South Dakota Legislative Research Council

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Memorandum

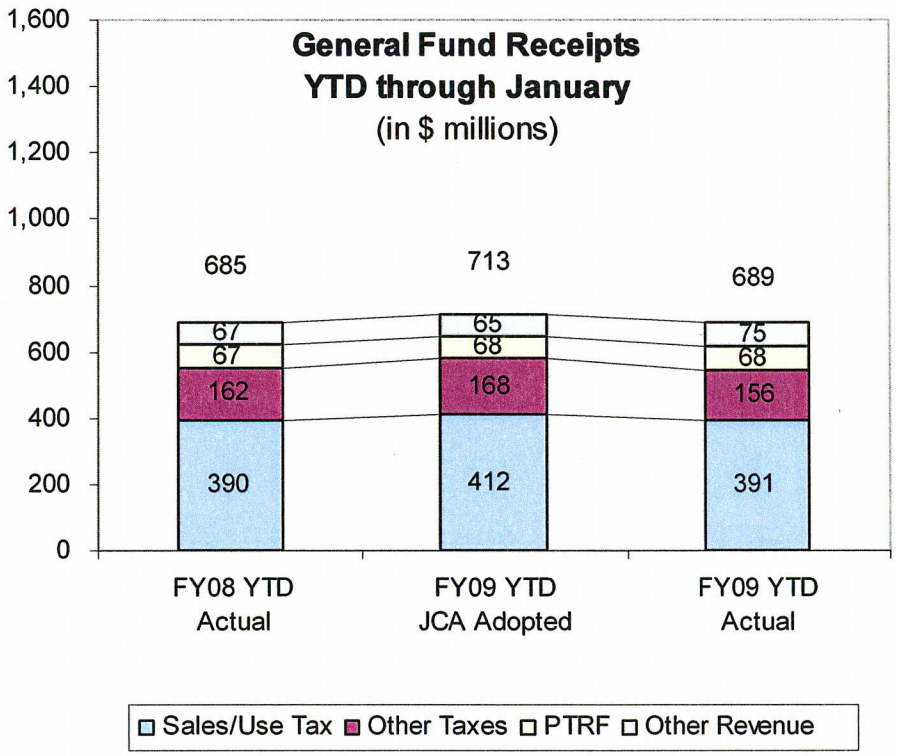
February 17, 2009

To: Joint Committee on Appropriations
Members of the Legislature (Quarterly Distribution)

From: Fred Schoenfeld, Chief Fiscal Analyst, LRC
Aaron Olson, Senior Fiscal Analyst, LRC

Subject: General Fund Revenue Report

Through January, total FY09 General Fund revenues booked into the General Fund are calculated to be $23.7 million below the budgetary estimates. This shortfall requires further comment as follows.



State Capitol, 500 East Capitol, Pierre, SD 57501-5070
605/773-3251 • TTY 605/773-4305 • Fax 605/773-4576
http://legis.state.sd.us

Based on actual receipts booked into the General Fund, the **Sales and Use Tax** continues to show a negative variance to the JCA's adopted estimate. However, it must be noted that FY09 YTD actual data deducts estimated refunds for large projects on a monthly basis. In FY08 and the JCA estimate for FY09, it was assumed these refunds would be deducted at year's end. Therefore, the mid-year negative variance shown for Sales taxes and Contractor's Excise Taxes is overstated. For example, if the $8.5 million in sales tax refunds is added back for comparability, there would be a YTD increase of 2.45% compared to FY08 actuals which is consistent with the 3.48% YTD increase in gross collections recently reported in the media. It would also reduce the negative variance to the JCA-adopted estimate to minus 3.08%. A similar adjustment to the **Contractor's Excise Tax (CET)** would also reduce the negative variance. However, even with such an adjustment this revenue stream remains significantly below both FY08 and the JCA adopted FY09 estimates. Similarly, the **Bank Franchise Tax** continues the negative trend from prior months with no sign of this trend changing.

About one-third of the negative difference for sales tax and CET shown below and about one-half of the combined net negative difference can be explained by the $11.3 million in refunds discussed above. This leaves a significant YTD shortfall in funds available to meet FY09 appropriations.

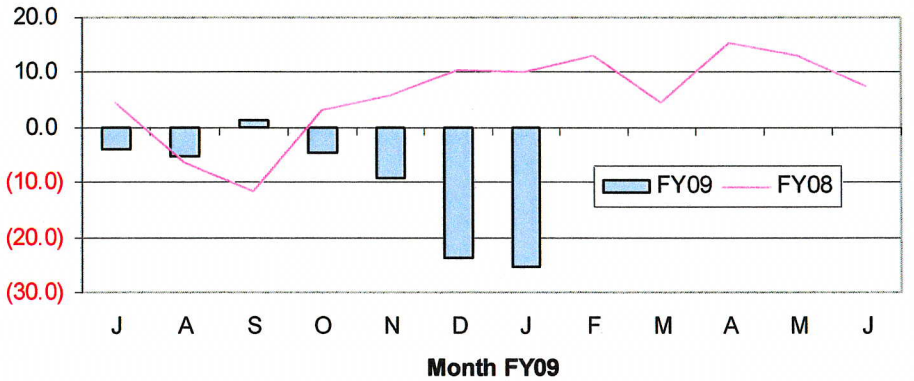
STATE GENERAL FUND RECEIPTS
FY09 - Year to Date through January
(in thousands of dollars, except where noted)

					FY09 YTD Actual % Change from:	
	FY08 YTD Actual	FY09 YTD JCA Adopted	FY09 YTD Actual	Difference	FY08 YTD Actual	FY09 YTD JCA Adopted
Taxes:						
Sales and Use Tax	389,524	411,749	390,527	(21,223)	0.3%	-5.2%
Contractor's Excise Tax	58,180	61,590	51,495	(10,095)	-11.5%	-16.4%
Wholesale Alcohol Tax	740	801	775	(26)	4.7%	-3.3%
Alcohol Beverage Tax	4,290	4,932	4,968	36	15.8%	0.7%
Cigarette Tax	30,000	30,000	30,000	0	0.0%	0.0%
Bank Franchise Tax	30,419	29,751	25,323	(4,427)	-16.8%	-14.9%
Insurance Company Tax	36,957	38,638	39,820	1,182	7.7%	3.1%
Mineral Severance Taxes	1,728	2,314	3,123	809	80.7%	35.0%
Total Taxes	551,837	579,775	546,031	(33,744)	-1.1%	-5.8%
Other Revenue:						
Licenses Permits and Fees	15,807	18,857	23,749	4,893	50.2%	25.9%
Charges for Goods and Services	13,267	13,104	11,468	(1,636)	-13.6%	-12.5%
State Lottery, Instant Tickets	0	130	0	(130)		
Property Tax Reduction Fund	67,115	67,665	67,584	(81)	0.7%	-0.1%
Investment Income and Interest	1,309	1,076	1,962	886	49.9%	82.4%
Transfers In	8,403	6,697	10,890	4,192	29.6%	62.6%
Trust Funds	18,423	18,031	19,350	1,319	5.0%	7.3%
Sales-Leaseback	8,155	7,177	7,693	515		
CRP Program	1,145	251	341	90		
Total Other Revenue	133,624	132,988	143,036	10,049	7.0%	7.6%
TOTAL RECEIPTS	685,461	712,763	689,067	(23,696)	0.5%	-3.3%

SOURCE: BFM, BAIE0102
NOTE: Details may not add to totals due to rounding; values less than 1,000 are disregarded in calculating percentages. Transfers In excludes 1-time transfers. Cigarette tax, PTRF and Transfers In cigarette tax revenues, and investment income are adjusted for seasonality.

The year-to-date variances are shown in the following chart and tables.

General Fund Receipts - YTD Variance from Adopted Estimate
(in $millions)



FY09 Variance from Adopted Estimate

MONTH	Sales Tax	Contractor's Excise	Wholesale Alcohol	Alcohol Beverage	Cigarette	Bank Franchise	Insurance Company	Mineral Severance	Licenses, Permits, Fees	Goods & Services	State Lottery	PTRF	Interest Income	Transfers In	Trust Funds	Sales-Leaseback	CRP	FY09
J	(1.5)	(2.8)	(0.0)	0.0	0.7	0.1	(1.6)	0.4	(0.1)	(0.6)	0.0	(0.7)	0.0	1.8	0.0	0.0	0.0	(4.1)
A	3.6	(9.1)	(0.0)	0.0	0.1	(0.8)	0.8	0.5	(0.1)	(1.3)	0.0	(0.9)	0.0	0.7	1.3	0.0	0.0	(5.3)
S	4.9	(6.1)	0.1	0.0	1.6	(0.3)	0.7	0.5	(0.2)	(1.3)	0.0	(1.6)	0.9	0.7	1.3	0.0	0.0	1.2
O	(2.6)	(3.5)	0.0	0.2	0.8	(2.7)	2.9	0.4	(0.3)	(3.1)	0.0	(2.2)	0.9	3.1	1.3	0.0	0.0	(4.8)
N	(2.5)	(8.6)	(0.0)	0.2	0.3	(2.8)	0.3	0.4	(0.5)	2.0	(0.1)	(1.7)	0.9	3.3	1.3	(1.4)	(0.2)	(9.2)
D	(12.8)	(12.4)	0.0	0.2	0.0	(2.9)	0.3	0.9	(0.8)	(0.3)	(0.1)	(2.2)	0.9	3.5	1.3	0.6	0.1	(23.7)
J	(21.2)	(10.1)	(0.0)	0.0	0.0	(4.4)	1.2	0.8	4.9	(1.6)	(0.1)	(0.1)	0.9	4.2	1.3	0.5	0.1	(23.7)
F																		
M																		
A																		
M																		
J																		

FY08 Variance from Adopted Estimate

MONTH	Sales Tax	Contractor's Excise	Wholesale Alcohol	Alcohol Beverage	Cigarette	Bank Franchise	Insurance Company	Mineral Severance	Licenses, Permits, Fees	Goods & Services	State Lottery	PTRF	Interest Income	Transfers In	Trust Funds	Sales-Leaseback	CRP	FY08
J	3.9	(2.9)	0.0	0.0	0.0	1.0	0.6	0.2	0.0	(1.1)	0.0	0.1	(0.0)	2.6	0.0	0.0	0.0	4.4
A	(6.2)	(2.6)	0.0	0.0	0.0	0.3	(0.0)	0.2	0.0	(1.8)	0.0	(2.4)	(0.0)	4.6	1.7	0.0	0.0	(6.3)
S	(12.6)	(3.3)	(0.0)	0.0	0.0	1.6	(0.2)	0.2	(0.1)	(1.8)	0.0	(2.6)	0.4	5.3	1.7	0.0	0.0	(11.4)
O	(1.4)	(2.5)	0.0	(0.2)	0.0	1.8	1.2	0.0	0.8	(3.7)	0.0	(3.0)	0.4	8.0	1.7	0.0	0.0	3.1
N	(4.1)	(2.9)	0.0	(0.2)	0.0	1.8	(0.3)	(0.1)	0.2	4.2	(0.1)	(2.4)	0.4	8.6	1.7	(1.4)	0.5	5.9
D	(3.7)	(0.9)	(0.0)	(0.2)	0.0	2.7	(0.1)	(0.1)	(0.1)	2.1	(0.1)	(1.2)	0.4	8.9	1.7	0.6	0.4	10.4
J	(3.6)	(0.4)	0.1	(0.4)	0.0	2.5	0.1	(0.1)	(1.8)	1.2	(0.1)	0.4	0.4	9.2	1.7	0.6	0.4	10.0
F	0.7	1.1	0.1	(0.4)	0.0	2.5	0.6	0.5	(2.3)	0.2	(0.0)	(0.4)	0.4	7.6	1.7	0.6	0.4	13.2
M	(3.6)	2.0	(0.0)	(0.4)	0.0	3.3	(0.1)	0.3	(2.3)	(0.6)	(0.0)	(2.7)	0.4	5.6	1.7	0.6	0.4	4.5
A	4.3	1.4	0.1	(0.7)	0.0	4.4	2.1	0.1	1.3	(0.7)	(0.0)	(3.3)	0.4	3.5	1.7	0.6	0.4	15.5
M	(0.3)	1.1	0.1	(0.7)	0.0	4.2	0.8	0.7	1.3	(1.8)	(0.0)	(4.7)	0.4	9.7	1.7	0.4	0.3	13.0
J	2.8	(9.4)	0.1	0.4	0.0	4.5	(0.4)	0.7	2.3	(1.5)	1.4	(7.1)	2.6	10.3	0.6	0.0	0.3	7.5