

SUBJECT: Amending requirements for the Hazlewood tuition exemption for veterans

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 5 ayes — Zerwas, Alonzo, Clardy, Crownover, Morrison

1 nay — C. Turner

3 absent — Howard, Martinez, Raney

SENATE VOTE: On final passage, May 5 — 24-7 (Ellis, Garcia, Lucio, Menéndez, Rodríguez, Uresti, Zaffirini)

WITNESSES: (*On House companion bill, HB 3572*)

For — Ray Lindner, National Guard Association of Texas; (*Registered, but did not testify*: Steven Johnson, Texas Association of Community Colleges)

Against — None

On — Eugene Bourgeois, Texas State University; Jim Brennan, Texas Coalition of Veterans Organizations; Rufus Coburn, Texas Veterans Commission; Demetrio Hernandez and Emily Hoffman, Legislative Budget Board; Joseph Pettibon, Texas A&M University; Ricardo Romo, the University of Texas at San Antonio; Brantley Starr, Office of the Attorney General; Steven Tallant, Texas A&M University Kingsville; (*Registered, but did not testify*: Lisa Blazer, the University of Texas at San Antonio; Susan Brown and Connie Cooper, Texas Higher Education Coordinating Board; John A Miterko, Texas Coalition of Veterans Organizations; Brian Sunshine, Central Texas College; Jason Thurlkill, Legislative Budget Board; Zenobia Joseph)

BACKGROUND: Education Code, sec. 54.341 requires the governing board of each institution of higher education in the state to exempt certain veterans, as specified in current law, from the payment of tuition, dues, fees, and other required charges.

The person seeking the exemption, commonly known as the Hazlewood exemption, must currently reside in Texas and must have entered the service at a location in this state, declared this state as the person's home of record, or would have been determined to be a resident of this state at the time the person entered service. A person may not receive this exemption for more than a cumulative total of 150 credit hours.

In 2009, the 81st Legislature passed SB 93 by Van de Putte, which expanded the Hazlewood exemption to include certain spouses and dependents of veterans. The bill established the Hazlewood Legacy Program, under which individuals eligible for the Hazlewood exemption may assign any unused portion of credit hours to their child. The bill also allowed spouses and children of certain military members who were killed, missing, or disabled during service to qualify for the exemption.

Higher education institutions absorb most of the costs for the Hazlewood exemption. The 83rd Legislature, through the enactment of HB 1025 by Pitts, appropriated \$30 million in general revenue to be distributed amongst the state's institutions for foregone tuition tied to the Hazlewood Legacy Program. SB 1158 by Van de Putte, also passed during the 83rd session, created the Permanent Fund Supporting Military and Veterans Exemptions, the proceeds of which are used to offset foregone tuition revenue for the legacy program. According to a 2014 report on the Hazlewood exemption by the Legislative Budget Board, \$11.4 million was released from the fund in 2014 to reimburse institutions proportionally for tuition and fee revenues waived that year for legacy recipients.

DIGEST: CSSB 1735 would change certain eligibility and other requirements for veterans and their dependents to receive the Hazlewood tuition and fee exemption at the state's public institutions of higher education.

The bill would specify that certain veterans would be eligible for the exemption provided that they:

- established and continuously maintained a domicile in this state at least one year before the academic term in which the person was enrolled in a higher education institution; and
- were born in or resided in Texas continuously for the eight years immediately preceding the first class date of the academic term to which the exemption would apply.

These criteria also would apply to spouses or children of certain military members who were killed, missing, or disabled during their service, as well as children seeking to use parents' unused credit hours as part of the Hazlewood Legacy Program.

Individuals otherwise eligible for the Hazlewood exemption, including children whose parents assigned unused credits to them through the legacy program, could not receive the exemption for an academic term that began 15 years after the individual's or parent's honorable discharge from active military duty. This provision would not apply to spouses or children of certain military members who were killed, missing, or disabled during their service or to those whose continued eligibility for the exemption was protected by current law or would be protected by the bill.

The exemption would not apply to individuals who, at the time of registration, were entitled to receive state or federal grant aid or federal benefits that could be used to pay tuition and fees if the value of the grant aid received in an academic term was equal to or exceeded the value of the exemption for that term. If the value of state or federal grant aid or federal benefits did not equal or exceed the value of the exemption for that term, the person would be entitled to receive both the grant aid and the exemption. The bill would specify that a higher education institution could not require a person eligible for the Hazlewood exemption to apply for or obtain a student loan.

CSSB 1735 would provide additional requirements for eligible veterans to assign unused credit hours to their children as part of the legacy program. Before any portion of the Hazlewood exemption could be assigned to a child, veterans eligible for the exemption would need to have served on

active military duty, excluding training, for at least six years. In addition, veterans could assign to a child the exemption for up to 60 unused credit hours.

A child assigned the unused credit hours would have to be an undergraduate student, whereas current law allows parents to pass unused credits to graduate or undergraduate students. The child also would have to:

- maintain a course load of at least 24 semester credit hours per academic year;
- sustain a cumulative GPA of at least 2.5; and
- be 25 years old or younger on the first class date of the academic term for which the exemption was claimed.

Higher education institutions would have to require a child receiving an exemption to complete a Free Application for Federal Student Aid (FAFSA). Institutions could not use the information on a individuals' FAFSA to encourage or require them to obtain a student loan but could make them aware of grant opportunities.

A person who received the Hazlewood exemption for an academic term before the spring 2016 semester would continue to be eligible for the exemption as the law existed on January 1, 2015.

The subsection of this bill that would require a person to have been born in or to have resided in Texas continuously for the eight years immediately preceding the first class date of the academic term the exemption is used would apply beginning with tuition and fees charged for the first academic semester beginning on or after the bill's effective date. The remaining provisions of the bill would apply beginning with tuition and fees charged for the 2016 spring 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, 2015.

SUPPORTERS
SAY:

CSSB 1735 would sufficiently contain the Hazlewood tuition and fee exemption at public institutions of higher education for certain veterans and their dependents to ensure the program did not become too costly to maintain. The burden placed on state institutions to continue providing benefits under Hazlewood increases every year, and the program is unsustainable at current growth rates. Any trust fund interest earned to assist the funding of Hazlewood is not nearly enough to continue the program without significant amendments.

The bill would address a recent federal court ruling in January 2015 that held unconstitutional the requirement that veterans must enter into service in Texas in order to qualify for benefits. Amending the program now to address this issue would ensure that the program was in full compliance with the law and was not extended to cover all veterans regardless of their state of residence. The bill also would ensure compliance with the program's intent by requiring those eligible for Hazlewood that were not born in Texas to be residents of the state for eight years preceding their first class date.

The bill appropriately would contain the Hazlewood Legacy Program while still maintaining significant benefits for dependents. The Legislative Budget Board's 2014 report on the Hazlewood exemption projects the majority of the growth to occur through the Legacy Program. The bill would implement one of the LBB's suggestions to contain the legacy program by limiting the number of unused semester credit hours available for transfer to children to a more manageable 60 hours. The bill also would restrict the benefits to being used only for undergraduate degrees.

Reducing benefits under CSSB 1735 would not prevent veterans and their families from receiving many of the benefits they currently receive under Hazlewood because the federal government provides many of the same benefits. For example, younger veterans who served after 9/11 receive the Post-9/11 GI Bill benefits. These benefits include coverage of 150 credit hours and the ability to transfer these credit hours to family members. Veterans and their families should take full advantage of existing federal

benefits, including filling out federal financial aid forms, before turning to the Hazlewood exemption.

Fully funding the program to lessen the burden on state universities also would not be sustainable. Turning Hazlewood into a state appropriation would require the program's beneficiaries to lobby for funding every two years. However, continuing to place such a significant burden on Texas universities also harms students who are not military or military dependents because they pay increased tuition and fees so universities can afford the costs of Hazlewood benefits, particularly those associated with the legacy program.

OPPONENTS
SAY:

CSSB 1735 would break the promises the Legislature made to veterans and their families with the Hazlewood program and the legacy portion of the program by limiting it so much that it may no longer fulfill its intended purpose. The state should not discriminate between Texas veterans who have honorably served and should continue to provide educational benefits under Hazlewood for military veterans and their spouses and dependents.

The bill would prevent many dependents of veterans from taking advantage of Hazlewood benefits because it would require that benefits be used within 15 years of a veteran's discharge from the military. This limitation would allow the use of Hazlewood benefits only to children that the military member had before his or her discharge from the military. Children born to veterans during or immediately following their discharge from the military would not reach college age in time to use the benefits. Because all benefits end on the 15th anniversary of a veteran's discharge, a child must enter college a minimum of 11 years after the discharge to complete a four-year degree using the Hazlewood's exemption.

The bill also would limit the legacy provision to 60 total credit hours, thereby affecting a student's chances of graduating with a four-year degree if that student was left without benefits after only two years of higher education. This limitation disproportionately would affect lower income families using Hazlewood to send their children to college.

The bill would disqualify a majority of young veterans from receiving Hazlewood benefits by significantly increasing the amount of service required to be eligible for benefits from 180 days of service to six years. The state should not discriminate against veterans who served for less time or were medically discharged before six years of service. A regular four-year contract in the military could include two to three overseas deployments. All veterans who have honorably served, especially those who have been deployed in active combat, should receive the benefits promised by the Hazlewood Act.

The bill would cut benefits for veterans during a time when the state has the revenue to invest more. It is a misconception that the state does not have the funds to afford the continuation of Hazlewood. Since 2013, a trust fund authorized for Hazlewood yielded a profit that could aid in funding the program during fiscal 2016-17. The state should be investing in veterans at a time when the state has money to do so.

NOTES:

The House companion bill, HB 3572 by Zerwas, was reported favorably from the House Higher Education Committee on May 1 and sent to the Calendars Committee on May 5.

CSSB 1735 differs from the Senate engrossed version in several ways. Among other differences, the House substitute would:

- remove the requirement that an individual enter the service at a location in the state or declare the state as the person's home of record;
- change from the spring semester of 2017 to the spring semester of 2016 the time before which a person who received an exemption would continue to be eligible to receive an exemption as it existed on January 1, 2015;
- limit the amount of credit hours for which the exemption could be assigned to legacies to 60 hours;
- remove the provision that would allow an individual to be eligible for the exemption if they served on active service in the Texas

- National Guard or U.S. reserve forces; and
- require students to have established and maintained a domicile in Texas for the last year and satisfy the residency requirement of residing in Texas continuously for the last eight years to be eligible for the exemption, except for those born in Texas.