

Section 1

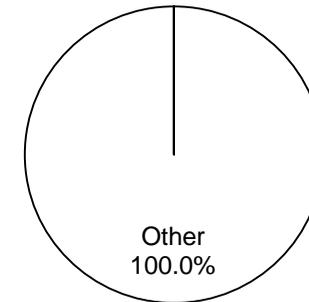
**Permanent Fund Supporting Military and Veterans Exemptions
Summary of Recommendations - House**

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Emily Deardorff, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>0.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$11,374,590	\$23,504,213	\$12,129,623	106.6%
All Funds	\$11,374,590	\$23,504,213	\$12,129,623	106.6%

RECOMMENDED FUNDING
BY METHOD OF FINANCING



	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs			0.0	0.0%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

Section 1
Permanent Fund Supporting Military and Veterans Exemptions

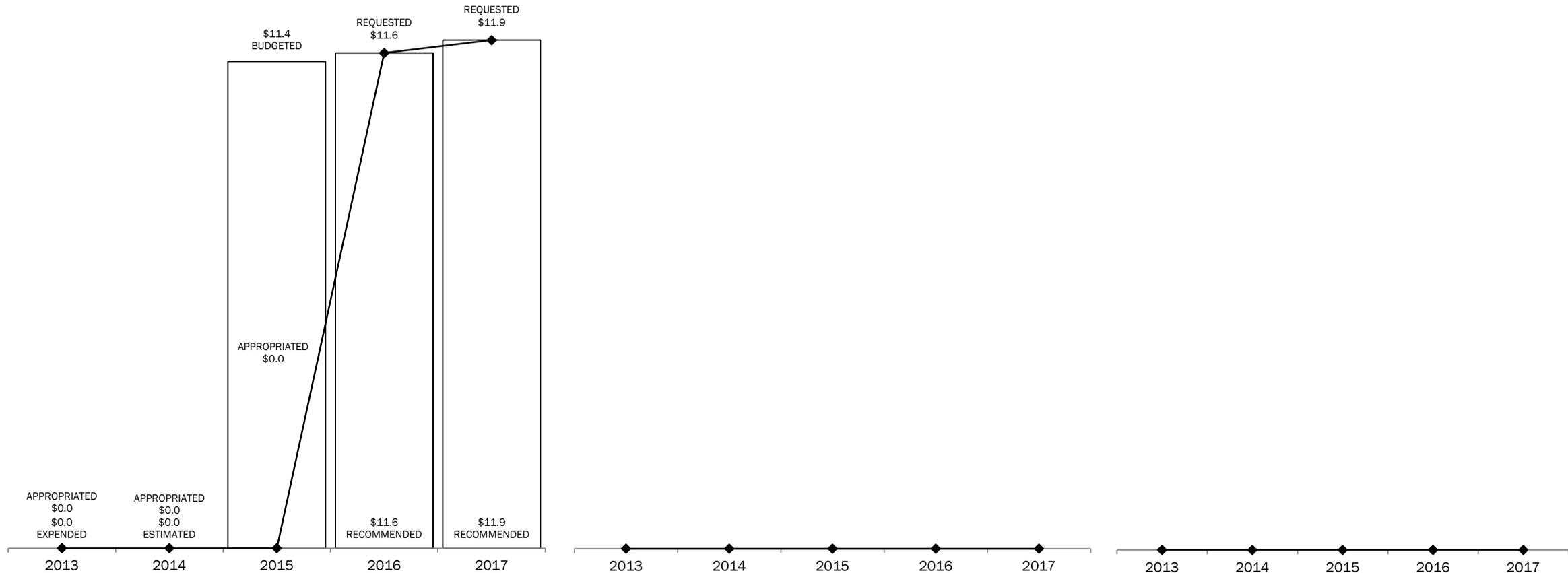
2016-2017 BIENNIUM
 IN MILLIONS

TOTAL= \$23.5 MILLION

ALL FUNDS

**GENERAL REVENUE AND
 GENERAL REVENUE-DEDICATED FUNDS**

FULL-TIME-EQUIVALENT POSITIONS



Note: No appropriations were made for the Permanent Fund Supporting Military and Veterans Exemptions in the 2014-15 biennium. Donations were made to the fund in fiscal year 2014 allowing for a distribution of \$11.4 million to eligible institutions in fiscal year 2015.

Section 2

**Permanent Fund Supporting Military and Veterans Exemptions
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS**

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
DISTRIBUTE TO ELIGIBLE INSTITUTIONS A.1.1	\$11,374,590	\$23,504,213	\$12,129,623	106.6%	
Total, Goal A, MANAGE/ADMINISTER PERMANENT FUND	\$11,374,590	\$23,504,213	\$12,129,623	106.6%	
Grand Total, All Strategies	\$11,374,590	\$23,504,213	\$12,129,623	106.6%	Increase is attributable to the expected growth of the Permanent Fund Supporting Military and Veterans Exemptions and annual distributions in each year of the 2016-17 biennium. The first distribution from the fund was released in October 2014.

Section 3

Permanent Fund Supporting Military and Veterans Exemptions Selected Fiscal and Policy Issues – House

- 1. Establishment of Fund.** The Hazlewood Exemption provides an educational benefit to eligible Texas veterans residing in the state, and certain dependents or spouses of Texas veterans, by authorizing an exemption from tuition and required fees at public institutions of higher education. The Hazlewood Legacy Program, which began in fall 2009 due to the enactment of Senate Bill 93, Eighty-first Legislature, allows a veteran to pass on this educational benefit to a child for use at public institutions of higher education. The Eighty-third Legislature, Regular Session, 2013, created the Permanent Fund Supporting Military and Veterans Exemptions (MVE) to help public institutions of higher education offset the waived tuition and fee revenue from the Hazlewood Legacy Program. Funding for the MVE is composed of money transferred or appropriated to the fund by the Legislature, gifts and grants contributed to the fund, and investment returns from the fund. To date, the corpus of the MVE is composed only of donations made to the fund and the resulting investment returns. No appropriations have been made to the fund. The MVE is managed by the Texas Treasury Safekeeping Trust Company in a manner that is consistent with other funds managed by the Treasury Safekeeping Trust Company.
- 2. Fund Distribution.** The annual distribution of the MVE is an amount equal to 4.5 percent of the twenty-quarter, moving-average value of the fund. Until the MVE has been in place for twenty quarters, a shorter average will be used based on the number of quarters the MVE has been in place. Once the annual distribution is released, the Legislative Budget Board (LBB) determines the appropriate distribution of funds to each eligible institution of higher education based on the proportion of each institution's respective share of the total waived tuition and fee revenue resulting from the Hazlewood Legacy Program according to data from the Hazlewood database (see Rider Highlights #1). The Hazlewood database is managed by the Texas Higher Education Coordinating Board (THECB) but is in the process of being transitioned to the Texas Veterans Commission (TVC).
- 3. Fund Balance.** The value of the MVE was \$260.0 million as of August 31, 2014.
- 4. Funding at Veterans Commission.** In addition to appropriations from the MVE, recommendations include \$30.0 million in General Revenue appropriations to Veterans Commission for the 2016-17 biennium to provide funding to institutions of higher education to offset the waived tuition and fee revenue from the Hazlewood Legacy Program. Pursuant to a new rider in the Veterans Commission bill pattern, the appropriations will be allocated to each eligible institution based on the proportion of each institution's respective share of the total waived tuition and fee revenue resulting from the Hazlewood Legacy Program in a manner consistent with the annual distribution from the MVE.
- 5. Waived Tuition and Fee Revenue.** The following table provides the total annual amount of waived tuition and fee revenue by recipient type for the Hazlewood Exemption across all institutions of higher education. In fiscal year 2014, the Legacy Program comprised 65.8 percent of the total value of the annual waived tuition and fees for the Hazlewood Exemption.

Section 3

Waived Tuition and Fees for Hazlewood Exemption by Recipient Type (in millions)

Fiscal Year	Veteran	Dependent	Spouse	Legacy	Total
2012	\$43.4	\$3.5	\$0.6	\$62.7	\$110.2
2013	\$50.0	\$4.2	\$1.1	\$90.9	\$146.1
2014	\$49.8	\$6.5	\$1.4	\$111.3	\$169.1

6. **Hazlewood Exemption Lawsuit.** On January 26, 2015, the U.S. District Court for the Southern Division of Texas ruled that the fixed point residency requirement of the Hazlewood Exemption is unconstitutional. The fixed point residency requirement requires that individuals must have entered military service in Texas, declared Texas as their home of record, or were Texas residents when they entered military service in order to qualify for a Hazlewood Exemption. The judge ruled that this provision violates the Equal Protection Clause of the Fourteenth Amendment of the U.S. Constitution because the requirement discriminates between veterans based solely upon their state of residency when they entered military service. The judge determined the fixed point residency requirement to be severable from the remainder of the Hazlewood Exemption provisions, allowing individuals currently receiving the benefit to continue using the exemption. However, the Office of the Attorney General has stated they plan on appealing the decision. Should the fixed point residency requirement be finally determined to be no longer applicable, the number of eligible exemption recipients would be expected to increase significantly.

Section 4

**Permanent Fund Supporting Military and Veterans Exemptions
Performance Review and Policy Report Highlights**

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

Section 5

Permanent Fund Supporting Military and Veterans Exemptions Rider Highlights - House

1. **Distribution to Eligible Institutions.** New rider outlining the annual distribution process of funds from the MVE to institutions of higher education.