

May 17, 2011

The Honorable Rick Perry, Governor
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Joseph R. Straus, III, Speaker of the House
Members of the 82nd Legislature

Ladies and Gentlemen:

I am today raising my estimate of revenue to be collected in fiscal 2012-2013 and available for general-purpose spending by \$1.2 billion. The estimate has been updated following a review of economic indicators and takes into account preliminary revenue indications associated with yesterday's franchise tax deadline.

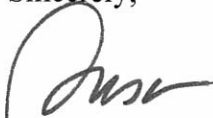
The estimate of state sales tax collections during fiscal 2012-2013 is increased by an additional \$1 billion and the estimate of state motor vehicle sales tax revenue is increased by an additional \$100 million for those years.

Projected oil production tax collections during the upcoming 2012-2013 biennium are increased by an additional \$400 million. Of that, \$100 million — or 25 percent of the increase — will be available for general-purpose spending during 2012-2013. The remainder, or \$300 million, is constitutionally reserved for future deposit into the Economic Stabilization Fund.

The recovery from the recession is underway. Over the upcoming biennium, if employment growth in the state continues at the pace similar to that of recent months, it is expected that the Texas economy — and state revenue — will rebound more quickly than previously anticipated. It should be noted, however, that problem areas persist. Notably, the housing sector of our economy remains sluggish and the unemployment rate, while beginning to moderate, is still elevated.

I shall continue to monitor the Texas economy and inform you of any significant changes.

Sincerely,



Susan Combs

cc: John O'Brien, Director, Legislative Budget Board