



LEGISLATIVE BUDGET BOARD

Overview of Hazlewood Act Exemption and Hazlewood Legacy Program

**Hazlewood Legacy Program Funding
at the Texas Veterans Commission and from the
Permanent Fund Supporting Military and Veterans Exemptions**

**PRESENTED TO THE HOUSE COMMITTEE ON HIGHER EDUCATION AND
DEFENSE AND VETERANS' AFFAIRS COMMITTEE**

LEGISLATIVE BUDGET BOARD STAFF

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Overview of the Hazlewood Act Exemption

The Hazlewood Act, first passed in 1923 by the Texas Legislature, provides an education benefit to qualified veterans, and certain spouses and children of eligible veterans, through an exemption from tuition and fees at public institutions of higher education in Texas.

- The education benefit is up to 150 semester credit hours of tuition exemption, including most fee charges. The benefit does not include living expenses, books, or certain specified fees.
- The exemption can be used at General Academic Institutions, Community Colleges, Lamar State Colleges, Texas State Technical Colleges, and Health Related Institutions.
- The exemption is available for individuals who have no federal veterans education benefits dedicated to the payment of tuition and fees, or have federal veterans education benefits that do not cover 100 percent of tuition and fees.

Hazlewood Act Exemption Eligibility

Hazlewood Act Exemption Recipient Eligibility:

- Veterans are generally eligible if: they served at least 181 days of active duty service; were discharged under honorable conditions; and at the time of entry into U.S. Armed Forces active duty either designated Texas as their home of record, or entered the service in Texas, or was a Texas resident. Additional qualifications and requirements must also be met.
- Spouses and dependent children of qualified veterans are eligible if: the veteran died in the line of duty or as a result of a service-related injury or illness; is missing in action; or is totally disabled for purposes of employability as a result of service. Additional qualifications and requirements must also be met.
- The Hazlewood Legacy Act, first passed in 2009 by the Texas Legislature, authorizes an eligible veteran to transfer unused hours of exemption eligibility to his/her child under certain conditions. This Hazlewood Legacy Program results in a qualified child being exempt from payment of tuition and certain fees at a public institution of higher education in Texas.

Hazlewood Act Exemption: Waived Tuition and Fees for Fiscal Years 2012 – 2015

In Millions

Fiscal Year	Veterans	Spouses & Dependent Children	Hazlewood Legacy Program	Total	Total Percent Change
2012	\$44.4	\$4.1	\$62.7	\$111.2	N/A
2013	\$50.0	\$5.3	\$90.9	\$146.1	31.4%
2014	\$49.8	\$8.0	\$111.3	\$169.1	15.7%
2015	\$43.1	\$10.8	\$123.8	\$177.8	5.1%

NOTE: Totals may not sum due to rounding.

SOURCES: Texas Higher Education Coordinating Board Hazlewood Database, Texas Veterans Commission Hazlewood Database.

Hazlewood Legacy Program Eligibility

The Hazlewood Legacy Act authorizes an eligible veteran to transfer unused hours of exemption eligibility to his/her child under certain conditions. Below are the Hazlewood Legacy Program (HLP) requirements that an eligible child must meet to have Hazlewood Act benefits transferred to them:

- be classified by the institution as a Texas resident;
- be the biological child, stepchild, adopted child, or claimed as a dependent in the current or previous tax year;
- be age 25 or younger on the first day of the semester or term for which the exemption is claimed (unless granted an extension due to a qualifying illness or debilitating condition); and
- meet the GPA requirement of the institution's satisfactory academic progress policy in a degree or certificate program as determined by the institution's financial aid policy and, as an undergraduate student, is not considered to have attempted an excessive amount of credit hours.

Hazlewood Legacy Program Funding - MVE

In 2013, the Texas Legislature established the Permanent Fund Supporting Military and Veterans Exemptions (MVE) to assist public institutions of higher education to offset the waived tuition and fee revenue from the Hazlewood Legacy Program (HLP).

- Texas Education Code, Section 54.3411, authorizes the MVE as a special fund in the treasury (Other Funds) outside the General Revenue Fund; the MVE is composed of money transferred or appropriated to the fund by the Texas Legislature, gifts and grants contributed to the MVE, and the returns received from fund investments.
- In 2013, the MVE received a onetime donation of \$248.0 million from the Texas Guaranteed Student Loan Corporation; and there were no additional appropriations into the MVE.
- Per statute, the Texas Treasury Safekeeping Trust Company determines the amount available for distribution from MVE in accordance with Comptroller's Office policy designed to preserve the MVE assets and provide a stable stream of annual distributions.
- Per statute, the MVE amount available for distribution shall be distributed to eligible higher education institutions in proportion to each institution's respective share of the aggregate cost to all institutions of the HLP exemptions, as determined by the Legislative Budget Board.

Hazlewood Legacy Program Funding - TVC

For the 2016-17 biennium, the Texas Legislature appropriated \$30.8 million in General Revenue to the Texas Veterans Commission (TVC) for the Hazlewood administration and reimbursements.

- Senate Bill 1158, Eighty-third Legislature, 2013, transferred the administration of the Hazlewood Act Exemption Program from the Texas Higher Education Coordinating Board to TVC.
- TVC manages the Hazlewood database and coordinates with the Legislative Budget Board and the Comptroller's Office on the distribution of appropriated General Revenue Funds for Hazlewood Reimbursements.
- For the 2016-17 biennium, \$15.0 million in General Revenue per fiscal year is appropriated to TVC for the sole purpose of the Hazlewood Legacy Program. Per TVC Rider 13, the distribution of this funding must be consistent with the annual distribution of the MVE as determined by the Legislative Budget Board.

Hazlewood Legacy Program (HLP) Funding Distributions for Fiscal Years 2014-16

Dollars In Millions

Fiscal Year	HLP Distributions from THECB \$	HLP Distributions from MVE \$	HLP Distributions from TVC \$	Total HLP Distributions	Total Hours Exempted	Total Dollars Waived
2014	\$30.0	N/A	N/A	\$30.0	259,490	\$62.7
2015	N/A	\$11.4	N/A	\$11.4	425,795	\$111.3
2016	N/A	\$11.4	\$15.0	\$26.4	453,197	\$123.8

NOTES: Texas Higher Education Coordinating Board (THECB) was appropriated \$30.0 million in FY2013 for HLP which was distributed to eligible institutions in FY2014. Distribution of HLP funding for FY2014 was based on FY2012 data, FY2015 distribution was based on FY2014 data, and FY2016 distribution was based on FY2015 data. The estimated HLP appropriations for FY2017 total \$26.9 million (\$15.0 million from TVC and \$11.9 million from MVE).

SOURCES: Legislative Budget Board, Texas Higher Education Coordinating Board Hazlewood Database, Texas Veterans Commission Hazlewood Database.

Hazlewood Act Exemption Lawsuit

In Spring 2014, a lawsuit relating to the Hazlewood Act Exemption was filed in the U.S. District Court for the Southern District of Texas by a veteran against the University of Houston, Texas Higher Education Coordinating Board, Texas Veterans Commission, and others. The lawsuit challenged the fixed-point residency requirement of the Hazlewood Act Exemption:

- 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. This is known as the fixed-point residency requirement.

On January 26, 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 U.S. Court of Appeals for the Fifth Circuit ruled in favor of Texas' appeal and reversed the U.S. District Court's decision.



LEGISLATIVE BUDGET BOARD

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