

REPORT ON THE HAZLEWOOD EXEMPTION

LBB FACTS AND FINDINGS

- ◆ Waived tuition and fee revenue at institutions of higher education for the Hazlewood Exemption increased from \$24.7 million in fiscal year 2009 to \$169.1 million in fiscal year 2014. The number of awards increased from approximately 10,000 to 39,000 during the same period.
- ◆ In 2012, there were over 71,000 beneficiaries in Texas that received veterans' education benefits from the U.S. Department of Veterans Affairs. The number of beneficiaries in Texas has more than doubled since 2000. The most used veterans' education benefits in Texas are the Post-9/11 G.I. Bill, Montgomery G.I. Bill, and Survivors' and Dependents' Educational Assistance.
- ◆ The highest growth in recipients of the Hazlewood Exemption is occurring in the Hazlewood Legacy Program. Options to limit the amount of waived revenue resulting from the Legacy Program could include incorporating a socioeconomic factor into the benefit, reducing the number of semester credit hours available for transfer, or basing the number of semester credit hours available to transfer on service time.

The introduced 2016–17 General Appropriations Bill does not include any adjustments as a result of this report. This report does not include any recommendations.

This report would not have a fiscal impact for the 2016–17 biennium. The report describes the Hazlewood Exemption offered by public institutions of higher education and federal education benefits available for veterans. In addition, the report provides student characteristics of recipients of the Hazlewood Exemption and the history of the exemption. The report also estimates the future fiscal impact of the exemption. Limiting the eligibility or benefit of the Hazlewood Legacy Program could lower the amount of waived tuition and fee revenue at public institutions of higher education in Texas.

The Texas Education Code, Section 54.3411, requires the Legislative Budget Board, in consultation with the Texas Veterans Commission and Texas Higher Education Coordinating Board, to study the tuition and fee exemptions provided by the Texas Education Code, Section 54.341, commonly referred to as the Hazlewood Exemption, and federal education benefits for veterans. Per the requirement to review sustainability and fiscal efficiency of the exemption, the report includes options to limit the eligibility or benefit received through the Hazlewood Legacy Program.

The Hazlewood Exemption was established to provide an exemption for veterans and, in certain cases, qualified spouses or dependents, for tuition and required fees to a Texas institution of higher education (IHE). This exemption applies to a maximum of 150 semester credit hours. Spouses and dependents are eligible for this exemption if the veteran spouse or parent is killed in action, died while in service, died as a result of service-related injuries or illness, is classified as missing in action, or became totally and permanently disabled or meets the requirements for unemployability according to the Department of Veterans Affairs due to service-related injury or illness.

The Hazlewood Exemption applies to all tuition charges, including both statutory tuition and designated tuition, and certain fees and is applicable at any public IHE in Texas. The exemption is available for qualified recipients who do not receive federal veterans' education benefits or for those individuals with federal veterans' education benefits whose total award available for tuition and fees is lower than the value of the exemption.

The Hazlewood Legacy Act, passed by the Legislature in 2009, authorizes a veteran to transfer this educational benefit to one of his or her children by assigning eligible unused semester credit hours to the child. The Hazlewood Legacy Program allows the qualified child to be exempt from payment of the tuition and required fees for those transferred hours at a public IHE in Texas.

Figure 1 shows the number of students across all IHEs receiving the Hazlewood Exemption and the associated amount of tuition and fees waived from fiscal year 2009 through fiscal year 2013. Included in this figure is information for the year before, during, and following implementation of the Hazlewood Legacy Program in fiscal year 2010.

In 2012, there were 71,331 beneficiaries in Texas that received veterans' education benefits from the U.S. Department of Veterans Affairs. The number of beneficiaries

FIGURE 1
HAZLEWOOD EXEMPTION AWARD RECIPIENTS AND AWARD VALUE
FISCAL YEARS 2009 TO 2014

YEAR	STUDENTS	VALUE OF AWARDS (IN MILLIONS)
2009	9,882	\$24.7
2010	13,837	\$34.3
2011	22,585	\$71.9
2012	29,003	\$110.2
2013	35,769	\$146.1
2014	38,946	\$169.1

NOTE: Spouses and legacy recipients became eligible for the exemption during fiscal year 2010. Students co-enrolled across institutions and receiving Hazlewood Exemption at two institutions are counted at each institution.

SOURCE: Texas Higher Education Coordinating Board.

in Texas has more than doubled since 2000. The most used veterans' education benefits in Texas are the Post-9/11 G.I. Bill, Montgomery G.I. Bill, and Survivors' and Dependents' Educational Assistance.

The report describes the types of federal education benefits available to veterans, dependents, and spouses. Two key federal agencies administer these benefits: the U.S. Department of Veterans Affairs and U.S. Department of Education. Both the total number of veterans' education beneficiaries and the federal expenditures for veterans' education has increased in Texas since the Post-9/11 G.I. Bill went into effect in 2009.

The report reviews characteristics related to demographics, coursework, degree information, and cost of attendance for Hazlewood Exemption recipients in fiscal years 2012 and 2013. The report also estimates the future impact of the exemption based on current usage, increased program awareness, and recent tuition increases. According to the Legislative Budget Board staff estimates, the number of awards for the exemption will increase from approximately 39,000 in fiscal year 2014 to 63,000 in fiscal year 2019. This increase would result in estimated waived tuition and fee revenue of \$379.1 million in fiscal year 2019.

Potential options to reduce the amount of waived tuition and fees could be achieved through a modification of the existing Legacy Program to limit eligibility or the amount of tuition and fees that could be waived through the program. Options to limit the Legacy Program could focus on the following:

- incorporate socioeconomic criterion so that the percentage of benefit received by a legacy recipient would incrementally decrease as a student's family income increased;
- reduce the number of semester credit hours eligible for transfer from a veteran to a child depending on the type of institution attending; or
- model the program after the Post-9/11 G.I. Bill, whereby service time is linked to a percentage of the benefit. As service time increases, the number of semester credit hours that can be transferred would increase.

The full text of this report can be found in *Report on the Hazlewood Exemption* (Legislative Budget Board, December 2014).