



# **REVENUE FORECAST**

**2022 Interim**

**July 27, 2022**

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# MEMORANDUM

**TO:** Governor Kristi Noem and Interim Joint Committee on Appropriations

**FROM:** Derek Johnson, State Economist  
Bureau of Finance and Management

**SUBJECT:** Interim FY2023 Revenue Projections

**DATE:** July 27, 2022

In accordance with the provisions of SDCL 4-8A-16, the following report includes actual revenue for FY2021 and FY2022 and updated revenue projections for FY2023 for the various sources of revenue that flow to the state general fund.

The updated FY2023 revenue estimates from the Bureau of Finance and Management total \$2,135,163,037 on an ongoing basis. This updated projection is \$69,018,369, or 3.34 percent, higher than the Legislative Adopted FY2023 estimate. Since this most recent forecast is higher than the Adopted FY2023 budgeted level, there is no shortfall in the current fiscal year at this time and no further action is necessary per SDCL 4-8A-16.

## GENERAL FUND RECEIPTS

|                                       | <u>ACTUAL<br/>FY2021</u>      | <u>ACTUAL<br/>FY2022</u>      | <u>BFM INTERIM<br/>FY2023</u> |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>ONGOING RECEIPTS</b>               |                               |                               |                               |
| Sales and Use Tax                     | 1,209,342,342                 | 1,356,844,793                 | 1,387,086,556                 |
| Lottery                               | 155,527,049                   | 171,609,682                   | 173,474,011                   |
| Contractor's Excise Tax               | 144,448,267                   | 155,823,772                   | 160,388,197                   |
| Insurance Company Tax                 | 97,010,439                    | 103,995,420                   | 106,992,280                   |
| Unclaimed Property Receipts           | 62,809,930                    | 65,097,628                    | 40,000,000                    |
| Licenses, Permits, and Fees           | 71,212,896                    | 75,077,171                    | 75,234,572                    |
| Tobacco Taxes                         | 52,314,193                    | 49,385,379                    | 47,920,171                    |
| Trust Funds                           | 41,628,039                    | 43,495,271                    | 46,540,322                    |
| Net Transfers In                      | 23,471,494                    | 25,279,507                    | 23,707,284                    |
| Alcohol Beverage Tax                  | 8,767,726                     | 9,203,968                     | 9,360,369                     |
| Bank Franchise Tax                    | 18,702,022                    | 22,511,850                    | 21,946,510                    |
| Charges for Goods and Services        | 16,444,429                    | 14,804,251                    | 15,624,330                    |
| Telecommunications Tax                | 3,520,578                     | 2,688,458                     | 2,489,576                     |
| Severance Taxes                       | 9,810,601                     | 8,033,942                     | 7,531,720                     |
| Investment Income and Interest        | 18,592,297                    | 19,648,565                    | 13,893,501                    |
| Alcohol Bev 2% Wholesale Tax          | 2,596,157                     | 2,909,711                     | 2,973,638                     |
| <b>TOTAL (ONGOING RECEIPTS)</b>       | <u>\$1,936,198,459</u>        | <u>\$2,126,409,366</u>        | <u>\$2,135,163,037</u>        |
| <b>ONE-TIME RECEIPTS</b>              |                               |                               |                               |
| Refinancing Gains/Transfer from SDBA  | 6,745,654                     | 0                             | 0                             |
| Closeout of SDRC Inc. Funds           | 3,381,726                     | 0                             | 0                             |
| Bank Franchise Tax Prior Year Revenue | 10,013,790                    | 1,568,296                     | 0                             |
| One-Time Sales and Use Tax            | 13,486,289                    | 28,305,843                    | 0                             |
| Surplus Property                      | 0                             | 3,061,037                     | 0                             |
| Unexpended Carryovers and Specials    | 4,125,561                     | 2,900,492                     | 0                             |
| Transfer from Budget Reserve Fund     | 0                             | 0                             | 0                             |
| Obligated Cash Carried Forward        | 19,093,963                    | 85,875,130                    | 115,478,433                   |
| Prior Period Adjustment               | 22,523,535                    | 5,332,982                     | 0                             |
| <b>SUBTOTAL (ONE-TIME RECEIPTS)</b>   | <u>\$ 79,370,518</u>          | <u>\$ 127,043,781</u>         | <u>\$ 115,478,433</u>         |
| <b>GRAND TOTAL</b>                    | <u><u>\$2,015,568,977</u></u> | <u><u>\$2,253,453,148</u></u> | <u><u>\$2,250,641,470</u></u> |

## ACTUAL FY2021 vs. ACTUAL FY2022 RECEIPTS

|                                       | ACTUAL<br>FY2021        | ACTUAL<br>FY2022        | DOLLAR<br>CHANGE      | PERCENT<br>CHANGE |
|---------------------------------------|-------------------------|-------------------------|-----------------------|-------------------|
| <b>ONGOING RECEIPTS</b>               |                         |                         |                       |                   |
| Sales and Use Tax                     | 1,209,342,342           | 1,356,844,793           | 147,502,451           | 12.20             |
| Lottery                               | 155,527,049             | 171,609,682             | 16,082,633            | 10.34             |
| Contractor's Excise Tax               | 144,448,267             | 155,823,772             | 11,375,506            | 7.88              |
| Insurance Company Tax                 | 97,010,439              | 103,995,420             | 6,984,981             | 7.20              |
| Unclaimed Property Receipts           | 62,809,930              | 65,097,628              | 2,287,698             | 3.64              |
| Licenses, Permits, and Fees           | 71,212,896              | 75,077,171              | 3,864,275             | 5.43              |
| Tobacco Taxes                         | 52,314,193              | 49,385,379              | (2,928,814)           | (5.60)            |
| Trust Funds                           | 41,628,039              | 43,495,271              | 1,867,232             | 4.49              |
| Net Transfers In                      | 23,471,494              | 25,279,507              | 1,808,013             | 7.70              |
| Alcohol Beverage Tax                  | 8,767,726               | 9,203,968               | 436,241               | 4.98              |
| Bank Franchise Tax                    | 18,702,022              | 22,511,850              | 3,809,828             | 20.37             |
| Charges for Goods and Services        | 16,444,429              | 14,804,251              | (1,640,178)           | (9.97)            |
| Telecommunications Tax                | 3,520,578               | 2,688,458               | (832,120)             | (23.64)           |
| Severance Taxes                       | 9,810,601               | 8,033,942               | (1,776,659)           | (18.11)           |
| Investment Income and Interest        | 18,592,297              | 19,648,565              | 1,056,268             | 5.68              |
| Alcohol Bev 2% Wholesale Tax          | 2,596,157               | 2,909,711               | 313,554               | 12.08             |
| <b>TOTAL (ONGOING RECEIPTS)</b>       | <b>\$ 1,936,198,459</b> | <b>\$ 2,126,409,366</b> | <b>\$ 190,210,907</b> | <b>9.82</b>       |
| <b>ONE-TIME RECEIPTS</b>              |                         |                         |                       |                   |
| Refinancing Gains/Transfer from SDBA  | 6,745,654               | 0                       | (6,745,654)           | (100.00)          |
| Closeout of SDRC Inc. Funds           | 3,381,726               | 0                       | (3,381,726)           | (100.00)          |
| Bank Franchise Tax Prior Year Revenue | 10,013,790              | 1,568,296               | (8,445,494)           | (84.34)           |
| One-Time Sales and Use Tax            | 13,486,289              | 28,305,843              | 14,819,554            | 109.89            |
| Surplus Property                      | 0                       | 3,061,037               | 3,061,037             | N/A               |
| Unexpended Carryovers and Specials    | 4,125,561               | 2,900,492               | (1,225,069)           | (29.69)           |
| Transfer from Budget Reserve Fund     | 0                       | 0                       | 0                     | N/A               |
| Obligated Cash Carried Forward        | 19,093,963              | 85,875,130              | 66,781,168            | 349.75            |
| Prior Period Adjustment               | 22,523,535              | 5,332,982               | (17,190,554)          | (76.32)           |
| <b>SUBTOTAL (ONE-TIME RECEIPTS)</b>   | <b>\$ 79,370,518</b>    | <b>\$ 127,043,781</b>   | <b>\$ 47,673,263</b>  | <b>60.06</b>      |
| <b>GRAND TOTAL</b>                    | <b>\$ 2,015,568,977</b> | <b>\$ 2,253,453,148</b> | <b>\$ 237,884,170</b> | <b>11.80</b>      |

# LEGISLATIVE REVISED FY2022 VS. ACTUAL FY2022 RECEIPTS

|                                       | <u>LEG REVISED<br/>FY2022</u>  | <u>ACTUAL<br/>FY2022</u>      | <u>DOLLAR<br/>CHANGE</u>   | <u>PERCENT<br/>CHANGE</u> |
|---------------------------------------|--------------------------------|-------------------------------|----------------------------|---------------------------|
| <b>ONGOING RECEIPTS</b>               |                                |                               |                            |                           |
| Sales and Use Tax                     | 1,320,225,405                  | 1,356,844,793                 | 36,619,388                 | 2.77                      |
| Lottery                               | 167,014,996                    | 171,609,682                   | 4,594,686                  | 2.75                      |
| Contractor's Excise Tax               | 148,509,836                    | 155,823,772                   | 7,313,936                  | 4.92                      |
| Insurance Company Tax                 | 98,180,960                     | 103,995,420                   | 5,814,460                  | 5.92                      |
| Unclaimed Property Receipts           | 63,732,056                     | 65,097,628                    | 1,365,572                  | 2.14                      |
| Licenses, Permits, and Fees           | 71,531,222                     | 75,077,171                    | 3,545,949                  | 4.96                      |
| Tobacco Taxes                         | 51,411,340                     | 49,385,379                    | (2,025,961)                | (3.94)                    |
| Trust Funds                           | 43,495,271                     | 43,495,271                    | 0                          | 0.00                      |
| Net Transfers In                      | 23,130,804                     | 25,279,507                    | 2,148,703                  | 9.29                      |
| Alcohol Beverage Tax                  | 8,970,828                      | 9,203,968                     | 233,140                    | 2.60                      |
| Bank Franchise Tax                    | 16,753,147                     | 22,511,850                    | 5,758,703                  | 34.37                     |
| Charges for Goods and Services        | 15,140,266                     | 14,804,251                    | (336,015)                  | (2.22)                    |
| Telecommunications Tax                | 2,900,871                      | 2,688,458                     | (212,413)                  | (7.32)                    |
| Severance Taxes                       | 7,789,765                      | 8,033,942                     | 244,177                    | 3.13                      |
| Investment Income and Interest        | 19,701,217                     | 19,648,565                    | (52,652)                   | (0.27)                    |
| Alcohol Bev 2% Wholesale Tax          | 2,764,158                      | 2,909,711                     | 145,553                    | 5.27                      |
| <b>TOTAL (ONGOING RECEIPTS)</b>       | <u>\$ 2,061,252,142</u>        | <u>\$2,126,409,366</u>        | <u>\$ 65,157,224</u>       | <u>3.16</u>               |
| <b>ONE-TIME RECEIPTS</b>              |                                |                               |                            |                           |
| Bank Franchise Tax Prior Year Revenue | 416,316                        | 1,568,296                     | 1,151,980                  | 276.71                    |
| One-Time Sales and Use Tax            | 28,305,843                     | 28,305,843                    | 0                          | 0.00                      |
| Surplus Property                      | 0                              | 3,061,037                     | 3,061,037                  | N/A                       |
| Unexpended Carryovers and Specials    | 0                              | 2,900,492                     | 2,900,492                  | N/A                       |
| Obligated Cash Carried Forward        | 85,875,130                     | 85,875,130                    | 0                          | 0.00                      |
| Prior Period Adjustment               | 5,332,982                      | 5,332,982                     | 0                          | 0.00                      |
| <b>SUBTOTAL (ONE-TIME RECEIPTS)</b>   | <u>\$ 119,930,271</u>          | <u>\$ 127,043,781</u>         | <u>\$ 7,113,510</u>        | <u>5.93</u>               |
| <b>GRAND TOTAL</b>                    | <u><b>\$ 2,181,182,413</b></u> | <u><b>\$2,253,453,148</b></u> | <u><b>\$72,270,735</b></u> | <u><b>3.31</b></u>        |

## ACTUAL FY2022 RECEIPTS VS. ADOPTED FY2023 ESTIMATE

|                                       | <u>ACTUAL<br/>FY2022</u>       | <u>LEG ADOPTED<br/>FY2023</u>  | <u>DOLLAR<br/>CHANGE</u>       | <u>PERCENT<br/>CHANGE</u> |
|---------------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------|
| <b>ONGOING RECEIPTS</b>               |                                |                                |                                |                           |
| Sales and Use Tax                     | 1,356,844,793                  | 1,331,550,501                  | (25,294,292)                   | (1.86)                    |
| Lottery                               | 171,609,682                    | 170,540,000                    | (1,069,682)                    | (0.62)                    |
| Contractor's Excise Tax               | 155,823,772                    | 152,237,105                    | (3,586,667)                    | (2.30)                    |
| Insurance Company Tax                 | 103,995,420                    | 101,685,257                    | (2,310,163)                    | (2.22)                    |
| Unclaimed Property Receipts           | 65,097,628                     | 47,049,387                     | (18,048,241)                   | (27.72)                   |
| Licenses, Permits, and Fees           | 75,077,171                     | 72,756,235                     | (2,320,936)                    | (3.09)                    |
| Tobacco Taxes                         | 49,385,379                     | 50,781,051                     | 1,395,672                      | 2.83                      |
| Trust Funds                           | 43,495,271                     | 46,397,822                     | 2,902,551                      | 6.67                      |
| Net Transfers In                      | 25,279,507                     | 22,655,333                     | (2,624,174)                    | (10.38)                   |
| Alcohol Beverage Tax                  | 9,203,968                      | 9,013,182                      | (190,786)                      | (2.07)                    |
| Bank Franchise Tax                    | 22,511,850                     | 17,007,625                     | (5,504,225)                    | (24.45)                   |
| Charges for Goods and Services        | 14,804,251                     | 15,460,833                     | 656,582                        | 4.44                      |
| Telecommunications Tax                | 2,688,458                      | 2,601,188                      | (87,270)                       | (3.25)                    |
| Severance Taxes                       | 8,033,942                      | 7,625,358                      | (408,584)                      | (5.09)                    |
| Investment Income and Interest        | 19,648,565                     | 15,967,250                     | (3,681,315)                    | (18.74)                   |
| Alcohol Bev 2% Wholesale Tax          | 2,909,711                      | 2,816,541                      | (93,170)                       | (3.20)                    |
| <b>TOTAL (ONGOING RECEIPTS)</b>       | <u>\$ 2,126,409,366</u>        | <u>\$ 2,066,144,668</u>        | <u>\$ (60,264,698)</u>         | <u>(2.83)</u>             |
| <b>ONE-TIME RECEIPTS</b>              |                                |                                |                                |                           |
| Bank Franchise Tax Prior Year Revenue | 1,568,296                      | 0                              | (1,568,296)                    | (100.00)                  |
| One-Time Sales and Use Tax            | 28,305,843                     | 0                              | (28,305,843)                   | (100.00)                  |
| Surplus Property                      | 3,061,037                      | 0                              | (3,061,037)                    | (100.00)                  |
| Unexpended Carryovers and Specials    | 2,900,492                      | 0                              | (2,900,492)                    | (100.00)                  |
| Obligated Cash Carried Forward        | 85,875,130                     | 0                              | (85,875,130)                   | (100.00)                  |
| Prior Period Adjustment               | 5,332,982                      | 0                              | (5,332,982)                    | (100.00)                  |
| <b>SUBTOTAL (ONE-TIME RECEIPTS)</b>   | <u>\$ 127,043,781</u>          | <u>\$ -</u>                    | <u>\$ (127,043,781)</u>        | <u>(100.00)</u>           |
| <b>GRAND TOTAL</b>                    | <u><u>\$ 2,253,453,148</u></u> | <u><u>\$ 2,066,144,668</u></u> | <u><u>\$ (187,308,480)</u></u> | <u><u>(8.31)</u></u>      |

## ACTUAL FY2022 RECEIPTS VS. INTERIM FY2023 FORECAST

|                                       | <u>ACTUAL<br/>FY2022</u>       | <u>BFM INTERIM<br/>FY2023</u>  | <u>DOLLAR<br/>CHANGE</u>     | <u>PERCENT<br/>CHANGE</u> |
|---------------------------------------|--------------------------------|--------------------------------|------------------------------|---------------------------|
| <b>ONGOING RECEIPTS</b>               |                                |                                |                              |                           |
| Sales and Use Tax                     | 1,356,844,793                  | 1,387,086,556                  | 30,241,763                   | 2.23                      |
| Lottery                               | 171,609,682                    | 173,474,011                    | 1,864,329                    | 1.09                      |
| Contractor's Excise Tax               | 155,823,772                    | 160,388,197                    | 4,564,425                    | 2.93                      |
| Insurance Company Tax                 | 103,995,420                    | 106,992,280                    | 2,996,860                    | 2.88                      |
| Unclaimed Property Receipts           | 65,097,628                     | 40,000,000                     | (25,097,628)                 | (38.55)                   |
| Licenses, Permits, and Fees           | 75,077,171                     | 75,234,572                     | 157,401                      | 0.21                      |
| Tobacco Taxes                         | 49,385,379                     | 47,920,171                     | (1,465,208)                  | (2.97)                    |
| Trust Funds                           | 43,495,271                     | 46,540,322                     | 3,045,051                    | 7.00                      |
| Net Transfers In                      | 25,279,507                     | 23,707,284                     | (1,572,223)                  | (6.22)                    |
| Alcohol Beverage Tax                  | 9,203,968                      | 9,360,369                      | 156,401                      | 1.70                      |
| Bank Franchise Tax                    | 22,511,850                     | 21,946,510                     | (565,340)                    | (2.51)                    |
| Charges for Goods and Services        | 14,804,251                     | 15,624,330                     | 820,079                      | 5.54                      |
| Telecommunications Tax                | 2,688,458                      | 2,489,576                      | (198,882)                    | (7.40)                    |
| Severance Taxes                       | 8,033,942                      | 7,531,720                      | (502,222)                    | (6.25)                    |
| Investment Income and Interest        | 19,648,565                     | 13,893,501                     | (5,755,064)                  | (29.29)                   |
| Alcohol Bev 2% Wholesale Tax          | 2,909,711                      | 2,973,638                      | 63,927                       | 2.20                      |
| <b>TOTAL (ONGOING RECEIPTS)</b>       | <u>\$ 2,126,409,366</u>        | <u>\$ 2,135,163,037</u>        | <u>\$ 8,753,671</u>          | <u>0.41</u>               |
| <b>ONE-TIME RECEIPTS</b>              |                                |                                |                              |                           |
| Bank Franchise Tax Prior Year Revenue | 1,568,296                      | 0                              | (1,568,296)                  | (100.00)                  |
| One-Time Sales and Use Tax            | 28,305,843                     | 0                              | (28,305,843)                 | (100.00)                  |
| Surplus Property                      | 3,061,037                      | 0                              | (3,061,037)                  | (100.00)                  |
| Unexpended Carryovers and Specials    | 2,900,492                      | 0                              | (2,900,492)                  | (100.00)                  |
| Obligated Cash Carried Forward        | 85,875,130                     | 115,478,433                    | 29,603,302                   | 34.47                     |
| Prior Period Adjustment               | 5,332,982                      | 0                              | (5,332,982)                  | (100.00)                  |
| <b>SUBTOTAL (ONE-TIME RECEIPTS)</b>   | <u>\$ 127,043,781</u>          | <u>\$ 115,478,433</u>          | <u>\$ (11,565,349)</u>       | <u>(9.10)</u>             |
| <b>GRAND TOTAL</b>                    | <u><u>\$ 2,253,453,148</u></u> | <u><u>\$ 2,250,641,470</u></u> | <u><u>\$ (2,811,678)</u></u> | <u><u>(0.12)</u></u>      |



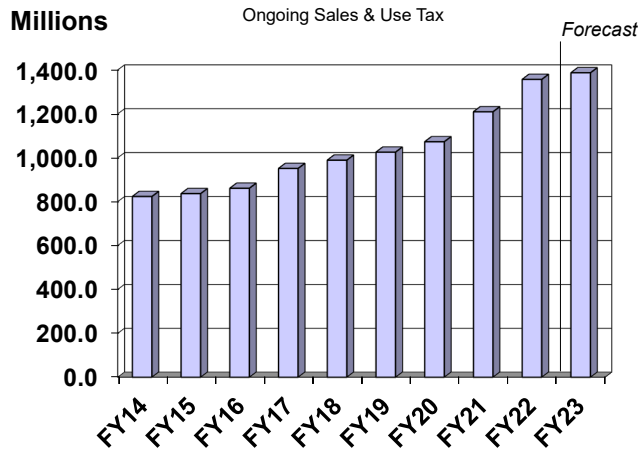
## ADOPTED FY2023 ESTIMATE VS. INTERIM FY2023 FORECAST

|                                     | LEG ADOPTED<br>FY2023   | BFM INTERIM<br>FY2023   | DOLLAR<br>CHANGE      | PERCENT<br>CHANGE |
|-------------------------------------|-------------------------|-------------------------|-----------------------|-------------------|
| <b>ONGOING RECEIPTS</b>             |                         |                         |                       |                   |
| Sales and Use Tax                   | 1,331,550,501           | 1,387,086,556           | 55,536,055            | 4.17              |
| Lottery                             | 170,540,000             | 173,474,011             | 2,934,011             | 1.72              |
| Contractor's Excise Tax             | 152,237,105             | 160,388,197             | 8,151,092             | 5.35              |
| Insurance Company Tax               | 101,685,257             | 106,992,280             | 5,307,023             | 5.22              |
| Unclaimed Property Receipts         | 47,049,387              | 40,000,000              | (7,049,387)           | (14.98)           |
| Licenses, Permits, and Fees         | 72,756,235              | 75,234,572              | 2,478,337             | 3.41              |
| Tobacco Taxes                       | 50,781,051              | 47,920,171              | (2,860,880)           | (5.63)            |
| Trust Funds                         | 46,397,822              | 46,540,322              | 142,500               | 0.31              |
| Net Transfers In                    | 22,655,333              | 23,707,284              | 1,051,951             | 4.64              |
| Alcohol Beverage Tax                | 9,013,182               | 9,360,369               | 347,187               | 3.85              |
| Bank Franchise Tax                  | 17,007,625              | 21,946,510              | 4,938,885             | 29.04             |
| Charges for Goods and Services      | 15,460,833              | 15,624,330              | 163,497               | 1.06              |
| Telecommunications Tax              | 2,601,188               | 2,489,576               | (111,612)             | (4.29)            |
| Severance Taxes                     | 7,625,358               | 7,531,720               | (93,638)              | (1.23)            |
| Investment Income and Interest      | 15,967,250              | 13,893,501              | (2,073,749)           | (12.99)           |
| Alcohol Bev 2% Wholesale Tax        | 2,816,541               | 2,973,638               | 157,097               | 5.58              |
| <b>TOTAL (ONGOING RECEIPTS)</b>     | <b>\$ 2,066,144,668</b> | <b>\$ 2,135,163,037</b> | <b>\$ 69,018,369</b>  | <b>3.34</b>       |
| <b>ONE-TIME RECEIPTS</b>            |                         |                         |                       |                   |
| One-Time Sales and Use Tax          | 0                       | 0                       | 0                     | N/A               |
| Obligated Cash Carried Forward      | 0                       | 115,478,433             | 115,478,433           | N/A               |
| <b>SUBTOTAL (ONE-TIME RECEIPTS)</b> | <b>\$ -</b>             | <b>\$ 115,478,433</b>   | <b>\$ 115,478,433</b> | <b>N/A</b>        |
| <b>GRAND TOTAL</b>                  | <b>\$ 2,066,144,668</b> | <b>\$ 2,250,641,470</b> | <b>\$ 184,496,802</b> | <b>8.93</b>       |

## SALES AND USE TAX

**FY2022 Performance:** In FY2022, ongoing sales and use tax collections were \$1,356.8 million, which was an increase of 12.2% or \$147.5 million over FY2021. Total sales and use tax collections for FY2022 were \$1,385.2 million, or 13.3% over FY2021. Total actual FY2022 collections were \$36.6 million higher than the most recent revised legislative adopted estimate.

- The average annual increase in collections between FY2014 and FY2022 was 6.5%.
- Net collections from the sales and use tax account for approximately 63.8% of ongoing general fund revenues in FY2022.



**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)

$STCDS = -183.47 + 0.06 * SD \text{ Nonfarm Income} + 226.01 * \text{Seasonal Dummy Variable} + 7.22 * SD \text{ Manufacturing Employment} + 37.44 * SD \text{ Housing Starts}$ .

$R^2 = .9925$

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

$STBUSCND = -1492.22 + 5.05 * SD \text{ Nonfarm Employment} + 335.73 * \text{Seasonal Dummy Variable} + 0.65 * \text{Exports} + 306.47 * \text{Consumer Price Index} + 0.03 * SD \text{ Nonfarm Income} + 1557.14 * \text{Stimulus Dummy Variable}$ .

$R^2 = .9829$

Equation 3: Construction Related Purchases (STCON)

$STCON = -531.82 + 28.88 * SD \text{ Construction Employment} + 0.01 * (SD \text{ Nonfarm Income} * \text{Seasonal Dummy Variable}) + 6.66 * SD \text{ Housing Starts} + 0.04 * \text{Wage and Salary Disbursements} + 0.04 * \text{Farm Proprietors Income (lagged)}$ .

$R^2 = .9869$

Equation 4: Recreation Related Purchases (STREC)

STREC = 14.04 + 0.02\*SD Nonfarm Income + 2.87\*SD Leisure and Hospitality Employment + 0.01\*(SD Disposable Income\*Seasonal Dummy Variable) – 0.39\*Oil Price – 255.29\*COVID Dummy Variable.

**R<sup>2</sup> = .9939**

Equation 5: Utilities (STUTI)

STUTI = -398.27 + 0.01\*SD Nonfarm Income + 2.65\*Consumer Spending on Electricity and Natural Gas + 2.06\*Oil Price + 281.86\*Consumer Price Index.

**R<sup>2</sup> = .9695**

Collection Equation:

Sales Tax Collections = -11.48 + 0.046\*Total Taxable Sales (STCDS + STBUSCNDOTH + STCON + STREC + STUTI).

**R<sup>2</sup> = .9975**

Basic steps to follow when reading a regression equation are:

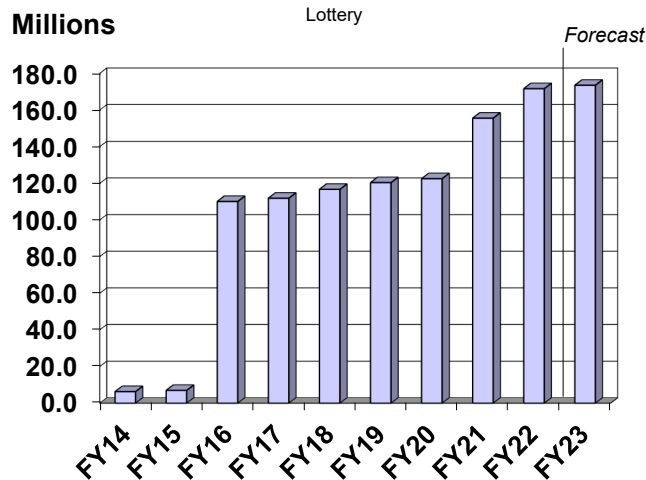
- 1.) Identify the dependent variable (the variable on the left side of the equation) and the independent variables (the variables on the right side of the equation).
- 2.) Look at the signs of the independent variables. The signs tell you if there is a positive or a negative relationship between the 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 R<sup>2</sup>. This is one way to identify how well an equation fits the data. An R<sup>2</sup> value close to one tells you that the equation has a good overall fit.

|                       | <b>Actual<br/>FY2021</b> | <b>Actual<br/>FY2022</b> | <b>Interim Estimate<br/>FY2023</b> |
|-----------------------|--------------------------|--------------------------|------------------------------------|
| Ongoing SUT           | 1,209,342,342            | 1,356,844,793            | 1,387,086,556                      |
| Dollar Change         | 136,511,693              | 147,502,451              | 30,241,763                         |
| <i>Percent Change</i> | <i>12.72</i>             | <i>12.20</i>             | <i>2.23</i>                        |
| One-time SUT          | 13,486,289               | 28,305,843               | 0                                  |
| <b>Total SUT</b>      | <b>1,222,828,631</b>     | <b>1,385,150,636</b>     | <b>1,387,086,556</b>               |
| Dollar Change         | 149,997,982              | 162,322,005              | 1,935,920                          |
| <i>Percent Change</i> | <i>13.98</i>             | <i>13.27</i>             | <i>0.14</i>                        |

# LOTTERY

**FY2022 Performance:** Receipts to the general fund from the lottery category totaled \$171.6 million in FY2022. Video lottery receipts totaled \$161.0 million, which was an increase of \$13.2 million or 8.9% over FY2021. Receipts from on-line and instant tickets totaled \$10.6 million, which was up \$2.9 million, or 38.0%, compared to FY2021.

- All the net proceeds from the sale of instant lottery tickets are deposited in the general 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 8.1% of ongoing general fund revenues in FY2022.



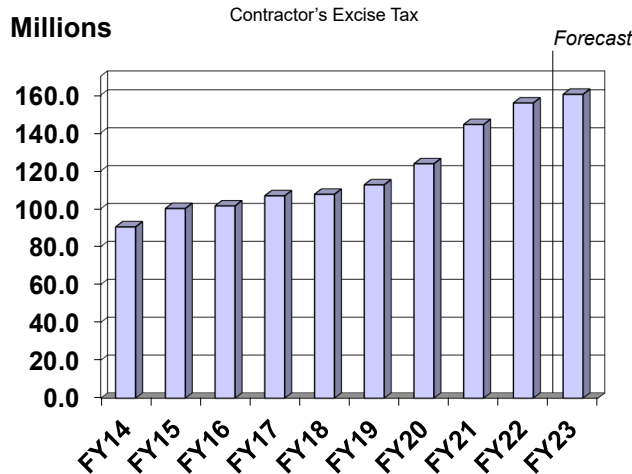
**Estimate:** The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

|                        | Actual<br>FY2021   | Actual<br>FY2022   | Interim Estimate<br>FY2023 |
|------------------------|--------------------|--------------------|----------------------------|
| Instant/Online Lottery | 7,716,398          | 10,648,016         | 10,902,728                 |
| Video Lottery          | 147,810,651        | 160,961,666        | 162,571,283                |
| <b>Total Receipts</b>  | <b>155,527,049</b> | <b>171,609,682</b> | <b>173,474,011</b>         |
| Dollar Change          | 33,038,048         | 16,082,633         | 1,864,329                  |
| Percent Change         | 26.97              | 10.34              | 1.09                       |

## CONTRACTOR'S EXCISE TAX

**FY2022 Performance:** In FY2022, net contractor's excise tax collections were \$155.8 million, which was an increase of 7.9%, or \$11.4 million, over FY2021. Actual FY2022 collections were \$7.3 million higher than the most recent revised legislative adopted estimate.

- The average annual increase in net contractor's excise tax collections between FY2014 and FY2022 was 7.1%.
- Net collections from the contractor's excise tax account for approximately 7.3% of ongoing general fund receipts in FY2022.



**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 8.)

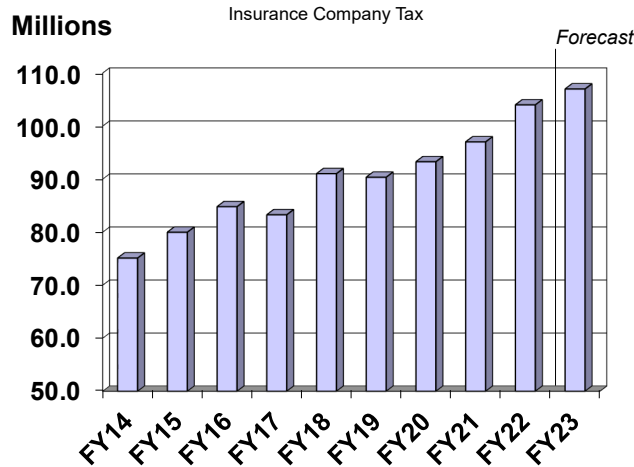
Contractor's Excise Tax Collections =  $-31.85 + 1.14 \cdot \text{SD Construction, Natural Resources, and Mining Employment} + 0.01 \cdot (\text{Seasonal Dummy} \cdot \text{SD nonfarm income}) - 2.41 \cdot \text{SD Unemployment Rate} + 0.19 \cdot \text{SD Housing Starts} + 22.17 \cdot \text{Consumer Price Index} + 11.30 \cdot \text{Stimulus Dummy Variable}$ .  
 $R^2 = .9921$

|                    | Actual FY2021 | Actual FY2022 | Interim Estimate FY2023 |
|--------------------|---------------|---------------|-------------------------|
| Total Net Receipts | 144,448,267   | 155,823,772   | 160,388,197             |
| Dollar Change      | 20,724,748    | 11,375,506    | 4,564,425               |
| Percent Change     | 16.75         | 7.88          | 2.93                    |

# INSURANCE COMPANY TAX

**FY2022 Performance:** In FY2022, insurance company tax collections totaled \$104.0 million, which was up 7.2%, or \$7.0 million, from FY2021. Actual FY2022 collections were \$5.8 million higher than the most recent legislative adopted estimates.

- The average annual increase between FY2014 and FY2022 was 4.5%.
- Collections from this tax account for approximately 4.9% of ongoing general fund revenues in FY2022.



**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 8.)

Insurance Company Tax Collections = 8.55 – 4.23\*Seasonal Dummy + 0.01\*SD Nonfarm Income + 0.04\*Consumer Spending on Insurance – 0.48\*Yield on Two-Year Treasury note + 1.98\*Affordable Care Act Dummy Variable.

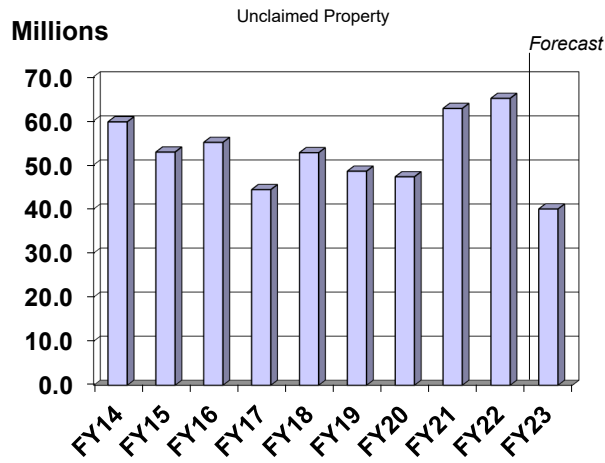
**R<sup>2</sup> = .9799**

|                | Actual FY2021 | Actual FY2022 | Interim Estimate FY2023 |
|----------------|---------------|---------------|-------------------------|
| Receipts       | 97,010,439    | 103,995,420   | 106,992,280             |
| Dollar Change  | 3,739,327     | 6,984,981     | 2,996,860               |
| Percent Change | 4.01          | 7.20          | 2.88                    |

## UNCLAIMED PROPERTY RECEIPTS

**FY2022 Performance:** In FY2022, unclaimed property receipts to the general fund totaled \$65.1 million, which was an increase of \$2.3 million, or 3.6%. In total, actual FY2022 collections were \$1.4 million higher than the most recent legislative adopted estimates.

- Collections from unclaimed property receipts account for approximately 3.1% of ongoing general fund revenues in FY2022.
- The chart below shows the ongoing portion of unclaimed property.



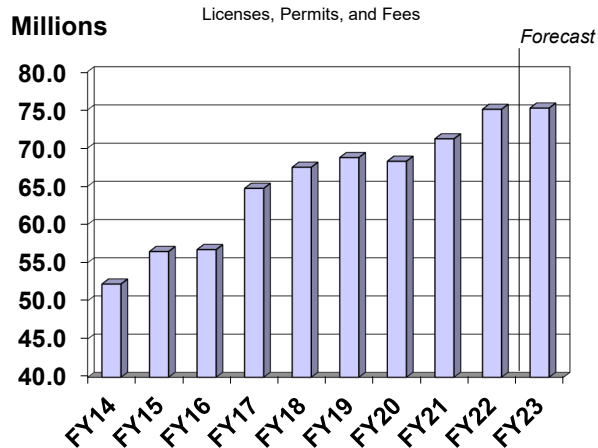
**Estimate:** The projections for unclaimed property receipts are based on historical collections and current conditions.

|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Receipts       | 62,809,930       | 65,097,628       | 40,000,000                 |
| Dollar Change  | 15,501,458       | 2,287,698        | (25,097,628)               |
| Percent Change | 32.77            | 3.64             | (38.55)                    |

## LICENSES, PERMITS, AND FEES

**FY2022 Performance:** In FY2022, collections from licenses, permits, and fees totaled \$75.1 million, which was up 5.4%, or \$3.9 million, from FY2021. Actual FY2022 collections were \$3.5 million higher than the most recent legislative adopted estimates.

- Collections in this category account for approximately 3.5% of ongoing general fund revenues in FY2022.



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

|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Receipts       | 71,212,896       | 75,077,171       | 75,234,572                 |
| Dollar Change  | 2,934,956        | 3,864,275        | 157,401                    |
| Percent Change | 4.30             | 5.43             | 0.21                       |



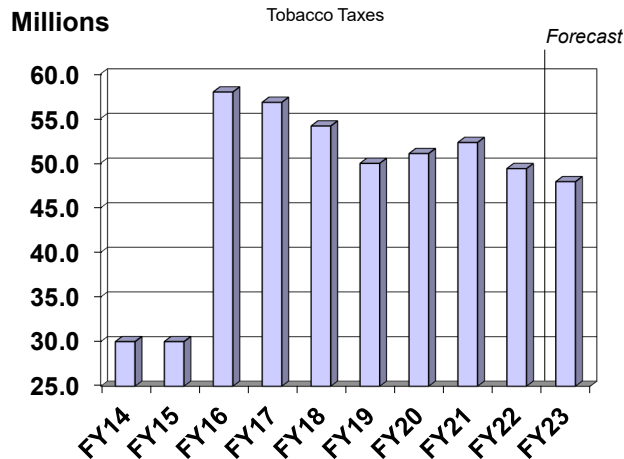
## TOBACCO TAXES

**FY2022 Performance:** In FY2022, the total collections from the tobacco taxes were \$54.4 million of which \$49.4 million was deposited into the general fund and \$5.0 million was dedicated to tobacco prevention. In FY2022, cigarette taxes totaled \$42.8 million, which was a decrease of \$3.6 million, or 7.7%, compared to FY2021. Other tobacco taxes totaled \$11.6 million, which was an increase of \$0.6 million, or 5.9%, over FY2021.

- Approximately 79% of the collections included in this category are from the tax on cigarettes, and the remaining 21% is collected based on the tax on the wholesale purchase price of other tobacco products.
- Collections in this category account for approximately 2.3% of ongoing general fund receipts in FY2022.
- The total estimates and breakdown of where the dollars go are included in the following table.

|                 | Actual<br>FY2021  | Actual<br>FY2022  | Interim Estimate<br>FY2023 |
|-----------------|-------------------|-------------------|----------------------------|
| General Fund    | 30,000,000        | 30,000,000        | 30,000,000                 |
| TPRTF           | 5,000,000         | 5,000,000         | 5,000,000                  |
| Remainder to GF | 22,314,193        | 19,385,379        | 17,920,171                 |
| <b>Total</b>    | <b>57,314,193</b> | <b>54,385,379</b> | <b>52,920,171</b>          |

- 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 \$47,920,171 in FY2023.

|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Total Receipts | 52,314,193       | 49,385,379       | 47,920,171                 |
| Dollar Change  | 1,248,081        | (2,928,814)      | (1,465,208)                |
| Percent Change | 2.44             | (5.60)           | (2.97)                     |

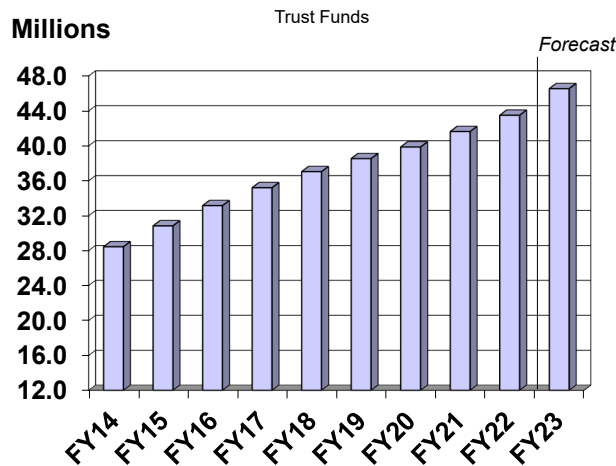
## TRUST FUNDS

**FY2022 Performance:** Transfers from the trust funds to the general fund in FY2022 totaled \$43.5 million, which was an increase of 4.5%, or \$1.9 million, from FY2021.

- The table below shows the amounts transferred from each of the trust funds to the general fund in FY2021 and FY2022, and the estimated amounts for FY2023.

|       | Actual<br>FY2021 | Actual<br>FY2022 | Estimated<br>FY2023 |
|-------|------------------|------------------|---------------------|
| HCTF  | 5,676,706        | 5,839,236        | 6,612,325           |
| EETF  | 22,515,470       | 23,673,657       | 25,277,997          |
| DCTF  | 13,435,863       | 13,982,377       | 14,650,000          |
| Total | 41,628,039       | 43,495,271       | 46,540,322          |

- Receipts from the trust funds account for approximately 2.0% of ongoing general fund revenues in FY2022.



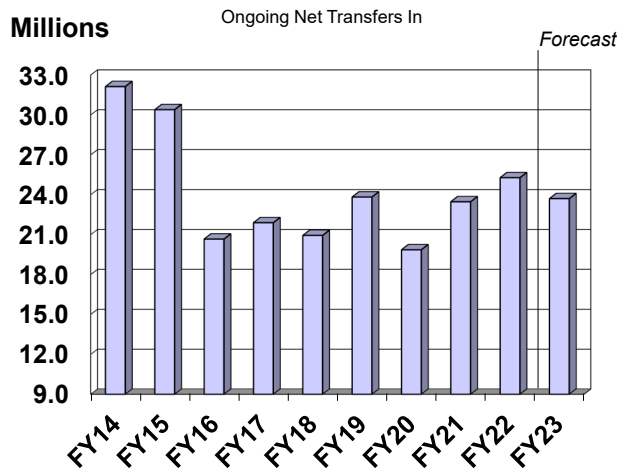
**Estimate:** The estimate for FY2023 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Total Receipts | 41,628,039       | 43,495,271       | 46,540,322                 |
| Dollar Change  | 1,768,783        | 1,867,232        | 3,045,051                  |
| Percent Change | 4.44             | 4.49             | 7.00                       |

## NET TRANSFERS IN

**FY2022 Performance:** In FY2022, collections from ongoing net transfers in totaled \$25.3 million, which was an increase of 7.7%, or \$1.8 million, from FY2021. Actual collections in FY2022 were \$2.1 million higher than the most recent legislative adopted estimate.

- Receipts included in this category account for approximately 1.2% of ongoing general fund revenues in FY2022.



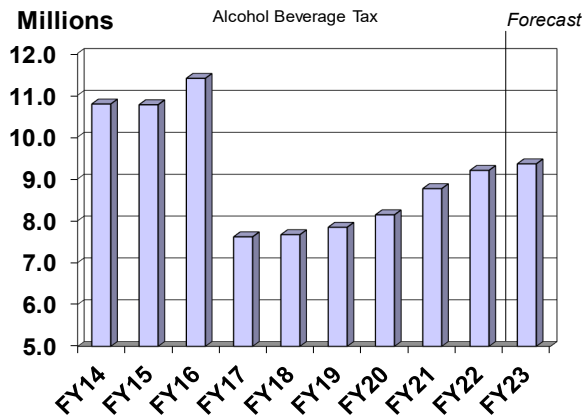
**Estimate:** The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

|                  | Actual<br>FY2021  | Actual<br>FY2022  | Interim Estimate<br>FY2023 |
|------------------|-------------------|-------------------|----------------------------|
| Ongoing NTI      | 23,471,494        | 25,279,507        | 23,707,284                 |
| Dollar Change    | 3,613,374         | 1,808,013         | (1,572,223)                |
| Percent Change   | 18.20             | 7.70              | (6.22)                     |
| One-time NTI     | 6,745,654         | 3,061,037         | 0                          |
| <b>Total NTI</b> | <b>30,217,148</b> | <b>28,340,544</b> | <b>23,707,284</b>          |
| Dollar Change    | 3,276,489         | (1,876,604)       | (4,633,260)                |
| Percent Change   | 12.16             | (6.21)            | (16.35)                    |

## ALCOHOL BEVERAGE TAX

**FY2022 Performance:** Alcohol beverage tax collections to the general fund in FY2022 totaled \$9.2 million, up 5.0% compared to FY2021. Actual FY2022 collections were \$0.2 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 0.4% of ongoing general fund revenues in FY2022.



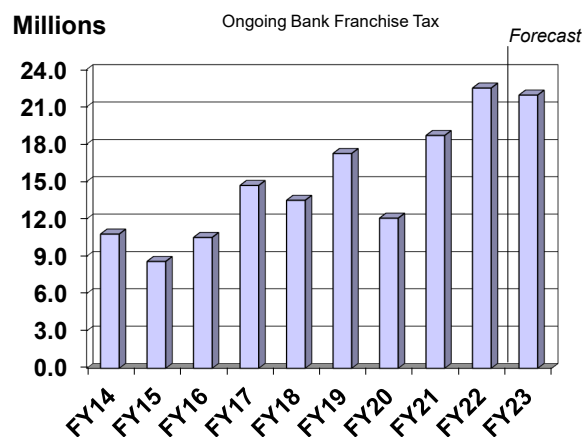
**Estimate:** The estimates are based on historical collections and current conditions.

|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Total Receipts | 8,767,726        | 9,203,968        | 9,360,369                  |
| Dollar Change  | 625,035          | 436,241          | 156,401                    |
| Percent Change | 7.68             | 4.98             | 1.70                       |

## BANK FRANCHISE TAX

**FY2022 Performance:** In FY2022, ongoing bank franchise tax collections totaled \$22.5 million, which was an increase of \$3.8 million, or 20.4%, compared to FY2021. Ongoing FY2022 bank tax collections were \$5.8 million higher than the most recent legislative adopted estimate. One-time bank franchise tax collections in FY2022 totaled \$1.6 million.

- 95% 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 FY2022.



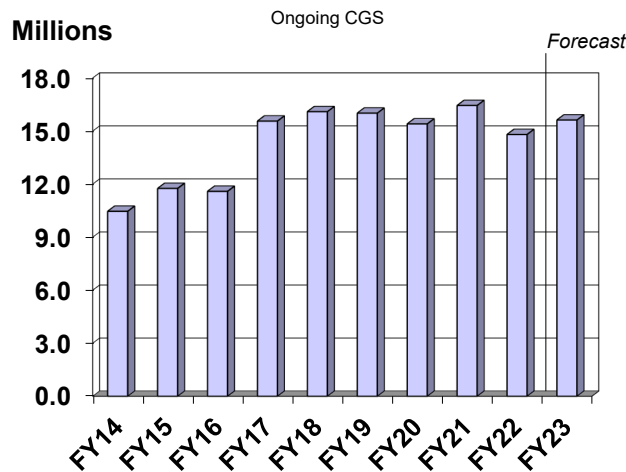
**Estimate:** Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

|                       | <b>Actual<br/>FY2021</b> | <b>Actual<br/>FY2022</b> | <b>Interim Estimate<br/>FY2023</b> |
|-----------------------|--------------------------|--------------------------|------------------------------------|
| Ongoing BFT           | 18,702,022               | 22,511,850               | 21,946,510                         |
| Dollar Change         | 6,641,418                | 3,809,828                | (565,340)                          |
| <i>Percent Change</i> | <i>55.07</i>             | <i>20.37</i>             | <i>(2.51)</i>                      |
| One-Time BFT          | 10,013,790               | 1,568,296                | 0                                  |
| <b>Total BFT</b>      | <b>28,715,812</b>        | <b>24,080,146</b>        | <b>21,946,510</b>                  |
| Dollar Change         | 16,655,208               | (4,635,666)              | (2,133,635)                        |
| <i>Percent Change</i> | <i>138.10</i>            | <i>(16.14)</i>           | <i>(8.86)</i>                      |

## CHARGES FOR GOODS AND SERVICES

**FY2022 Performance:** In FY2022, the charges for goods and services category totaled \$14.8 million, a decrease of \$1.6 million, or 10.0%, compared to FY2021 collections. Actual FY2022 collections were \$0.3 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 0.7% of ongoing general fund revenues in FY2022.



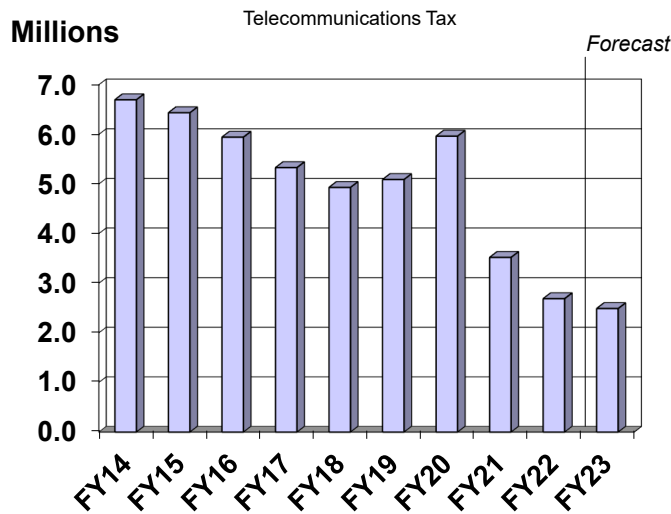
**Estimate:** The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

|                  | Actual FY2021     | Actual FY2022     | Interim Estimate FY2023 |
|------------------|-------------------|-------------------|-------------------------|
| Ongoing CGS      | 16,444,429        | 14,804,251        | 15,624,330              |
| Dollar Change    | 1,040,558         | (1,640,178)       | 820,079                 |
| Percent Change   | 6.76              | (9.97)            | 5.54                    |
| One-time CGS     | 3,381,726         | 0                 | 0                       |
| <b>Total CGS</b> | <b>19,826,155</b> | <b>14,804,251</b> | <b>15,624,330</b>       |
| Dollar Change    | 4,422,285         | (5,021,904)       | 820,079                 |
| Percent Change   | 28.71             | (25.33)           | 5.54                    |

# TELECOMMUNICATIONS TAX

**FY2022 Performance:** In FY2022, the telecommunications tax totaled \$2.7 million, a decrease of \$0.8 million, or 23.6%, compared to FY2021 collections. Actual FY2022 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.



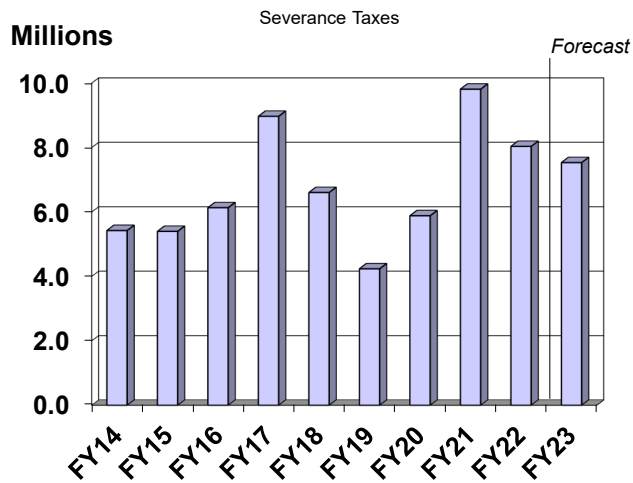
**Estimate:** Collections from the telecommunications tax is based on historical collections and current conditions.

|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Total Receipts | 3,520,578        | 2,688,458        | 2,489,576                  |
| Dollar Change  | (2,443,494)      | (832,120)        | (198,882)                  |
| Percent Change | (40.97)          | (23.64)          | (7.40)                     |

## SEVERANCE TAXES

**FY2022 Performance:** Severance tax collections totaled \$8.0 million in FY2022, which was down \$1.8 million, or 18.1%, from FY2021. Collections from energy mineral severance taxes (primarily oil) totaled \$1.6 million, which was up \$0.8 million, or 105.7%, compared to FY2021. Collections from precious metal severance taxes (primarily gold) totaled \$6.5 million, which was down \$2.6 million, or 28.6%, compared to FY2021. Total FY2022 severance tax collections were \$0.2 million higher 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 0.4% of ongoing general fund revenues in FY2022.



**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.

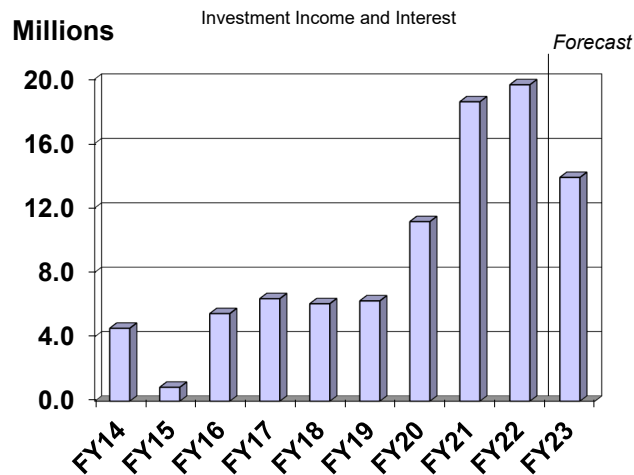
|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Total Receipts | 9,810,601        | 8,033,942        | 7,531,720                  |
| Dollar Change  | 3,928,673        | (1,776,659)      | (502,222)                  |
| Percent Change | 66.79            | (18.11)          | (6.25)                     |



## INVESTMENT INCOME AND INTEREST

**FY2022 Performance:** In FY2022, collections from investment income and interest totaled \$19.6 million, an increase of \$1.1 million, or 5.7%, compared to FY2021. The yield of the cash flow fund was 1.5% for FY2021. Total FY2022 collections were \$0.05 million lower 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 0.9% of ongoing general fund revenues in FY2022.



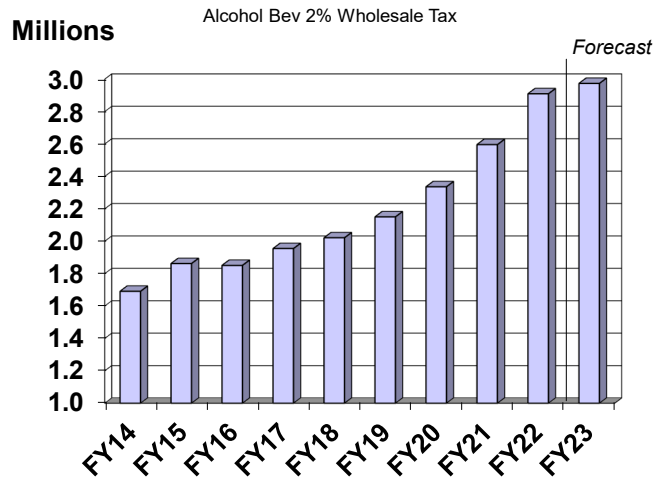
**Estimate:** The estimate is based on information provided by the South Dakota Investment Council and historical collections. The estimated yield of the cash flow fund for this past year was approximately 0.9%. Coronavirus Relief Fund dollars were received in April 2020 and State Fiscal Recovery Funds were received in August 2021, which is the primary reason for the FY2021 and FY2022 increases in interest income.

|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Total Receipts | 18,592,297       | 19,648,565       | 13,893,501                 |
| Dollar Change  | 7,442,260        | 1,056,268        | (5,755,064)                |
| Percent Change | 66.75            | 5.68             | (29.29)                    |

## ALCOHOL BEVERAGE 2% WHOLESALE TAX

**FY2022 Performance:** Collections in FY2022 totaled \$2.9 million, up 12.1% from FY2021. Actual FY2022 collections from this tax were \$0.15 million higher than the most recent legislative adopted estimate.

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2022.



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

|                | Actual<br>FY2021 | Actual<br>FY2022 | Interim Estimate<br>FY2023 |
|----------------|------------------|------------------|----------------------------|
| Total Receipts | 2,596,157        | 2,909,711        | 2,973,638                  |
| Dollar Change  | 260,403          | 313,554          | 63,927                     |
| Percent Change | 11.15            | 12.08            | 2.20                       |