorities, starting with public education and social services that were cut drastically in 2011.

**NOTES:**

According to the fiscal note, full implementation of the Hazlewood reimbursements requested by higher education institutions would result in a negative impact to general revenue related funds of about \$364 million in fiscal 2014-15. The estimated cost could be lower depending on the actual level of reimbursement, if any.