

# **Support for Military and Veterans Exemptions Summary of Recommendations - Senate**

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<b>Method of Financing</b>	<b>2016-17 Base</b>	<b>2018-19 Recommended</b>	<b>Biennial Change (\$)</b>	<b>Biennial Change (%)</b>
General Revenue Funds	\$0	\$30,000,000	\$30,000,000	100.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$0</i>	<i>\$30,000,000</i>	<i>\$30,000,000</i>	<i>100.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$20,052,591	\$17,260,506	(\$2,792,085)	(13.9%)
<b>All Funds</b>	<b>\$20,052,591</b>	<b>\$47,260,506</b>	<b>\$27,207,915</b>	<b>135.7%</b>

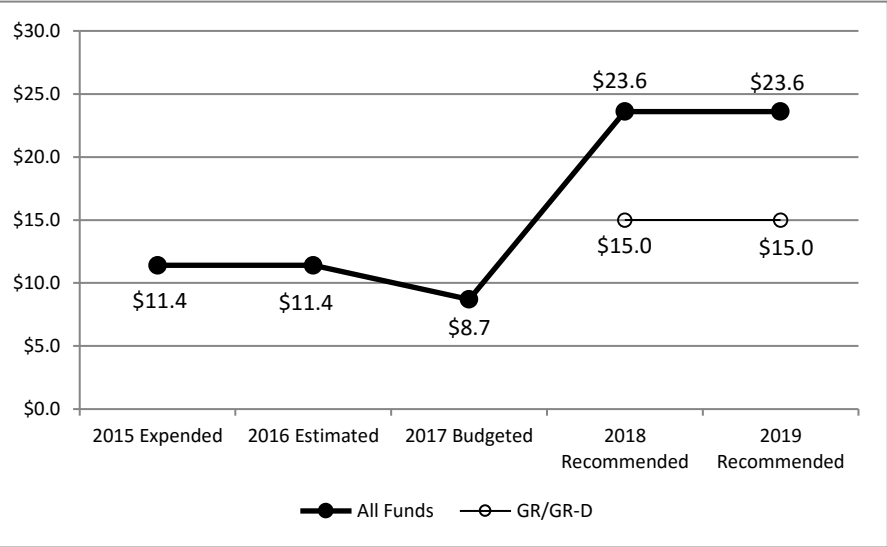
	<b>FY 2017 Budgeted</b>	<b>FY 2019 Recommended</b>	<b>Biennial Change</b>	<b>Percent Change</b>
FTEs	N/A	N/A	0.0	0.0%

## **Agency Budget and Policy Issues and/or Highlights**

- The Permanent Fund for Military and Veterans Exemptions (MVE) is authorized in the Texas Education Code, Section 54.3411. The MVE was established to assist public institutions of higher education to offset the waived tuition and fee revenue from the Hazlewood Legacy Program (HLP). In accordance with HLP, qualifying veterans may assign unused hours of their state tuition exemption to a dependent that meets eligibility requirements.
- For the 2016-17 biennium, the Texas Veterans Commission (TVC) was appropriated \$30.0 million in General Revenue Funds for the support of the HLP.
- Recommendations for the 2018-19 biennium combine the MVE and TVC funding for the HLP into one appropriations bill pattern in Article III. The TVC bill pattern does not include HLP funding for 2018-19.

The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

**Historical Funding Levels (Millions)**



**Support for Military and Veterans Exemptions**  
**Summary of Funding Changes and Recommendations - Senate**

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<b><i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i></b>							
A)	Estimated appropriations from the Permanent Fund Supporting Military and Veterans Exemptions for the 2018-19 biennium, due to lower expected market returns.	\$0.0	\$0.0	\$0.0	(\$2.8)	(\$2.8)	A.1.1.
B)	General Revenue Fund appropriations in the Texas Veterans Commission (TVC) that support the Hazlewood Legacy Program are continued from the 2016-17 biennium, but are transferred to Article III from TVC for the 2018-19 biennium.	\$30.0	\$0.0	\$0.0	\$0.0	\$30.0	B.1.1.
<b>TOTAL SIGNIFICANT Funding Changes and Recommendations (in millions)</b>		<b>\$30.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>(\$2.8)</b>	<b>\$27.2</b>	As Listed
<i>SIGNIFICANT Funding Increases</i>		\$30.0	\$0.0	\$0.0	\$0.0	\$30.0	As Listed
<i>SIGNIFICANT Funding Decreases</i>		\$0.0	\$0.0	\$0.0	(\$2.8)	(\$2.8)	As Listed

NOTE: Totals may not sum due to rounding.

**Support for Military and Veterans Exemptions  
Selected Fiscal and Policy Issues - Senate**

1. **Estimated Appropriations from the Permanent Fund Supporting Military and Veterans Exemptions (MVE) for the 2018-19 biennium.**  
Recommendations include a \$2.8 million decrease in estimated appropriations from the MVE for the 2018-19 biennium. The estimated MVE appropriations for the 2018-19 biennium total \$17.3 million in Other Funds.
2. **Basis for the Estimated Appropriations from MVE.** Pursuant to Texas Education Code, Section 54.3411 requirements, the Texas Treasury Safekeeping Trust Company (TTSTC) administers the MVE and determines the amount available for distribution and appropriation from the fund. TTSTC determines the MVE appropriation amount in accordance with policy that is adopted by the Texas Comptroller of Public Accounts. For fiscal year 2016, TTSTC determined the MVE appropriation amount based on 4.5 percent of the 20-quarter moving average value of the MVE; and for fiscal years 2017-19 TTSTC has reduced the rate to 3.5 percent for each fiscal year due to lower expected market returns in the coming decade. The total value of the MVE on August 31, 2016 was \$240.6 million (see page 5 for historical values).
3. **Distribution of MVE Appropriations.** The distribution requirements for MVE appropriations are set forth in the Texas Education Code, Section 54.3411(e), which indicates MVE funds may be appropriated only to offset the cost to institutions for the Hazlewood Legacy Program (HLP) exemptions. The amount appropriated to eligible institutions must be in proportion to each institution's respective share of the aggregate cost to all institutions for the HLP exemptions, as determined by the Legislative Budget Board using HLP data provided by the Texas Veterans Commission.
4. **Total Appropriations for the Hazlewood Legacy Program (HLP) -- MVE and Texas Veterans Commission (TVC) Funding.** For the 2016-17 biennium, \$15.0 million in General Revenue Funds per fiscal year is appropriated to TVC for the sole purpose of HLP, and must be distributed in the same fashion as the MVE. For purposes of the 2018-19 biennium, the recommendations for support of HLP are combined into one Article III bill pattern. The combined total appropriations to eligible institutions for HLP for fiscal years 2015-2019 are as follows:

Fiscal Year	HLP Appropriations from MVE	HLP Appropriations from TVC	Total HLP Appropriations (MVE + TVC)	Total HLP Appropriations (new bill pattern)	Total HLP Credit Hours Exempted**	Total HLP Dollars Waived**
2015	\$ 11,374,590	N/A	\$ 11,374,590	N/A	425,795	\$ 111,302,519
2016	\$ 11,392,154	\$ 15,000,000	\$ 26,392,154	N/A	453,197	\$ 123,840,566
2017	\$ 8,660,437	\$ 15,000,000	\$ 23,660,437	N/A	505,179	\$ 142,781,907
2018*	\$ 8,620,829	\$ 0	N/A	\$ 23,620,829	**	**
2019*	\$ 8,639,677	\$ 0	N/A	\$ 23,639,677	**	**
Notes: * For FY2018-19, available MVE funding is estimated. ** FY2015 funding distribution based on FY2014 data; FY2016 funding distribution based on FY2015 data; FY2017 funding distribution based on FY2016 data; FY2017-18 data is not yet available for FY2018-19 distribution allocations.						

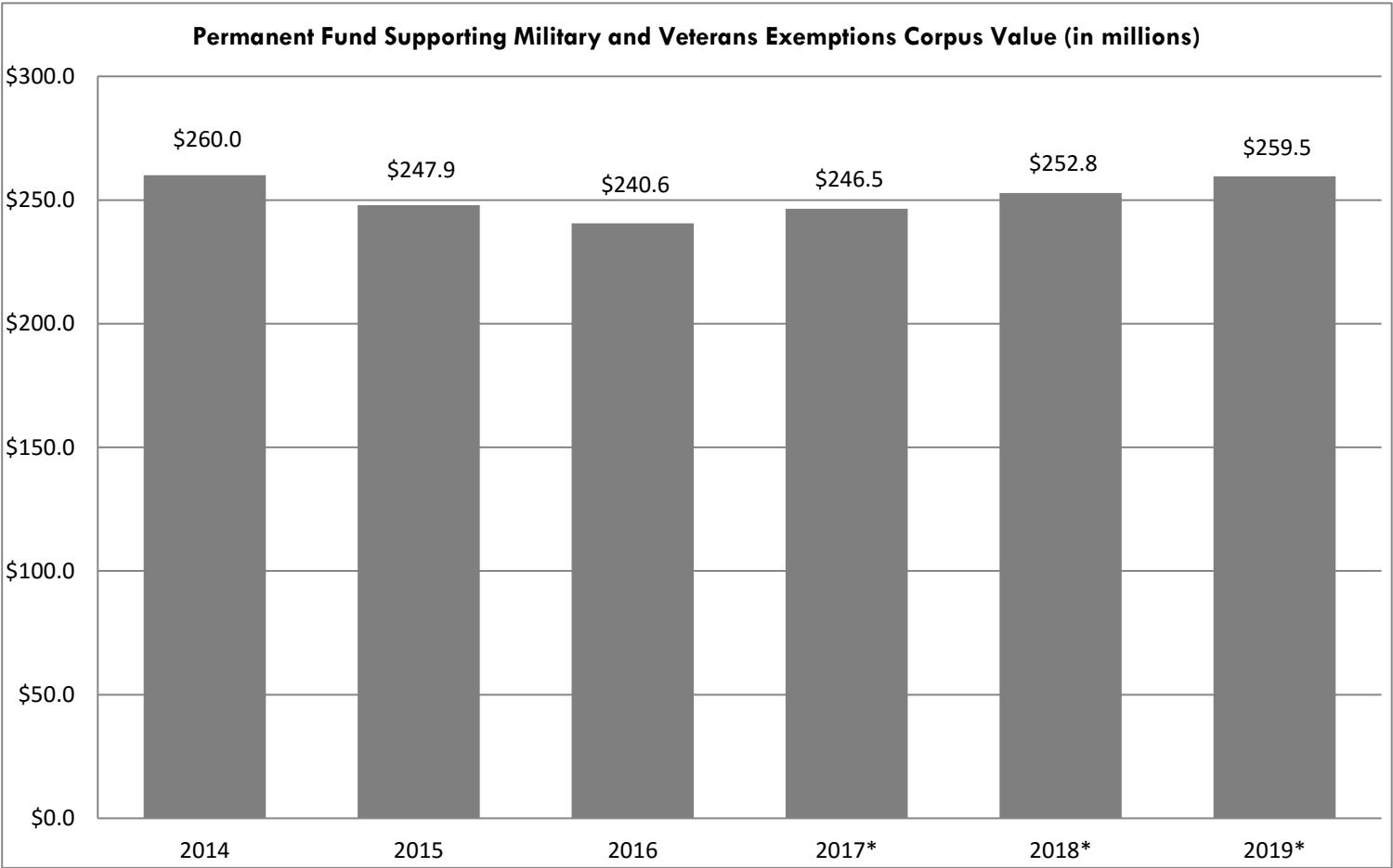
**Support for Military and Veterans Exemptions  
Selected Fiscal and Policy Issues – Senate**

5. **Hazlewood Act Exemption Lawsuit.** In 2014, a lawsuit relating to the Hazelwood Act Exemption (HAE) was filed in the U.S. District Court for the Southern District of Texas by a veteran against the University of Houston and others. The lawsuit challenged the HAE's "fixed-point residency requirement" which is:
- Eligibility for the Hazlewood Act Exemption requires that a veteran have entered the service at a location in Texas; declared Texas as the person's home of record in the manner provided by the applicable service branch; or would have been determined to be a resident of Texas at the time of entering the armed services.

In 2015, the U.S. District Court issued a judgment ruling the "fixed-point residency requirement" as unconstitutional. On May 12, 2016, Texas' Office of the Attorney General filed an appeal in the U.S. Court of Appeals for the Fifth Circuit. On June 23, 2016, the Fifth U.S. Circuit Court of Appeals ruled in favor of Texas' appeal and reversed the U.S. District Court's decision. In January 2017, the U.S. Supreme Court denied review of the Fifth U.S. Circuit Court of Appeals' ruling of June 23, 2016.

Performance of the Permanent Fund Supporting Military and Veterans Exemptions Fund (FY2014-19)

Fiscal Year	Corpus Value (in millions)	% Change Corpus Value
2014	\$ 260.0	0.0%
2015	\$ 247.9	(4.7%)
2016	\$ 240.6	(2.9%)
2017*	\$ 246.5	2.5%
2018*	\$ 252.8	2.6%
2019*	\$ 259.5	2.7%
Note: *FY2017-19 data is estimated. Source: Texas Treasury Safekeeping Trust Company		



**Support for Military and Veterans Exemptions  
Rider Highlights - Senate**

**Modification of Existing Riders**

1. **Distribution to Eligible Institutions.** Recommendations revise the rider to:
  - a) clarify that the Legislative Budget Board (LBB) not only “determines” but also “approves” the distribution allocations made from the Permanent Fund Supporting Military and Veterans Exemptions (MVE), and the allocations are considered approved unless the LBB issues a written disapproval within 30 business days after the date the LBB staff forwards the distribution calculations to the Lt. Governor, Speaker of the House, House Appropriations Committee Chair, and Senate Finance Committee Chair; and
  - b) require institutions to lapse applicable MVE funds in the event an institution receives any MVE funds as a result of data reporting errors.

**New Riders**

2. **Reimbursements for Hazlewood Exemption Program.** Recommendations move this rider from the Texas Veterans Commission bill pattern to Article III, and revise as follows:
  - a) indicates the General Revenue Fund allocations are considered approved unless the LBB issues a written disapproval within 30 business days after the date the LBB staff forwards the distribution calculations to the Lt. Governor, Speaker of the House, House Appropriations Committee Chair, and Senate Finance Committee Chair; and
  - b) require institutions to lapse applicable General Revenue Funds in the event an institution receives any GR as a result of data reporting errors.

Support for Military and Veterans Exemptions  
Items Not Included in Recommendations - Senate

		2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Items - In Agency Priority Order							
1)	Various institutions of higher education request Unexpended Balance authority between fiscal years for funds received from the Permanent Fund Supporting Military and Veterans Exemptions.	\$0	\$0	0.0	No	No	\$0
TOTAL Items Not Included in Recommendations		\$0	\$0	0.0			\$0

Support for Military and Veterans Exemptions  
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
DISTRIBUTE TO ELIGIBLE INSTITUTIONS A.1.1	\$20,052,591	\$17,260,506	(\$2,792,085)	(13.9%)	Recommendations include a \$2.8 million decrease in estimated appropriations (Other Funds) from the Permanent Fund Supporting Military and Veterans Exemptions (MVE) for the 2018-19 biennium. Pursuant to Texas Education Code, Section 54.3411 requirements, the Texas Treasury Safekeeping Trust Company (TTSTC) administers the MVE and determines the amount available for distribution and appropriation from the fund. TTSTC determines the MVE appropriation amount in accordance with policy that is adopted by the Texas Comptroller of Public Accounts. For fiscal year 2016, TTSTC determined the MVE appropriation amount based on 4.5 percent of the 20-quarter moving average value of the MVE; and for fiscal years 2017-19 TTSTC has reduced the rate to 3.5 percent for each fiscal year due to lower expected market returns in the coming decade.
Total, Goal A, FUND FOR MILITARY & VET EXEMPTIONS	\$20,052,591	\$17,260,506	(\$2,792,085)	(13.9%)	
REIMBURSEMENT FOR HAZLEWOOD EXEMPTS B.1.1	\$0	\$30,000,000	\$30,000,000	100.0%	General Revenue Fund appropriations in the Texas Veterans Commission (TVC) that support the Hazlewood Legacy Program are continued from the 2016-17 biennium, but are transferred to Article III from TVC for the 2018-19 biennium.
Total, Goal B, REIMBURSEMENT FOR HAZLEWOOD EXEMPTS	\$0	\$30,000,000	\$30,000,000	100.0%	
Grand Total, All Strategies	\$20,052,591	\$47,260,506	\$27,207,915	135.7%	