



COMPTROLLER
of MARYLAND

Serving the People

September 14, 2007

Peter Franchot
Comptroller

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21401

Honorable Thomas V. "Mike" Miller, Jr.
President, Senate of Maryland
State House
Annapolis, Maryland 21401

Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House
Annapolis, Maryland 21401

Dear Governor, President and Speaker:

Attached are the preliminary general fund revenue estimates that have been developed by the Bureau of Revenue Estimates in conjunction with fiscal experts from the Department of Budget and Management, the Treasurer's Office and the Department of Legislative Services. These estimates have taken into account the most recent Maryland economic data and forecasts of Maryland's economy by private-sector economists. Expectations are that general fund revenues will total \$13.305 billion in fiscal year 2008, \$132.5 million lower than the current official estimate. In fiscal year 2009, revenue growth is expected to be 4.7%. The primary reason for the lower estimate is a \$115.5 million reduction to the sales tax, which is expected to grow by only 2.5% this year (compared to 4.8% in the official forecast).

These estimates reflect the uncertainties in the economy that have developed since mid-August and the resulting volatility in the stock market. There are indications that the turmoil in the subprime mortgage market may not be contained, and the recent news of 4,000 jobs lost in August (when a gain of 120,000 or so was expected) may mean that the economy is at a turning point. While the forecast does not call for a recession, the risk that the national economy will fall into recession in the near future has risen appreciably. If the recent economic news does in fact foretell a recession, the revenue outlook will weaken. Given the current volatility of the economy, we hope to have a much clearer understanding of the State's fiscal situation at the time of the Board of Revenue Estimates' official meeting in December. We will continue to monitor economic performance closely.

If you have any questions or concerns about the revenue forecast, please do not hesitate to contact me.

Sincerely,

Peter Franchot

cc: Treasurer Nancy K. Kopp
Secretary T. Eloise Foster
David F. Roose

80 Calvert Street • P.O. Box 466, Annapolis, Maryland 21404-0466 • 410-260-7801 • 1-800-552-3941 (MD)

Fax: 410-974-3808 • Maryland Relay 711 • TTY 410-260-7157 • pfranchot@comp.state.md.us

Maryland General Fund Revenues
Fiscal Years 2007 - 2009
 \$ in thousands

	FY 2007 Actual	FY 2008				FY 2009	
		Current Estimate	September Estimate	Difference	% Growth	September Estimate	% Growth
INCOME TAXES							
Individual	6,679,168	7,040,738	7,079,274	38,536	6.0%	7,504,017	6.0%
Corporations	589,782	598,083	569,231	(28,852)	-3.5%	603,895	6.1%
Total	7,268,950	7,638,821	7,648,505	9,684	5.2%	8,107,912	6.0%
SALES AND USE TAXES	3,420,149	3,622,702	3,507,250	(115,452)	2.5%	3,651,223	4.1%
STATE LOTTERY RECEIPTS	473,119	499,219	482,459	(16,760)	2.0%	501,707	4.0%
OTHER REVENUES							
Business Franchise Taxes	206,568	200,478	204,094	3,616	-1.2%	210,250	3.0%
Tax on Insurance Companies	283,342	293,295	289,647	(3,648)	2.2%	295,799	2.1%
Death Taxes	224,341	200,329	179,590	(20,739)	-19.9%	199,188	10.9%
Tobacco Tax	278,189	288,296	276,903	(11,393)	-0.5%	275,659	-0.4%
Alcoholic Beverages Excises	28,682	29,033	29,328	295	2.3%	29,996	2.3%
Motor Vehicle Fuel Tax	13,197	13,586	13,200	(386)	0.0%	13,425	1.7%
District Courts	97,026	106,863	99,036	(7,827)	2.1%	101,096	2.1%
Clerks of Court	52,316	45,992	46,896	904	-10.4%	46,349	-1.2%
Hospital Patient Recoveries	84,945	84,936	85,000	64	0.1%	85,000	0.0%
Interest on Investments	178,903	95,000	115,189	20,189	-35.6%	86,148	-25.2%
Miscellaneous	330,499	318,729	327,715	8,986	-0.8%	329,269	0.5%
Total	1,778,009	1,676,537	1,666,598	(9,939)	-6.3%	1,672,179	0.3%
TOTAL CURRENT REVENUES	12,940,228	13,437,279	13,304,812	(132,467)	2.8%	13,933,021	4.7%
Extraordinary Revenues	-	-	-	-	-	-	-
GRAND TOTAL	12,940,228	13,437,279	13,304,812	(132,467)	2.8%	13,933,021	4.7%