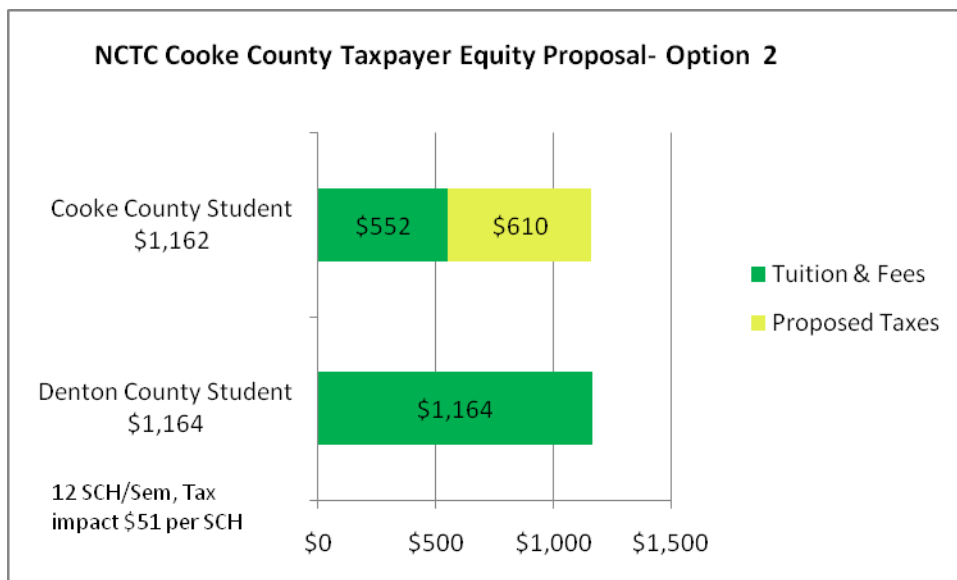


Cooke County NCTC Taxpayer Equity Proposal

The average local funds revenue the NCTC Administration proposes to raise per Semester Credit Hour, (SCH) for Texas students is about \$97.

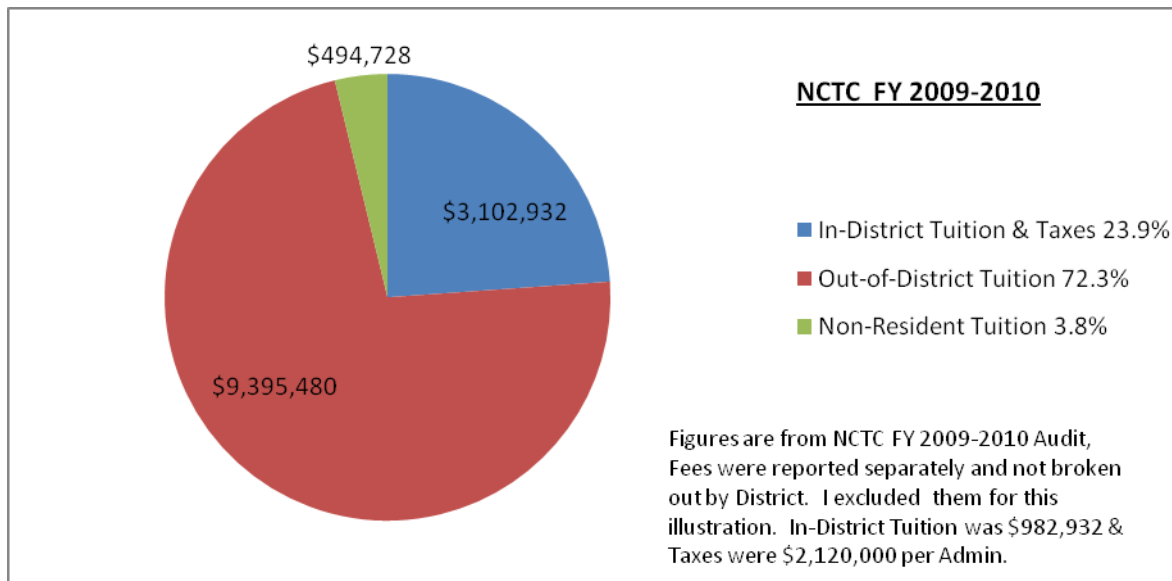
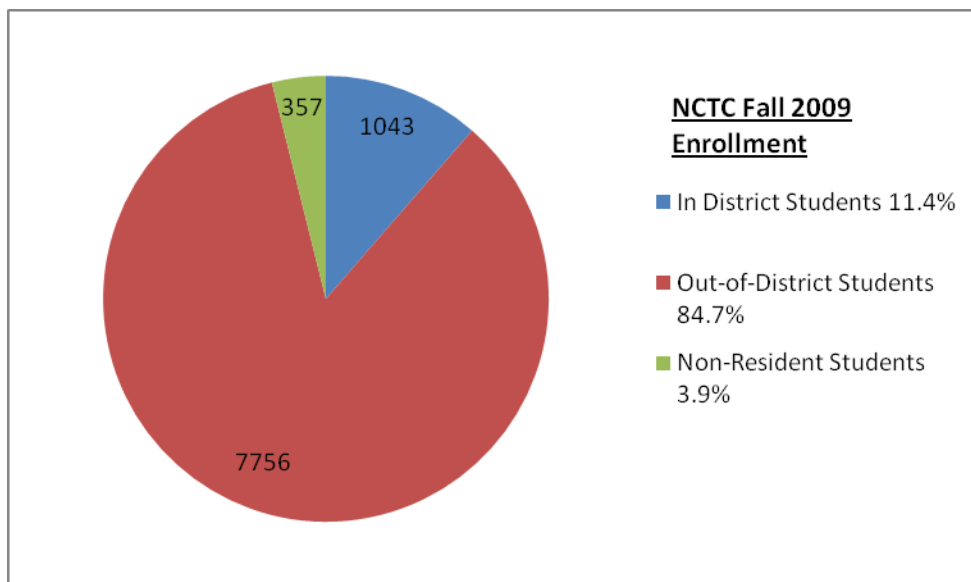
This proposal illustrates where NCTC is today and how raising Out-of-District Tuition and Fees an additional \$7 per SCH along with lowering NCTC Cooke County Taxes and possibly Tuition, could result in Cooke County Taxpayer Equity, while maintaining essentially the same revenue stream to NCTC.

Below is a chart of one of the possible scenarios:



Comparison of Student to Source of Local Funds Ratios

The following pie charts show the Distribution of students compared to the Distribution of local fund revenue, (Taxes & Tuition, excluding fees). I mostly chose to exclude fees on this since they are reported differently in the audit. Fees are reported and appear to be assessed system wide, regardless of the residence of the student. Since they are the same per credit hour and class regardless of the student's residence, for the sake of this analysis, the results would be pretty much the same although the financial percentages might change slightly on these charts. I chose the last fiscal/academic year that is completed since the financials are not complete for the current year:



The administration's interpretation of the Texas Statute for Taxpayer Equity appears to add NCTC Taxes/SCH, (\$94) to the proposed Cooke County In-District Tuition & Fees of \$49 and compare the total to the Proposed Out-of-District Tuition & Fees of \$90 per SCH. They are right that is not feasible to increase the Proposed Out-of-District Tuition & Fees to \$143 per SCH. I would strongly recommend against doing so. See Table 2 below which shows that doing so would raise approximately \$8,000,000 more than what you are trying to raise between tuition and taxes. (See highlighted area.)

I don't know NCTC's projected SCH, (Semester Credit Hours) for the next fiscal year. It appears if NCTC enrollment was held constant, (I know it is rising but if the enrollment demographics are consistent in terms of percentages of In-District & Out-of-District students, this analysis will still be very close. The statute as written requires us to use older data that in most cases is the last known/audited data available.), that we can project the funds the new rates would raise and see how much that is per SCH, (semester credit hour), on average. I understand there are not reports that show breakouts of SCH by Out-of-District, Non-Resident, Graham, etc. To get close to these numbers, I took the Student Services Fee in the 2009-2010 audit which is assessed @ \$1 per Credit Hour in the amount of \$179,042. If you assume that each dollar represents one SCH and subtract 4,712 SCH for non-resident and the administration's 22,627 In-District SCH, you end up with 151,703 Out-of-District SCH which is 84.7% of the total SCH, which matches nicely to the student count & percentage for Fall 2009, also 84.7%.

Table 1:

		<u>FY 2010- 2011 Rates</u>	<u>@ FY 2010- 2011 Rates</u>	<u>Proposed FY 2011- 2012 Rates</u>	<u>@ FY 2011 - 2012 Proposed Rates</u>
In District Tuition	22,627	\$46	\$1,040,842	\$49	\$1,108,723
Out-of-District Tuition	151,703	\$82	\$12,439,646	\$90	\$13,653,270
Taxes levied (held constant \$.0720)			\$2,120,000		\$2,120,000
Total	174,330		\$15,600,488		\$16,881,993
Average funds per SCH			\$89.49		\$96.84

Table 2:

	<u>SCH</u>	<u>Out-of- District @ \$143 Rate</u>	<u>Revenue @ \$143 Rate</u>
In District Tuition	22,627	49	\$1,108,723
Out-of-District Tuition	151,703	143	\$21,693,529
Taxes levied (held constant \$.0720)			\$2,120,000
Total	174,330		\$24,922,252
Average funds per SCH			\$142.96

Table 3 shows two alternatives for varying the Cooke County tuition and tax rates that would generate very similar local funds revenue to NCTC while **achieving taxpayer equity for Cooke County**. Because I rounded up the \$96.84 average revenue per SCH to the nearest dollar for Out-of-District students, about \$25,000 additional revenue may be raised. Considering these are projections based on past enrollment, I suspect the \$25,000 is within the margin of error since actual funds will be based on future enrollment which is currently not known with certainty.

Table 3:

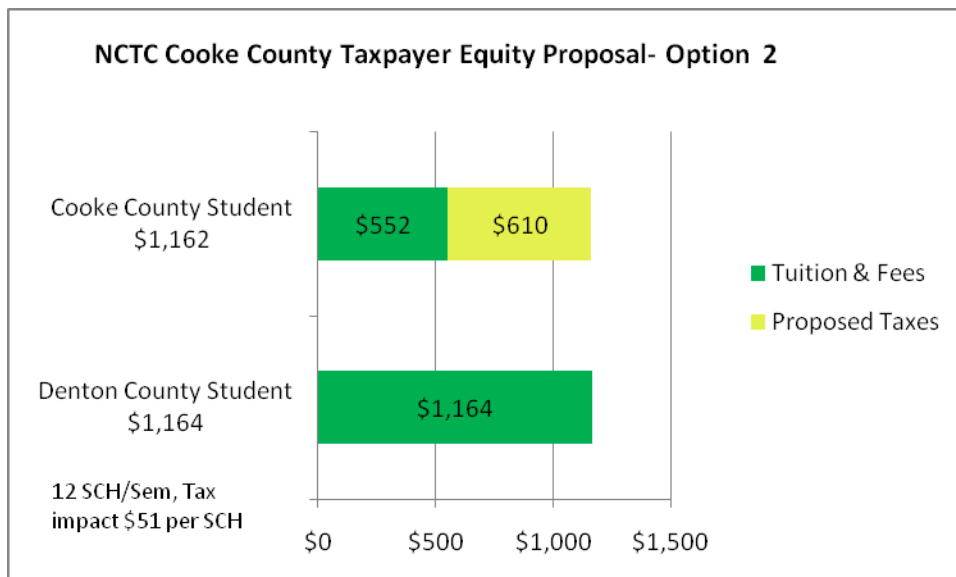
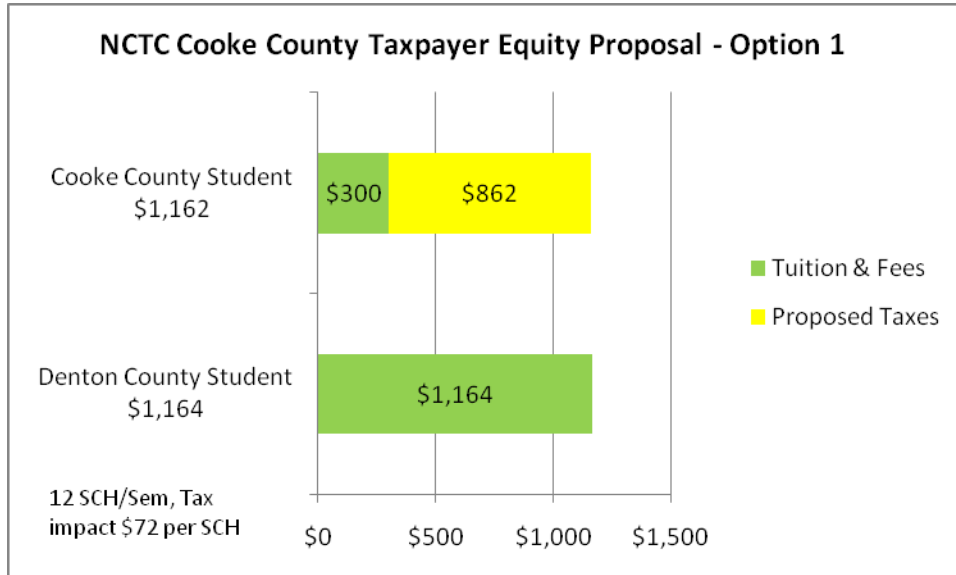
<u>Gaylord Proposals</u>	<u>SCH</u>	<u>Taxpayer Equity Option 1</u>		<u>Taxpayer Equity Option 2</u>	
		<u>Lower In-District Tuition</u>	<u>Revenue Option 1</u>	<u>Hold Tuition & Fee Totals</u>	<u>Revenue Option 2</u>
In District Tuition	22,627	25	\$565,675	46	\$1,040,842
Out-of-District Tuition	151,703	97	\$14,715,191	97	\$14,715,191
Tax Rate & Total Levied		0.05521	\$1,625,508	0.03907	\$1,150,341
Total	174,330		\$16,906,374		\$16,906,374
Average funds per SCH			\$96.98		\$96.98

The two options show two alternatives whereby NCTC would raise approximately the same Local Funds Revenue system wide, while providing equity to Cooke County Taxpayers and students as I interpret the statute. **Option 1** gives the Cooke County students almost a 50% break on tuition and fees while reducing taxes almost 25%. **Option 2** gives most of the break to Cooke County Taxpayers while not raising the combined In-District Tuition and Fee rate.

This analysis does not account for growth in the student population but if the percentages of In-District and Out-of-District students stay close to where they were in FY 2009-2010, these rates should generate total revenue close to what the administration is proposing and is consistent with how I interpret the applicable Texas Statute.

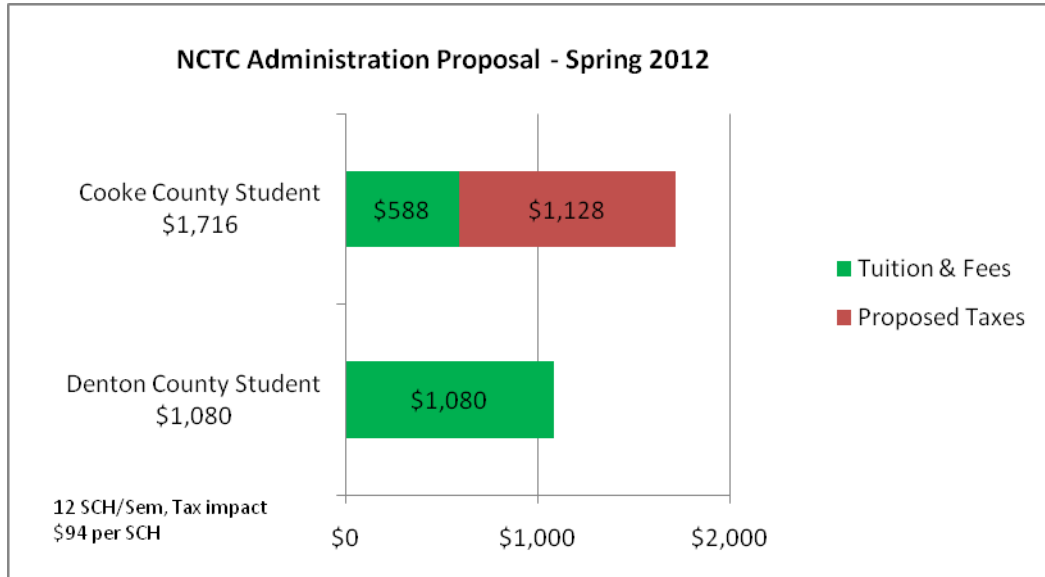
Option 2 assumes that the total In-District Tuition and Fees stay the same. If the fees need to be uniform and go up \$3 to \$13 per SCH, then the tuition rate would go down \$3 to \$33 per SCH. In the case of Option 1, if total fees are \$13, then In-District Tuition could be set @ \$12 per SCH.

Below are two charts that show how the comparison of Tuition and Taxes looks per 12 SCH student for Options 1 & 2:



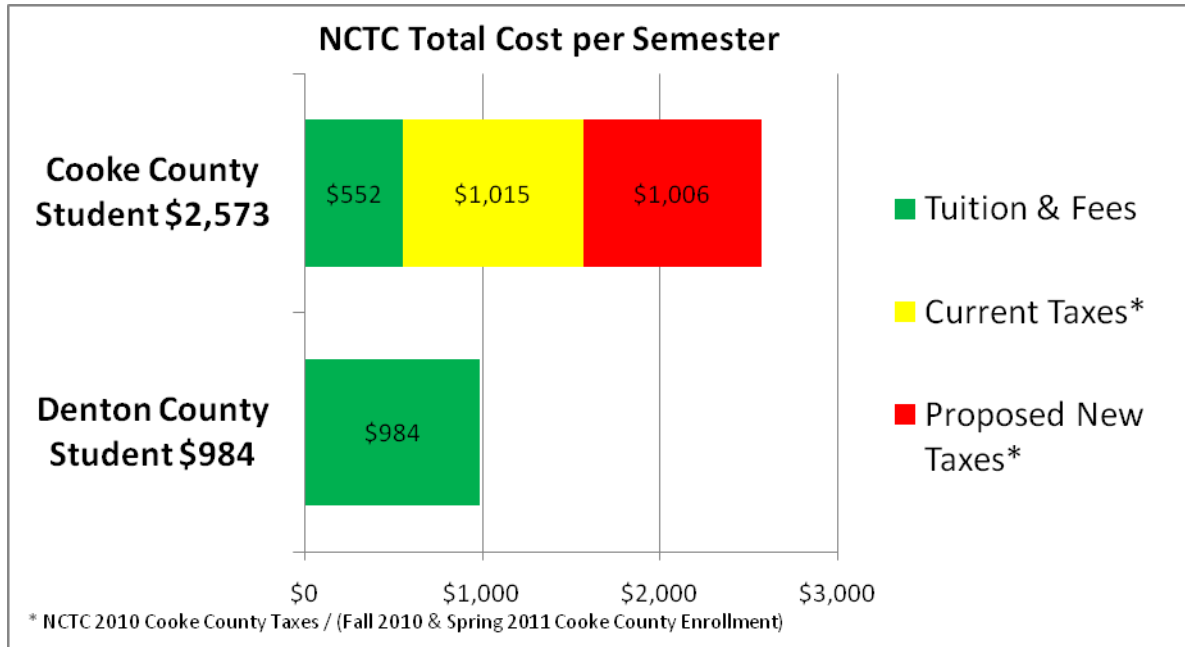
There are many more options to allocate the approximate revenue per SCH between Cooke County Taxes, Tuition & Fees that could yield similar, equitable results, depending on how much of the cost of college the board feels should be born by Cooke County Taxpayers vs. Students. I'd be happy to help the administration in any analysis going forward, if that is helpful.

I put together a chart showing the impact of the administration’s proposed tuition and fee rates would be if taxes and Cooke County enrollment were held constant, excluding any proposed bond. This is based on combined Tuition & Fees per SCH @ \$49 for In-District students and \$90 for Out-of-District students:

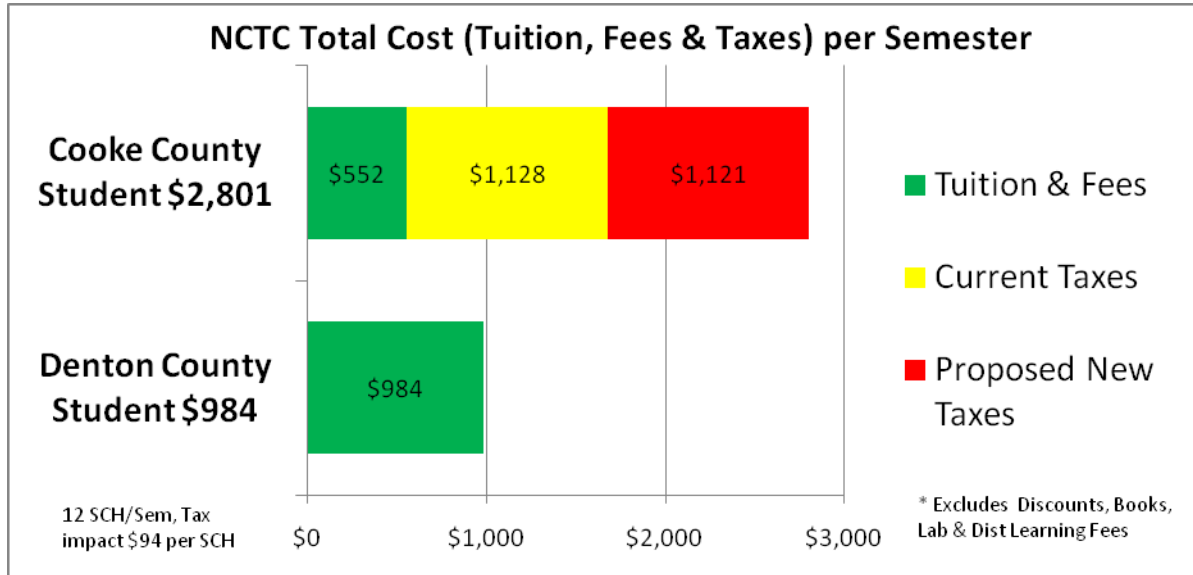


If Cooke County student enrollment, and in particular SCH goes up as we hope it will, the taxes per student may decrease 5-10% although the impact on the length of the bars on the chart may not be noticeable.

For reference, I am including some bar charts of current NCTC Tuition, Fee and Tax policy. The next chart is part of the ad that ran in the Gainesville Register on May 13, 2011. It is based on existing tuition and fee rates. The tax impact was calculated by dividing total Cooke County taxes by the number of Cooke County students in the latest Fall & Spring semesters. As you can see, using NCTC’s analysis of \$94 in taxes per SCH actually makes the comparison a little worse, in part because it allocates 12 credit hours of taxes per student when historically, the average student enrolls for about 9 SCH per semester.



The chart below uses the administration numbers of 22,627 In-district Semester Credit Hours, (SCH), and the tax per SCH of \$94 for the same 12 SCH student in the first illustration and existing tuition & fee rates. The Proposed New Taxes was calculated by dividing the estimated bond payment, \$2,114,172 by the Cooke County 22,627 SCH and multiplying by 12 (SCH = Semester Credit Hours).



Respectfully submitted,

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