South Dakota Legislative Research Council

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Memorandum

October 24, 2007

To: Members of the Senate and House of Representatives

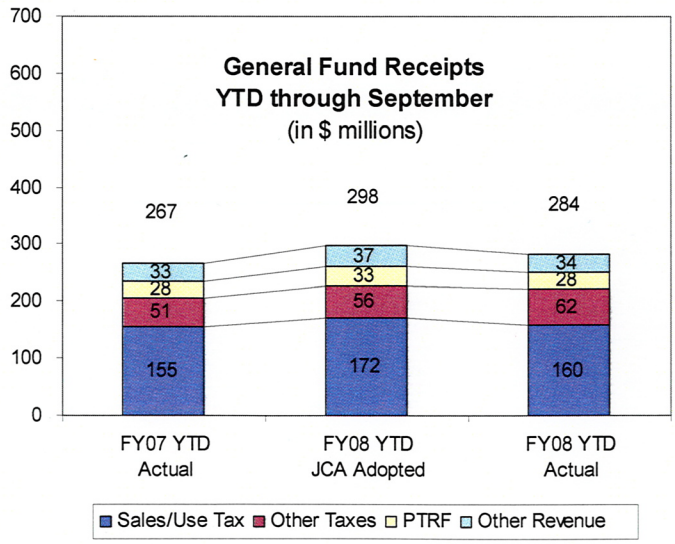
From: Fred Schoenfeld
Chief Fiscal Analyst, LRC

Subject: General Fund Revenue Report

This revenue report makes adjustments to facilitate year-end reconciliation and adds detail to show the month-by-month variance from the adopted revenue estimate for FY08 with comparisons to the same FY07 variance.

It is planned that this report will be distributed monthly to the members of the JCA and posted to the LRC website under Fiscal Information. The report will be distributed to the entire membership of the legislature quarterly rather than monthly as in the past. However, legislators interested in more frequent information can access the monthly reports on the internet. We will of course provide a hardcopy report to any non-JCA legislator who requests one.

Through September, total General Fund revenues are $14.7 million below the adopted estimate. This is primarily the result of under-performance by sales and contractors taxes and the Property Tax Reduction Fund (PTRF). The PTRF is comprised of revenues from the video lottery net machine income, the telecom tax, and 1/3 of tobacco tax proceeds over $35 million. Details are set forth in the following tables and charts.



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STATE GENERAL FUND RECEIPTS
FY08 - Year to Date through September
(in thousands of dollars, except where noted)

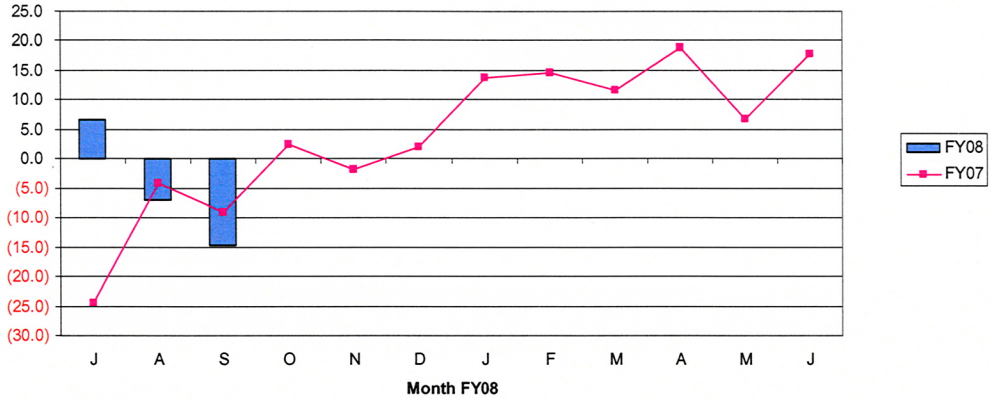
	FY07 YTD Actual	FY08 YTD JCA Adopted	FY08 YTD Actual	Difference	FY08 YTD Actual % Change from: FY07 YTD Actual	FY08 YTD Actual % Change from: FY08 YTD JCA Adopted
Taxes:						
Sales and Use Tax	154,625	172,155	159,574	(12,581)	3.2%	-7.3%
Contractor's Excise Tax	19,870	24,710	21,374	(3,336)	7.6%	-13.5%
Wholesale Alcohol Tax	294	252	230	(22)	-21.9%	-8.7%
Alcohol Beverage Tax	0	0	0	0	-18.5%	94.3%
Cigarette Tax	7,099	8,052	16,177	8,125	127.9%	100.9%
Bank Franchise Tax	10,116	9,019	10,636	1,617	5.1%	17.9%
Insurance Company Tax	12,647	13,209	13,020	(189)	2.9%	-1.4%
Inheritance Tax	821	143	(5)	(148)	-100.6%	-103.3%
Mineral Severance Taxes	589	780	958	178	62.8%	22.8%
Total Taxes	206,061	228,321	221,965	(6,356)	7.7%	-2.8%
Other Revenue:						
Licenses Permits and Fees	1,209	1,265	1,191	(73)	-1.5%	-5.8%
Charges for Goods and Services	1,552	3,436	1,677	(1,759)	8.0%	-51.2%
State Lottery, Instant Tickets	0	0	0	0		
Property Tax Reduction Fund	28,030	33,288	27,904	(5,384)	-0.4%	-16.2%
Investment Income and Interest	883	3,695	1,274	(2,421)	44.2%	-65.5%
Transfers In	10,069	11,569	11,199	(370)	11.2%	-3.2%
Trust Funds	18,787	16,741	18,423	1,682	-1.9%	10.0%
Sales-Leaseback	0	0	0	0		
CRP Program	0	0	0	0		
Total Other Revenue	60,530	69,992	61,667	(8,325)	1.9%	-11.9%
				0		
TOTAL RECEIPTS	266,591	298,313	283,632	(14,681)	6.4%	-4.9%

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.

The sales tax receipts may be running lower than expected as the result of last year's drought as speculated by the Governor's office. In addition, the PTRF lottery receipts may be running low due to disposable personal income being squeezed by persistently high gasoline prices. Also as regards the PTRF, it should be noted that the monthly figures for the adopted estimate are based on full-year expectations, pro-rated by the monthly percentage of total receipts over the past 10 years. It does not, therefore, reflect the fact that the tobacco tax component of the PTRF will not kick in until $35 million has been collected in December or January giving a significant boost to receipts. Further, it is important to note that this same general pattern of a slow start existed in FY07 which ultimately finished the year $17.8 million in the black. SEE the variance graphic and tables on the next page.

Although this situation bears careful watching, it does not yet appear critical

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



FY08 Variance from Adopted Estimate

MONTH	Sales Tax	Contractor's Excise	Wholesale Alcohol	Alcohol Beverage	Cigarette	Bank Franchise	Insurance Company	Inheritance	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	2.0	1.0	0.6	(0.0)	0.2	0.0	(1.1)	0.0	(0.7)	(0.0)	3.8	0.0	0.0	0.0	6.7
A	(6.2)	(2.6)	0.0	0.0	5.7	0.3	(0.0)	(0.1)	0.2	0.0	(1.8)	0.0	(4.3)	(0.0)	0.1	1.7	0.0	0.0	(7.0)
S	(12.6)	(3.3)	(0.0)	0.0	8.1	1.6	(0.2)	(0.1)	0.2	(0.1)	(1.8)	0.0	(5.4)	(2.4)	(0.4)	1.7	0.0	0.0	(14.7)
O																			
N																			
D																			
J																			
F																			
M																			
A																			
M																			
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FY07 Variance from Adopted Estimate

MONTH	Sales Tax	Contractor's Excise	Wholesale Alcohol	Alcohol Beverage	Cigarette	Bank Franchise	Insurance Company	Inheritance	Mineral Severance	Licenses, Permits, Fees	Goods & Services	State Lottery	PTRF	Interest Income	Transfers In	Trust Funds	Sales-Leaseback	CRP	FY07
J	(26.9)	(2.4)	0.0	0.0	(0.5)	1.3	(0.9)	(0.0)	(0.0)	(0.0)	(0.2)	0.0	0.6	(1.4)	5.8	0.0	0.0	0.0	(24.5)
A	(2.2)	(2.4)	0.0	0.0	0.0	0.4	(1.1)	0.2	0.2	0.0	(0.5)	0.0	(1.7)	(1.4)	4.2	0.0	0.0	0.0	(4.2)
S	(8.3)	(2.4)	0.1	0.0	(0.4)	1.0	(1.4)	0.8	0.2	(0.0)	(0.6)	0.0	(1.8)	(0.5)	4.3	0.0	0.0	0.0	(9.1)
O	(8.3)	(1.9)	0.0	0.2	(0.7)	1.3	0.2	0.2	0.1	3.2	6.5	0.0	(2.0)	(0.5)	3.9	0.0	0.0	0.0	2.3
N	(7.6)	(1.8)	0.1	0.2	(0.5)	1.4	(2.7)	0.2	1.0	2.6	5.8	(0.1)	(1.3)	(0.5)	3.8	0.0	(1.6)	(0.9)	(1.8)
D	(10.5)	(1.1)	(0.0)	0.2	(0.3)	2.5	(2.2)	0.2	1.0	2.3	5.2	(0.1)	0.5	(0.5)	4.1	0.0	0.5	0.1	1.9
J	(9.6)	(0.8)	(0.0)	(0.0)	5.8	1.7	(2.6)	0.2	1.0	6.7	4.8	0.3	2.0	(0.5)	3.9	0.0	0.5	0.1	13.6
F	(4.6)	(3.6)	0.0	(0.0)	6.7	1.7	(4.2)	0.1	1.0	6.4	4.3	0.1	2.4	(0.5)	4.1	0.0	0.5	0.1	14.7
M	(9.9)	2.2	0.1	(0.0)	8.4	1.0	(6.5)	0.2	1.4	6.3	3.8	0.1	0.4	(0.5)	4.1	0.0	0.5	0.1	11.6
A	(0.4)	2.2	0.0	0.2	7.4	5.0	(6.3)	0.2	1.4	1.4	3.0	0.1	0.5	(0.5)	4.0	0.0	0.5	0.1	18.9
M	(7.6)	1.8	0.0	0.2	4.9	4.8	(6.9)	0.2	1.4	1.4	2.9	0.1	(0.5)	(0.5)	3.9	0.0	0.3	0.0	6.6
J	(1.4)	(0.1)	0.1	0.2	2.3	9.4	(7.3)	0.2	1.4	2.3	3.7	0.5	6.4	(0.6)	0.7	0.0	0.0	0.0	17.8

Tobacco Tax Receipts

Because all proceeds from the tobacco tax (old as well as new) flow into the General Fund until $30.0 million is reached, it is possible to get a reading on performance of this revenue stream from the above data. YTD receipts from the tobacco tax are $16.2 million. During the same period in FY07 receipts were $7.1 million. Because the new taxes did not take effect in FY07 until January 1st, the difference between these two numbers of $9.1 million can be considered to represent proceeds from the new tobacco taxes (assuming no growth in existing taxes). Annualizing this Q1 amount by multiplying by 4 equals $36.4 million as a rough estimate of the full-year proceeds of the new tobacco taxes. This is generally consistent with the original $40.0 million estimate and the more recent $40.8 million estimate offered by the Department of Revenue (BFM).

Once the tipping point of $30.0 million to the General Fund is reached the additional amounts are diverted to the Tobacco Prevention and Reduction Trust Fund, the Education Enhancement Tobacco Tax Fund, the Health Care Tobacco Tax Fund, and the Property Tax Reduction Fund. It then becomes more difficult to track the base revenue stream. We have made arrangements with BFM to receive periodic updates when that point is reached.