

**RESOLUTION NO. 20160512-019**

**WHEREAS**, the success of Austin's schools is critical to the long-term prosperity of the entire Austin community; and

**WHEREAS**, nine school districts fall within the City of Austin, with Austin Independent School District (AISD) serving the largest number of students and covering the largest area within the city limits; and

**WHEREAS**, AISD strives to provide a high quality education to every student; and

**WHEREAS**, State of Texas law is intended to recapture school district revenue to equalize funding for educational services across the State; and

**WHEREAS**, State of Texas law is not intended to recapture school district revenue that is not solely for educational services; and

**WHEREAS**, as a property rich district, AISD is subject to recapture under the state school financing model, despite the fact that nearly 60% of students qualify for free or reduced lunch; and

**WHEREAS**, Resolution 20110217-048 directed the City Manager "to identify potential operational efficiencies and partnership opportunities to help ensure the success of AISD primary and secondary schools citywide"; and

**WHEREAS**, a legal mechanism exists that permits one government entity (such as a school district) to discontinue a department, function, or activity, and another government entity (such as the City) to assume that department, function, or activity as

long as the department, function, or activity serves the purpose of the entity that is assuming the activity; and

**WHEREAS**, a school district that partners with a municipality to exchange financial responsibility for such programs could then, in turn, lower its tax rate; and

**WHEREAS**, within a recapture context, such a transfer of services better leverages taxpayer dollars because more of those taxes remain within the taxing jurisdiction to help meet the municipal needs of the local community; and

**WHEREAS**, a well-crafted plan may not increase overall spending or taxation for property owners who are paying school taxes that are subject to recapture; and

**WHEREAS**, educational and civic leaders have discussed this idea and have expressed strong enthusiasm about working with the City of Austin to explore this concept; and

**WHEREAS**, Council Resolution 20160211-015 directed the City Manager to report back to Council on the exploration of a potential transfer of services as envisioned by Texas Tax Code §26.04(i-j), including scrutinizing the legal parameters of such a plan and conducting a comprehensive cost/benefit analysis; and

**WHEREAS**, the City Manager delivered a memorandum that explored this issue to the extent of identifying challenges, but it did not explore the next step, which is to analyze how such challenges might be addressed or mitigated; and

**WHEREAS**, this next step is necessary for a complete exploration of this issue;

**NOW, THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

City Council directs the City Manager to recommend ways in which the Council might best implement a transfer of services with AISD if it is the will of the Council to do so, including consideration of, but not limited to, the impact on City of Austin and AISD budgets and tax rates, and the impact to different classes of taxpayers within those jurisdictions, including providing for a way in which there is no detrimental financial impact, if possible, on those over 65 or disabled; the scenarios for implementation should also consider the effect on the other school districts that are within the City and measures for equalizing any disparate impact on taxpayers who are within those districts.

**BE IT FURTHER RESOLVED:**

City Manager should recommend best options for Council to mitigate the concerns identified in the Manager's April 1, 2016 memorandum on this issue. The Council requests consideration only of transfers of services that would have the City assuming responsibility for services which the law allows cities to assume.

**BE IT FURTHER RESOLVED:**

City Manager should analyze tax swap arrangements which both would and would not fall under State law that provides for corresponding adjustments to the effective tax rate under certain circumstances.

**BE IT FURTHER RESOLVED:**

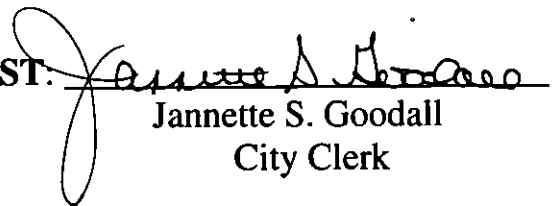
City Manager should provide an opportunity for Council Members to be involved in this work in a way that retains for him and the staff full discretion in making their best professional and independent recommendations to Council but which allows for the Manager's consideration of meaningful input from those Council Members who are interested or have been involved in this issue.

**BE IT FURTHER RESOLVED:**

City Manager is directed to report back to Council by November 1, 2016.

**ADOPTED:** May 12, 2016

**ATTEST:**

  
Jannette S. Goodall  
City Clerk