

Support for Military and Veterans Exemptions
Summary of Budget Recommendations - Senate

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Casey Floren, LBB Analyst

Method of Financing	2022-23 Base	2024-25 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$28,500,000	\$30,000,000	\$1,500,000	5.3%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$28,500,000	\$30,000,000	\$1,500,000	5.3%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$19,176,162	\$19,792,769	\$616,607	3.2%
All Funds	\$47,676,162	\$49,792,769	\$2,116,607	4.4%

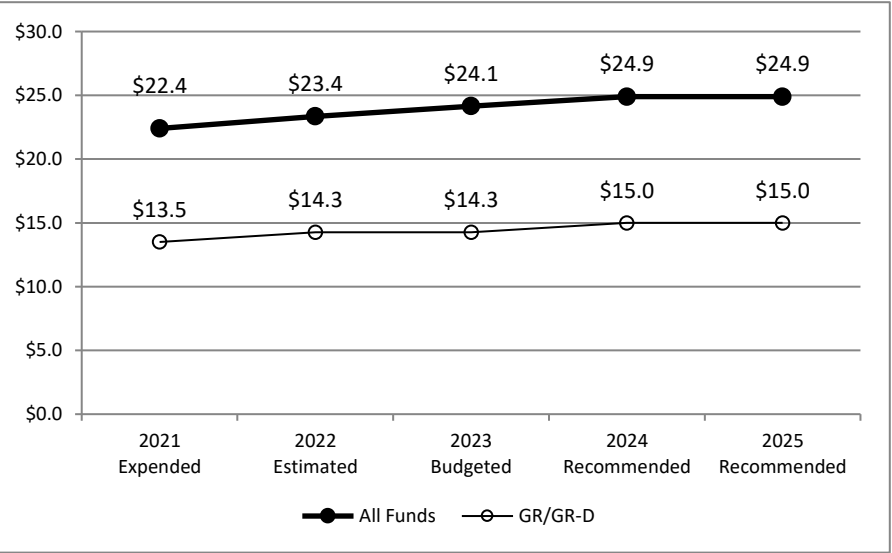
	FY 2023 Budgeted	FY 2025 Recommended	Biennial Change	Percent Change
FTEs	0.0	0.0	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

The Permanent Fund for Military Veterans Exemptions (MVE) is authorized by 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 up to 150 unused semester credit hours of their state tuition exemption to dependents that meet certain eligibility requirements.

The bill pattern for this agency (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

Historical Funding Levels (Millions)



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

Section 2

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):							
A)	Increase in estimated appropriations based on anticipated growth of the Permanent Fund Supporting Military and Veterans Exemptions for the 2024-25 biennium.	\$0.0	\$0.0	\$0.0	\$0.6	\$0.6	A.1.1
B)	Increase in GR appropriations to restore 5% reduction in MVE appropriation in the 87th Legislative Session.	\$1.5	\$0.0	\$0.0	\$0.0	\$1.5	B.1.1
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$1.5	\$0.0	\$0.0	\$0.6	\$2.1	As Listed
SIGNIFICANT & OTHER Funding Increases		\$1.5	\$0.0	\$0.0	\$0.6	\$2.1	As Listed
SIGNIFICANT & OTHER Funding Decreases		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

NOTE: Totals may not sum due to rounding.

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

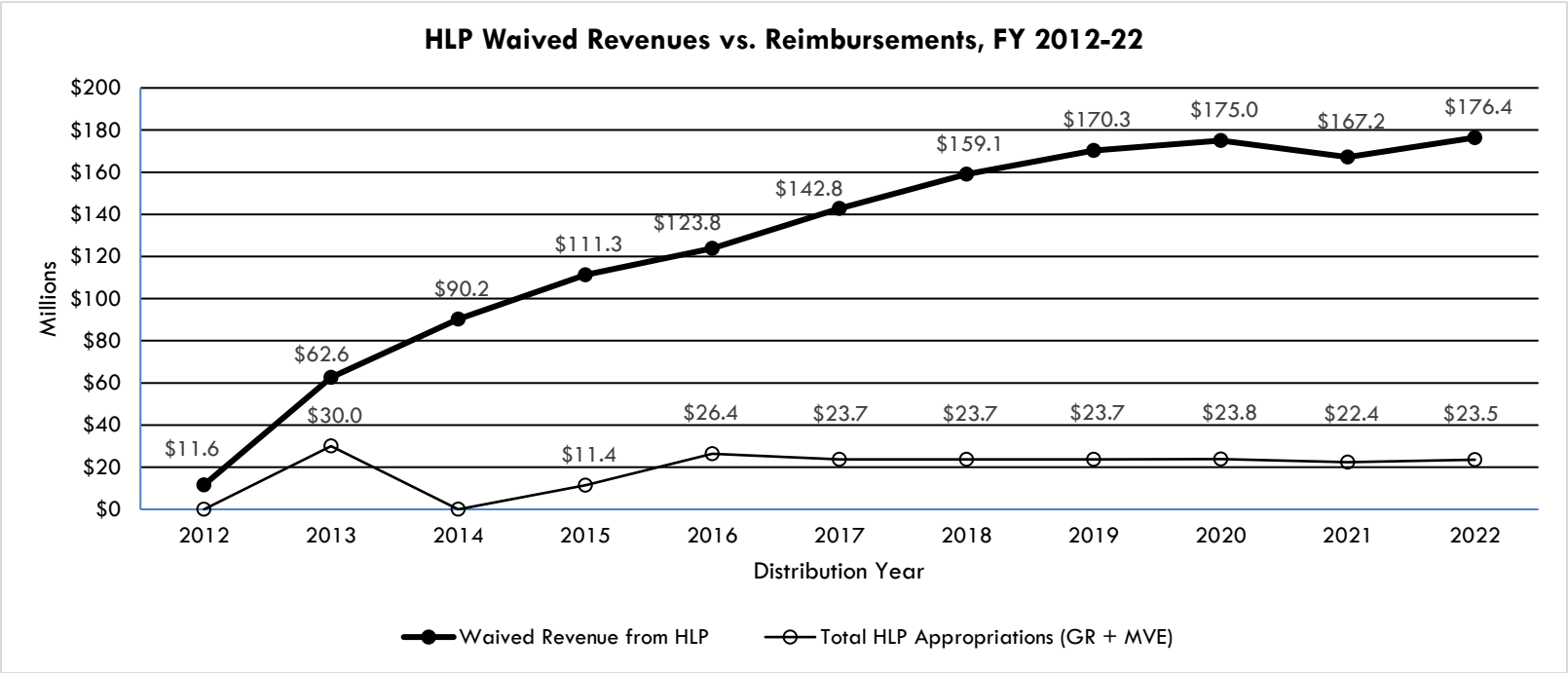
1. **Basis for the Estimated Appropriations from MVE.** Pursuant to Texas Education Code, Section 54.3411 requirements, the Texas Treasury Safekeeping Trust Company (TTSTC) administers the Permanent Fund Supporting Military and Veterans Exemptions (MVE) and determines the amount available for distribution and appropriation from the fund. TTSTC determines the MVE appropriation amount in accordance with Texas Comptroller policy. For fiscal year 2022, TTSTC determined the MVE appropriation amount based on 3.5 percent of the 20-quarter moving average value of the MVE. The current value of the MVE as of August 31, 2022, is \$326.4 million (see page 5 for historical values of the MVE corpus).
2. **Restoration of 5% Reduction to GR Appropriations.** In addition to the MVE distributions, the legislature has also appropriated General Revenue for the Hazlewood Legacy Program (HLP) since the 2018-19 biennium. The General Revenue support previously totaled \$15 million per fiscal year, but due to a recommended 5% budget reduction to General Revenue appropriations, the HLP appropriation for fiscal year 2021 was decreased to \$13.5 million. The 5% reduction was maintained in the 2022-23 biennium, for appropriations of \$14.25 million per fiscal year. Recommendations for the 2024-25 biennium would restore the appropriation to \$15.0 million to align with the restoration of other funds by the Eighty-seventh Legislature, 2021.
3. **Distribution of MVE and GR Appropriations.** The distribution requirements for MVE appropriations are set in 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 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.

Total appropriations, MVE and General Revenue combined, to eligible institutions for HLP for fiscal years 2018-25 are as follows:

Fiscal Year	HLP Appropriations from MVE	HLP Appropriations from GR	Total HLP Appropriations (MVE + GR)	Total HLP Credit Hours Exempted	Total HLP Dollars Waived	Percent of Waived Dollars Reimbursed
2018	\$8,645,813	\$15,000,000	\$23,645,813	549,419	\$159,104,376	14.9%
2019	\$8,737,849	\$15,000,000	\$23,737,849	567,912	\$170,280,785	13.9%
2020	\$8,815,572	\$15,000,000	\$23,815,572	553,167	\$175,008,796	13.6%
2021	\$8,871,281	\$13,500,000	\$22,371,281	477,725	\$167,169,935	13.4%
2022	\$9,279,778	\$14,250,000	\$23,356,887	501,509	\$176,377,802	13.3%
2023	\$9,896,384	\$14,250,000	\$23,572,520	*	*	*
2024	\$9,896,384**	\$15,000,000	\$24,896,384	*	*	*
2025	\$9,896,384**	\$15,000,000	\$24,896,384	*	*	*
Notes: FY funding distributions are based on Texas Veterans Commission data from the previous year. *FY 22-24 data is not yet available for FY23-25 distributions. **FY 24-25 MVE distribution is estimated.						

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

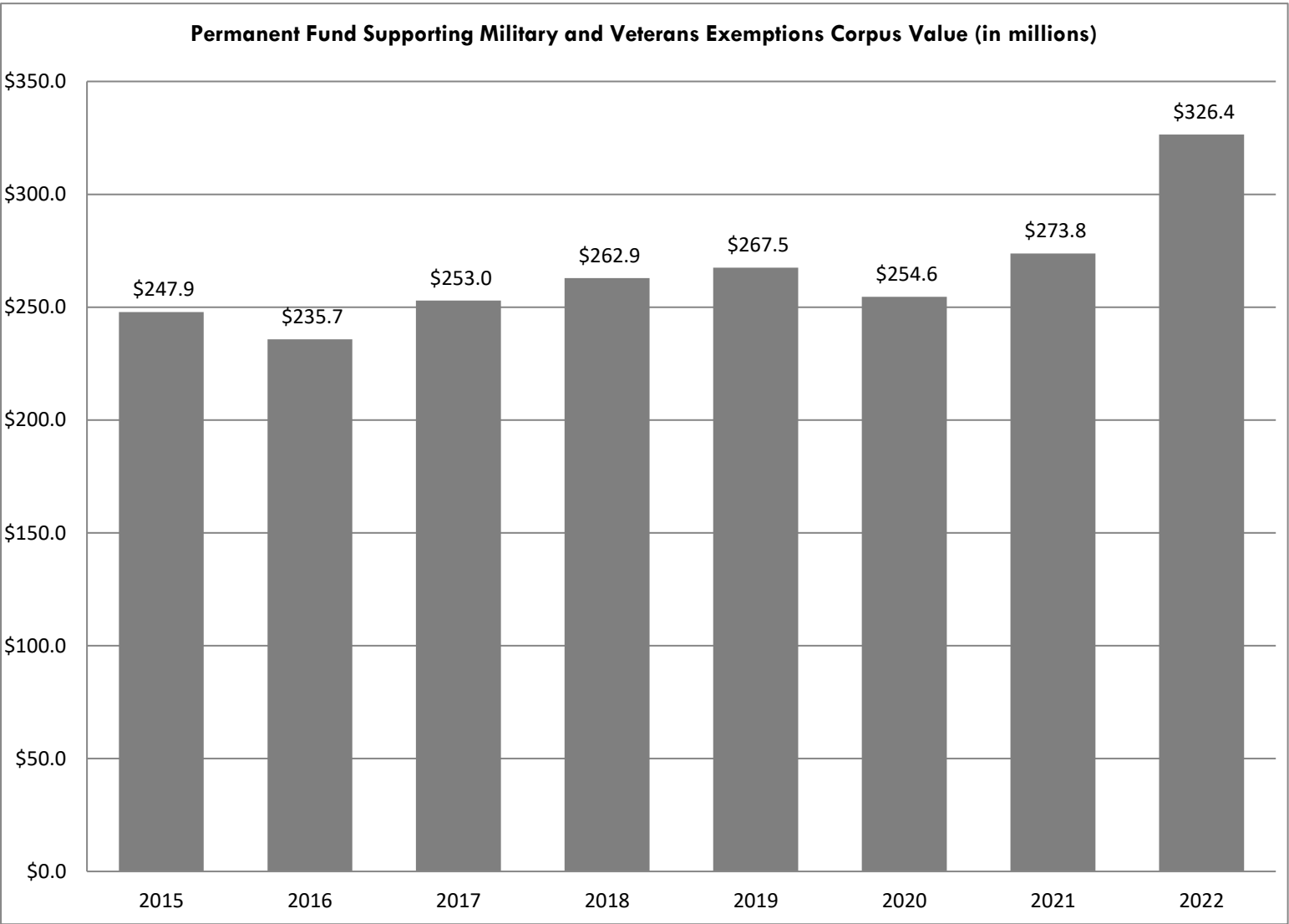
Total appropriations, including both MVE and General Revenue support, for the Hazlewood Legacy Program have remained mostly level since fiscal year 2016, apart from the slight dip due to the 5 percent reductions in the General Revenue appropriation in 2021. In that time, the tuition and fees waived by institutions for the HLP have increased, at a decreasing rate. In fiscal year 2016, total HLP reimbursements covered about 21.3 percent of the institutions' waived revenue. In fiscal year 2022, the reimbursements covered 13.3 percent of waived revenue. The biennial cost to fully reimburse institutions for waived revenue—based on the fiscal year 2022 amount—would total \$352.8 million, which would be an increase of \$303.0 million in General Revenue above recommendations.



Support for Military and Veterans Exemptions

Performance of the Permanent Fund Supporting Military and Veterans Exemptions Fund (FY 2015-22) - Senate

Fiscal Year	Net Asset Value (in millions)	% Change in Value
2015	\$ 247.9	(4.7%)
2016	\$ 235.7	(4.9%)
2017	\$ 253.0	7.3%
2018	\$ 262.9	3.9%
2019	\$ 267.5	1.8%
2020	\$ 254.6	(4.8%)
2021	\$ 273.8	7.5%
2022	\$ 326.4	19.2%
<p><u>Note:</u> The Net Asset Value is the original value of the corpus plus net earnings of investments over time, less distributions.</p> <p><u>Source:</u> Texas Treasury Safekeeping Trust Company</p>		



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

		2024-25 Biennial Total					
		GR & GR-D	All Funds	FTEs	Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
Exceptional Item Requests Not Included							
1)	Several systems requested a combined \$276 million in General Revenue for reimbursements for waived tuition and fees from the Hazlewood Legacy Program.	\$276,000,000	\$276,000,000				
Rider Requests Not Included							
A)	Several systems requested to add a provision to Rider 1, Distribution to Eligible Institutions, requiring the LBB to provide a copy of the approved annual distribution allocation data and amounts by institutions to all receiving institutions of higher education.						
B)	Several systems requested to add two provisions to Rider 2, Reimbursements for Hazlewood Exemption Program. First, to make proportionality benefits available for the General Revenue Funds associated with Hazlewood. The second would require the LBB to provide a copy of the approved distribution allocation data and amounts by institution to all receiving institutions of higher education.						
C)	Several systems requested to add a provision to Rider 3, Appropriation: Unexpended Balances, to provide UB authority for the General Revenue Funds appropriated in Strategy B.1.1.						
D)	Several systems requested to add a new rider requiring the Texas Veterans Commission to report to eligible institutions and their system office on veteran, child, spouse and legacy participants in the Hazlewood exemption program.						
TOTAL Items Not Included in Recommendations		\$276,000,000	\$276,000,000				

Support for Military and Veterans Exemptions
Appendices - Senate

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* Appendix is not included - no significant information to report

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

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
DISTRIBUTE TO ELIGIBLE INSTITUTIONS A.1.1	\$19,176,162	\$19,792,768	\$616,606	3.2%	Recommendations include a \$0.6 million increase in estimated appropriations (Other Funds) from the Permanent Fund Supporting Military and Veterans Exemptions (MVE) for the 2024-25 biennium. Per Education Code, Sec. 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 Texas Comptroller policy. For fiscal year 2022, TTSTC determined the MVE appropriation amount based on 3.5 percent of the 20-quarter moving average value of the MVE.
Total, Goal A, FUND FOR MILITARY & VET EXEMPTIONS	\$19,176,162	\$19,792,768	\$616,606	3.2%	
REIMBURSEMENT FOR HAZLEWOOD EXEMPTS B.1.1	\$28,500,000	\$30,000,000	\$1,500,000	5.3%	Recommendations include the restoration of the 5% reduction in the GR appropriation in the 87th Legislative Session, in alignment with the restoration of other funds. The restoration would increase the appropriation from \$14.25 million per fiscal year to \$15.0 million per fiscal year.
Total, Goal B, REIMBURSEMENT FOR HAZLEWOOD EXEMPTS	\$28,500,000	\$30,000,000	\$1,500,000	5.3%	
Grand Total, All Strategies	\$47,676,162	\$49,792,768	\$2,116,606	4.4%	