

**Evaluation of the Number of Future Veterans
and Related Relatives In Texas Eligible to
Receive Assistance Through the
Hazlewood Exemption, 2016-2025**

by
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Introduction

Texas has a long history of supporting its military veterans and it has provided substantial support in assisting veterans to obtain the post-service skills needed to work in competitive jobs. Support for veterans in expanding their levels of education extend back to 1923 when the 38th legislature instructed public education institutions to exempt veterans from paying certain fees and charges. This support was enhanced with the passage of the Hazlewood exemption in 1943.¹ Today, veterans can use the Hazlewood exemption to obtain 150 hours of college credit at a public institution or transfer unused hours of that exemption to a dependent they designate who is less than 26 years of age. A Hazlewood exemption can also be obtained for the spouse or child of a military service member killed in action, deceased during military service or seriously disabled (a 100 percent disability rating).

The number of recipients of Hazlewood exemptions increased from 9,882 in 2009 to 38,946 in 2014 and the value of the awards increased from \$24.7 million in 2009 to \$169.1 million in 2014 (Legislative Budget Board 2014). Much of this increase has been due to the growth in the Legacy program, although all of the categories of exemptions have experienced growth. Prior to 2012, both the number and expenditures in support of recipients by category of exemption were difficult to adequately measure because of differences in systems of accounting in different educational institutions. Data from 2012 to date are more complete because of consolidation of the accounting process in the Texas Higher Educational Coordinating Board. From 2012 to 2014 the number of veterans receiving exemptions increased from 15,732 in 2012 to 17,290 in 2014 (a numerical increase of 1,558) and for dependents and spouses the increase was from 751 in 2012 to 1,513 in 2014 (an increase of 762). The growth in recipients through the Legacy program was from 12,288 in 2012 to 17,153 in 2013 (an increase of 4,865 from 2012 to 2013) to 19,715 in 2014 (an increase of 2,562 from 2013 to 2014). The value of waived tuition and fees increased substantially as well with the overall increase in fees increasing from \$110.2 million in 2012 to \$169.1 million in 2014. Approximately \$6.4 million of the \$58.9 million increase was due to veteran exemptions, \$3.8 million was due to dependent and spouse exemptions and approximately \$48.7 million to recipients of Hazlewood benefits through the Legacy program. As a result, much of the concern with the rising number of recipients and related costs has concentrated on factors impacting Legacy recipients.

Overall the dilemma for state decision-makers is how to ensure that the services of our veterans are adequately recognized and supported through financial assistance in obtaining advanced levels of education while at the same time ensuring that the financial effects of the Hazlewood exemption do not have deleterious impacts on the economic viability of state institutions of higher education. Critical to this analysis is the determination of how many veterans and their dependents are likely to be using resources resulting from the Hazlewood exemption in the coming years. It is an analysis of alternatives for addressing this issue that is the primary focus of this report.

History of the Hazlewood Exemption

¹ For a thorough examination of this exemption and changes to it over time, see Legislative Budget Board (2014). *Report on Hazlewood Exemption*. Austin, Texas.

As noted in an overview report from the Texas Legislative Budget Board, the support from the Hazlewood exemption program has expanded over time (Legislative Budget Board 2014: 2-3, 33). The legislature first exempted public college and university tuition for honorably discharged veterans in 1923.² In the 1943 legislative session the State extended such exemptions to the children of service members killed in action or those who were children of veterans who had become deceased in military service during wartime through amendments by Senators Hazlewood and Moffett. In 1953 the exemption was amended to restrict the exemption to veterans who met the aforementioned criteria and who were legal residents of Texas at the time they entered the military but excluded those who were receiving federal educational benefits. It was amended in the mid-1960s to include Texas National Guard members with more than 180 days of service during the Cold War and continued restrictions that kept veterans from receiving federal educational benefits simultaneously. A financial need provision was added in 1993 and then removed in 1995. Also in 1995, the exemption was capped at 150 credit hours. In 2007 the exemption was extended to dependents of disabled veterans and Hazlewood recipients were allowed simultaneous receipt of federal educational benefits.³ In 2009 the exemption was extended to allow a veteran to reassign unused hours of benefits to dependents less than 26 years of age – establishing the Legacy provision of the exemption. Finally in 2013, the program was transferred from the Texas Higher Education Coordinating Board to the Texas Veterans Commission, and the Permanent Fund Supporting Military Veterans Exemptions was established to provide an offset for tuition lost to colleges and universities as a result of the Hazlewood program.

The Future of Hazlewood

The major policy focus related to the continuation of the Hazlewood exemption involve addressing two key issues:

1. How many Texas Veterans and their spouse and children are likely to use Hazlewood exemptions in the coming years?
2. Is the level of projected recipients financially sustainable?

Previous Analyses of the Future Number of Hazlewood Recipients

The Legislative Budget Board (LBB) published an analysis of the Hazlewood exemption program in December of 2014. It provides an overview of the program and of federal policy and education benefit use, examines the program relative to that in other states and describes the demographic and program participation characteristics (e.g., credit hours, degrees and cost of attendance) of recipients. The LBB also provided projections of future impacts of the program from 2015 to 2019. This analysis was based on an assumption that the average numeric change from 2012-2013 and 2013-2014 would prevail through 2019. As shown in Figure 14 of the LBB report the largest increases were from 2012 to 2013 when veteran recipients increased from 15,732 in 2012 to 17,256 in 2013; dependent recipients increased from 751 to 1,003; spouse recipients increased from 91 to 132, and Legacy recipients from 12,288 in 2012 to 17,153. These were increases of 1,524; 252; 41; and 4,865 for veteran, dependent, spouse, and Legacy

² See Appendix B for a historical summary of the Hazlewood exemption and Appendix C for the current eligibility criteria.

³ A veteran cannot receive federal and state benefits that exceed the total amount of tuition and fees.

recipients, respectively or 6,766 overall.⁴ Thus nearly 72 percent of the increase was due to Legacy recipients.

From 2013 to 2014 the number of veterans increased from 17,256 to 17,290; the number of dependents from 1,003 to 1,513; the number of spouses from 132 to 183 and the number of Legacy recipients from 17,153 in 2012 to 19,715 in 2014. These were increases of 34, 510, 51, and 2,562 respectively for a total increase of 3,177. The LBB used an average of the change from 2012-2013 and 2013-2014 to estimate values for 2015 through 2019. Assuming an average of 2012-2013 and 2013-2014 levels of numeric change, the LBB analysis projected that the number of Hazlewood recipients would increase by 19,100 to 47,940 (or by more than 43 percent) from 2015 to 2019 with associated costs increasing from \$208.6 million in 2015 to \$379.1 in 2019. Although such an analysis is logical and is one of several alternative techniques for projecting the future number of Hazlewood recipients, data from several sources suggest that such analyses may be limited by the fact that:

1. It uses average numerical levels of change for the two periods of time of 2012-2013 and 2013-2014 to project future exemption beneficiaries but this method fails to account for the fact that the extent of increase in exemption use decreased from the 2012-2013 period to the 2013-2014 period. The use of this technique ignores the fact that there was a declining level of growth from 2012-2013 and 2013-2014;
2. The method used does not account for the changing size and aging of the veteran population that effects the number of potential Legacy and dependent recipients. It thus does not allow the underlying patterns of change in the veteran population to be adequately examined;
3. The method does not account for the changing characteristics of veterans and their households, change that includes an aging of veterans and a decline in the average number of children in veteran households.

Data from the National Center for Veterans Analysis and Statistics in the United States Department of Veterans Affairs for 2014 (see Table 1) provide information on the age of Texas Veterans that show that many of the 1.7 million veterans often identified as being the population of Texas veterans are likely to be veterans from WWII and Vietnam and unlikely to still be seeking college degrees or to have children who are doing so (National Center for Veterans Analysis and Statistics 2014). Assuming that those involved in the Vietnam War (the more recent of the two wars) that ended in 1975 were 21 years of age or older when the war ended, they would be at least 60 in 2014. As shown in Table 1, 826,073 veterans (or 49.2 percent of all veterans) are 60 years of age or older. It is highly unlikely that they are now seeking a college education. In addition, if one assumes that most of the veterans who are seeking college degrees for themselves are likely to be less than 35 years of age then the number of all veterans using Hazlewood benefits directly in the near-term is likely to be a maximum of 200,049 (see Table 1). In sum, although there were 1.7 million veterans in Texas in 2014 (according to the

⁴ There were 147 exemptions in 2012, 225 exemptions in 2013, and 245 exemptions in 2014 that were not classified by type.

Table 1. Estimated Number of Veterans in Texas by Age, 2014

Age	Veterans	Percent of Total
< 20	505	0.0
20-24	23,188	1.4
25-29	70,234	4.2
30-34	106,122	6.3
35-39	108,274	6.4
40-44	124,009	7.4
45-49	132,991	7.9
50-54	136,401	8.1
55-59	152,660	9.1
60-64	162,763	9.7
65-69	227,447	13.5
70-74	146,341	8.7
75-79	106,046	6.3
80-84	94,887	5.6
85+	88,549	5.3
Total	1,680,418	100.0

Source: VetPop2014, Office of the Actuary, Office of Policy and Planning, U.S. Dept. of Veterans Affairs.

Department of Veterans Affairs) the number currently seeking degrees and funds of any type to support them seem unlikely to continue to increase over time.

Hobby Center Projections of Hazlewood Exemption Recipients

The changing age structure of the veteran population in Texas and the United States will lead to fewer veterans at ages most likely to benefit from educational programs. The projected growth in the Hazlewood program is primarily driven by the increase in the age specific rates of use and not by the growth in the underlying populations. The number of veterans under the age of 50 is projected to decline by 68,000 from 2014 to 2025 while the numbers of veteran's children in the ages 18 to 25 are projected to decline by almost 40,000 people during the same period.

The Hobby Center for the Study of Texas, using historical data on Hazlewood exemptions from the Texas Higher Education Coordinating Board and historical demographic data about Texas veterans and their households, projected the number of recipients of the Hazlewood exemption by category of exemption through the year 2025.⁵ The results of these projections are shown in Figure 1 and Table 2. From 2012 to 2014, the number of individuals using the Hazlewood exemption increased by 9,608 people (a 35.4 percent increase – see Table 2). Most of that growth occurred among those who used the Legacy exemption (74.1 percent of the total growth). The Legacy program began in 2009 and, as with most new programs, the number of users grew quickly as people learned about the program but over time the rate of growth in new recipients has slowed. Our projections incorporate age specific rates of use for each exemption category. The use of such age specific rates is preferable because of the changing age characteristics and size of the veteran population as noted above.

⁵ See Appendix A for a complete discussion of the data sources and methodology for these projections.

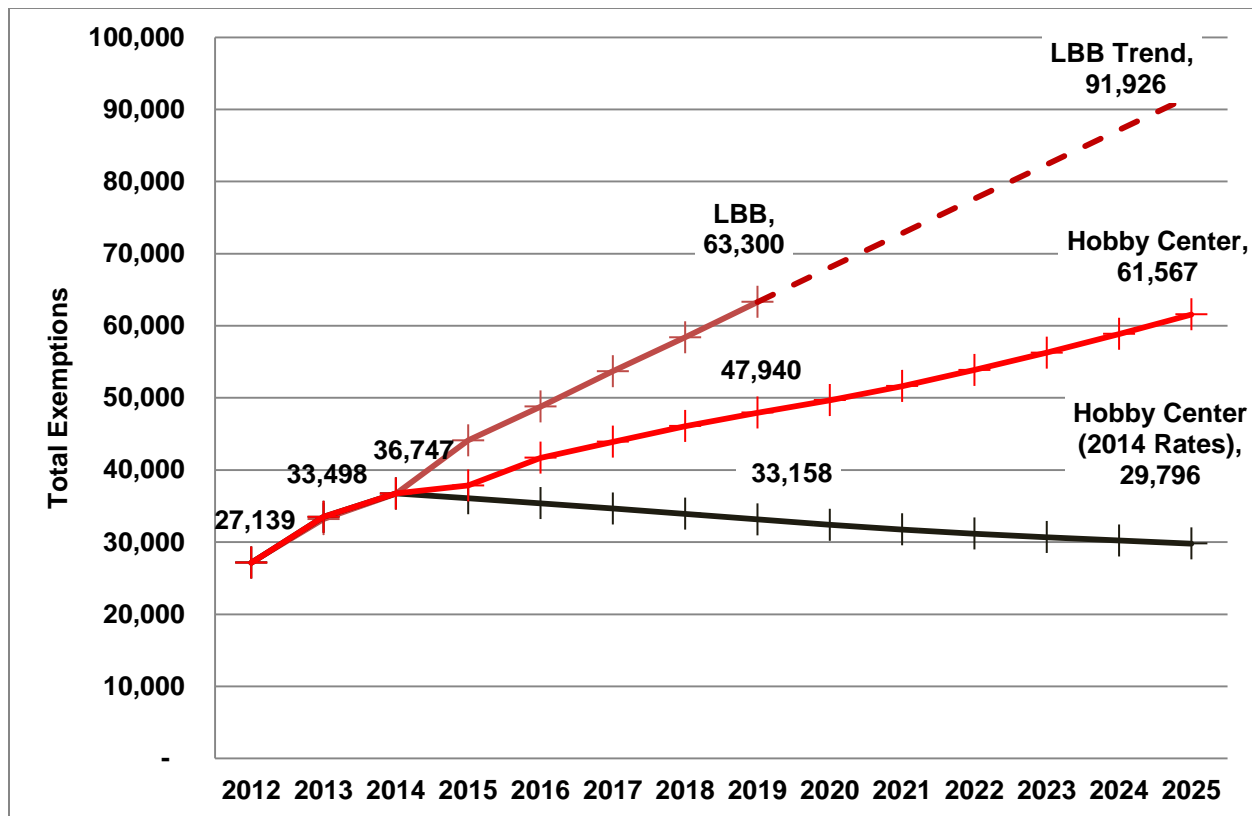


Figure 1: Comparison of Hazlewood Exemption Recipients by Year 2012 – 2014 and Projected for 2015 to 2025 by the Texas Legislative Budget Board (LBB) and the Hobby Center for the Study of Texas.

Note: The LBB projected Hazlewood use through 2019. LBB projections to 2025 shown here by a dashed line assume that the 2014 – 2019 trends continue through 2025.

If the historic change in the age specific rates of use continue through the projection period, given the underlying population of veterans and the related potential eligible children and spouses, then the number of people using the Hazlewood exemption will increase to 47,940 by 2019 and to 61,567 by 2025. This growth, however, will be bounded by the size of the eligible population so that the growth in the Hazlewood exemption is not likely to be as great as that suggested by the Legislative Budget Board (which merely extrapolated the average change in the number of exemptions from year to year into the future). As the data in Figure 1 indicate, the projected growth in the total number of exemptions is likely to be 16,000 less than the LBB's 2019 projection and 30,000 fewer in 2025 (assuming that the LBB's projection were extended to 2025).

Our projections indicate the Legacy and spouse and dependent exemptions will account for all of the growth in the Hazlewood exemption program from 2014 through 2025. If current change in the rates of use continue, the number of people using the Legacy exemption will increase to 28,729 by 2019 (an increase of 10,130 people from 2014 to 2019) and to 41,123 by 2025 (an increase of 22,524 – more than doubling the number of people using the Legacy exemption).⁶ In

⁶ Under these projections, 34 percent of eligible veteran children age 18 to 25 will use the Legacy Exemption (up from 13 percent in 2014).

Table 2. Hazlewood Exemptions by Type and Year, 2012 – 2014 and Projected from 2015 to 2025

Type	2012*	2013*	2014*	2015	2016	2017	2018	2019
Veteran	14,706	16,057	16,297	15,757	15,805	15,615	15,551	15,376
Legacy	11,477	16,037	18,599	19,816	23,192	25,219	27,064	28,729
Spouse & Dependent	956	1,404	1,851	2,276	2,690	3,086	3,469	3,835
Total	27,139	33,498	36,747	37,849	41,687	43,920	46,084	47,940

*Historical estimates as of January 28, 2015.

Type	2020	2021	2022	2023	2024	2025
Veteran	15,265	15,118	15,008	14,879	14,767	14,644
Legacy	30,216	31,984	33,993	36,205	38,590	41,123
Spouse & Dependent	4,186	4,527	4,860	5,183	5,497	5,800
Total	49,667	51,629	53,861	56,267	58,854	61,567

Source: Texas Higher Education Coordinating Board (2012-2014); Hobby Center for the Study of Texas (2015-2025).

addition, given current change in the rates of use, the number of people using the spouse and dependent exemption will increase to 3,835 by 2019 (adding 1,984 from 2014 to 2019) and 5,800 recipients by 2025 (an increase of 3,949 or 213.3 percent). Our analysis thus shows that the number of veterans at ages most likely to use the veteran exemption coupled with the fact that the rates of use of the veteran exemption have been relatively flat over the last few years results in a projected decline in the use of the Veteran exemption (a decrease of 921 users or -5.7 percent by 2019 and a decline of 1,653 users or -10.1 percent by 2025). Thus, our analysis suggest that by 2019, there will be a projected 15,376 veteran recipients and by 2025, there will be 14,644 veteran recipients (down from 16,297 in 2014).

In order to examine the effects of the change in the age characteristics of the veteran population, an alternative projection was completed and is shown in Figure 1. In this projection, age-specific rates were held constant at the rate that they were in 2014. Under this assumption, the number of people using the Hazlewood exemption would **decline** by about 7,000 people from 2014 to 2025 (changing from 36,747 recipients in 2014 to 29,796 recipients in 2025). In other words, if the age specific rates of use remained the same as they were in 2014, then the number of recipients of Hazlewood exemptions would be less than half the number projected under our baseline projections that assume that age specific rates of use continue to increase (29,796 exemptions in 2025 at a constant rate compared to 61,567 exemptions under our baseline projection).

Even without changes in the eligibility requirements of the Hazlewood exemption, the number of recipients of the Hazlewood exemption will increase over the coming years. But this increase is unlikely to be as large as that projected by the LBB because of the change in the age structure of the veteran population and associated change in household characteristics. The growth in the Legacy program since it began in 2009 is an indication of its popularity and of the demand for means of financing a college education. Several alternative proposals to change the eligibility criteria in order to slow the growth in the use of the Hazlewood exemption and associated costs have been presented in legislation. The next section will analyze the potential impacts of these proposals on change in the number of recipients of the Hazlewood exemption.

Effect of Proposed Changes to Eligibility Criteria for the Hazlewood Exemption

The previous section reported the results of projections of the Hazlewood exemption recipients. These projections assumed that there would be no change in the eligibility criteria from the criteria present in 2015. During the 2015 legislative session, several proposals to change eligibility criteria were discussed and legislation was proposed.⁷ After the legislative session, the Hazlewood exemption program remained as it was before and no change was made to the eligibility criteria. However, concern about growth in the number of Hazlewood exemptions and associated costs continue and will likely produce proposals to limit the program. Current proposals to limit the exemption include:

- 1) Limiting eligibility to those veterans who served at least six years on active duty;
- 2) Limiting Legacy eligible children to those whose veteran parent served at least six years on active duty;
- 3) Limiting Hazlewood recipients to those veterans (and their children) who were born in Texas or to those who have lived in Texas for at least eight years;
- 4) Limiting the exemption by adding an age limit to recipients that are 60 years of age or younger;
- 5) Limiting the exemption by adding an expiration date for using the exemption of 10 years (or 15 years) after the veteran's discharge; and
- 6) Setting additional academic standards to continue eligibility.

Unfortunately, data to fully evaluate the projected impacts of all of these changes are not available. However, several of these alternatives can be evaluated with existing data and the results of such analyses are included in the following sections.⁸ For each proposed change, current statistics are provided about veterans that are critical in evaluating the impact of the proposed criteria. Where possible, conclusions are drawn about the potential impact of each criteria change on the projected number of Hazlewood beneficiaries.

⁷ Two such bills were HB 3572 by Zerwas and SB 1735 by Birdwell.

⁸ Veteran households are those households where the householder or the householder's spouse was a veteran.

Educational and Household Characteristics of Texas Veterans

Many jobs today require a high school diploma and some require at least some education beyond high school. Today's United States military enlistment requirements are more stringent than they were historically. As a result, the majority of veterans, and especially the youngest veterans, have completed at least some college. In 2010, 68.0 percent of all veterans had completed at least some college (compared to 52.2 percent of nonveterans) and the percentage of Texas veterans with at least a bachelor's degree in 2010 was, at 27.7 percent, larger than that of nonveterans [22.6 percent for nonveterans (see Table 3)]. Although veterans overall are more educated than nonveterans, a large percentage of veterans have not yet obtained an Associate's degree (63.3 percent) and would benefit from the educational benefits provided by the Hazlewood exemption.

Table 3. Veteran Educational Attainment by Age, 2010

Age	< High School	High School	Some College	Associate	Bachelor	Prof./ Grad.	Total
18 - 24	3.8	38.8	48.7	4.0	4.5	0.2	32,386
25 - 44	1.6	22.3	40.0	12.8	16.5	6.8	347,250
45 - 64	5.1	24.8	31.3	10.7	17.2	10.9	637,100
65+	13.1	25.3	24.9	5.1	18.7	12.9	593,200
25+	7.3	24.5	30.8	9.1	17.6	10.7	1,577,550
All	7.3	24.8	31.2	9.0	17.4	10.3	1,609,936
Nonvet.	22.0	25.8	24.0	5.6	15.5	7.1	17,124,495

Source: Integrated Public Use Microdata Series, American Community Survey, 2008-2012.

The Texas legislature, recognizing the sacrifices that military families make in order to support their family's military service member, extended the Hazlewood exemption to children of veterans by allowing veterans to assign unused Hazlewood exemption benefits to a child. The use of the Legacy exemption will be affected by the number of children in veteran households which is, in turn, dependent upon the age structure of the veteran population.⁹ Table 4 summarizes Texas veteran households by age and presence of children in the household. In 2010, 31.0 percent of all veteran households had at least one child living in the household. As would be expected, most veteran

⁹ Veteran households are those households where the householder or the householder's spouse was a veteran.

Table 4. Veteran Households in Texas by Age of Parent and Presence of Children, 2010

Age	No Children Present	1 Child Present	2 Children Present	3 or More Children Present	Total
18 - 24	62.8	25.0	10.0	2.2	12,746
25 - 44	34.1	20.3	27.4	18.2	273,727
45 - 64	66.8	19.7	9.5	4.0	560,208
65+	88.9	9.5	1.3	0.3	543,218
All	69.0	15.9	9.8	5.3	1,389,899

Source: Integrated Public Use Microdata Series, American Community Survey, 2008-2012.

households with a child present are headed by veterans who are aged 25 to 44. Of those households headed by a veteran age 25 to 44, 65.9 percent had one or more children present, whereas a majority of all veteran households had no children present in 2010.

While data about the educational attainment characteristics of veterans and the number of children in veteran households indicate the potential beneficiaries for the Hazlewood exemption, these data do not specifically address the proposed changes in eligibility requirements. The next section provides analyses of each of the proposed changes with the exception of change in academic standards.

Evaluation of Proposed Changes in the Eligibility Requirements for Receipt of Hazlewood Benefits

Length of Service

One proposal for changing the eligibility requirements of the Hazlewood exemption limits the exemption to only those veterans who served at least six years of active duty. This change would result in requirements that are more restrictive than the requirements for federal educational benefits and significantly impact the number of veterans who would be eligible for receipt of the Hazlewood exemption.¹⁰ In the United States in 2012, only 31.2 percent of veterans who were less than age 65 served six years or more of active duty [King et al. 2010; U.S. Census Bureau and U.S. Bureau of Labor Statistics 2012 (see Table 5 and Figure 2)]. These veterans served an average of 4.3 years (with 68.8 percent of these veterans serving less than 6 years).

¹⁰ For information on federal education benefits see U.S. Department of Veterans Affairs, Veterans Benefits Administration (2012). Summary of VA Education Benefits. <http://benefits.va.gov/BENEFITS/benefits-summary/SummaryofVAEducationBenefits.pdf>.

Table 5. Veterans in the United States Less Than Age 65 by Length of Military Service

Years Served	Number	Percent	Cumulative Percent
< 4	3,963,435	40.9	40.9
4 through 5	2,700,385	27.9	68.8
6 through 9	1,406,864	14.5	83.3
10 through 14	577,251	6.0	89.3
15 or More	1,035,954	10.7	100.0
Total	9,683,889	100.0	

Source: IPUMS-CPS (2012 Current Population Survey, Veteran Supplement)

We do not have information on the length of service for veterans that were past recipients of the Hazlewood exemption (or the veteran parents for Legacy exemptions). However, in order to estimate the potential impact of this change we examined the results of alternative projections. Using our original projections reported in the previous section, we provide alternative scenarios of veteran and Legacy exemptions by assuming that the length of service characteristics for Texas veterans are the same as those for veterans nationally. These alternative scenarios show the potential impacts on the program due to the use of the length of service requirement of four years or more, six years or more, and ten years or more. The results of this analysis are shown in Table 6. The number of 2014 recipients is shown for comparison. The effect of these restrictions would be to decrease the number of recipients by almost 70 percent if the veterans were required to have served at least six years (compared to a 41 percent cut in recipients at a required four years or more and a 83 percent cut for a period of service of ten years or more). Given the six year length of service requirement, the number of veteran exemptions would decline by 12,000 (a 72 percent decrease) while the number of Legacy exemptions would decline by 5,769 (a 31 percent decrease).

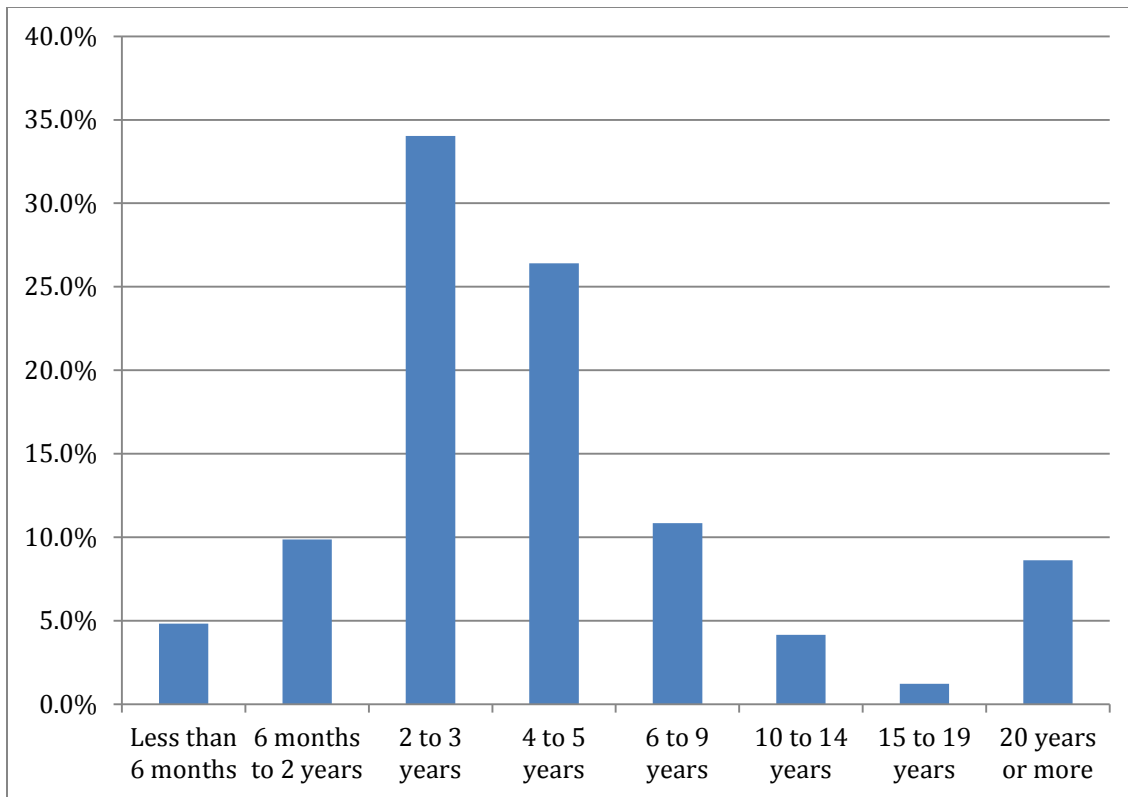


Figure 2: Veterans in the United States in 2012 by Length of Military Service.
Source: IPUMS-CPS (2012 Current Population Survey, Veteran Supplement)

Table 6. Veteran and Legacy Exemptions in 2014 and Projected to 2025 Under Alternative Assumptions for Length of Service Requirements

		Length of Service of at Least:		
Year	Base Projection	4 Years	6 Years	10 Years
Veteran				
2014	16,297	16,297	16,297	16,297
2019	15,376	9,087	4,797	2,568
2025	14,644	8,655	4,569	2,446
Change in Veteran Exemptions 2014-2025				
Numeric	-1,653	-7,642	-11,728	-13,851
Percent	-10.1	-46.9	-72.0	-85.0
Legacy				
2014	18,599	18,599	18,599	18,599
2019	28,729	16,979	8,963	4,798
2025	41,123	24,304	12,830	6,868
Change in Legacy Exemptions 2014-2025				
Numeric	22,524	5,705	-5,769	-11,731
Percent	121.1	30.7	-31.0	-63.1

In addition to limiting the number of Texas veterans eligible for Hazlewood, the length of service eligibility criteria will effectively limit the program to veterans (or their children) who served as commissioned officers and career enlisted men and women. The length of service varies between the enlisted and officer ranks. For those who were serving active duty in 2013, officers had served an average of 11 years or more while those in the enlisted ranks had served 6.7 years (United States Department of Defense 2013). In 2013, 46.2 percent of active duty enlisted members had served for 3 years or less (see Table 7). On the other hand, commissioned officers served a longer period of time, with 45.1 percent of commissioned officers serving 11 years or more.

**Table 7. Mean Age and Average Length of Service for
Active Component Officers and Enlisted Members of the
United States Military, 2013**

Personnel	Mean Age	Months of Service	Years of Service
Officer	34.5	131.1	10.9
Enlisted	27.3	80.0	6.7

Source: Population Representation in the Military Services, 2013

Of all of the proposed changes to the Hazlewood exemption, the length of service requirement would have the largest impact on the number of recipients. This change in criteria would slow the growth in the program, and for the longest service requirements, would cut the number of exemptions below the number in 2014. In addition, veterans who are most likely to need this exemption (those who served in the enlisted ranks) will be the ones least likely to meet this requirement and be eligible for the Hazlewood exemption.

Texas Veterans

The Hazlewood exemption was originally intended for Texas veterans – those who were born in Texas or who had lived in Texas for a specific number of years and enlisted or were commissioned in Texas. Data on the state of enlistment for current veterans is not available. However, because of its relative population size and because Texans have a higher propensity to serve in the United States military relative to citizens of other states, Texans account for a significant percentage of military recruits (United States Department of Defense 2013: 19-22). In 2013, of those who enlisted into the active duty military, 9.8 percent (or 16,078) enlisted in Texas. These individuals, upon honorable discharge and return will add to the ranks of Texas veterans.

Due to the nature of military service, military service members are more mobile than the population as a whole (Bailey 2011). Service in the military may lead individuals, upon discharge or retirement, to settle far away from the state in which they were born. According to the American Community Survey, an estimated 50.1 percent of the veterans living in Texas (or 806,598) in 2010 were born in Texas and 46.3 percent (or 294,020) of veterans who were 55 years of age or younger in 2010 were born in Texas (see Table 8). In addition, today's veterans are more mobile than those in previous decades. Over time, the percentage born in Texas has declined for all veterans as well as veterans who were less than age 55. Limiting the program to only veterans born in Texas would severely curtail the number of veterans eligible to receive Hazlewood benefits to half of the veteran population living in Texas.

Table 8. Number and Percent of Veterans Living in Texas Who Were Born in Texas, 1980, 1990, 2000 and 2010

Year	All Veterans		Veterans Less than Age 55	
	Number	Percent	Number	Percent
1980	1,004,480	58.8	657,100	57.7
1990	1,062,001	55.7	572,153	52.9
2000	925,849	52.9	425,073	49.7
2010	806,598	50.1	294,040	46.3

Source: Integrated Public Use Microdata Series, Census 1980, 1990, 2000 and American Community Survey, 2008-2012.

The number and percentage of recruits enlisting in Texas and the number and percentage of veterans living in Texas who were born in Texas provide an indication of the potential beneficiaries of educational benefits but the data do not provide sufficient information to fully analyze the impact of limiting Hazlewood beneficiaries to those who had lived in Texas for at least six or eight years prior (the residency requirements included in recent legislative proposals). The last large scale survey to collect information on the mobility of veterans for a length of time longer than one year was the long form sample survey of the 2000 Census. According to the 2000 Census, 91.0 percent of veterans living in Texas in 2000 lived in Texas in 1995 as well (Table 9). Thus, only 9.0 percent of all veterans living in Texas in 2000 lived outside of Texas five years prior. For the purposes of the Hazlewood exemption, the percentage may be even smaller because these statistics do not account for those veterans who lived elsewhere five years prior to the census but were on active duty and claimed Texas as their home of record.

The census data on migration mask important differences in migration histories for veterans of various ages. In general, people are more likely to move at younger ages but over time settle in one place. This pattern can be seen in Figure 3. At the youngest ages (a time when most veterans attend college) a large share of the veteran population moved to Texas between 1995 and 2000 (38.5 percent of those age 25-29 in 2000). Of those veterans age 55 years and younger, 16.1 percent lived in another state or abroad in 1995.

Table 9. Residence in 2000 of All Texas Veteran Householders and Veteran Households with a Householder Less Than Age 55 (in 2000) Relative to Residence in 1995

Migration Status	Number	Percent	Cumulative Percent
All Veteran Households			
Same House	909,378	64.0	64.0
Elsewhere within Texas	383,234	27.0	91.0
Another State	113,110	8.0	99.0
Abroad	14,350	1.0	100.0
Householder Less Than Age 55			
Same House	381,143	44.5	44.5
Elsewhere within Texas	337,492	39.4	83.9
Another State	117,806	13.8	97.7
Abroad	19,619	2.3	100.0

Source: Integrated Public Use Microdata Series, Census 2000.

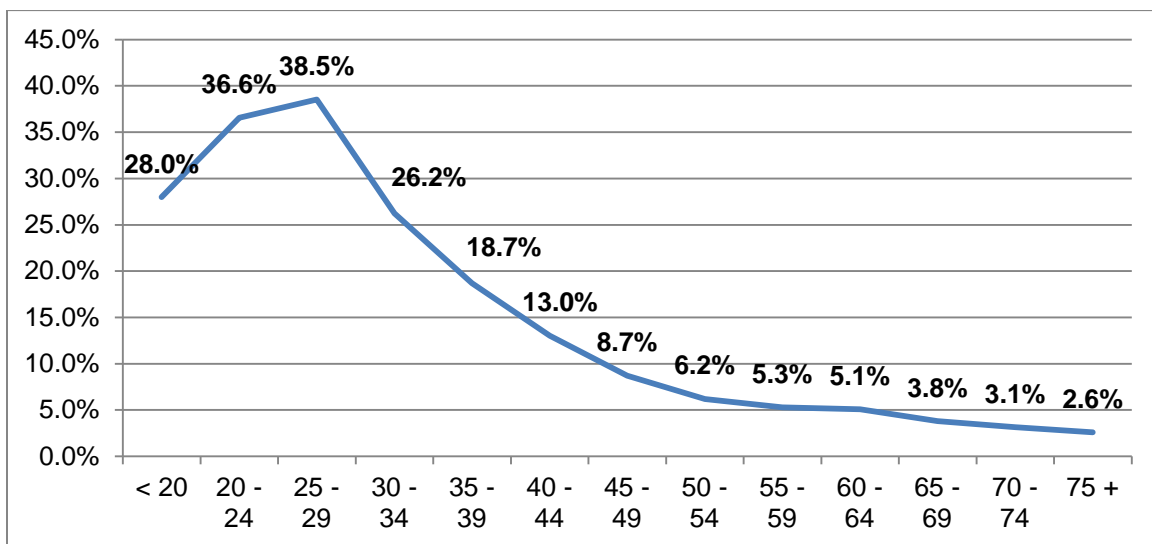


Figure 3. Percent of Texas Veteran Householders by Age Who Moved to Texas from Another State or From Abroad Between 1995 and 2000.

Source: Integrated Public Use Microdata Series, Census 2000.

Assuming that the age specific mobility characteristics of veterans in 2000 exist today and continue into the future (and not accounting for those veterans who migrated but who had claimed Texas as their home of record), residency requirements of at least five years would limit the number of veteran Hazlewood beneficiaries. At the same time, this change would likely have limited impact to the number of Legacy recipients because the parents of these individuals are older and more likely to have lived in Texas for at least five years. Table 10 shows the results of alternative projections for a residency requirement of at least five years for the veteran and Legacy programs. These alternative projections show that this limitation would reduce the veteran projection to 79 percent of what they would be without this limitation (11,500 recipients compared to 14,644 projected recipients in 2025) and the Legacy recipients to 90 percent of what they would be without this limitation (37,011 recipients compared to our 41,123 baseline projection).

Although sufficient information is unavailable to fully evaluate proposals to limit eligibility requirements for the Hazlewood program to a length of residency of six or eight years, an examination of a residency of at least five years shows that this criteria change would have a larger impact on veteran exemptions leading to a projected decline of 29.4 percent while having a much smaller impact on the Legacy program (which would still grow by about 99 percent from 2014 to 2025).

Table 10. Veteran and Legacy Exemptions in 2014 and Projected to 2025 for the Baseline Projection and Assuming a Residency Requirement of at Least Five Years

Year	Base Projection	5 Year Residency	Year	Base Projection	5 Year Residency
Veteran			Legacy		
2014	16,297	16,297	2014	18,599	18,599
2019	15,376	12,119	2019	28,729	25,856
2025	14,644	11,500	2025	41,123	37,011
2014-2025 Change in Veteran Exemptions			2014-2025 Change in Legacy Exemptions		
Numeric	-1,653	-4,797	Numeric	22,524	18,412
Percent	-10.1	-29.4	Percent	121.1	99.0

Age Restriction

Restricting Hazlewood eligibility to veterans age 60 years of age or less will not significantly impact the number of people using the Hazlewood exemption. The majority of Hazlewood exemption recipients in 2014 were younger than age 30 and the majority of veterans who used the Hazlewood exemption were under age 40 (see Table 11). Veteran and spouse exemptions are taken at older ages (average age for veterans was 38 while the average age for spouses was 43). The Legacy and dependent programs limit children of veterans so that they cannot take the benefit beyond age 26. So, as would be expected, most dependent and Legacy exemptions are taken during the late teens and early twenties with the average age being 21 (for Legacy) and 22 (for dependents). Although the change in the numbers of exemptions are small, the age limitation would likely impact the spousal beneficiaries the most. The average age for spousal beneficiaries was 43 years of age in 2014 and 12 percent of spousal beneficiaries were 60 years of age or older.

Table 11. Hazlewood Recipients in 2014 by Exemption Type and Age

Age	Veteran	Spouse	Legacy	Dependent	All
Younger than 30	27.2	15.1	99.8	94.4	67.5
30 to 39	31.8	24.1	0.1	3.4	14.1
40 to 49	22.6	25.7	0.1	1.4	10.1
50 to 59	12.9	23.3	0.0	0.6	5.8
60 and Older	5.5	11.8	0.0	0.2	2.5
Total	16,297	397	18,598	1,454	36,747
Average Age	38	43	21	22	29
Source: Texas Higher Education Coordinating Board, Hazlewood Exemption Database as of January 28, 2015					

Table 12. Veteran and Spouse & Dependent Exemptions in 2014 and Projected to 2025 for the Baseline Projection and Assuming an Age Restriction of 60 Years or Younger

Year	Base Projection	Age <60 Restriction	Year	Base Projection	Age <60 Restriction
Veteran			Spouse & Dependent		
2014	16,297	16,297	2014	1,851	1,851
2019	15,376	14,530	2019	3,835	3,732
2025	14,644	13,839	2025	5,800	5,644
2014-2025 Change in Veteran Exemptions			2014-2025 Change in Spouse & Dependent Exemptions		
Numeric	-1,653	-2,458	Numeric	3,949	3,793
Percent	-10.1	-15.1	Percent	213.3	204.9

In order to understand the impact of this limitation, an alternative projection for the veteran and spouse and dependent beneficiaries was prepared. For these alternative projections, the same proportional distribution of Hazlewood exemption users by type as were present in 2014 was assumed. This age restriction decreases the total number of exemptions to veterans by five percent and spouse and dependent beneficiaries by three percent from what they would have been without the restriction (see Table 12). The number of veteran beneficiaries would decline to 13,839 in 2025 (a decrease of 2,458 people or 15.1 percent). Without this restriction veteran exemptions would only decline by 10.1 percent for the same period (or 1,653 people). Spouse and dependent exemptions would increase by 3,793 from 2014 to 2025 (to 5,644). Without this exemption, spouse and dependent exemptions would increase by 3,949 (an increase of 213.3 percent). This age restriction would have no impact on the Legacy program because Legacy beneficiaries are younger than age 60 (and most are younger than age 25). Data are not available to evaluate proposals that would limit the Legacy and dependent exemption based upon a parental age limit of 60. However, it is highly likely that this limitation would have only a small impact on the number of recipients because most parents of college age children are in their late forties and fifties.

Expiration Date

The effects of an expiration date for Hazlewood eligibility are more difficult to estimate. Today's military recruitment standards are more stringent than in previous decades so that those serving in the military are more likely to have at least a high school diploma and some college education relative to previous generations of recruits (United States Department of Defense 2013). The time since a veteran served thus becomes conflated

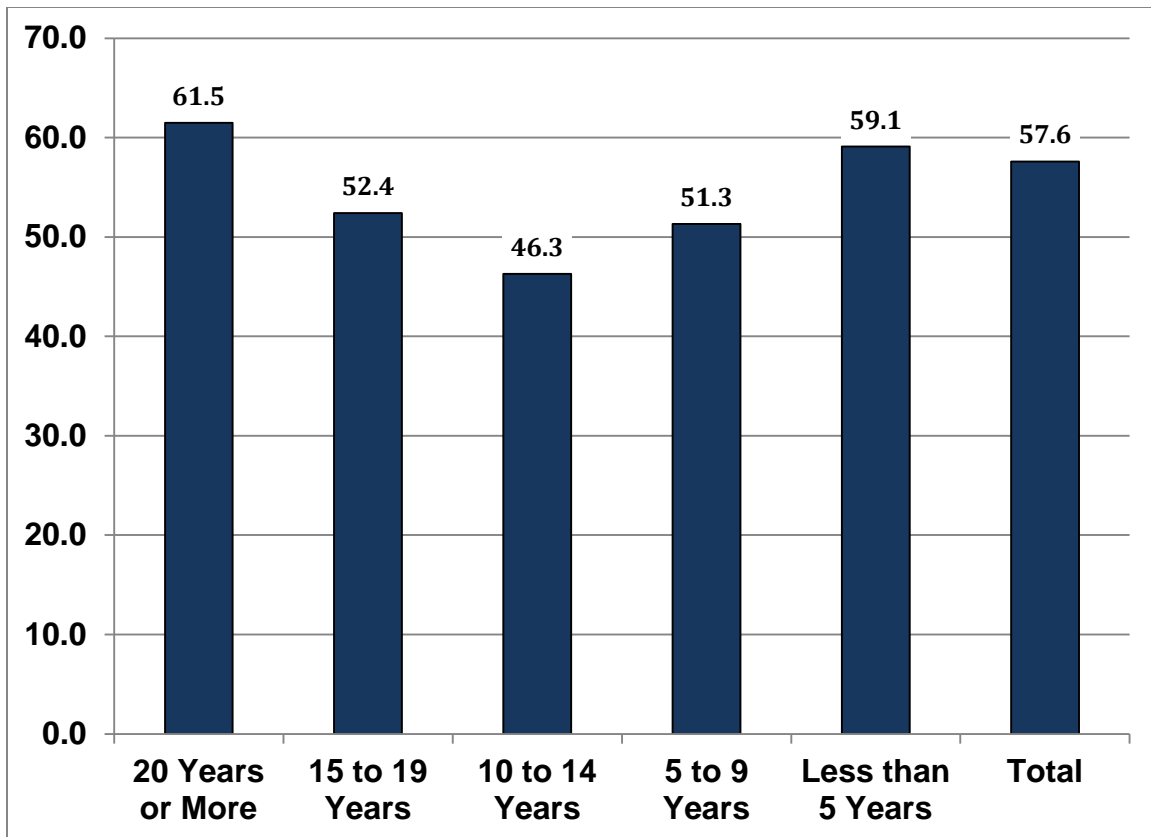


Figure 4. United States Veterans Age Less Than 65 Without College Degrees or Certificates by Length of Time Since Last Military Service.

with the age of the veteran and the time in which he or she served (a cohort effect). Figure 4 shows, for alternative periods since military service, the percentage of veterans who would be most likely to benefit from the Hazlewood exemption: those veterans with no college degree (includes those with no high school diploma, those with a high school diploma, and those with some college but no degree or vocational certification). As is evident in Figure 4, the percentage of veterans who would most likely benefit declines as the number of years since military service increases through the period of 10 to 14 years. The percentage of veterans without college degrees or vocational certification increases for the next two durations; however, this is most likely a function of older generations of veterans who were more likely to have lower educational attainment. The patterns suggest that most veterans go back to school soon after their discharge, typically when they are younger and when federal educational benefits are available. Most federal education benefits are limited to a maximum of from 10 to 20 years after discharge or death of the service member depending on the particular program (U.S. Department of Veterans Affairs 2012).

Limiting the education benefit to no more than 15 years after discharge would likely have the largest impact on the Legacy and dependent programs. In order to use the Hazlewood exemption, a child must be no younger than age four at the veteran parent's discharge or

death to be able to use the benefit (assuming that the child entered college and used the exemption at age 18). According to the 2012 Current Population Survey Veteran Supplement, the median age of the youngest child of U.S. veterans who left military service within the previous five years was four years of age while the median age for the oldest child was 10 years of age.¹¹ Unfortunately, the Hazlewood database does not have information linking the Legacy and dependent recipients to their veteran parents or information about the time since discharge of the veterans. Thus, we are not able to fully analyze the impact of this criteria change but these data on veteran children suggest that at least a part of the veteran children may benefit from the Hazlewood exemption but this change would restrict the benefit to only those children who were born prior to or during the veteran's military service (and only those children that were at least four years old at the time of the parent's discharge or death).

Conclusion

Texas has long supported men and women who have served in the military. Recognizing the importance of a college education, the Texas legislature began providing an exemption on tuition and fees to Texas veterans as far back as 1923 and has expanded those benefits over the years. Extensive growth in the use and associated costs of the Hazlewood exemption, primarily as a result of the growth in the Legacy program, have led to concerns about the exemption's long term viability. According to our projections, the number of recipients will continue to grow over the next several years from 37,000 in 2014 to a projected 48,000 by 2019 and 62,000 by 2025. Although this growth is significant, it is not as large as that previously projected because our projections account for the change in the age structure and size of the veteran population. Despite wars in Iraq and Afghanistan, the U.S. military is smaller than what it was during the Cold War and the first Gulf War which will lead to a smaller veteran population in the future.

Because of the change in the size and age structure of the veteran population, there will be fewer veterans using the Hazlewood exemption and our projections show that most of the growth in the Hazlewood exemption will be as a result of the growth in the Legacy program. These projections also show that the number of Legacy recipients will increase to 29,000 by 2019 and 41,000 by 2025 (more than double the number of Legacy recipients in 2014). At the same time, the spouse and dependent exemptions will increase to 3,825 by 2019 and 5,800 by 2025 (up from 1,851 in 2014).

The various proposals for modifying the eligibility requirements would have disparate impacts on the growth in the Hazlewood exemption. Of all proposed changes, the length of service will have the most substantial impact as it will limit the number of exemptions, assuming a six year length of service requirement, to a third of what they would be without the restriction. In addition, this requirement would limit the Hazlewood exemption to those who are least likely to need the exemption (veterans who served as commissioned officers or spent a career in the enlisted ranks) since the average length of service for all veterans in Texas in 2010 was 4.3 years.

¹¹ We used the Integrated Public Use Microdata Series – Current Population Survey to analyze veteran time since discharge and age of children in households.

Requiring veterans to live in Texas for at least eight years would likely impact veteran exemptions the most and do little to slow the growth in the Legacy program. The veteran parents of children attending college are more likely to have been living in Texas at least five years (the longest period for which we have data), while young veterans are more likely to have moved to Texas within the last five years. Similarly, since the majority of the users of the Legacy and dependent programs are in the ages of a typical college student (18-22), restricting the Hazlewood exemption to veterans less than age 60 would only impact the veteran and spouse program. Finally, although data are not available to fully analyze the effect of adding an expiration date on the use of the Hazlewood exemption, the information provided in this report suggests that this change would have the largest impact on Legacy exemptions because a child would need to be at least four years old at the time of the parent's military service discharge or death to be able to use any of this benefit.

The Hazlewood exemption has played a critical role in improving the education of veterans, and in turn, improving the economic competitiveness of the Texas labor force. This program, unique among other states, is just one program among many others that shows the state's commitment to the United States military and our veterans. It is this commitment that have led some, who are concerned about its long term viability, to propose legislation to change the eligibility requirements of the program. This report has been provided in order to help guide decision makers in determining the best paths forward for modifying and maintaining the Hazlewood exemption.

Appendix A

Data and Methodology Used in This Analysis

This appendix summarizes the data sources and methodology used for the projections of Hazlewood exemption recipients provided in the first part of this report.

Data Sources

In addition to current data on Texas veterans and related dependents, the primary data source used in this work was the Integrated Public Use Microdata Series (IPUMS) from the Minnesota Population Center (Ruggles et al. 2010). The IPUMS includes a sample of individual's (but without identification) data from the U.S. Census Bureau's decennial census and American Community Survey. Because of change in collection methods, question wording, and survey form layouts, variables describing the characteristics of the population at one point in time may not be identical to the variables at another period of time. The IPUMS, when possible, harmonizes variables so that population characteristics can be compared across time. The IPUMS allowed estimates to be made of the number and characteristics of veterans and their households for historical periods back to 1980. Data were obtained on veterans and the characteristics of veterans from the data in IPUMS for the 1980, 1990, and 2000 Census sample survey as well as the American Community Survey for 2008-2012 (which we used to represent 2010). The IPUMS allowed estimates to be made of the characteristics of veterans and veteran households. These were used as inputs to the projection model used in our analysis.

In addition to the census data, data on Hazlewood exemption use were obtained from the Texas Higher Education Coordinating Board (THECB). The Hazlewood database records the number of exemptions by year, type of exemption (veteran, dependent, spouse, or Legacy), institution, and characteristics of the recipients. Although these data have been collected for many years, there was no consistency in the reporting of the data until the THECB standardized the data reporting requirements beginning with FY2012.¹² Therefore, we used Hazlewood exemption data only from 2012, 2013, and 2014.

Methodology for Projecting Base Populations

In order to project Hazlewood exemption use we first prepared a series of projections for the populations that are likely to be eligible for the exemption. This is primarily the veteran population and their dependents in Texas. After projecting the veteran projections we prepared projections of veteran children as well as the disabled veteran population. In this section, we first describe our methods for projecting the veteran population and follow that discussion by outlining our methods for deriving the childhood population and the disabled veteran population.

¹² For additional discussion on this issue see Legislative Budget Board. 2014. *Report on Hazlewood Exemption*. Austin, Texas.

The size of the veteran population grows or declines as a result of three main factors: (1) additions to the veteran population as people are honorably discharged from active duty; (2) subtractions from the veteran population as veterans die; and (3) additions or subtractions to the veteran population as veterans move into or out of Texas. The number of people becoming veterans is influenced by the size of the military at any given point in time. The largest cohort of veterans served during World War II when the size of the military reached 12.2 million people (National WWII Museum 2015). Many of the World War II and Korean War veterans have died or are in older ages today. The next largest cohort of veterans served during the Vietnam War, a war that ended forty years ago. There were 3.5 million military personnel in 1968 during the peak of the Vietnam War (see Figure A.1). Many of those veterans have now reached retirement age or will be reaching retirement age in the next few years. From the Vietnam War peak, the military declined to about 2.0 million by 1979 before rising again to 2.2 million in 1987 during the Cold War build-up of the 1980s. As the Cold War ended, the size of the military decreased to about 1.4 million by 1998 – a size that has remained relatively unchanged despite the wars in Iraq and Afghanistan. The effect of these differences in the military size over the years can be seen in the age structure of the veteran population in 2000 and 2010 as shown in Figure A.2. Thus any projection model must take into account the differences in cohort sizes of veterans over time.

Unfortunately, we do not have data for each of the components of change used in many projections (births, deaths and net migration) but using historical data on veteran populations we were able to prepare projections for 2020 and 2030 using the Hamilton-Perry method (Hamilton and Perry 1962). This method uses historical census data to calculate future populations. From historical census data, historical cohort change ratios (CCRs) were calculated for selected population groups in the total population by age and race/ethnic group (nonHispanic White, nonHispanic Black, Hispanic and nonHispanic Asian and Other). We then applied these ratios to veteran populations in the same age and race/ethnicity groups to derive future projections.

Cohort change ratios (CCRs) are calculated by using change in a factor or characteristic that is assumed to change in the same manner as the factor being projected. For example, hypothetically if the veteran population 40-44 years old in 2000 was 50 and the veterans population 50-54 in 2010 was 100 then the CCR would be 2 and this ratio would be applied to the 40-44 years old in 2010 and 2020 to project 50-54 years old veterans in 2020 and 2030. This is completed for each age and race/ethnicity specific group for 2020 and 2030. These ratios were obtained for all 5-year age groups from 30-34 through 75+

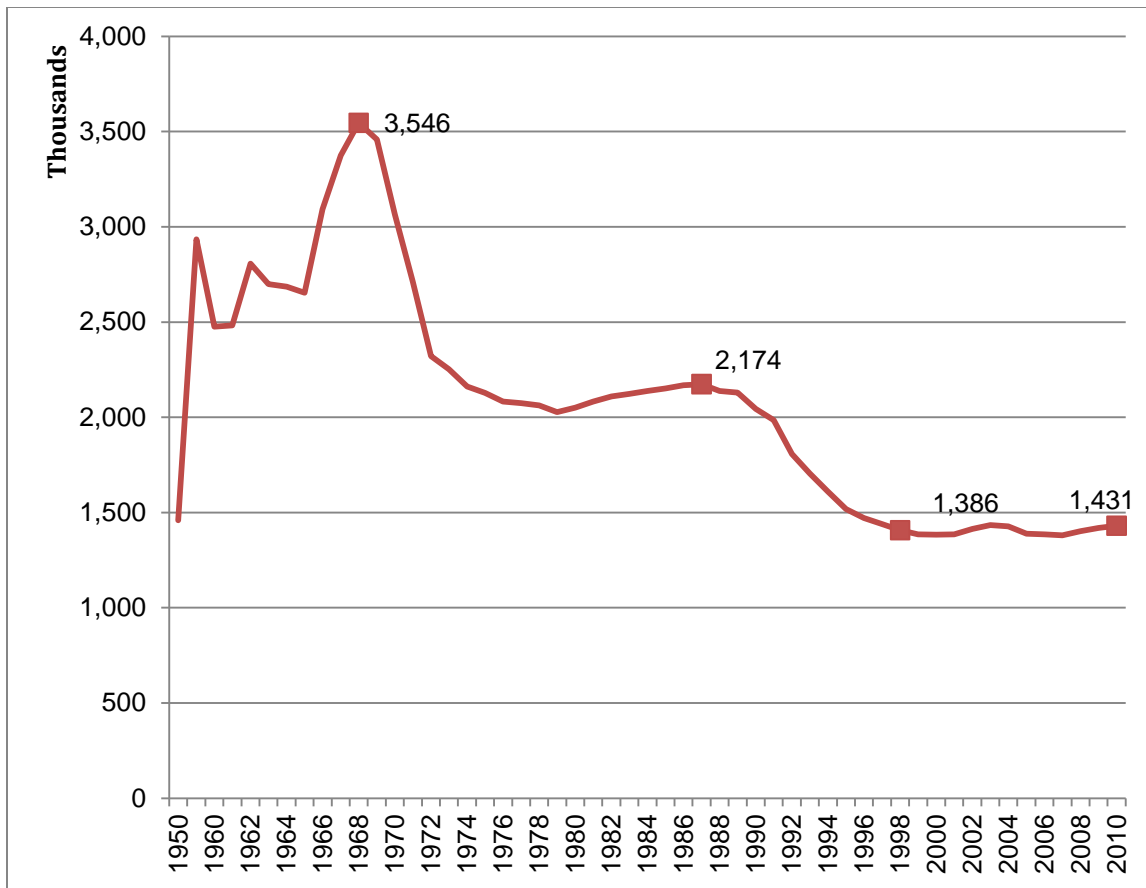


Figure A.1: Department of Defense Personnel: 1950 to 2010.

Source: U.S. Department of Defense, Selected Manpower Statistics as reported in the *2012 Statistical Abstract of the United States*.

years of age using 2000 to 2010 data. These change ratios were then applied to the population by age in 2010 to project the population by age in 2020 and in 2030. For example, the CCR calculated for the veterans obtained from intercensal change for those 30-34 years of age in 2000 to those 40-44 years of age in 2010 was applied to the 30-34 year olds in 2010 and 2020 to project 40-44 year olds in 2020 and 2030. Change ratios were calculated for each period (1980-1990, 1990-2000, and 2000-2010). After carefully reviewing the results of these models as well as the data on the changes in the size of the military, it was determined that the best model for future projections was that based on the change ratios for the most recent period (2000–2010). Despite the wars in Iraq and Afghanistan, the size of the military has remained relatively stable and is much smaller than the military present during the first Gulf War and prior to the fall of the Berlin Wall. During the 1990s, there were additions to the veteran population as a result of the end of the Cold War and Gulf War I. Between 2000 and 2010, there was only a slight increase in the size of the military and no large increases in the veteran population as a result of military downsizing relative to other periods of time. Although the wars in Afghanistan and Iraq had officially ended, the size of the military did not increase significantly so that the rate at which active duty service members leave the military and become new veterans are likely to be similar to those between 2000 and 2010.

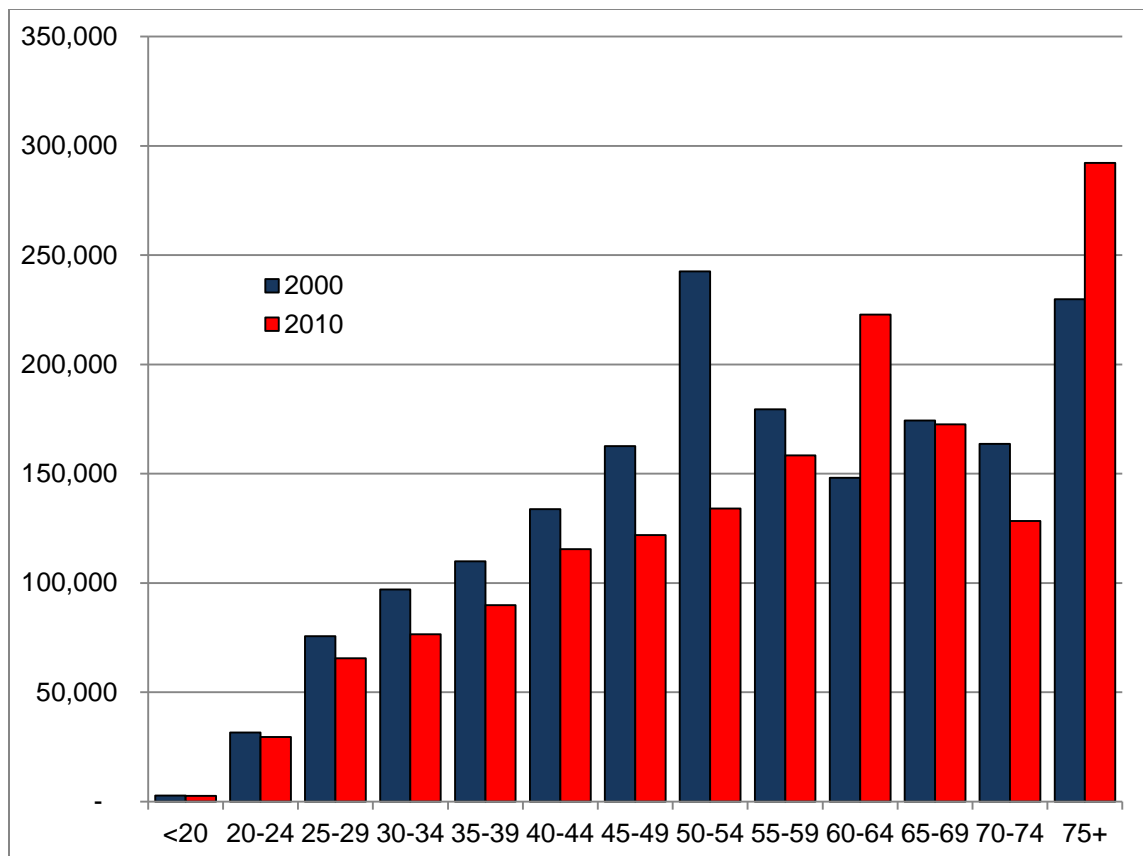


Figure A.2: Veteran Population in Texas by Age, 2000 and 2010.

Source: Integrated Public Use Microdata Series, 2000 Census and 2008-2012 American Community Survey.

Cohort change ratios were not computed for the age groups under 30 years of age for this analysis because there were no veterans in these age groups 10 years earlier and thus CCR ratios were not applicable for use in the analysis of veterans 10 years later. We estimated the number of veterans at these youngest ages by assuming that the ratio of the number of veterans to the number of people serving in the military for each of these age groups in 2010 were applicable for each decade through 2030.

The U.S. Department of Defense has indicated that the military will be reduced by 5 percent by 2018 (Congressional Budget Office 2013). We assumed that this reduction would be applicable to the military in Texas so a reduction of five percent (proportionally by age) was completed for 2017-2018 and the new values so obtained used in our analysis for periods after 2018. After establishing the projections for 2020 and 2030, the projections for the interim years were derived by interpolating the projected values for the change between 2010 and 2020 and 2020 and 2030. The final projections were then reviewed for reasonableness.

The base veteran projections were used to project the potential recipients of Legacy exemptions (children). First, veteran households were estimated for 2010 by using 2008-2012 estimates of the veterans who were either a householder or the spouse of a

householder. The estimated number of veteran households for each age group was used to calculate veteran householder rates that were then applied to the veteran population projections to derive projections of veteran households. An average of the proportions of veteran's households with children from the 2000 Census and the 2008-2012 American Community Survey by age was applied to the veteran household projections. The results of this analysis provided the projected number of veteran households in which at least one child would be present.

The Hazlewood Legacy program can only be passed on to one child at a time and children must use the exemption before age 26. As a result an additional step was taken to estimate and project the number of children potentially eligible for the Legacy program. This number was estimated based on variables in IPUMS that indicate the presence of children in the household and the age of the youngest child in the household. This estimate of the youngest child in the household was applied to the household projections to estimate the number of veteran children by age. The age of the youngest child was used to determine the maximum length of time that a Legacy exemption could be used by his or her children (a veteran can have more than one child and theoretically could give a portion to each child until the exemptions is used up). The ages of children were grouped into five-year age groups except for the youngest age group (<1, 1-5, 6-10, 11-15, 26-20, and 21-25). The number of children for each age group was then combined with the age of veteran householders to calculate child to parent ratios for each decade. The ratios were calculated as follows:

$$\begin{aligned} &\text{Children } <1-5 / \text{Veteran Householders } < \text{ age } 44 \\ &\text{Children } 6-10 / \text{Veteran Householders } < \text{ age } 49 \\ &\text{Children } 11-15 / \text{Veteran Householders } < \text{ age } 54 \end{aligned}$$

After review of the historical data, the average of 2000 and 2010 child to veteran ratios were selected and applied to the veteran household projections to produce projections of children by age. Some children may leave home for college or work but may still be dependents on their veteran parents (in terms of education financing purposes). Thus, projections for the oldest ages (16-20 and 21-25) were calculated using cohort change ratios similar to the ratios used for the veteran population. These ratios were calculated for the overall population for those age groups (i.e. population 21-25 in 2010 / population 11-15 in 2000 and population 26-30 in 2010 / population 16-20 in 2000). The resulting CCRs were then applied to the veteran child population for the respective ages to project the potential Legacy eligible population in 2020 and 2030. The average CCRs for 1990-2000 and 2000-2010 were used. The projections for the interim years were derived by interpolation and exponentially smoothed to derive reasonable estimates by year and age group.

Methodology for Projecting Rates of Exemption Use

The veteran population projections and the potential Legacy eligible population projections were then used to calculate Hazlewood exemption rates of use for 2012, 2013, and 2014 by dividing Hazlewood exemption use by age of the recipient and type of exemption for the specified exemption type (i.e. veteran exemptions by age divided by veteran population projections by age and Legacy exemptions by age divided by veteran children by age). The Legacy rates were limited to the ages 16-20 and 21-25. In addition, the spouse and dependent rates were calculated by dividing the total number of exemptions for these two categories by five percent of the projected veterans households with children where the parent was less than age 60. This was based on the fact that in 2010, five percent of these households included veterans with a disability rating of 70 percent or greater (the highest age category captured in the American Community Survey). The Hazlewood exemption is only available to spouses and dependents of those with a 100 percent disability rating and those whose parent or spouse died in action. Unfortunately, we did not have estimates of those with 100 percent disability and can only use the 70 percent or greater disability rating.

The rates were calculated for each group as described above and for 2012, 2013, and 2014. The change in these rates by year was then trended to 2025 using annualized rates of change determined by using average rates for 2012-2014. The rates for each year were then applied to the projected veterans population by age, eligible children by age, and the disabled veteran household population under age 60 by year. An alternative projection was prepared for comparison. This projection assumed 2014 rates of Hazlewood exemption use (i.e. that there were not changes in the rates of use).

Appendix B

History of the Hazlewood Exemption

Originating as the Hinson-Hazlewood Act, Texas Education Code Chapter 54, Section 54.341, The Tuition and Fees Act, (January 1, 1946) set forth the legal statutes under which wartime veterans from the Spanish-American War through the Persian Gulf Wars, whose home of Record is listed as “Texas” are entitled to tuition and some fee waivers from public colleges and universities in Texas. As a result of the Hazlewood Legacy Program which began in 2009 the children and spouses of Texas Veterans can be designated by the veteran as recipient of their educational benefits. These codes are generally and will here be referred to as the **Hazlewood exemption**. The Texas System of Public Higher Education encompasses 36 general academic institutions and their lower-division institutions as well as 50 community colleges and junior college districts, one technical college system with four main campuses, and 10 health science centers and related institutions. The public institutions of higher education (IHEs) individually administer the exemptions and the TVC provides administrative oversight.

The exemption from tuition and fees applies to a maximum of 150 semester credit hours (SCH). It does not apply to deposit fees, student service fees, or charges for books, lodging or board. Further, the exemption is only applicable for courses that receive state formula funding. It includes statutory tuition in accordance with Texas Education Code 54.051. For example the statutory tuition for 2014-15 academic-year is \$50 per semester credit hour for Texas residents at GAI and state colleges. In addition to statutory tuition, the governing board of IHEs in Texas in accordance with the Texas Education Code, Section 54.0513 may charge any student **any** amount designated as tuition, which the governing board considers necessary for the effective operation of the institution through the General Appropriations Act. There is a wide range of designated tuitions across systems and indeed within systems (for example twice as much for larger campuses then smaller campuses in the same system).

Texas began granting educational benefits to World War I veterans in 1923. The first major set of amendments were made in 1943 during WWII by Senators Grady Hazlewood and George Moffett which extended benefits to veteran’s children under conditions that veteran’s service resulted in death in action or death during wartime service. Not until 2009 did the Hazlewood exemption include deaths documented to be directly caused by service-connected illnesses or injury. Further veterans who became disabled or unemployable as a result of service were included.

Importantly, in 1953, exemptions were limited to legal residents of Texas at the time of enlisting or induction into service, while excluding those who moved to Texas during or after service. This statute of the code was not reversed until 2015 as a result of a Federal Court ruling it discriminatory. Further any veteran receiving Federal funds was excluded from State funding for educational benefits.

In 1993, the exemptions qualified individuals that “demonstrated financial need as defined by the Texas Higher Education Coordinating Board.” However subsequently, just two years later, the financial needs provision was removed in 1995 because of its discriminatory nature.

More recently, in 2009, the legislature extended benefits to a surviving spouse of service members who were killed or missing in action, whose death was caused by a service related injury, or who became totally disabled and unemployable; and also, established the Hazlewood Legacy program permitting an eligible veteran to transfer unused SCHs to a dependent child.

Importantly the 2009 legislature changed the “Texan when enlisted” clause by clarifying the process for eligibility by removing the distinction between “enlisted in Texas” and “legal resident” of Texas. Subsequently, veterans qualify by either entering the service in Texas, as previously codified, or by declaring Texas as home of record at time of entry into the service or if the veteran could be determined to be a resident for purposes of tuition rates at the time the person entered the service. In the later instance the qualification was left in the hand of the IHE of choice.

In 2011 and 2013 there were amendments to the Hazlewood Act which dealt with the process of educational enrollment and who could define Legacy of a child upon the death of the veteran. Then in 2013, the administration of the Hazlewood exemption was transferred from THECB to TVC. Along with this transfer, in 2013, veterans and Legacy dependents must “meet satisfactory academic progress requirements.” For the recipient, the most important change was in the time scope of the amendment. The age limit (25 and less) for individuals to be dependent recipients (children and spouse of a veteran who died or are 100 percent disabled as a result of service) was eliminated.

Finally in January 2015, a federal judge of the U.S. District Courts, Ewing Werlein, Jr. struck down the part of the Hazlewood Act which specified that veterans and their families may receive benefits only if the veteran enlisted while living in Texas, thus allowing veterans who have moved to Texas since they enlisted to qualify for benefits under the act.

TIMELINE FOR REVISIONS TO THE HAZLEWOOD ACT

- 1923** First tuition exemption for honorably discharged armed forces members. Veterans who received federal **vocational rehabilitation act benefits** were excluded from state benefits.
- 1933** **no major change**
- 1943** Amendment offered benefits to children of service members killed in action or deceased during war time service.
- 1953** Exemptions were restricted to legal residents of Texas at time entering service and excluded veterans receiving any federal education benefits.
- 1963** **no major changes**

- 1968** Included Texas National Guard members with over 180 days of active service during the Cold War. The exemption excluded veterans eligible for federal education benefits.
- 1973** **no major changes**
- 1983** **no major changes**
- 1993** Exemptions provided to children of veterans who are missing in action or experienced a service related death. A financial need provision was added to the exemption requirements.
- 1995** The financial needs provision was removed and a benefit cap of 150 hours was established. Exemption was allowed only after exhausting all federal benefits.
- 2003** **no major change**
- 2007** The 150 hours was extended to dependent children of disabled veterans. Veterans were allowed to use federal and state benefits concurrently.
- 2009** Legacy benefits to children were extended to spouses of veterans missing in action, disabled or died in service. The Legacy Act permits veterans to reassign their unused benefits to dependent under the age of 26.
- 2013** The administration of the Hazlewood exemption was transferred from THECB to TVC. The legislature also removed the age limit from individuals considered to be dependent recipients (child or spouse of a veteran who died or is 100% disabled as a result of service).
- 2015** U.S. District Judge Ewing Werlin Jr struck down the part of the Hazlewood Act that specified that veterans and their families may only receive benefits if the veteran enlisted while living in Texas.

Adapted and extended from the December 2014 Legislative Staff, **Report on The Hazlewood Exemption, Legislative Policy Report.**

Appendix C

Criteria for Qualifying for Hazlewood Exemptions¹³

On January 26, 2015, the U.S. District Court for the Southern District of Texas ruled that the requirement that Veterans must have entered service in Texas in order to be eligible to receive the Texas Hazlewood exemption of tuition and fees at public schools (the fixed point residency requirement) was unconstitutional. Pending a judicial ruling on an appeal, current Hazlewood eligibility requirements remain unchanged, except for the individual specifically named in the lawsuit.

Veteran Qualifications

A veteran must:

- At the time of entry into active duty the U.S. Armed Forces, designated Texas as Home of Record; or entered the service in Texas; or was a Texas resident;
- Have received an honorable discharge or separation or a general discharge under honorable conditions as indicated on the Veteran's Certificate of Release or Discharge from Active Duty (DD Form 214);
- Served at least 181 days of active duty service (excluding training);
- Have no federal Veteran's education benefits, or have no federal Veterans education benefits dedicated to the payment of tuition and fees only (such as Chapter 33 or 31; for term or semester enrolled that do not exceed the value of Hazlewood benefits;
- Not be in default on a student loan made or guaranteed by the State of Texas;
- Enroll in classes for which the college receives tax support (i.e., a course that does not depend solely on student tuition and fees to cover its cost), unless the college's governing board has ruled to let Veterans receive the benefit while taking non-funded courses; and
- Meet the GPA requirements 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, not be considered to have attempted an excessive amount of credit hours.

Veterans who are granted their first Hazlewood Act exemption beginning fall, 2011 must reside in Texas during the semester or term for which the exemption is claimed. This requirement does not apply to the Veterans who either received the exemption prior to the 2011-2012 academic year, have reenlisted into active duty, or reside with a spouse who is on active duty.

¹³ Text taken from the Texas Veterans Commission: <http://www.tvc.texas.gov/Hazlewood-Act.aspx>.

Legacy Act (Child)

Eligible Veterans may assign unused hours of exemption eligibility to a child under certain conditions.

Qualifications

A child (Legacy recipient) must:

- 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 25 years old 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 requirements 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, not be considered to have attempted an excessive amount of credit hours.

Legacy recipients will receive an exemption for the number of degree certified hours reported by the institution for that term or semester. Maximum degree certified hours awarded to the Legacy recipient will be dependent upon the degree or certificate program in which the student is enrolled for that term or semester and shall be consistent with the program length as defined within the school catalog as approved by the regional accreditation commission. *If a child to whom hours have been delegated fails to use all of the assigned hours, a Veteran may re-assign the unused hours that are available to another child. Only one child will use Hazlewood Legacy benefits at a time.

Hazlewood Act for Spouse/Child

Spouses and dependent children of eligible Active Duty, Reserve, and Texas National Guard who died in the line of duty or as a result of injury or illness directly related to military service, are missing in action, or who became totally disabled for purposes of employability as a result of a service-related injury or illness are entitled to each receive a 150 credit hours exemption.

Qualifications

A spouse must:

- Be a spouse of a Veteran who, at the time of entry into the U.S. Armed Forces, be classified by the institution as a Texas resident, designated Texas as Home of Record, or entered the service in Texas;
- Be a spouse of a Veteran of the U.S. Armed Forces or the Texas National Guard who died as a result of service-related injuries or illness, is missing in action, or became totally disabled (100%) as a result of service-related injury or illness or is

- entitled to receive compensation at the 100% rate due to individual employability (IU) due to a service connected injury or illness;
- Have no federal Veterans education benefits, or have no federal Veterans education benefits dedicated to the payment of tuition and fees only (such as Chapter 33 or 31) for term or semester enrolled that do not exceed the value of Hazlewood benefits;
 - Be classified by the institution as a Texas resident; and
 - Meet the GPA and requirements 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, not be considered to have attempted an excessive amount of credit hours. This requirement does not apply to the spouse of a MIA, KIA, or service connected deceased Veteran.

A child must:

- Be a child of a Veteran who, at the time of entry into the U.S. Armed Forces, be classified by the institution as a Texas resident, designated Texas as Home of Record, or entered the service in Texas;
- Be a child of a Veteran of the U.S. Armed Forces, Texas National Guard, or Texas Air National Guard who died as a result of service-related injuries or illness, is missing in action, or became totally disabled (100%) as a result of a service-related injury or illness or is entitled to receive compensation at the 100% rate due to individual employability (IU) due to a service connected injury or illness;
- Have no federal Veterans education benefits, or have no federal Veterans education benefits dedicated to the payment of tuition and fees only (such as Chapter 33 or 31; for term or semester enrolled that do not exceed the value of Hazlewood benefits;
- Be classified by the institution as a Texas resident; and
- Meet the GPA requirements 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, not be considered to have attempted an excessive amount of credit hours. This requirement does not apply to the child of a MIA, KIA, or service connected deceased Veteran.

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