



REVENUE **F**ORECASTS

2019 Interim

July 22, 2019

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MEMORANDUM

TO: Governor Kristi Noem and Interim Joint Committee on Appropriations

FROM: Jim Terwilliger, Secretary
Department of Revenue



SUBJECT: Interim FY2020 Revenue Projections

DATE: July 22, 2019

In accordance with the provisions of SDCL 4-8A-16, the following report includes actual revenue for FY2018 and FY2019 and updated revenue projections for FY2020 for the various sources of revenue that flow to the state general fund.

The updated FY2020 revenue estimates from the Bureau of Finance and Management total \$1,693,032,250 on an ongoing basis. This updated projection is \$8,212,390 or 0.5 percent lower than the Legislative Adopted FY2020 estimate. Although the interim forecast is slightly lower, it does not meet the threshold required for any further action per SDCL 4-8A-16.

GENERAL FUND RECEIPTS

	ACTUAL FY2018	ACTUAL FY2019	BFM INTERIM FY2020
ONGOING RECEIPTS			
Sales and Use Tax	\$ 988,823,603	\$ 1,025,401,209	\$ 1,064,045,162
Lottery	116,675,440	123,815,501	127,106,332
Contractor's Excise Tax	107,626,628	113,163,617	118,503,584
Insurance Company Tax	91,021,843	90,347,541	92,383,090
Unclaimed Property Receipts	52,766,031	48,573,600	46,808,689
Licenses, Permits, and Fees	67,492,051	68,758,069	70,000,316
Tobacco Taxes	54,157,663	49,971,217	48,048,119
Trust Funds	37,035,528	38,527,936	39,882,104
Net Transfers In	20,941,048	23,827,140	21,125,048
Alcohol Beverage Tax	7,668,288	7,845,250	8,014,951
Bank Franchise Tax	13,494,940	17,256,120	17,794,537
Charges for Goods and Services	16,094,652	16,012,654	15,927,066
Telecommunications Tax	4,931,125	5,089,768	5,089,768
Severance Taxes	6,602,808	4,234,206	5,028,987
Investment Income and Interest	6,053,274	6,229,304	11,067,816
Alcohol Beverage 2% Wholesale Tax	2,020,940	2,150,157	2,206,681
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,593,405,861	\$ 1,641,203,288	\$ 1,693,032,250
ONE-TIME RECEIPTS			
Transfer from Dept. of Agriculture	\$ 0	\$ 705,101	\$ 0
Transfer from DOR agency fund	3,871,437	0	0
Transfer from Petroleum Release Fund	1,300,000	0	0
Transfer from Workforce Education Fund	792,729	0	0
Transfer from Prescription Drug Plan Fund	750,000	0	0
Transfer from Telecommunication Fund	750,000	0	0
Transfer from Video Lottery Fund	500,000	0	0
Transfer from Court Automation Fund	500,000	0	0
Transfer from Technology Fund	500,000	0	0
Transfer from Private Activities Bond Fee Fund	480,743	0	0
Transfer from Budgetary Accounting Fund	261,396	0	0
Transfer from Veterans' Home Operating Fund	120,000	0	0
Prior Period Adjustments	(1,309,473)	2,755,524	0
Unexpended Carryovers and Specials	204,351	5,777,493	0
Transfer from Budget Reserve Fund	5,855,710	6,603,463	0
Obligated Cash Carried Forward	7,943,412	16,898,828	19,354,553
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 22,520,305	\$ 32,740,409	\$ 19,354,553
GRAND TOTAL	\$ 1,615,926,166	\$ 1,673,943,697	\$ 1,712,386,803

ACTUAL FY2018 vs. ACTUAL FY2019 RECEIPTS

	<u>ACTUAL FY2018</u>	<u>ACTUAL FY2019</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 988,823,603	\$1,025,401,209	\$ 36,577,605	3.70
Lottery	116,675,440	123,815,501	7,140,062	6.12
Contractor's Excise Tax	107,626,628	113,163,617	5,536,989	5.14
Insurance Company Tax	91,021,843	90,347,541	(674,302)	(0.74)
Unclaimed Property Receipts	52,766,031	48,573,600	(4,192,430)	(7.95)
Licenses, Permits, and Fees	67,492,051	68,758,069	1,266,019	1.88
Tobacco Taxes	54,157,663	49,971,217	(4,186,446)	(7.73)
Trust Funds	37,035,528	38,527,936	1,492,408	4.03
Net Transfers In	20,941,048	23,827,140	2,886,092	13.78
Alcohol Beverage Tax	7,668,288	7,845,250	176,962	2.31
Bank Franchise Tax	13,494,940	17,256,120	3,761,180	27.87
Charges for Goods and Services	16,094,652	16,012,654	(81,998)	(0.51)
Telecommunications Tax	4,931,125	5,089,768	158,643	3.22
Severance Taxes	6,602,808	4,234,206	(2,368,602)	(35.87)
Investment Income and Interest	6,053,274	6,229,304	176,031	2.91
Alcohol Bev 2% Wholesale Tax	2,020,940	2,150,157	129,216	6.39
TOTAL (ONGOING RECEIPTS)	<u>\$1,593,405,861</u>	<u>\$1,641,203,288</u>	<u>\$47,797,428</u>	<u>3.00</u>
ONE-TIME RECEIPTS				
Transfer from Dept. of Agriculture	\$ 0	\$ 705,101	\$ 705,101	100.00
Transfer from DOR agency fund	3,871,437	0	(3,871,437)	(100.00)
Transfer from Petroleum Release Fund	1,300,000	0	(1,300,000)	(100.00)
Transfer from Workforce Education Fund	792,729	0	(792,729)	(100.00)
Transfer from Prescription Drug Plan Fund	750,000	0	(750,000)	(100.00)
Transfer from Telecommunication Fund	750,000	0	(750,000)	(100.00)
Transfer from Video Lottery Fund	500,000	0	(500,000)	(100.00)
Transfer from Court Automation Fund	500,000	0	(500,000)	(100.00)
Transfer from Technology Fund	500,000	0	(500,000)	(100.00)
Transfer from Private Activities Bond Fee Fund	480,743	0	(480,743)	(100.00)
Transfer from Budgetary Accounting Fund	261,396	0	(261,396)	(100.00)
Transfer from Veterans' Home Operating Fund	120,000	0	(120,000)	(100.00)
Prior Period Adjustments	(1,309,473)	2,755,524	4,064,996	(310.43)
Unexpended Carryovers and Specials	204,351	5,777,493	5,573,143	2727.24
Transfer from Budget Reserve Fund	5,855,710	6,603,463	747,753	12.77
Obligated Cash Carried Forward	7,943,412	16,898,828	8,955,416	112.74
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 22,520,305</u>	<u>\$ 32,740,409</u>	<u>\$ 10,220,104</u>	<u>45.38</u>
GRAND TOTAL	<u><u>\$1,615,926,166</u></u>	<u><u>\$1,673,943,697</u></u>	<u><u>\$58,017,531</u></u>	<u><u>3.59</u></u>

ACTUAL FY2019 RECEIPTS VS. INTERIM FY2020 FORECAST

	ACTUAL FY2019	BFM INTERIM FY2020	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$1,025,401,209	\$1,064,045,162	\$ 38,643,953	3.77
Lottery	123,815,501	127,106,332	3,290,831	2.66
Contractor's Excise Tax	113,163,617	118,503,584	5,339,967	4.72
Insurance Company Tax	90,347,541	92,383,090	2,035,549	2.25
Unclaimed Property Receipts	48,573,600	46,808,689	(1,764,911)	(3.63)
Licenses, Permits, and Fees	68,758,069	70,000,316	1,242,247	1.81
Tobacco Taxes	49,971,217	48,048,119	(1,923,098)	(3.85)
Trust Funds	38,527,936	39,882,104	1,354,168	3.51
Net Transfers In	23,827,140	21,125,048	(2,702,092)	(11.34)
Alcohol Beverage Tax	7,845,250	8,014,951	169,701	2.16
Bank Franchise Tax	17,256,120	17,794,537	538,417	3.12
Charges for Goods and Services	16,012,654	15,927,066	(85,588)	(0.53)
Telecommunications Tax	5,089,768	5,089,768	0	0.00
Severance Taxes	4,234,206	5,028,987	794,781	18.77
Investment Income and Interest	6,229,304	11,067,816	4,838,512	77.67
Alcohol Bev 2% Wholesale Tax	2,150,157	2,206,681	56,524	2.63
TOTAL (ONGOING RECEIPTS)	\$1,641,203,288	\$1,693,032,250	\$51,828,962	3.16
ONE-TIME RECEIPTS				
Transfer from Dept. of Agriculture	\$ 705,101	\$ 0	\$ (705,101)	(100.00)
Prior Period Adjustments	2,755,524	0	(2,755,524)	(100.00)
Unexpended Carryovers and Specials	5,777,493	0	(5,777,493)	(100.00)
Transfer from Budget Reserve Fund	6,603,463	0	(6,603,463)	(100.00)
Obligated Cash Carried Forward	16,898,828	19,354,553	2,455,725	14.53
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 32,740,409	\$ 19,354,553	\$ (13,385,856)	(40.88)
GRAND TOTAL	\$1,673,943,697	\$1,712,386,803	\$38,443,106	2.30

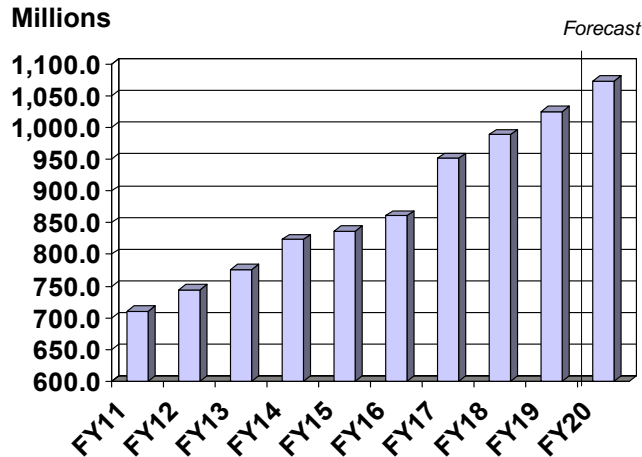
ADOPTED FY2020 FORECAST VS. INTERIM FY2020 FORECAST

	<u>LEG. ADOPTED FY2020</u>	<u>BFM INTERIM FY2020</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,075,218,900	\$ 1,064,045,162	\$ (11,173,738)	(1.04)
Lottery	126,020,257	127,106,332	1,086,075	0.86
Contractor's Excise Tax	121,485,109	118,503,584	(2,981,525)	(2.45)
Insurance Company Tax	92,808,766	92,383,090	(425,676)	(0.46)
Unclaimed Property Receipts	47,751,933	46,808,689	(943,244)	(1.98)
Licenses, Permits, and Fees	69,648,771	70,000,316	351,545	0.50
Tobacco Taxes	50,058,950	48,048,119	(2,010,831)	(4.02)
Trust Funds	39,737,666	39,882,104	144,438	0.36
Net Transfers In	21,562,412	21,125,048	(437,364)	(2.03)
Alcohol Beverage Tax	7,882,160	8,014,951	132,791	1.68
Bank Franchise Tax	14,471,640	17,794,537	3,322,897	22.96
Charges for Goods and Services	16,333,139	15,927,066	(406,073)	(2.49)
Telecommunications Tax	5,480,666	5,089,768	(390,898)	(7.13)
Severance Taxes	4,566,042	5,028,987	462,945	10.14
Investment Income and Interest	6,015,500	11,067,816	5,052,316	83.99
Alcohol Bev 2% Wholesale Tax	2,202,729	2,206,681	3,952	0.18
TOTAL (ONGOING RECEIPTS)	<u>\$ 1,701,244,640</u>	<u>\$ 1,693,032,250</u>	<u>\$ (8,212,390)</u>	<u>(0.48)</u>
ONE-TIME RECEIPTS				
Obligated Cash Carried Forward	0	19,354,553	19,354,553	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 0</u>	<u>\$ 19,354,553</u>	<u>19,354,553</u>	<u>100.00</u>
GRAND TOTAL	<u><u>\$ 1,701,244,640</u></u>	<u><u>\$ 1,712,386,803</u></u>	<u><u>\$11,142,163</u></u>	<u><u>0.65</u></u>

SALES AND USE TAX

FY2019 Performance: In FY2019, total sales and use tax collections were \$1,025.4 million which was an increase of 3.7% or \$36.6 million over FY2018. Sales and use tax audit collections (which are included in the total) for FY2019 were \$11.8 million compared to \$12.8 million in FY2018. Actual FY2019 collections were \$9.9 million lower than the most recent revised adopted estimate.

- The average annual increase in collections between FY2011 and FY2019 was 4.7%.
- Net collections from the sales and use tax account for approximately 62.5% of ongoing general fund revenues in FY2019.



Estimate: Due to the broad nature of the sales and use tax, there are many different variables influencing collections including employment, income, the unemployment rate, inflation, etc. To quantify these theories, regression equations are used to see if historically there has been a statistically significant relationship between these and other variables and sales and use tax collections. The sales and use tax data is divided into five different categories to account for the broad base of the sales and use tax. Independent variables are then used in the equations to see if historically a statistically significant relationship between them and taxable sales has existed. After finding the best fitting regression equation for each of the five categories, sales and use tax collections are forecasted. The regression equations used in the forecast, the coefficient of determination (R^2) associated with the equations, and a brief explanation of how to read regression equations are below.

Equation 1: Consumer Spending on Durables and Services (STCDS)

$$\text{STCDS} = -219.67 + 0.06 * \text{SD Nonfarm Income} + 203.03 * \text{Seasonal Dummy} + 7.94 * \text{SD Manufacturing Employment} + 28.51 * \text{SD Housing Starts}$$

$R^2 = .9956$

Equation 2: Business Related Purchases/Consumer Spending on Nondurables (STBUSCND)

$$\text{STBUSCND} = -2,296.87 + 7.13 * \text{SD Nonfarm Employment} + 262.54 * \text{Seasonal Dummy} + 0.73 * \text{Exports} + 600.34 * \text{CPI}$$

$R^2 = .9929$

Equation 3: Construction Related Purchases (STCON)

$$\text{STCON} = -563.08 + 27.43 * \text{SD Construction Employment} + 0.01 * (\text{SD Nonfarm Income} * \text{Seasonal dummy}) + 10.54 * \text{SD Housing Starts} + 0.05 * \text{Wage and Salary Disbursements} + 0.04 * \text{Farm Proprietors Income (lagged)}$$

$R^2 = .9856$

Equation 4: Recreation Related Purchases (STREC)

$$\text{STREC} = -34.02 + 0.02 * \text{SD Nonfarm Income} + 4.25 * \text{SD Leisure and Hospitality Employment} + 0.01 * (\text{SD Disposable Income} * \text{Seasonal Dummy}) - 0.46 * \text{oil prices.}$$

R² = .9964

Equation 5: Utilities (STUTI)

$$\text{STUTI} = 77.38 + 0.02 * \text{SD Nonfarm Income} + 3.07 * \text{Consumer Spending on Electricity and Natural Gas} + 0.02 * \text{SD Farm Proprietors Income.}$$

R² = .9867

Collection Equation:

$$\text{Sales Tax Collections} = -4.3 + 0.045 * \text{Total Taxable Sales}$$

R² = .9985

Basic steps to follow when reading a regression equation are:

- 1.) Identify the dependent variable (the variable on the left side of the equation) and the independent variables (the variables on the right side of the equation).
- 2.) Look at the signs of the independent variables. The signs tell you if there is a positive or a negative relationship between the dependent and the independent variable.
- 3.) Look at the numbers in front of the independent variables. They quantify the change in the dependent variable if there is a one unit change in the independent variable, holding the other independent variables constant.
- 4.) Look at the R². This is one way to identify how well an equation fits the data. An R² value close to one tells you that the equation has a good overall fit.

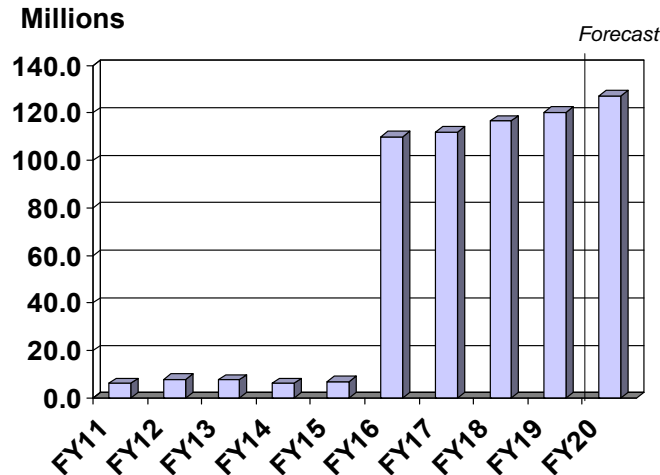
		Interim Estimate for FY2020
Base Sales and Use Tax Collections		1,052,321,914
+ Audit Collections		13,291,405
+ Boat Tax		2,148,015
+ Off-Road Vehicle Excise Tax		2,265,207
+ <u>Mobile Home Tax</u>		<u>237,864</u>
= Base Estimate		1,070,264,405
- DOR Indirect Funding		(6,219,243)
= Net Sales Tax Estimate		1,064,045,162

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	988,823,603	1,025,401,209	1,064,045,162
Dollar Change	37,600,523	36,577,605	38,643,953
Percent Change	3.95	3.70	3.77

LOTTERY

FY2019 Performance: Receipts to the general fund from the lottery category totaled \$123.8 million in FY2019. Video lottery receipts totaled \$114.0 million, which was an increase of \$5.1 million or 4.6% over FY2018. Receipts from on-line and instant tickets totaled \$9.7 million, which was up \$2.1 million or 27.0% compared to FY2018.

- All of the net proceeds from the sale of instant lottery tickets are deposited in the general fund.
- The first \$1.4 million of the net proceeds from the sale of on-line lottery tickets are deposited in the general fund in FY2018 and prior years, with the remaining net proceeds from the sale of on-line lottery tickets are deposited in the Capital Construction Fund.
- Beginning in FY2019 through FY2023, the net proceeds from on-line lottery funds to the general fund increases pursuant to the passage of SB 183 from the 2018 legislative session.
- Receipts included in this category account for approximately 7.5% of ongoing general fund revenues in FY2019.



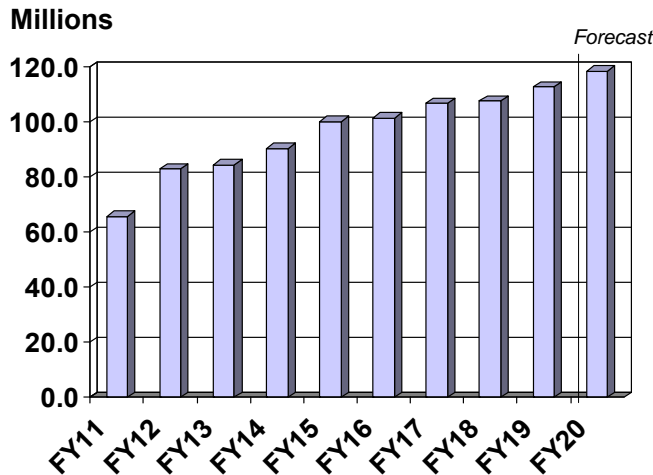
Estimate: The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Instant Lottery	6,300,942	7,989,685	8,150,000
Online Lottery	1,400,000	1,800,000	2,650,000
Video Lottery	108,974,498	114,025,816	116,306,332
Total Receipts	116,675,440	123,815,501	127,106,332
Dollar Change	4,848,184	7,140,061	3,290,831
Percent Change	4.34	6.12	2.66

CONTRACTOR'S EXCISE TAX

FY2019 Performance: In FY2019, net contractor's excise tax collections were \$113.2 million, which was an increase of 5.1% or \$5.5 million over FY2018. Actual FY2019 collections were \$1.8 million lower than the most recent revised legislative adopted estimate.

- The average annual increase in net contractor's excise tax collections between FY2011 and FY2019 was 7.18%.
- Net collections from the contractor's excise tax account for approximately 6.9% of ongoing general fund receipts in FY2019.



Estimate: Contractor's excise tax collections are estimated using a single regression equation. The equation and its coefficient of determination are below. (An explanation of how to read a regression equation can be found on page 7.)

Contractor's Excise Tax Collections = - 45.68 + 1.88*SD Construction, Natural Resources, and Mining Employment + 0.01*(Seasonal Dummy*SD nonfarm income) – 1.72*SD Unemployment Rate + 4.20*Price Index for Metal Materials and Wood Products + 11.95*Consumer Price Index + 0.48*SD Housing Starts

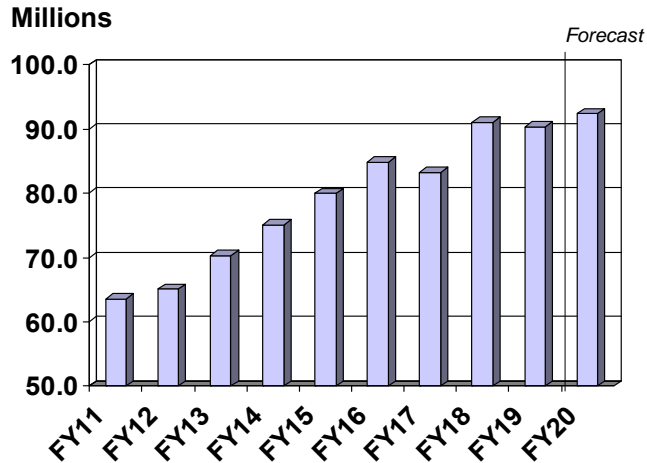
R² = .9939

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Net Receipts	107,626,628	113,163,617	118,503,584
Dollar Change	798,091	5,536,989	5,339,967
Percent Change	0.75	5.14	4.72

INSURANCE COMPANY TAX

FY2019 Performance: In FY2019, insurance company tax collections totaled \$90.3 million, which was down 0.7% or \$0.7 million from FY2018. Actual FY2019 collections were \$0.3 million higher than the most recent legislative adopted estimates.

- The average annual increase between FY2011 and FY2019 was 4.48%.
- Collections from this tax account for approximately 5.5% of ongoing general fund revenues in FY2019.



Estimate: A regression equation is used to project collections from the insurance company tax. The equation and its coefficient of determination are below. (An explanation of how to read a regression equation can be found on page 7.)

Insurance Company Tax Collections = 5.76 + 0.40*SD Nonfarm Income – 3.91*Seasonal Dummy + 0.06*Consumer Spending on Insurance - 0.34*Yield on two-year Treasury note + 2.44 * Affordable Care Act dummy variable.

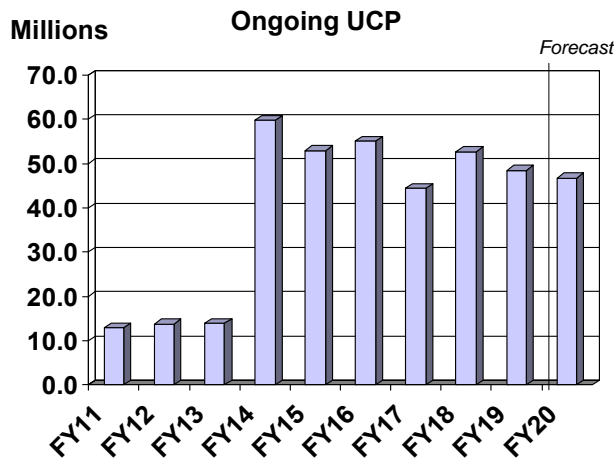
R² = .9791

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Receipts	91,021,843	90,347,541	92,383,090
Dollar Change	7,750,311	(674,302)	2,035,549
Percent Change	9.31	(0.74)	2.25

UNCLAIMED PROPERTY RECEIPTS

FY2019 Performance: In FY2019, unclaimed property receipts to the general fund totaled \$48.6 million. In total, actual FY2019 collections were \$1.8 million higher than the most recent legislative adopted estimates.

- Collections from unclaimed property receipts account for approximately 2.8% of ongoing general fund revenues in FY2019.
- The chart below shows the ongoing portion of unclaimed property.



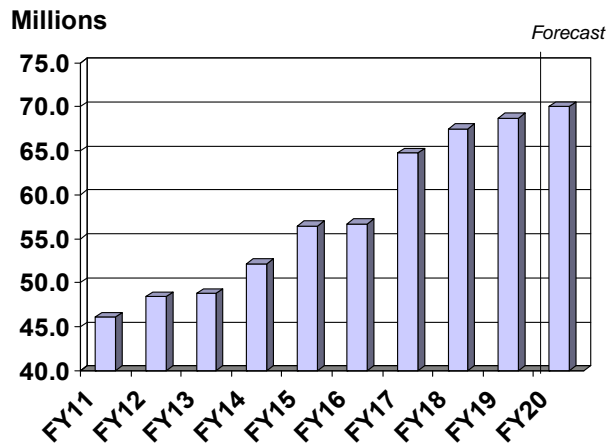
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Ongoing UCP	52,766,031	48,573,600	46,808,689
One-Time UCP	0	0	0
Total UCP	52,766,031	48,573,600	46,808,689
Dollar Change	(4,334,918)	(4,192,430)	(1,764,911)
Percent Change	(7.59)	(7.95)	(3.63)

LICENSES, PERMITS, AND FEES

FY2019 Performance: In FY2019, collections from licenses, permits, and fees totaled \$68.8 million, which was up 1.88% or \$1.3 million from FY2018. Actual FY2019 collections were \$0.5 million higher than the most recent legislative adopted estimates.

- Collections in this category account for approximately 4.2% of ongoing general fund revenues in FY2019.



Estimate: The different sources of receipts included in this category are estimated individually based on historical collections and current conditions.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Receipts	67,492,051	68,758,069	70,000,316
Dollar Change	2,761,876	1,266,019	1,242,247
Percent Change	4.27	1.88	1.81

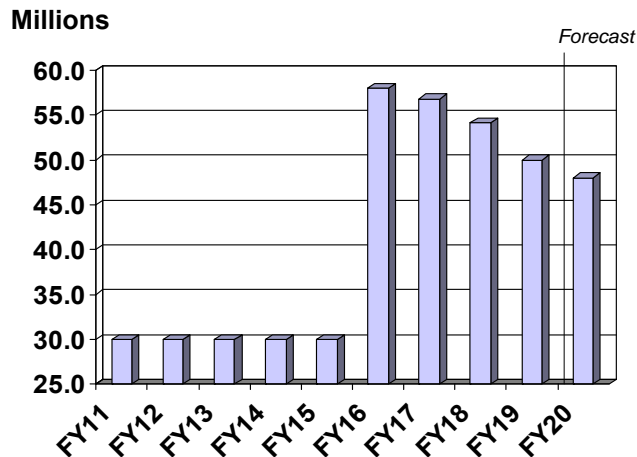
TOBACCO TAXES

FY2019 Performance: In FY2019, the total collections from the tobacco taxes were \$55.0 million of which \$50.0 million was deposited into the general fund and \$5.0 million was dedicated to tobacco prevention. In FY2019, cigarette taxes totaled \$45.5 million, which was a decrease of \$4.4 million or 8.8% compared to FY2018. Other tobacco taxes totaled \$9.5 million, which was an increase of \$0.2 million or 2.0% over FY2018.

- Approximately 83% of the collections included in this category are from the tax on cigarettes, and the remaining 17% is collected based on the tax on the wholesale purchase price of other tobacco products.
- Collections in this category account for approximately 3.0% of ongoing general fund receipts in FY2019.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
General Fund	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000
Remainder to GF	24,157,663	19,971,217	18,048,119
Total	59,157,663	54,971,217	53,048,119

- The following chart includes the amount allocated directly to the general fund:



Estimate: Collections from the tax on cigarettes and other tobacco products are estimated individually. The general fund is forecast to receive \$48,048,119 in FY2020.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	54,157,663	49,971,217	48,048,119
Dollar Change	(2,651,486)	(4,186,446)	(1,923,098)
Percent Change	(4.67)	(7.73)	(3.85)

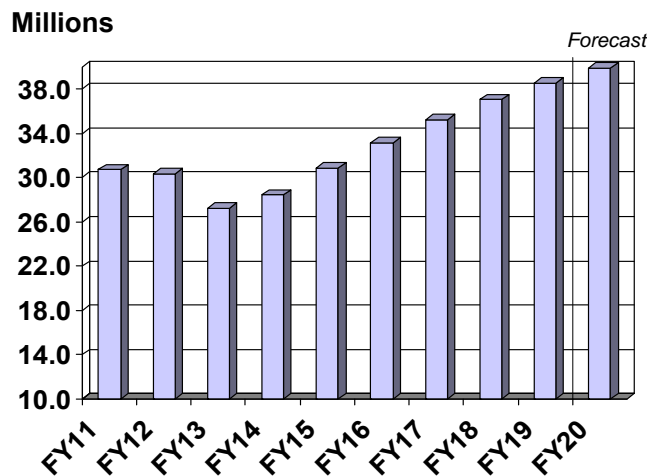
TRUST FUNDS

FY2019 Performance: Transfers from the trust funds to the general fund in FY2019 totaled \$38.5 million, which was an increase of 4.0% or \$1.5 million from FY2018. As of June 30, 2019, the estimated rate of return for FY2019 was 5.4% for the Education Enhancement Trust Fund and 5.8% for both the Dakota Cement Trust Fund and the Health Care Trust Fund.

- The table below shows the amounts transferred from each of the trust funds to the general fund in FY2018 and FY2019, and the estimated amounts for FY2020.

	Actual FY2018	Actual FY2019	Estimated FY2020
HCTF	5,214,739	5,414,857	5,520,073
EETF	19,377,842	20,430,222	21,334,593
DCTF	12,442,947	12,682,857	13,027,438
Total	37,035,528	38,527,936	39,882,104

- Receipts from the trust funds account for approximately 2.3% of ongoing general fund revenues in FY2019.



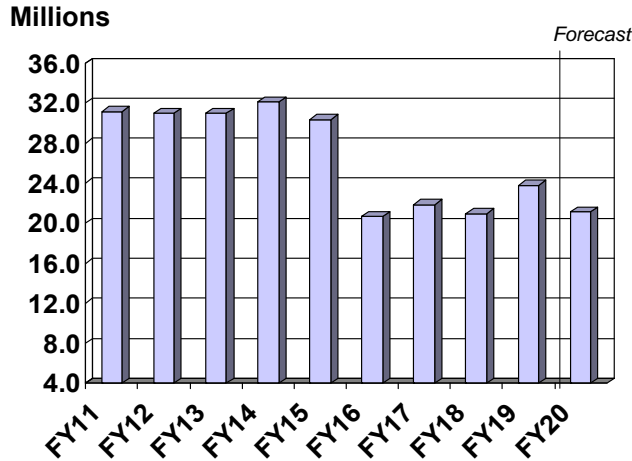
Estimate: The estimate for FY2020 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	37,035,528	38,527,936	39,882,104
Dollar Change	1,840,831	1,492,408	1,354,168
Percent Change	5.23	4.03	3.51

NET TRANSFERS IN

FY2019 Performance: In FY2019, collections from net transfers in totaled \$23.8 million, which was an increase of 13.8% or \$2.9 million from FY2018. Actual collections in FY2019 were \$2.7 million higher than the most recent legislative adopted estimate.

- Receipts included in this category account for approximately 1.5% of ongoing general fund revenues in FY2019.



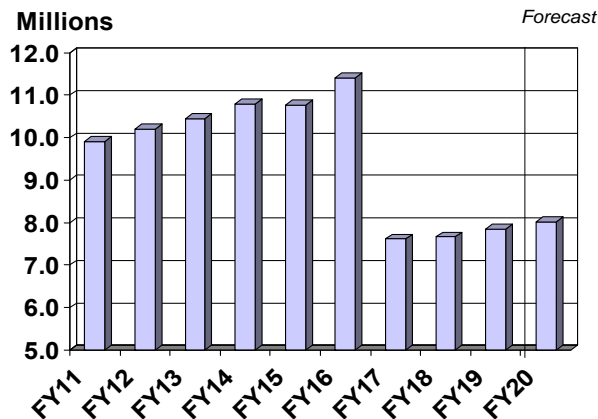
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	20,941,048	23,827,140	21,125,048
Dollar Change	(956,023)	2,886,092	(2,702,092)
Percent Change	(4.37)	13.78	(11.34)

ALCOHOL BEVERAGE TAX

FY2019 Performance: Alcohol beverage tax collections to the general fund in FY2019 totaled \$7.8 million, up 2.3% compared to FY2018. Actual FY2019 collections were \$0.01 million higher than the most recent legislative adopted estimate.

- Prior to FY2017, the state received 75% of the tax collected, and 25% of the collections went to the municipalities.
- Beginning in FY2017 per the passage of SB 2, the state will receive 50% of the tax collected with 25% going to the municipalities and 25% going to the counties.
- Collections from this tax account for approximately 0.5% of ongoing general fund revenues in FY2019.



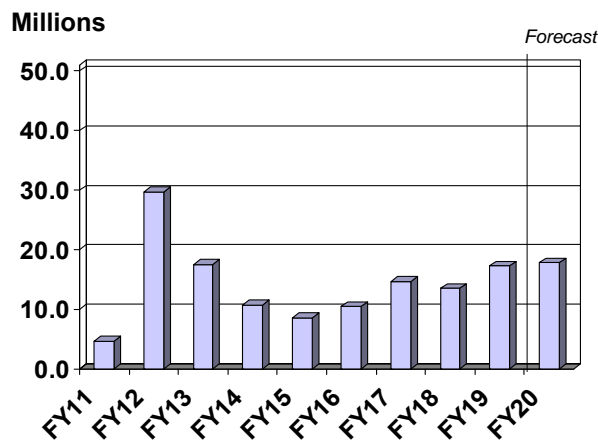
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	7,668,288	7,845,250	8,014,951
Dollar Change	50,754	176,962	169,701
Percent Change	0.67	2.31	2.16

BANK FRANCHISE TAX

FY2019 Performance: In FY2019, bank franchise tax collections totaled \$17.3 million, which was an increase of \$3.8 million or 27.9% compared to FY2018. Bank card collections totaled \$4.0 million, up \$0.1 million or 3.0% compared to FY2018. Traditional bank tax collections totaled \$13.3 million, up \$3.6 million or 37.9% compared to FY2018. Total FY2019 bank tax collections were \$3.2 million higher than the most recent legislative adopted estimate.

- Ninety-five percent of the taxes paid by bank card taxpayers and 26 2/3% of all other revenues are deposited in the general fund. The remaining 5% of collections from bank card taxpayers and the 73 1/3% of revenues received from all other banks are remitted to the county where the bank or financial institution is located.
- Collections from this tax account for approximately 1.1% of ongoing general fund revenues in FY2019.



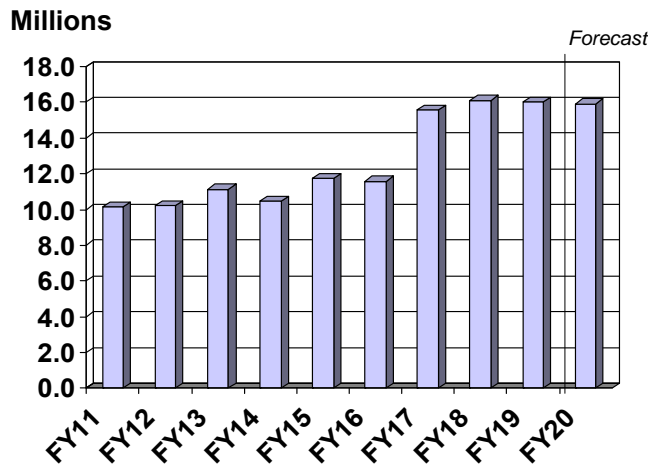
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	13,494,940	17,256,120	17,794,537
Dollar Change	(1,193,831)	3,761,180	538,417
Percent Change	(8.13)	27.87	3.12

CHARGES FOR GOODS AND SERVICES

FY2019 Performance: In FY2019, the charges for goods and services category totaled \$16.0 million, a decrease of \$0.1 million or 0.5% compared to FY2018 collections. Actual FY2019 collections were \$0.1 million lower than the most recent legislative adopted estimate.

- Revenues to the general fund from this category are relatively constant from year to year.
- In FY2017, the primary increase is due to additional receipts from the Department of Corrections due to the budget restructuring.
- Receipts included in this category account for approximately 1.0% of ongoing general fund revenues in FY2019.



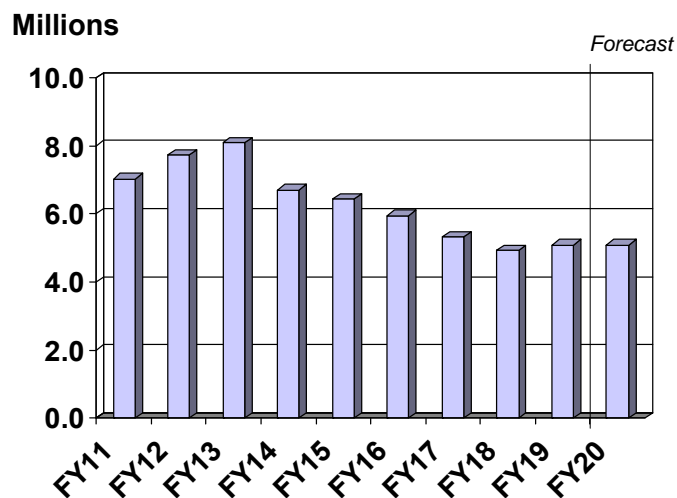
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	16,094,652	16,012,654	15,927,066
Dollar Change	531,980	(81,998)	(85,588)
Percent Change	3.42	(0.51)	(0.53)

TELECOMMUNICATIONS TAX

FY2019 Performance: In FY2019, the telecommunications tax totaled \$5.1 million, an increase of \$0.2 million or 3.2% compared to FY2018 collections. Actual FY2019 collections were \$0.2 million lower than the most recent legislative adopted estimate.

- A gross receipts tax is imposed at the rate of 4% of telecommunications services within the state (SDCL 10-33A). Through FY2015, 60% of the revenue generated from this tax was dedicated to the Property Tax Reduction Fund (PTRF) with the remaining 40% deposited into the County Telecommunications Gross Receipts Fund.
- Beginning in FY2016, the receipts from this tax are included in this separate classification due to the repeal of the PTRF.
- The chart below shows the historical collections of this particular source of revenue that has flowed through the PTRF to the state general fund from FY2011 through FY2019.



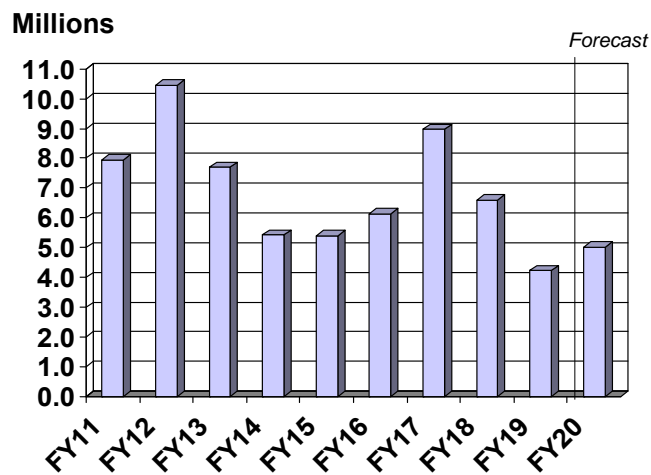
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2018	Actual FY2019	Interim Estimate FY2019
Total Receipts	4,931,125	5,089,768	5,089,768
Dollar Change	(398,751)	158,643	0
Percent Change	(7.48)	3.22	0.00

SEVERANCE TAXES

FY2019 Performance: Severance tax collections totaled \$4.2 million in FY2019, which was down \$2.4 million or 35.9% from FY2018. Collections from energy mineral severance taxes (primarily oil) totaled \$1.5 million, which was up \$0.2 million or 12.9% compared to FY2018. Collections from precious metal severance taxes (primarily gold) totaled \$2.7 million, which was down \$2.5 million or 48.5% compared to FY2018. Total FY2019 severance tax collections were \$0.4 million lower than the most recent legislative adopted estimate.

- Currently all precious metal severance taxes are deposited in the general fund.
- One-half of the energy mineral severance taxes received are returned to the county where the energy minerals were severed and one-half of the taxes are deposited in the general fund.
- Collections included in this category account for approximately 0.3% of ongoing general fund revenues in FY2019.



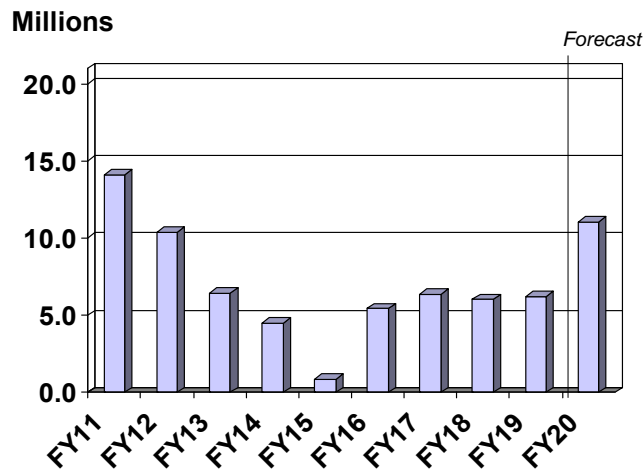
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history and the projected price of crude oil and natural gas.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	6,602,808	4,234,206	5,028,987
Dollar Change	(2,365,425)	(2,368,602)	794,781
Percent Change	(26.38)	(35.87)	18.77

INVESTMENT INCOME AND INTEREST

FY2019 Performance: In FY2019, collections from investment income and interest totaled \$6.2 million, an increase of \$0.2 million or 2.9% compared to FY2018. The yield of the cash flow fund was 1.2% for FY2019. Total FY2019 collections were \$0.03 million higher than the most recent legislative adopted estimate.

- The amounts collected in FY2015 and FY2016 are based on discontinuing the accelerated 90% interest earnings for the current year's proration starting in FY2015. Thus, only 10% of the previous year's proration (FY2014) is reflected in FY2015 receipts and 100% of the earnings from the previous year are reflected in FY2016 receipts.
- Revenues included in this category are from interest and the investment earnings of the general fund and nonparticipating funds in the cash flow fund. Nonparticipating means the earnings attributable to the company are deposited in the general fund. The South Dakota Investment Council is responsible for investing the money in the cash flow fund.
- This category also includes some interest and rent income from the Department of Social Services and the Department of Corrections.
- Receipts in this category account for approximately 0.4% of ongoing general fund revenues in FY2019.



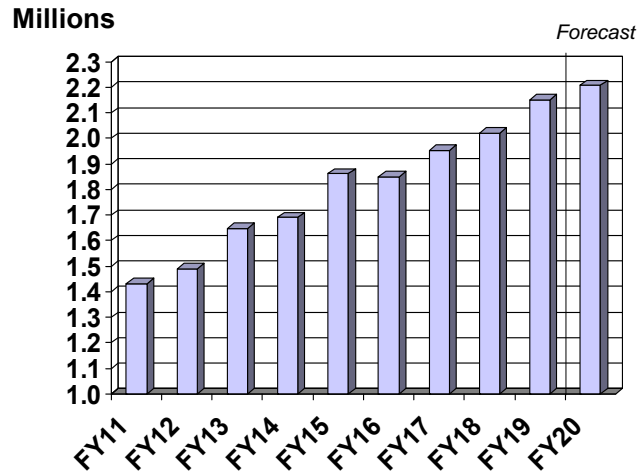
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections. The estimated yield of the cash flow fund for this past year was approximately 2.1%, which is the primary reason for the FY2020 increase in interest income.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	6,053,274	6,229,304	11,067,816
Dollar Change	(312,868)	176,031	4,838,512
Percent Change	(4.91)	2.91	77.67

ALCOHOL BEVERAGE 2% WHOLESALE TAX

FY2019 Performance: Collections in FY2019 totaled \$2.2 million, up 6.4% from FY2018. Actual FY2019 collections from this tax were \$0.04 million lower than the most recent legislative adopted estimate.

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2019.



Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2018	Actual FY2019	Interim Estimate FY2020
Total Receipts	2,020,940	2,150,157	2,206,681
Dollar Change	66,486	129,216	56,524
Percent Change	3.40	6.39	2.63