

September 8, 2010

The Honorable David Dewhurst  
Lieutenant Governor of Texas  
P.O. Box 12068  
Austin, Texas 78711-2068

Re: Humble ISD/Tax Increment Reinvestment Zones

Dear Lieutenant Governor Dewhurst:

As you may recall, I am a member of the Humble I.S.D. Board of Trustees. When you spoke recently to the Lake Houston Area Chamber of Commerce, you and I had an opportunity to briefly visit about the significant problem that our District, along with several other districts, have with their State funding, and their participation in a tax increment reinvestment zone (TIRZ). I very much appreciate your willingness to meet with us to discuss this critical issue and possible legislative solutions.

In brief summary, prior to the adoption of House Bill 1 in 2006, Humble ISD's participation in a TIRZ did not affect our State funding, because our effective tax rate for Tier 2 greatly exceeded 64 cents per \$100 of taxable value. However, our participation in a TIRZ did affect our target revenue as established under House Bill 1 for the 2006-2007 school year and thereafter. At the time, it was not apparent to school districts exactly how the Texas Education Agency was calculating target revenue or which data sets were being used for this purpose. Humble ISD has always reported its participation in a TIRZ through its annual financial audit, through PEIMS, and through other required data submissions to TEA. However, we were informed in early 2010 that our school district's target revenue has been incorrect since the 2006-2007 school year and that Humble ISD's State funding would be reduced by nearly \$18 million to correct the error. We also discovered that TEA based its calculation of target revenue on one unaudited schedule in our annual financial audit, the instructions for which do not even mention tax increment reinvestment zones, and that the multiple other reports of our TIRZ participation have not been used by TEA. TEA has agreed to hold off on recovering this money from Humble ISD until after the 82<sup>nd</sup> Texas Legislature meets in 2011, in order to give us an opportunity to work for a legislative solution. We appreciate TEA's willingness to give us an opportunity to address this problem that is affecting Humble ISD and several other school districts so significantly, and we need your help.

The loss of almost \$18 million will have a near-catastrophic effect on Humble ISD. We were unable to give any salary increase to our employees for the 2010-2011 school year. Humble ISD already has target revenue significantly below State average. As you know, there is virtually no rational explanation for the wide variations of target revenue that school districts have been locked into by State law since 2006-2007. We respectfully believe that it is not good policy to reduce the State funding for school districts like Humble ISD and others that already are below average. Also, it is worth noting that the provisions of the Texas Education Code relating to the calculation of target revenue actually were repealed, effective September 1, 2009.

We strongly believe that TEA should stop revising the funding calculations for school districts under statutes that do not exist anymore.

We very much appreciate your willingness to meet with us to discuss this significant issue and options that are open to the Texas Legislature to help correct the problem in an equitable and rational manner. We have substantial detailed information that more fully explains this issue that we can send to you in advance of a meeting.

Sincerely,

A handwritten signature in blue ink that reads "Robert Scarfo". The signature is fluid and cursive, with the first name "Robert" being larger and more prominent than the last name "Scarfo".

Robert Scarfo  
Legislative Chair  
Humble I.S.D. Board of Trustees