



# JCA Revenue Update – July 2024

Economic Outlook

Sales Tax Growth

Revenue Outlook for FY2025



# Economic Outlook: Inflation



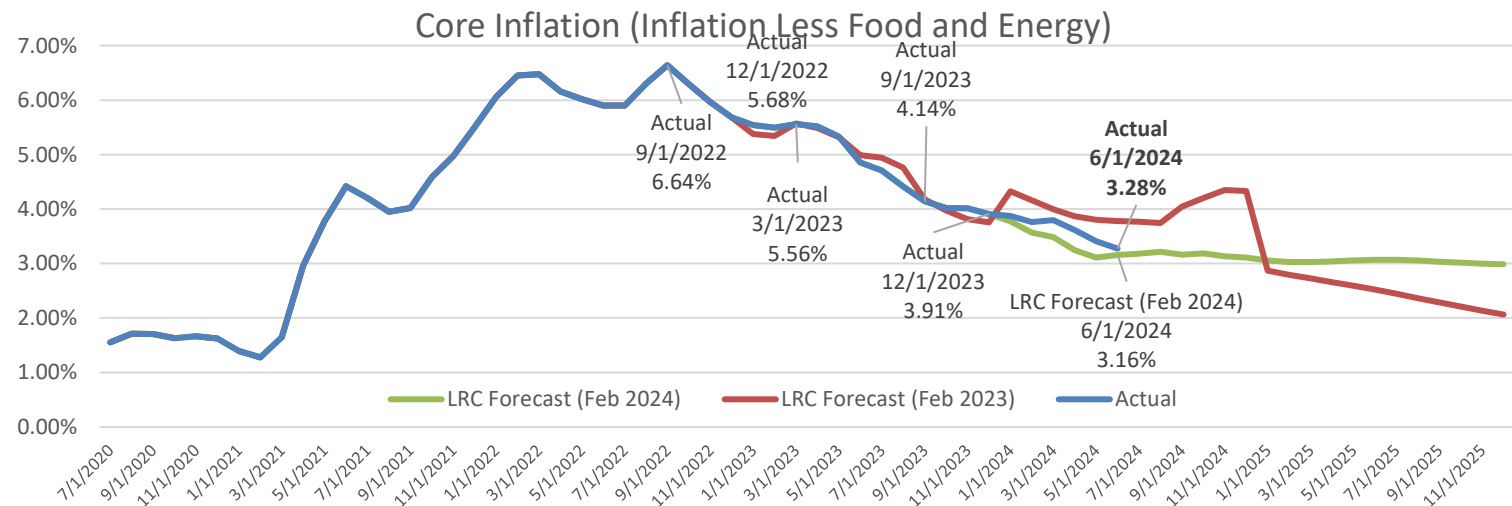
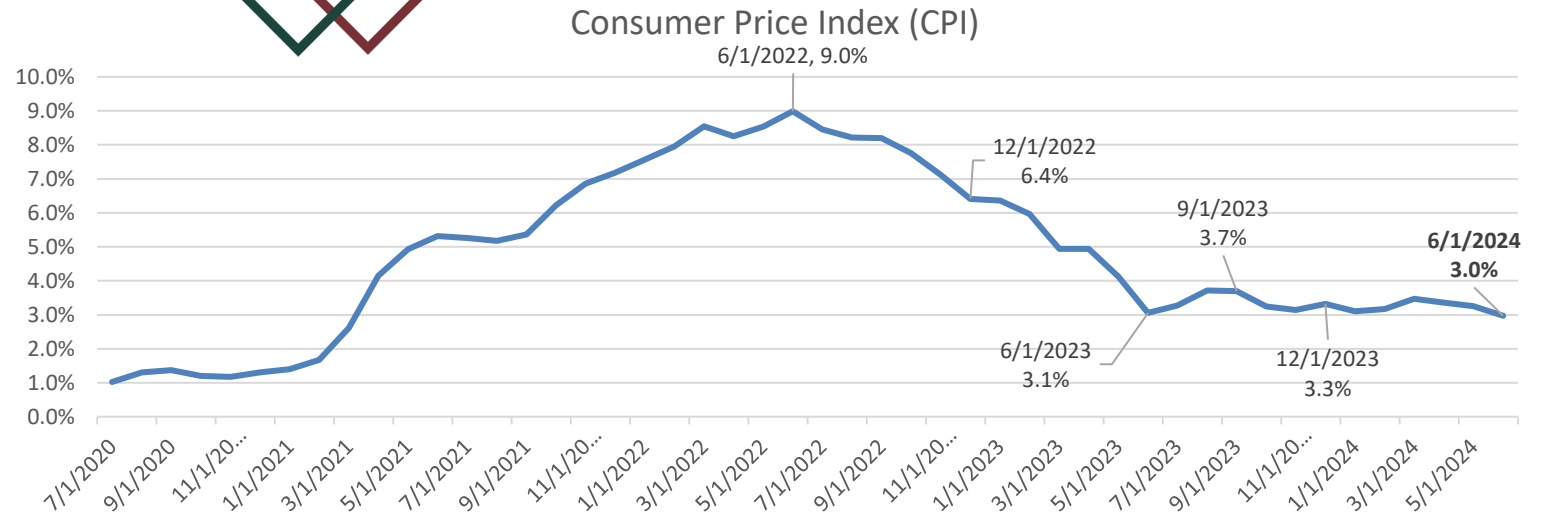
- Overall, June 2024 CPI at 3.0% Y/Y

Driven mainly by core inflation and food

- June 2023 CPI: 3.1% Y/Y
- June 2022 CPI: 8.9% Y/Y
- The 12-month change in food inflation is 2.2%. June 2023 was 5.8% and June 2022 was 10.1%.
- The 12-month change in energy inflation is 0.9% for June 2024. June 2023 was (16.5%). June 2022 was 41.3%.

- June 2024 Core Inflation at 3.28% Y/Y

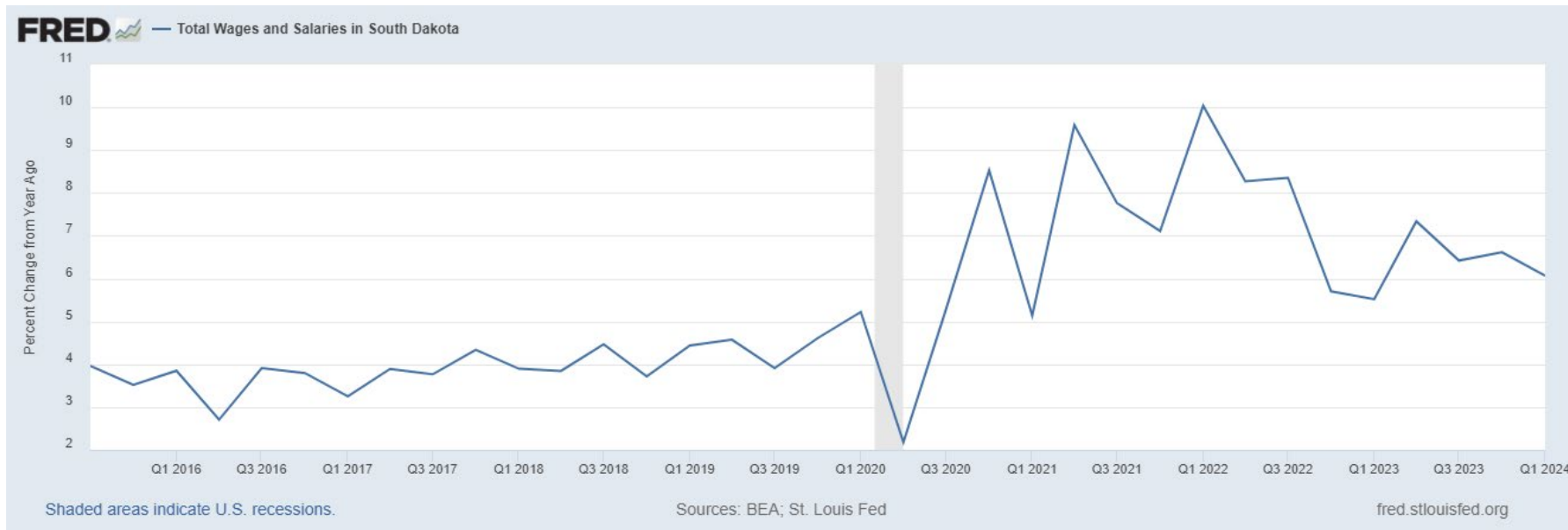
- Increases in goods and services are not seeing the disinflation like food and energy.
- June 2023 growth was 4.86%
- June 2022 growth was 5.90%
- An elevated core inflation will result in higher prices.



# Economic Outlook: Wages



- Wage inflation has been strong the last few years in South Dakota.
- Wage inflation will likely continue to decrease to historic norms of 3-4%.



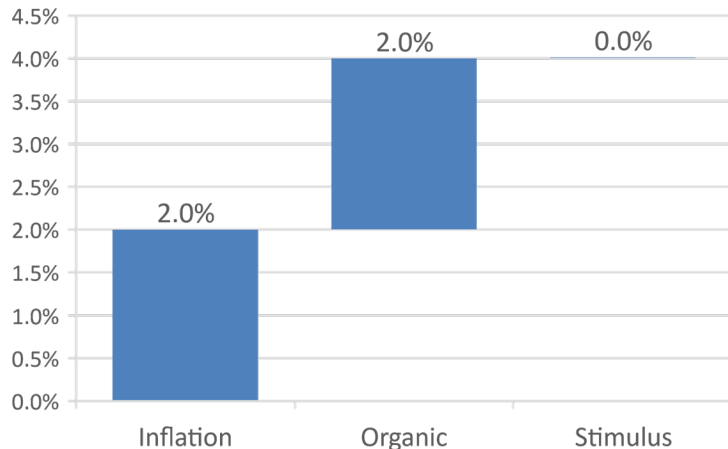
# Sales Tax Growth: Components



- Sales tax growth is represented by 3 to 4 components:
  1. Inflation: growth in the cost of goods and services.
  2. Organic: growth in consumer spending.
  3. Stimulus: growth in consumer spending because of fiscal policy.
  4. Tax Reduction: lowering of the state sales tax rate.

- Higher inflation can lead to growth in sales tax even when organic growth is negative
- Tables represent examples of what the growth components could look like.

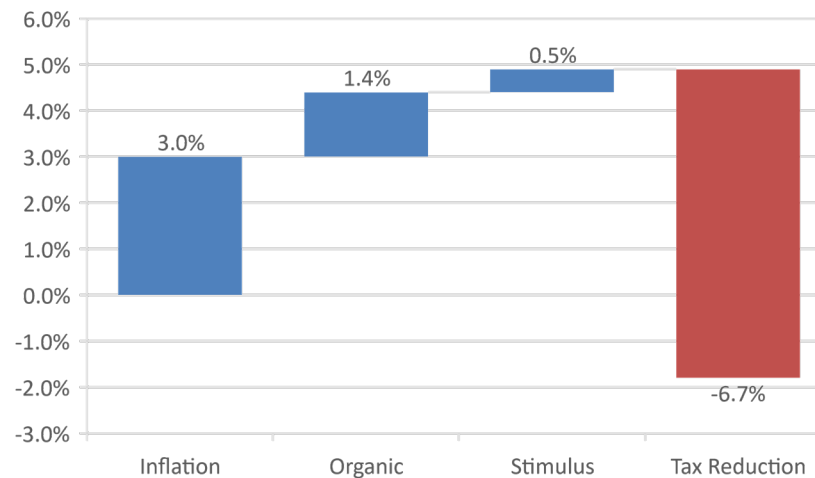
Estimated Sales Tax Growth by Component for Typical Year



Note: The sales tax growth by component is example of what likely occurred. The data does not exist to specifically identify the growth of each component. The graph is for illustrative purposes.

■ Increase ■ Decrease ■ Total

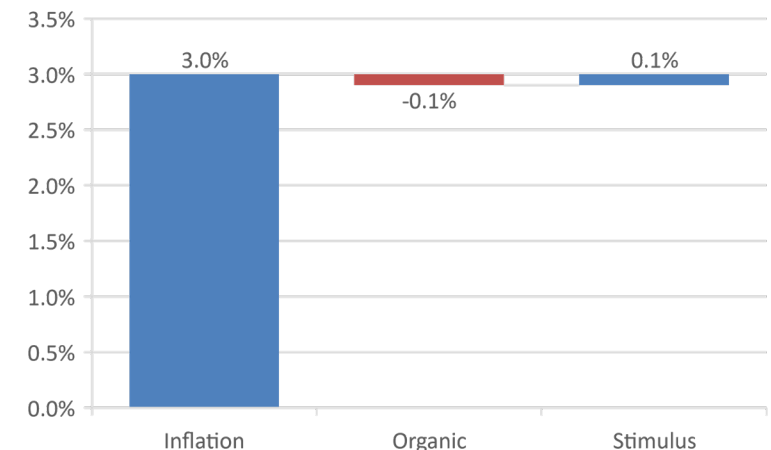
Estimated Sales Tax Growth by Component for FY2024



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■ Increase ■ Decrease ■ Total

Estimated Sales Tax Growth by Component for FY2025



Note: The sales tax growth by component is example of what likely occurred. The data does not exist to specifically identify the growth of each component. The graph is for illustrative purposes.

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# Revenue Outlook for FY2025



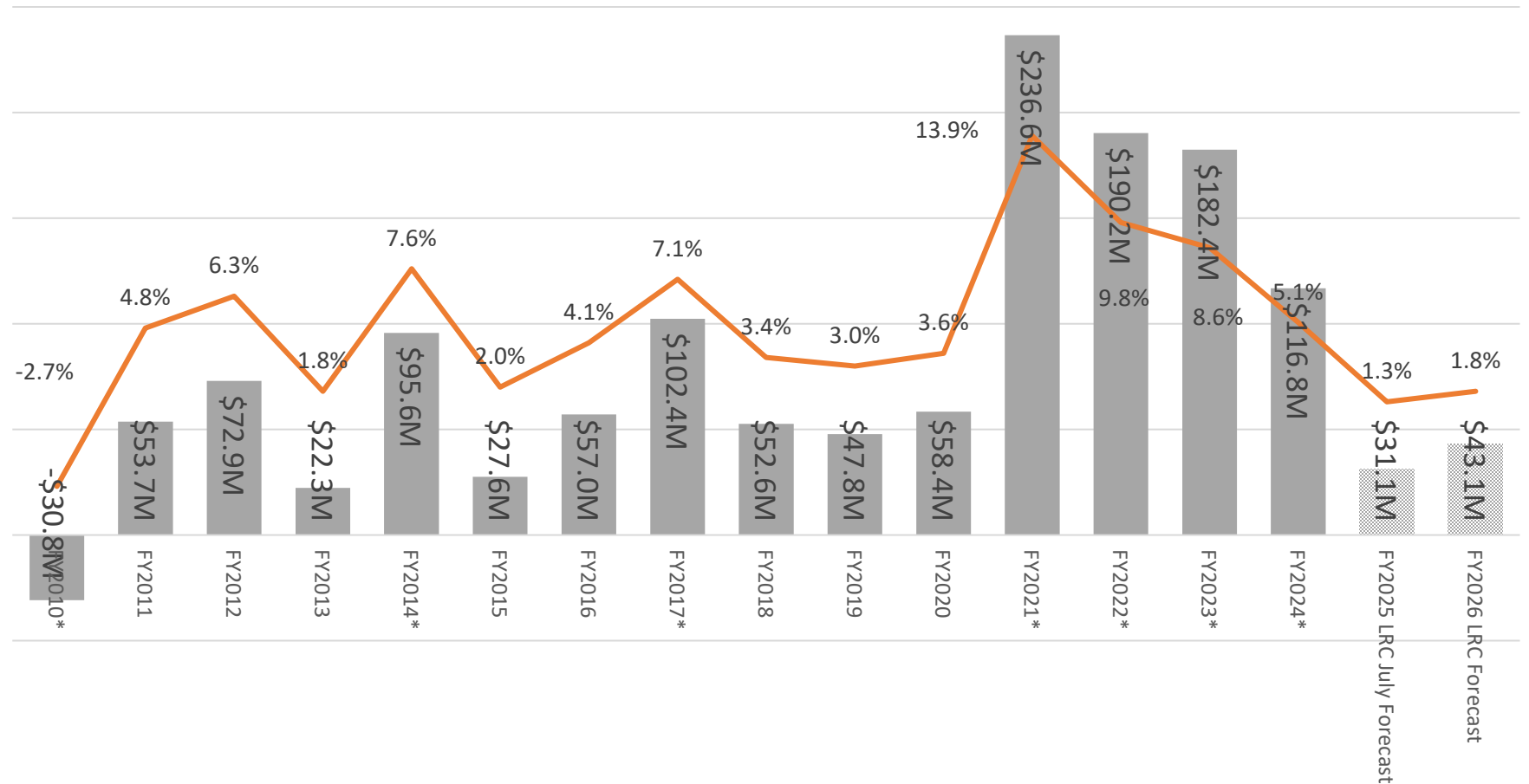
- Sales tax: Consumer demand could continue to weaken in FY2025, inflation remains elevated
  - LRC July Forecast: \$1,497 million; 3% growth
- Contractor's excise tax to remain strong due to demand, inflation, and stimulus dollars.
  - LRC July Forecast: \$232.3 million; 2.9% growth
- Lottery revenues likely to see slow growth as inflation outpaces wage inflation.
  - LRC July Forecast: \$184.5 million; 2.9% growth
- Insurance company tax receipts to remain elevated mainly because of inflationary pressures.
  - LRC July Forecast: \$130.6 million; 1.9% growth
- Tobacco revenues expected to continue to decline
  - LRC July Forecast: \$42.5 million; (2.1%) growth
- Unclaimed property revenue expected to be slightly higher than normal.
  - LRC July Forecast: \$70.4 million; (47.3%) growth
- LRC July on-going general fund revenue forecast of **\$2,456.8 million**.
- **1.3%** growth in on-going revenue over actual FY2024.
- LRC July forecast is **\$24.1 million** more in total on-going revenue than the LRC Feb. forecast or a difference of 1.0%.
- Based on the updated revenue forecast, there is estimated to be **\$36.5 million** more dollars available to spend during the 2025 legislative session.

# Revenue Outlook for FY2025



History of Actual On-going General Fund Receipts	\$ Y/Y Growth	% Y/Y Growth
FY2010*	(30.8)	-2.7%
FY2011	53.7	4.8%
FY2012	72.9	6.3%
FY2013	22.3	1.8%
FY2014*	95.6	7.6%
FY2015	27.6	2.0%
FY2016	57.0	4.1%
FY2017*	102.4	7.1%
FY2018	52.6	3.4%
FY2019	47.8	3.0%
FY2020	58.4	3.6%
FY2021*	236.6	13.9%
FY2022*	190.2	9.8%
FY2023*	182.4	8.6%
FY2024*	116.8	5.1%
10 year avg.	107.2	6.1%
Average w/o Outliers	49.0	3.6%
FY2025 JCA Adopted	(5.4)	-0.2%
FY2025 LRC July Forecast	31.1	1.3%
FY2026 LRC Forecast	43.1	1.8%

Yearly Growth of On-going General Fund Receipts



\*Outlier year  
Amounts not adjusted for inflation

## Ongoing General Fund Revenue Estimate to the Joint Committee on Appropriations

	Column (A)	Column (B)	Column (C)	Column (D)	Column (E)	Column (F)	Column (G)	Column (H)	Column (I)	Column (J)	Column (K)	Column (L)
FY23 & FY24 Actuals and FY24 Estimate								FY25 Estimate				
Ongoing Receipts	FY23 Actual	Legislative Revised Adopted FY24 Estimate	FY24 Actual	FY24 Actual Over / (Under) Estimate	FY24 Actual % Over / (Under) Estimate	Adopted Growth over FY23	Actual Growth over FY23	Legislative Adopted (02/2024)	LRC Interim Revenue Estimate	LRC % Difference from Adopted	Legislative Adopted Growth % over FY24 Actual	LRC July Updated Revenue Growth % over FY24 Actual
Sales and Use Tax	1,480,572,850	1,462,785,293	1,453,998,297	(8,786,996)	(0.6%)	(1.2%)	(1.8%)	1,503,099,599	1,497,033,771	(0.4%)	3.4%	3.0%
Lottery	176,663,767	181,018,787	179,328,773	(1,690,014)	(0.9%)	2.5%	1.5%	183,126,656	184,452,252	0.7%	2.1%	2.9%
Contractor's Excise Tax	189,407,586	213,317,856	216,712,589	3,394,733	1.6%	12.6%	14.4%	221,365,672	232,246,613	4.9%	2.1%	7.2%
Insurance Company Tax	112,141,293	120,445,684	128,189,481	7,743,797	6.4%	7.4%	14.3%	126,589,820	130,593,667	3.2%	(1.2%)	1.9%
Unclaimed Property	85,536,039	125,855,625	133,617,777	7,762,152	6.2%	47.1%	56.2%	60,245,344	70,382,500	16.8%	(54.9%)	(47.3%)
Licenses, Permits & Fees	77,636,494	76,422,368	75,761,844	(660,524)	(0.9%)	(1.6%)	(2.4%)	77,611,286	76,641,544	(1.2%)	2.4%	1.2%
Tobacco Taxes	47,074,649	44,236,608	43,462,155	(774,453)	(1.8%)	(6.0%)	(7.7%)	42,537,115	42,547,410	0.0%	(2.1%)	(2.1%)
Trust Funds	46,259,458	48,319,904	48,334,193	14,289	0.0%	4.5%	4.5%	50,387,330	50,387,330	0.0%	4.2%	4.2%
Net Transfers In	25,652,534	25,634,077	28,901,042	3,266,965	12.7%	(0.1%)	12.7%	25,348,873	25,523,919	0.7%	(12.3%)	(11.7%)
Alcohol Beverage Tax	8,939,732	9,050,060	8,969,518	(80,542)	(0.9%)	1.2%	0.3%	9,148,840	9,059,331	(1.0%)	2.0%	1.0%
Bank Franchise Tax	20,425,082	19,328,221	28,659,255	9,331,034	48.3%	(5.4%)	40.3%	17,715,124	26,655,470	50.5%	(38.2%)	(7.0%)
Charges for Goods and Services	13,473,405	13,223,671	14,262,897	1,039,226	7.9%	(1.9%)	5.9%	13,497,285	13,895,177	2.9%	(5.4%)	(2.6%)
Telecommunications Tax	2,466,873	2,236,518	2,116,069	(120,449)	(5.4%)	(9.3%)	(14.2%)	2,196,234	1,922,130	(12.5%)	3.8%	(9.2%)
Severance Taxes	5,657,605	10,278,618	10,932,699	654,081	6.4%	81.7%	93.2%	9,881,951	11,551,239	16.9%	(9.6%)	5.7%
Investment Income and Interest	14,000,549	49,185,773	49,318,506	132,733	0.3%	251.3%	252.3%	74,319,000	80,790,374	8.7%	50.7%	63.8%
Alcohol Beverage 2% Wholesale Tax	2,936,973	3,063,457	3,063,771	314	0.0%	4.3%	4.3%	3,154,196	3,088,568	(2.1%)	3.0%	0.8%
<b>Total Ongoing Receipts</b>	<b>2,308,844,888</b>	<b>2,404,402,520</b>	<b>2,425,628,865</b>	<b>21,226,345</b>	<b>0.9%</b>	<b>4.1%</b>	<b>5.1%</b>	<b>2,420,224,325</b>	<b>2,456,771,295</b>	<b>1.5%</b>	<b>(0.2%)</b>	<b>1.3%</b>

4-8A-16. Submission of independent projections by Bureau of Finance and Management and Legislative Research Council—Proposals for eliminating shortfall. The Bureau of Finance and Management and the Legislative Research Council shall prepare and submit, no later than July thirtieth of each year, independent projections that conform with the provisions of subdivisions 4-7-10(2) and (5) to the Governor or the Governor's designee and the committee created by this chapter. Notwithstanding the provisions of subdivisions 4-7-10(2) and (5), the projections shall contain information of actual revenue for each of the two fiscal years last concluded and the estimated revenue of the current fiscal year.

If either of the estimates provided in this section project a budget shortfall in excess of two and one-half percent of the general fund appropriated budget in the current fiscal year, the Bureau of Finance and Management and the Legislative Research Council shall propose measures to the Governor and the special committee created in chapter 4-8A for eliminating the shortfall. If either of the estimates provided in this section project a budget shortfall in the current or next fiscal year of five percent or greater of the general fund appropriated budget, the Governor shall propose measures to eliminate the shortfall consistent with S.D. Const., Art. 12, § 7. Source: SL 2014, ch 27, § 2.