

October 9, 2007

The Honorable Rick Perry, Governor
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Thomas R. Craddick, Speaker of the House
Members of the 80th Legislature

Ladies and Gentlemen:

In the *2008-09 Biennial Revenue Estimate*, dated Jan. 8, 2007, I estimated that the closing balance for the 2006-07 biennium would reach \$7.0 billion. Now that fiscal 2007 has drawn to a close, I am pleased to report that the 2007 ending balance in General Revenue funds available for general-purpose spending has grown to \$8.5 billion.

The increase was brought about by greater revenues, attributable to strong state economic growth, and lower expenditures, attributable to legislative and agency spending restraint. With respect to the higher than anticipated revenues, state sales and use tax collections, which registered a 10.9 percent increase over fiscal 2006, have proved particularly robust, propelled in large part by vigorous activity in the mining, construction, manufacturing and trade sectors.

The 2006-07 ending balance presented above does not include amounts that are constitutionally required to be reserved for deposit into the Economic Stabilization (Rainy Day) Fund. Following the required deposit to the fund later this fiscal year, the balance should total \$4.6 billion.

I shall continue to monitor the Texas economy and revenues closely, and I shall keep you informed of any significant events as they arise.

Sincerely,



Susan Combs