



Peter Franchot
Comptroller

David Roose
Director
Board of Revenue Estimates

August 29, 2007

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21404

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:

My office has closed the books on fiscal year 2007. A statement showing the general fund balance as of June 30, 2007 and a discussion of fiscal year 2007 revenue performance are attached.

The State of Maryland completed the fiscal year ended June 30, 2007 with an undesignated fund balance of \$193.4 million. The undesignated fund balance was the result of actual revenues exceeding the estimates by \$75.0 million or 0.6%, while transfers to the general fund, representing reimbursements for heritage tax credits, exceeded the estimates by \$33.9 million. In addition, State agencies returned \$51.9 million in unspent funds, which represented \$17.6 million more than the estimate. State law requires the Governor to appropriate all surplus funds that exceed \$10 million into the Revenue Stabilization Account, also known as the "Rainy Day" fund. The Revenue Stabilization Account closed the year with a balance of \$1.4 billion, although \$967 million will be used to fund fiscal year 2008 operations.

General fund revenues increased by 4.4% in fiscal year 2007. The individual and corporate income taxes were \$101.2 million over the forecast (1.4%). The sales tax fell \$37.1 million short of the estimate (1.1%), and increased only 1.9%. In the aggregate, the remainder of the revenues were marginally over the forecast. These revenue results are being analyzed as we prepare for the next round of revenue estimates.

Honorable Martin O'Malley
Honorable Thomas V. "Mike" Miller, Jr.
Honorable Michael E. Busch

In the meantime, if you have any questions or concerns about the fiscal year 2007 results, please feel free to contact me.

Sincerely,

Peter Franchot

PF:dr

cc: Treasurer Nancy K. Kopp
Secretary T. Eloise Foster
Senator Ulysses Currie
Senator David R. Brinkley
Delegate Norman H. Conway
Delegate Sheila E. Hixson
Delegate Anthony J. O'Donnell
Warren G. Deschenaux
Len Foxwell
Linda L. Tanton
David Weaver

**Actual and Estimated General Fund Revenue
Fiscal Year 2007**

	Fiscal Year 2007				I
	Actual	Estimated ¹	Difference from Estimate		Actual
			\$	%	
INCOME TAXES					
Individual	6,679,167,820	6,593,863,000	85,304,820	1.3%	6,200,193,771
Corporations ²	589,782,478	573,500,000	16,282,478	2.8%	623,223,544
Total	7,268,950,298	7,167,363,000	101,587,298	1.4%	6,823,417,315
SALES AND USE TAXES	3,420,149,427	3,457,229,000	(37,079,573)	-1.1%	3,355,168,053
STATE LOTTERY RECEIPTS	473,119,273	477,372,000	(4,252,727)	-0.9%	480,470,617
OTHER REVENUES					
Business Franchise Taxes	206,568,001	194,170,000	12,398,001	6.0%	196,235,413
Tax on Insurance Companies	283,342,492	286,141,000	(2,798,508)	-1.0%	274,900,782
Death Taxes	224,341,116	220,146,000	4,195,116	1.9%	221,908,826
Tobacco Tax	278,188,855	285,127,000	(6,938,145)	-2.5%	280,305,765
Alcoholic Beverages Excises	28,682,046	28,497,000	185,046	0.6%	27,953,097
Motor Vehicle Fuel Tax	13,197,238	13,317,000	(119,762)	-0.9%	13,206,799
District Courts	97,026,026	104,155,000	(7,128,974)	-7.3%	91,281,358
Clerks of Court	52,315,764	45,347,000	6,968,764	13.3%	58,704,050
Hospital Patient Recoveries	84,945,197	83,121,000	1,824,197	2.1%	85,776,943
Interest on Investments	178,903,214	172,795,000	6,108,214	3.4%	162,492,508
Miscellaneous	330,499,439	330,431,303	68,136	0.0%	298,081,488
Total	1,778,009,388	1,763,247,303	14,762,085	0.8%	1,710,847,031
TOTAL CURRENT REVENUES	12,940,228,386	12,865,211,303	75,017,083	0.6%	12,369,903,015
Extraordinary Revenues ²	-	-	-	-	20,392,562
GRAND TOTAL	12,940,228,386	12,865,211,303	75,017,083	0.6%	12,390,295,577

¹ The fiscal year 2008 budget increased 2007 revenue estimates by \$15.6 million; the estimate for miscellaneous revenues has been adjusted.

² Fiscal year 2006 corporate income tax revenues do not include \$20.4 million from a settlement with MCI, which are included in extraordinary revenues.

There were additional budgeted transfers from other funds into the general fund totaling \$138.5 million in fiscal year 2006 and \$194.1 million in fiscal year 2007.

Estimates per Board of Revenue Estimates, March 9, 2007

Bureau of Revenue Estimates, August 29, 2007



Peter Franchot
Comptroller

John D. Kenney
Director
General Accounting Division

**General Fund
Statutory Fund Balance
(Restated)
June 30, 2007**

Estimated 2007 General Fund Balance	\$ 195,049,786
Actual Revenues in Excess of Estimates	75,017,083
Reimbursements for Heritage Tax Credits in Excess of Estimates*	33,864,341
Actual Reversions in Excess of Estimates	<u>17,643,102</u>
2007 General Fund Balance	321,574,312
Designated for 2008 Operations	<u>(128,167,894)</u>
Undesignated General Fund Balance, as previously reported	193,406,418
Adjustment to reduce transfers from Heritage Tax Credits Program	(36,863,076)
Undesignated General Fund Balance, June 30, 2007 as restated	<u><u>\$ 156,543,342</u></u>

*The transfers from the Heritage Tax Credit Program have been reduced by \$36,863,076 and accordingly, undesignated general fund balance as previously reported has been restated.