South Dakota Legislative Research Council

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Memorandum

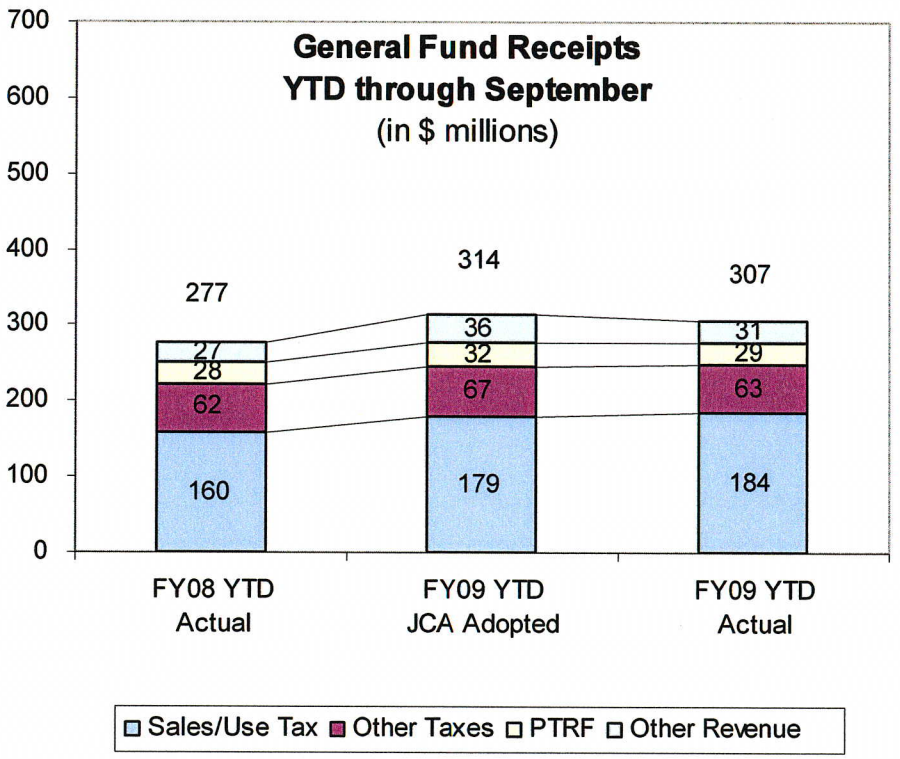
October 20, 2008

To: Joint Committee on Appropriations
Members of the House and Senate

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

Subject: General Fund Revenue Report

Through September, total FY09 revenues booked into the General Fund are calculated to be $7.4 million below the budgetary estimates. However, as discussed in detail below, we believe this calculated shortfall requires further comment.



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The percentage increase of 15.4% shown below for Sales and Use Tax is overstated due to the way Sales and Use Taxes were booked in FY08. Looking back at reports from FY08 it appears that some September Sales and Use Tax revenue may have been booked in October and as a result, the FY08 YTD Actual number through September was too low. After reviewing prior year's historical data for September we believe that the percentage increase from FY08 YTD for Sales and Use Tax may be closer to 5-7%. It is still significant that thus far Sales and Use Tax receipts are running ahead of the budget estimate YTD. There is no guarantee, however, that this positive result will hold for the rest of the year in the face of declines in the rest of the nation.

On the other hand, the $6.1 million negative variance for Contractor's Excise tax against budget may show lower in our monthly revenue reports than actually be true. BFM has deducted $1.4 million YTD for refunds from receipts into the General Fund on a monthly basis to avoid the problem of large deductions at year end as previously encountered. Our budgetary allocation formula has not been adjusted to reflect this. Further, an additional $4.5 million has been collected by the Department of Revenue but not yet booked as General Fund receipts, which are the basis of this report.

We believe the negative variance of $6.4 million with respect to Net Transfers In is in part due to $1.4 million of Deadwood Gaming revenue that in prior years has been booked in August but this year will not be booked till October. Another factor is the way 1-time transfers are deducted from gross transfers to produce net transfers in prior years, which may be making the budgetary allocation too high early in the fiscal year. We will be reviewing these factors going forward.

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

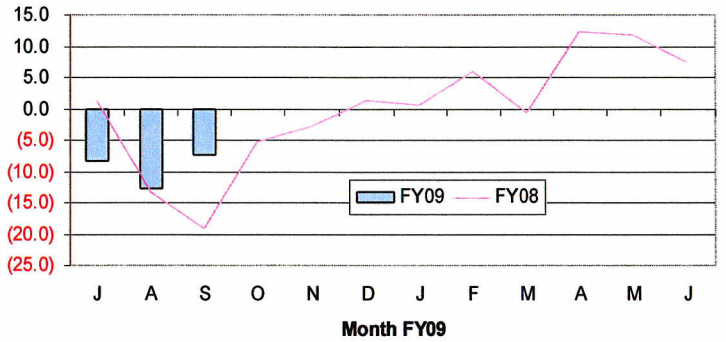
	FY08 YTD Actual	FY09 YTD JCA Adopted	FY09 YTD Actual	Difference	FY09 YTD Actual % Change from: FY08 YTD Actual	FY09 YTD Actual % Change from: FY09 YTD JCA Adopted
Taxes:						
Sales and Use Tax	159,574	179,229	184,134	4,904	15.4%	2.7%
Contractor's Excise Tax	21,374	25,623	19,530	(6,094)	-8.6%	-23.8%
Wholesale Alcohol Tax	230	297	349	52	51.9%	17.4%
Alcohol Beverage Tax	0	0	0	0	3.6%	49.3%
Cigarette Tax	16,177	16,177	17,742	1,565	9.7%	9.7%
Bank Franchise Tax	10,636	9,902	9,578	(324)	-9.9%	-3.3%
Insurance Company Tax	13,020	13,851	14,594	743	12.1%	5.4%
Mineral Severance Taxes	958	1,010	1,531	521	59.8%	51.6%
Total Taxes	221,970	246,091	247,458	1,367	11.5%	0.6%
Other Revenue:						
Licenses Permits and Fees	1,191	1,357	1,198	(159)	0.6%	-11.7%
Charges for Goods and Services	1,677	3,327	2,021	(1,306)	20.6%	-39.3%
State Lottery, Instant Tickets	0	0	0	0		
Property Tax Reduction Fund	27,904	31,847	28,666	(3,181)	2.7%	-10.0%
Investment Income and Interest	1,274	1,057	1,944	887	52.7%	83.9%
Transfers In	4,691	12,381	6,013	(6,368)	28.2%	-51.4%
Trust Funds	18,423	18,031	19,350	1,319	5.0%	7.3%
Sales-Leaseback	0	0	0	0		
CRP Program	0	0	0	0		
Total Other Revenue	55,159	68,001	59,193	(8,809)	7.3%	-13.0%
				0		
TOTAL RECEIPTS	277,129	314,092	306,650	(7,441)	10.7%	-2.4%

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 cigarette tax revenues, and investment income are adjusted for seasonality.

The year-to-date variances are shown in the following tables. It is worth pointing out that the first quarter variances in past years have typically been more volatile before becoming more stable in the balance of the year.

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	(2.5)	0.0	0.0	0.0	(8.4)
A	3.6	(9.1)	(0.0)	0.0	0.1	(0.8)	0.8	0.5	(0.1)	(1.3)	0.0	(2.0)	0.0	(5.8)	1.3	0.0	0.0	(12.8)
S	4.9	(6.1)	0.1	0.0	1.6	(0.3)	0.7	0.5	(0.2)	(1.3)	0.0	(3.2)	0.9	(6.4)	1.3	0.0	0.0	(7.4)
O																		
N																		
D																		
J																		
F																		
M																		
A																		
M																		
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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)	17.9	0.0	0.0	0.0	19.7
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)	(2.4)	1.7	0.0	0.0	(13.3)
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	(2.4)	1.7	0.0	0.0	(19.2)
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	(0.3)	1.7	0.0	0.0	(5.2)
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	(0.2)	1.7	(1.4)	0.5	(2.9)
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	(0.2)	1.7	0.6	0.4	1.2
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	(0.2)	1.7	0.6	0.4	0.6
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	0.3	1.7	0.6	0.4	5.9
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	0.5	1.7	0.6	0.4	(0.7)
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	0.3	1.7	0.6	0.4	12.3
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	8.6	1.7	0.4	0.3	11.9
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

The Governor's Office has recently released a new website called Open SD (http://open.sd.gov/) that contains financial, payroll, and vendor payment information for State of South Dakota. The website contains a Current Revenue page that shows real-time revenues that have been collected and posted to the state's central accounting system. The Current Revenues from Open SD and data in our monthly revenue reports do not tie because our report is calculated on a month end period while the Open SD database is continuously updated every time revenues are posted to the accounting system. As a result, it is virtually impossible to reconcile the two sets of numbers.