



JCA Revenue Update – November 2024

YTD General Fund Revenue

Federal Spending

Economic Outlook



YTD General Fund Revenues



- Sales Tax growth YTD is negative (\$18.8) million or (3.5%) compared to this time last year or (\$9.1) million and (1.7)% less assuming one-time revenue in July of 2023.
- Lottery growth YTD is slightly positive at \$226.9k growth or 0.4% compared to this time last year.
- Contractor’s Excise Tax YTD is negative (\$2.6) million growth or (3.1%) compared to this time last year.

- All other revenue is negative due to timing of receipts in unclaimed property and licenses, permits, and fees.

	General Fund Revenue			Year-over-Year	
	FY24 YTD	FY25 YTD	Target YTD	% Change	\$ Change
Sales Tax	532,237,286	513,420,763	537,481,765	-3.54%	(18,816,523)
Adj. Sales Tax*	522,510,860	513,420,763	537,481,765	-1.74%	(9,090,097)
Lottery	59,438,794	59,665,653	58,173,975	0.38%	226,859
Contractor's Excise Tax	83,805,012	81,206,400	87,338,110	-3.10%	(2,598,612)
All Other Revenue	233,747,896	213,795,249	209,132,957	-8.54%	(19,952,647)
Total General Fund Revenue	909,228,989	868,088,065	892,126,807	-4.5%	(41,140,924)

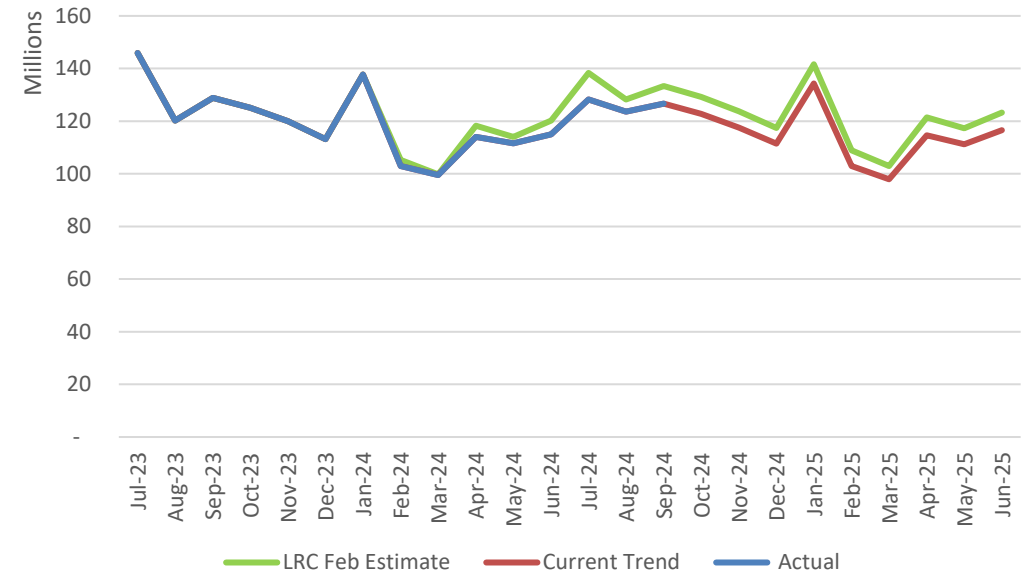
*Assumes some of the July sales tax for FY2024 as one-time.

YTD Sales Tax

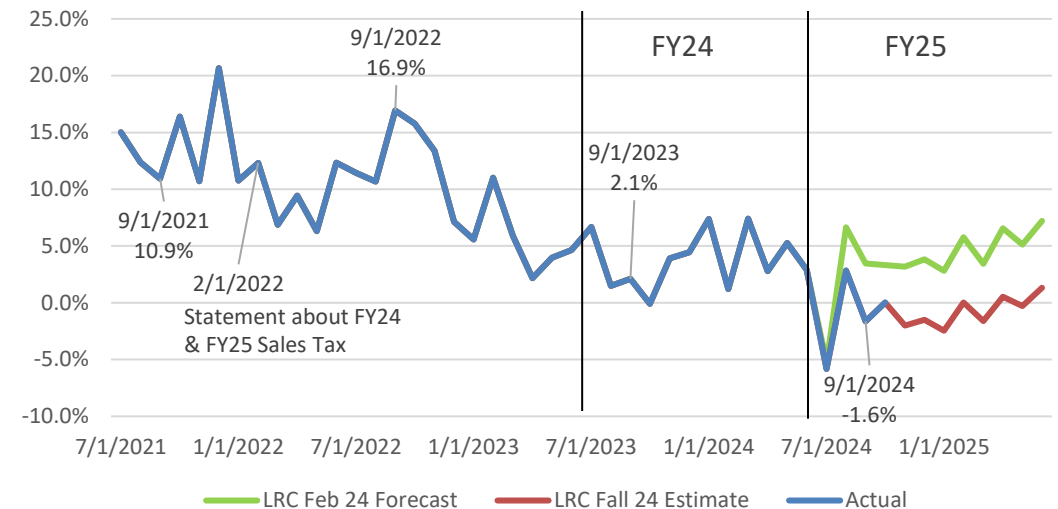


- “I am concerned about FY24 and FY25 in terms of where sales tax is coming in” – Jeff Mehlhaff, JCA Revenue Estimate Presentation, February 14, 2022
- If the current trend in sales tax continues for the remainder of FY2025, the estimated sales tax revenue would be: **\$1,424,884,210**
- This would represent a (\$29.1) million decrease or (2.0)% decline year over year
- The adopted sales tax target could be up to (\$78.2) million short.
- LRC February estimate below the Legislature adopted.
- LRC July estimate revised lower than LRC February estimate.

Sales Tax Revenue: Actual vs Estimate



Sales Tax Growth by Month



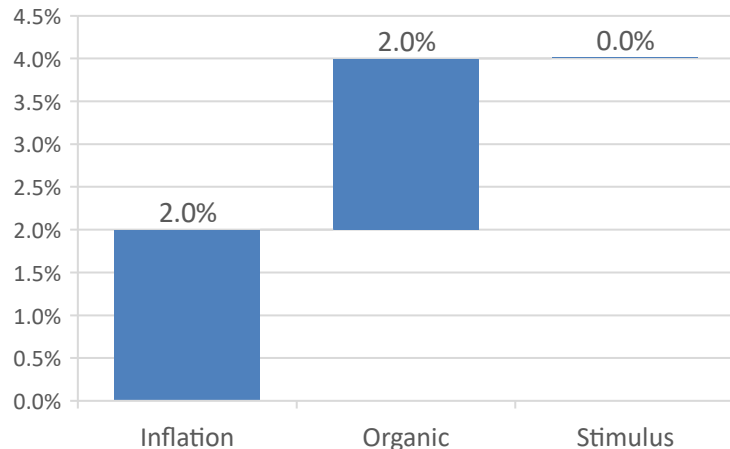
Sales Tax Growth: Components



- 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.

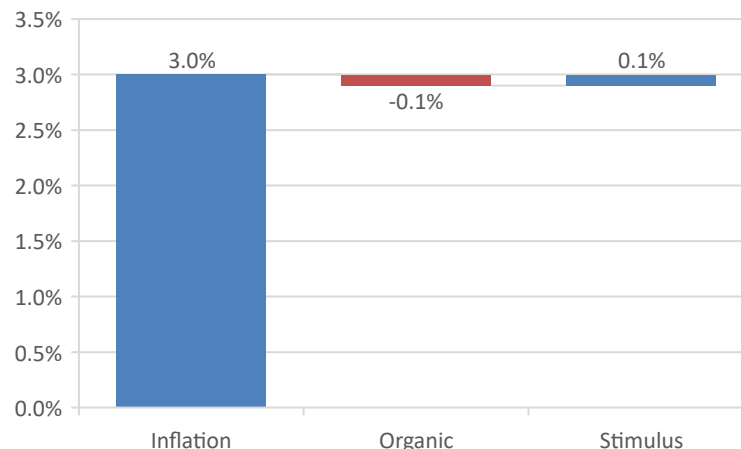
Estimated Sales Tax Growth by Component for Typical Year



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

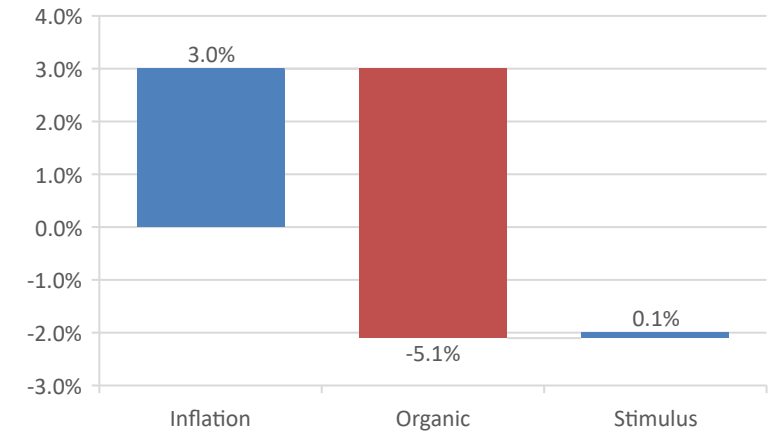
Initial Sales Tax Growth Estimate by Component for FY2025



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.

■ Increase ■ Decrease ■ Total

Current Trend for 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.

■ Increase ■ Decrease ■ Total

Where is Sales Tax Lower



- Retail trade growth is negative YTD, with farm machinery seeing a large decline along with building materials and garden supplies. Online sales continue to see strong growth.
- This likely indicates consumers are cutting back on spending or substituting for other products.

- Retail trade has negative growth, with farm machinery seeing a large decline along with building materials and garden supplies. Online sales continue to see strong growth.

Sales Tax Taxable Sales

Industry	First 3 months FY22	First 3 months FY23	First 3 months FY24	FY23 Dollar Change	FY24 Dollar Change	FY23 Percent Change	FY 24 Percent Change
Agriculture, Forestry, Fishing	153,769,195	159,071,861	157,669,801	5,302,666	(1,402,060)	3.4%	-0.9%
Mining	28,122,612	46,154,305	26,511,103	18,031,693	(19,643,202)	64.1%	-42.6%
Construction	12,300,413	11,078,791	11,419,229	(1,221,622)	340,438	-9.9%	3.1%
Manufacturing	478,324,910	533,894,951	507,075,961	55,570,041	(26,818,990)	11.6%	-5.0%
Transportation & Public Utilities	791,241,141	708,937,661	725,879,856	(82,303,480)	16,942,195	-10.4%	2.4%
Wholesale Trade	807,522,867	832,001,496	823,600,859	24,478,629	(8,400,637)	3.0%	-1.0%
Retail Trade	4,673,289,957	4,823,132,959	4,752,090,837	149,843,002	(71,042,122)	3.2%	-1.5%
Finance, Insurance & Real Estate	196,950,467	180,479,648	172,492,965	(16,470,819)	(7,986,683)	-8.4%	-4.4%
Services	1,607,195,405	1,712,529,644	1,784,977,898	105,334,239	72,448,254	6.6%	4.2%
Public Administration	928,149	1,092,225	27,054,835	164,076	25,962,610	17.7%	2377.0%
Total	8,749,645,116	9,008,373,541	8,988,773,344	258,728,425	(19,600,197)	3.0%	-0.2%

Historical Sales Tax



- FY2017: Half-penny increase in sales tax.
- FY2024: 3/10's of a penny reduction in sales tax.
- FY2010 was the last time sales tax had negative growth year over year.
- The adjusted sales tax growth for FY24 is 4.1%, which is inline with the average.
- FY2025 sales tax at negative (2%) growth likely indicates a slowing economy and reduction in consumer spending.

History of Actual Sales Tax Receipts by Fiscal Year	\$ Y/Y Growth	% Y/Y Growth
FY2010*	(6.7)	-1.0%
FY2011	55.6	8.4%
FY2012	34.0	4.8%
FY2013	31.7	4.2%
FY2014*	47.3	6.1%
FY2015	12.6	1.5%
FY2016	27.8	3.3%
FY2017*	89.1	10.3%
FY2018	37.5	3.9%
FY2019	36.3	3.6%
FY2020	50.9	4.9%
FY2021*	134.1	12.4%
FY2022*	145.9	12.0%
FY2023*	125.7	9.2%
FY2024*	(26.6)	-1.8%
10-year avg.	63.3	5.9%
Average w/o Outliers	35.8	4.3%
FY2024 Tax Adjusted	60.5	4.1%
FY2025 Adopted Target	49.1	3.4%
FY2025 LRC July Estimated	43.0	3.0%
FY2025 LRC Feb Estimated	48.6	3.3%

*Outlier year

Amounts not adjusted for inflation

Total General Funds



- FY2017: Half-penny increase in sales tax.
- FY2024: 3/10's of a penny reduction in sales tax.
- LRC February estimate of 0.3% over actual FY2024 is below the long-term average growth.
- LRC July estimate below the long-term average growth.

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%
FY2025 LRC Feb Forecast	7.1	0.3%

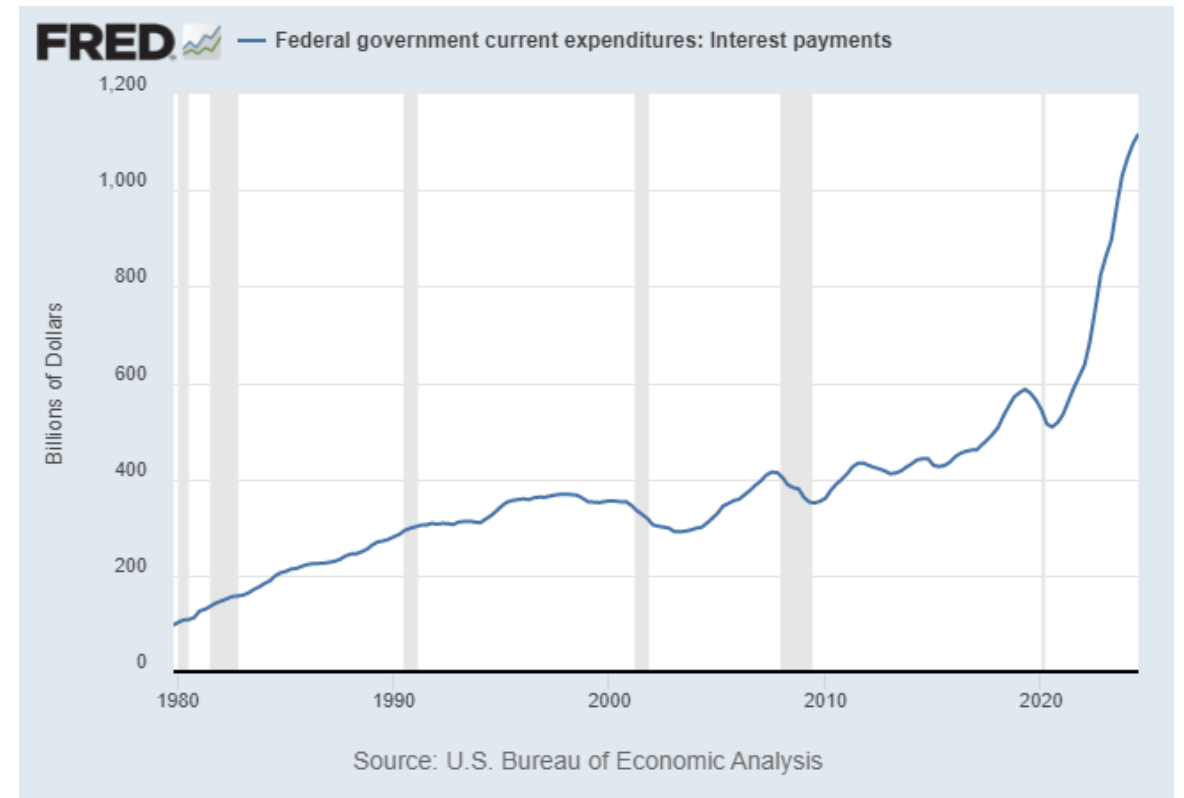
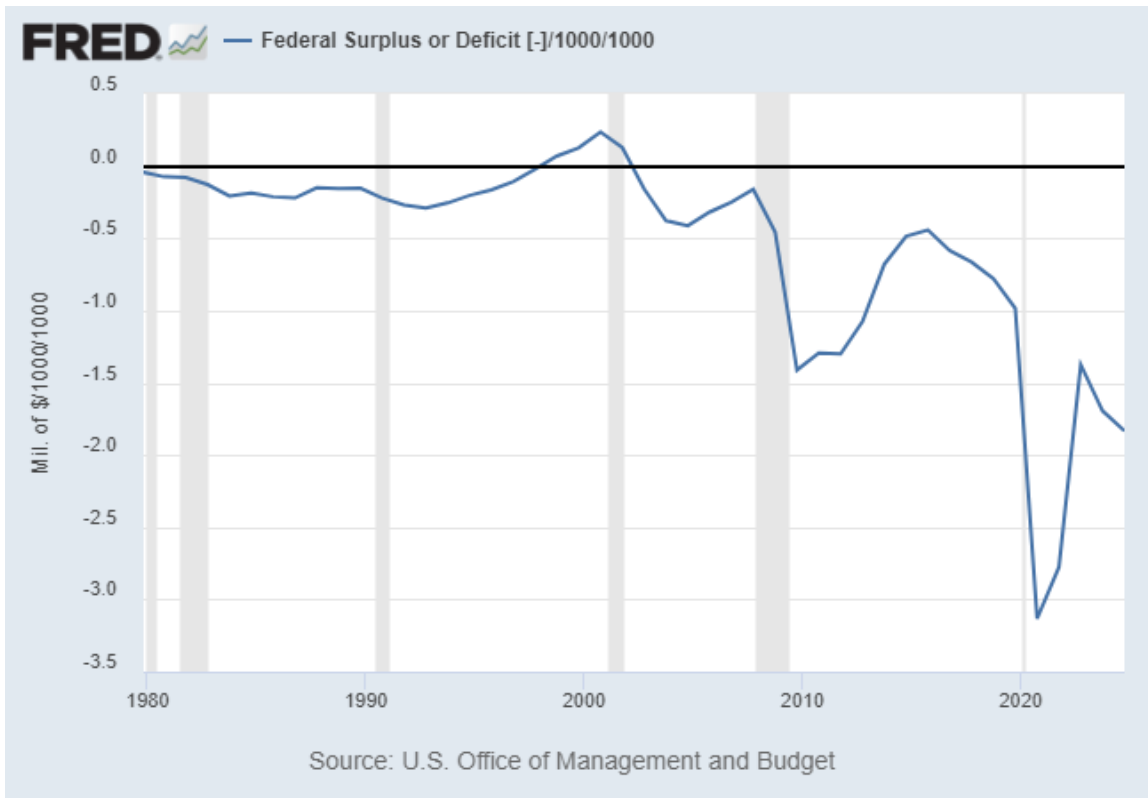
*Outlier year

Amounts not adjusted for inflation

Federal Spending

“We don’t have deficits because people are taxed too little. We have deficits because big government spends too much” – Ronald Reagan, State of the Union, 1/27/1987

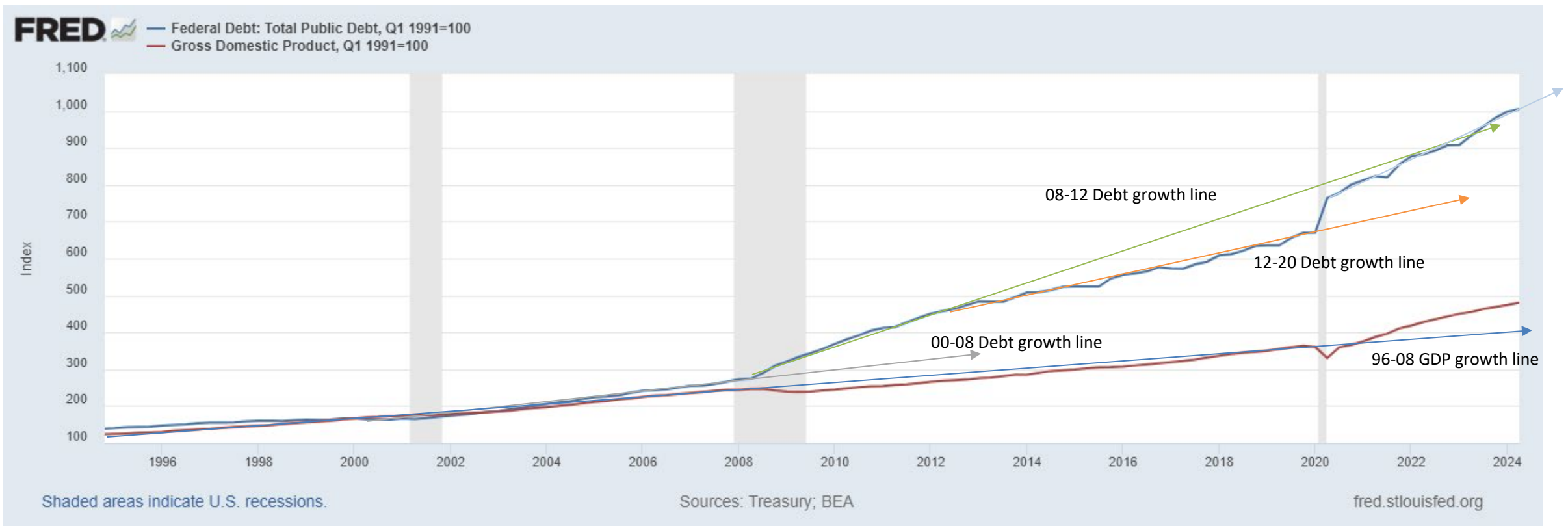
- When asked in July 2024, “What do you see as the boogeyman...”
 - I responded with, “Federal spending is not on a sustainable path...”
 - 2024 Federal deficit at \$1.8 trillion
- Q3:2024 Interest payments at \$1.186 trillion
- More than 2x what interest payments were in 2019.
- 17% of all federal spending is for paying interest



Federal Spending



- The growth in federal debt is not longer aligned with growth in GDP
 - The current growth line (20-24) aligns with the growth line from 2008-2012.
- In FY2024, South Dakota spent \$X.X billion in federal funds.
 - A reduction in federal spending likely means a reduction in federal dollars to South Dakota and a reduction in South Dakota spending.



Economic Outlook: Inflation



- Overall, October 2024 CPI at 2.6% Y/Y
Driven mainly by core inflation and food
 - October 2023 CPI: 3.2% Y/Y
 - October 2022 CPI: 7.8% Y/Y
 - The 12-month change in food inflation is 2.1%. October 2023 was 3.3% and October 2022 was 10.9%.
 - The 12-month change in energy inflation is (4.8%). October 2023 was (4.4%). June 2022 was 17.7%.
- October 2024 Core Inflation at 3.3% Y/Y
 - Increases in goods and services are not seeing the disinflation like food and energy.
 - October 2023 growth was 4.0%
 - October 2022 growth was 6.3%
 - An elevated core inflation will result in higher prices.

