

RESOLUTION NO.

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, 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, AISD is the single largest payer of recapture in the state and recapture resulted in a loss of \$181 million in tax revenue for AISD in 2015, representing nearly 25% of AISD's total Maintenance and Operations tax collections; and

WHEREAS, under the State's school finance system, the rate of recapture is projected to exceed 63% for any tax revenue collected at a tax rate of \$1.06 and over, and such recapture payments will be sent to the State's General Revenue Fund; and

WHEREAS, currently under the State's school finance system, it is estimated that of the \$17.97 million in tax revenue collected from the 1.9 cents of rate above the \$1.06; AISD retains only \$7.11 million and sends approximately \$10.86 million to the State under recapture; and

WHEREAS, this revenue loss strains AISD’s ability to provide the highest quality education for its students; and

WHEREAS, in the next years ahead, AISD will experience steep increases in the required recapture payments and anticipates sending nearly a half billion dollars to the State under recapture laws by FY2019; 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 educational 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, several Austin leaders have been discussing this idea and have expressed strong enthusiasm about working with the City of Austin to explore this concept; **NOW, THEREFORE**,

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

That the City Council directs the City Manager to explore 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.

BE IT FURTHER RESOLVED:

That the City Manager is directed to report back to Council by April 1, 2016.

ADOPTED: _____, 2016

ATTEST: _____

Jannette S. Goodall
City Clerk