



REVENUE

FORECASTS

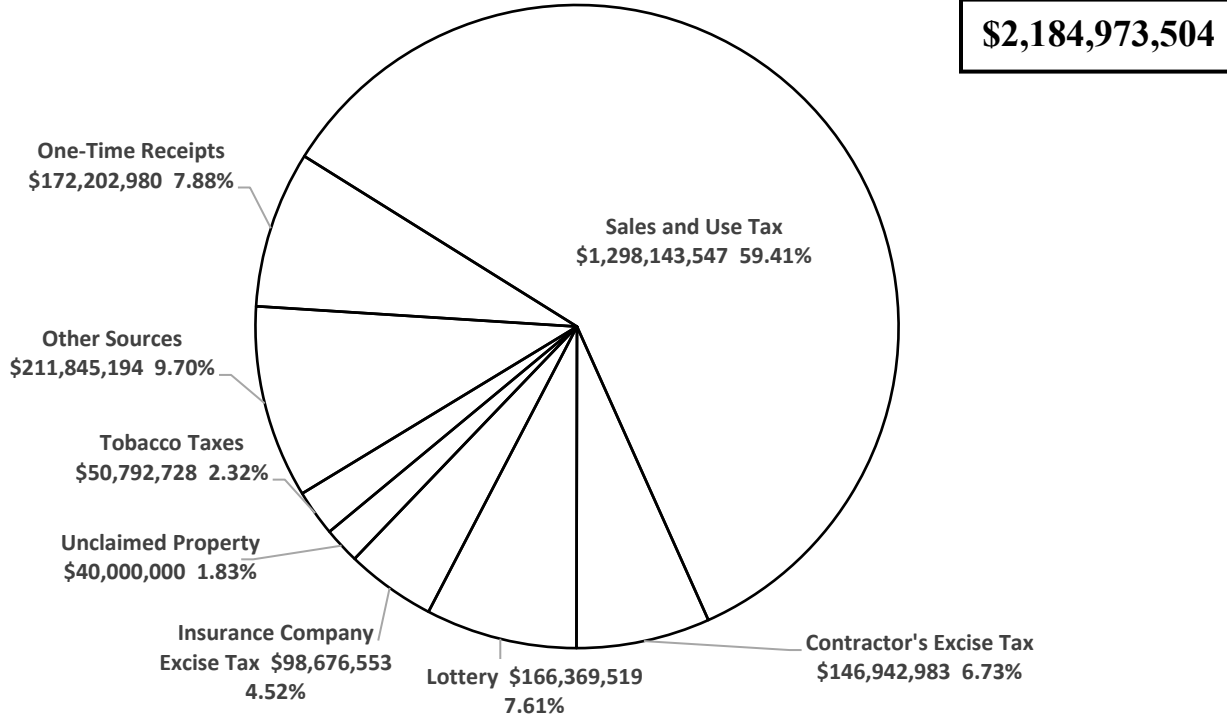
**PRESENTED TO
JOINT APPROPRIATIONS COMMITTEE
FEBRUARY 2022**

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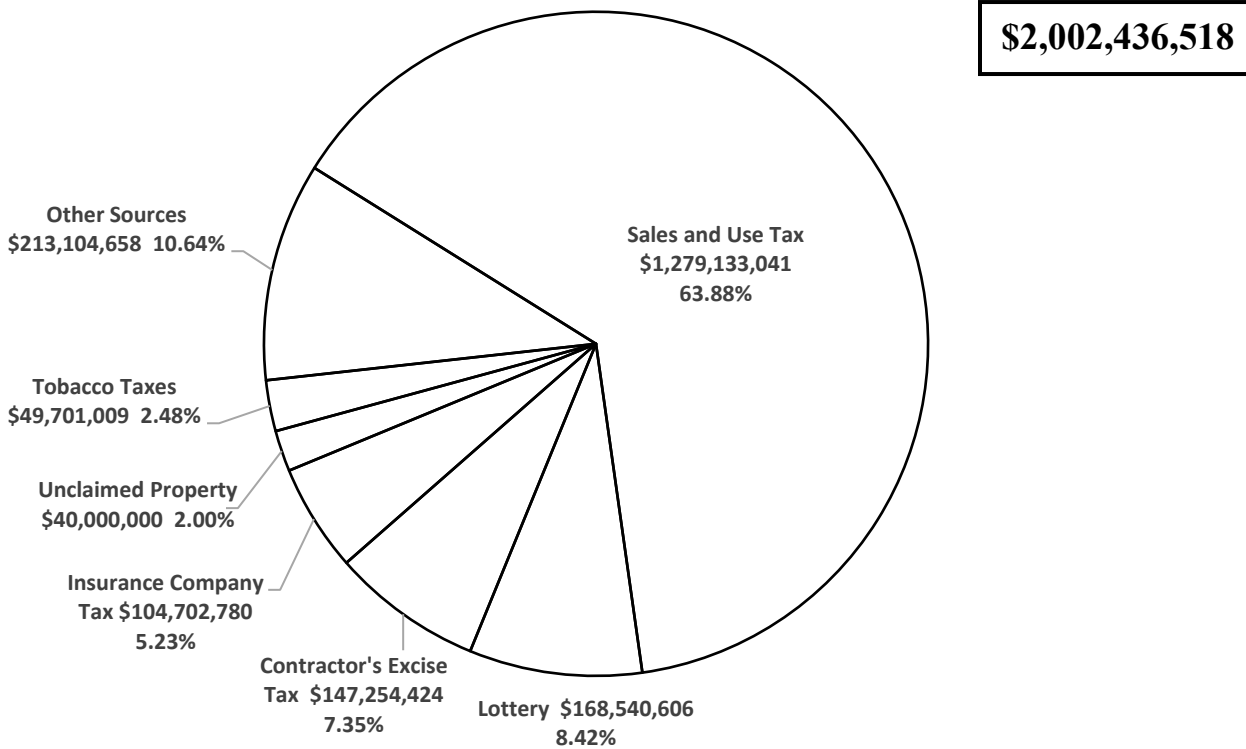
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FY2022 AND FY2023 GENERAL FUND REVENUES

FY2022 General Fund Revenues



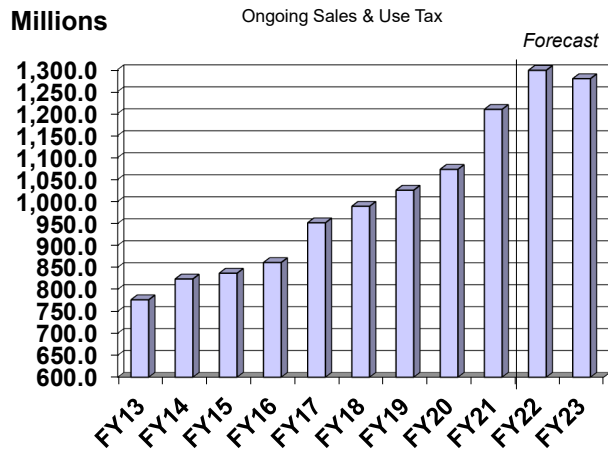
FY2023 General Fund Revenues



SALES AND USE TAX

Background: The sales tax is applied to the gross receipts of businesses, organizations, or persons engaged in retail sales, including the selling, leasing, and renting of tangible personal property, the sale of services, and the sale of products transferred electronically, as long as the products or services are not specifically exempt, intended for resale, or sold to a governmental or sales tax-exempt agency. The rate of the state’s sales tax is 4.5% (SDCL 10-45). A use tax of the same rate as the sales tax applies to all goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax is not paid. The purchaser or consumer of the goods or services is responsible for reporting and remitting the use tax in the filing period in which they receive the goods or services (SDCL 10-46).

- The average annual increase in net collections between FY2011 and FY2020 was 4.7%, when you control for the tax rate increase in FY2017 this rate is 3.4%.
- Total net collections in FY2021 increased 14.0%.
- Net collections from the sales and use tax account for approximately 63.9% of ongoing general fund revenues in FY2023.



Currently: In the first seven months of FY2022, sales and use tax collections, excluding audits, were \$813.4 million. This is an increase of 11.6% from the first seven months of last year. Year-to-date collections are 63.1% of the most current revised FY2022 estimate. Historically, 61.2% of the total revenue collected from this tax is received in the first seven months.

Estimate: Due to the broad nature of the sales and use tax, there are many different variables influencing collections including employment, income, the unemployment rate, inflation, etc. To quantify these theories, regression equations are used to see if historically there has been a statistically significant relationship between these and other variables, and sales and use tax collections. The sales and use tax data is divided into five different categories to account for the broad base of the sales and use tax. Independent variables are then used in the equations to see if historically a statistically significant relationship between them and taxable sales has existed. After finding the best fitting regression equation for each of the five categories, sales and use tax collections are forecasted. The regression equations used in the forecast, the coefficient of determination (R²) associated with the equations, and a brief explanation of how to read regression equations are below.

Equation 1: Consumer Spending on Durables and Services (STCDS)

$$\text{STCDS} = -200.13 + 0.06 * \text{SD Nonfarm Income} + 227.81 * \text{Seasonal Dummy Variable} + 7.54 * \text{SD Manufacturing Employment} + 37.17 * \text{SD Housing Starts}$$

R² = .9916

Equation 2: Business Related Purchases/Consumer Spending on Nondurables (STBUSCND)
 $STBUSCND = -934.36 + 3.84*SD \text{ Nonfarm Employment} + 343.33*Seasonal \text{ Dummy Variable} - 0.10*Exports - 23.95*Consumer \text{ Price Index} + 0.08*SD \text{ Personal Income} + 803.70*Stimulus \text{ Dummy Variable}$
R² = .9829

Equation 3: Construction Related Purchases (STCON)
 $STCON = -520.89 + 26.91*SD \text{ Construction Employment} + 0.01*(SD \text{ Nonfarm Income}*Seasonal \text{ Dummy Variable}) + 10.16*SD \text{ Housing Starts} + 0.05*Wage \text{ and Salary Disbursements} + 0.04*Farm \text{ Proprietors Income (lagged)}$
R² = .9868

Equation 4: Recreation Related Purchases (STREC)
 $STREC = 63.24 + 0.02*SD \text{ Nonfarm Income} + 1.13*SD \text{ Leisure and Hospitality Employment} + 0.01*(SD \text{ Disposable Income}*Seasonal \text{ Dummy Variable}) - 0.37*oil \text{ prices} - 271.57*COVID \text{ Dummy Variable}$
R² = .9929

Equation 5: Utilities (STUTI)
 $STUTI = -530.88 + 0.01*SD \text{ Nonfarm Income} + 2.97*Consumer \text{ Spending on Electricity and Natural Gas} + 374.14*Consumer \text{ Price Index} + 1.17*oil \text{ prices}$
R² = .9625

Collection Equation:
 $Sales \text{ Tax Collections} = -11.48 + 0.046*Total \text{ Taxable Sales (STCDS} + STBUSCNDOTH + STCON + STREC + STUTI)$
R² = .9975

Basic steps to follow when reading a regression equation are:

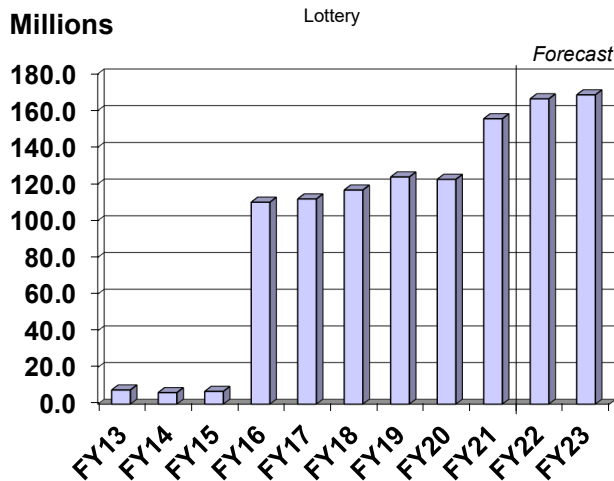
- 1.) Identify the dependent variable (the variable on the left side of the equation) and the independent variables (the variables on the right side of the equation).
- 2.) Look at the signs of the independent variables. The signs tell you if there is a positive or a negative relationship between the dependent and the independent variable.
- 3.) Look at the numbers in front of the independent variables. They quantify the change in the dependent variable if there is a one-unit change in the independent variable, holding the other independent variables constant.
- 4.) Look at the R². This is one way to identify how well an equation fits the data. An R² value close to one tells you that the equation has a good overall fit.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Ongoing SUT	1,072,830,649	1,209,342,342	1,298,143,547	1,279,133,041
Dollar Change	47,429,440	136,511,693	88,801,205	(19,010,506)
<i>Percent Change</i>	4.63	12.72	7.34	(1.46)
One-time SUT	0	13,486,289	28,305,843	0
Total SUT	1,072,830,649	1,222,828,631	1,326,449,390	1,279,133,041
Dollar Change	47,429,440	149,997,982	103,620,759	(47,316,349)
<i>Percent Change</i>	4.63	13.98	8.47	(3.57)

LOTTERY

Background: Receipts included in this category are the general fund's share of revenues from the sale of instant and on-line lottery tickets. Beginning in FY2016, this category also includes the state's share of video lottery receipts (SDCL 42-7A).

- All the net proceeds from the sale of instant lottery tickets are deposited in the general fund.
- Beginning in FY2019 through FY2023, the net proceeds from on-line lottery funds to the general fund increases pursuant to the passage of SB 183 from the 2018 legislative session.
- Due to the repeal of the Property Tax Reduction Fund effective July 1, 2015, forty-nine- and one-half percent of video lottery net machine income now flows to the general fund in this category. Before FY2016, the video lottery receipts flowed through the Property Tax Reduction Fund.
- Instant tickets are the scratch tickets sold by retailers. On-line games include Powerball, Mega Millions, and Dakota Cash.
- Receipts included in this category account for approximately 8.4% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, the state's share of video lottery receipts is up 17.1% compared to the same time period a year ago. Through January 2022, total lottery revenues are up 17.2% compared to a year ago.

Estimate: The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

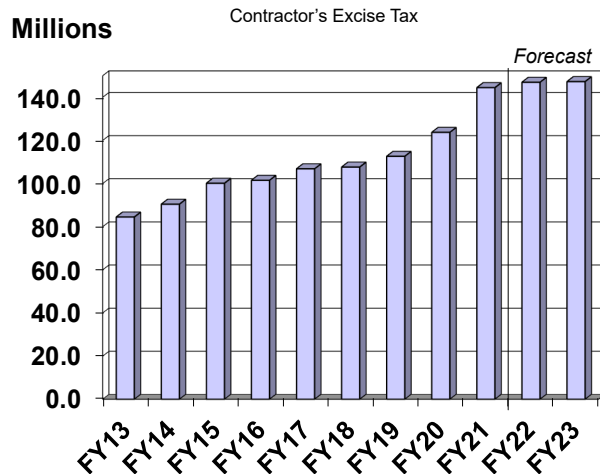
	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Instant/Online Lottery	7,160,814	7,716,398	8,782,639	10,165,792
Video Lottery	115,328,187	147,810,651	157,586,880	158,374,814
Total Receipts	122,489,001	155,527,049	166,369,519	168,540,606
Dollar Change	(1,326,501)	33,038,048	10,842,470	2,171,087
Percent Change	(1.07)	26.97	6.97	1.30

CONTRACTOR'S EXCISE TAX

Background: An excise tax of 2% is imposed on the gross receipts of all prime contractors on construction projects. Subcontractor's gross receipts are not subject to the 2% tax if they are furnished a valid prime contractor's exemption certificate by the prime contractor for each specific job performed. The gross receipts of both prime contractors and subcontractors providing construction services or realty improvement projects for qualifying utilities are subject to a 2% excise tax. Gross receipts resulting from construction services or realty improvements for public and private entities are subject to the excise tax. Therefore, projects for the U.S. Government, State of South Dakota, counties, cities, schools, hospitals, churches, and private individuals are taxable (SDCL 10-46A and 10-46B).

NOTE: Because of when contractor's excise tax payments are due, collections are lagged one month (ex: collections recorded in July are payments made to contractors in June).

- The average annual increase in net contractor's excise tax collections between FY2011 and FY2020 was 6.5%.
- Contractor's excise tax collections in FY2021 increased 16.8%.
- Net collections from the contractor's excise tax account for approximately 7.4% of ongoing general fund receipts in FY2023.



Currently: In the first seven months of FY2022, net contractor's excise tax collections were \$102.7 million. This is an increase of 4.8% from the first seven months of last year. Year-to-date collections are 69.9% of the most current revised FY2022 estimate. Historically, 68.8% of the total revenue collected from this tax is received in the first seven months.

Estimate: Contractor's excise tax collections are estimated using a single regression equation. The equation and its coefficient of determination are below. (An explanation of how to read a regression equation can be found on page 8.)

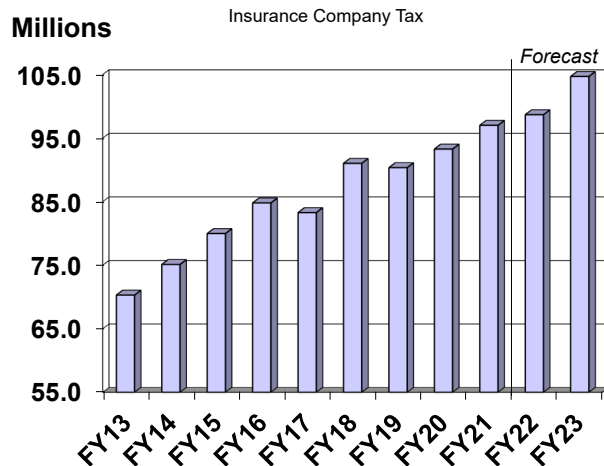
Contractor's Excise Tax Collections = $-39.61 + 1.52 \cdot \text{SD Construction, Natural Resources, and Mining Employment} + 0.01 \cdot (\text{Seasonal Dummy} \cdot \text{SD Nonfarm Income}) - 2.29 \cdot \text{SD Unemployment Rate} + 21.07 \cdot \text{Consumer Price Index} + 0.51 \cdot \text{SD Housing Starts} + 9.49 \cdot \text{Stimulus Dummy Variable}$
 $R^2 = .9920$

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Total Net Receipts	123,723,519	144,448,267	146,942,983	147,254,424
Dollar Change		20,724,748	2,494,716	311,441
Percent Change		16.75	1.73	0.21

INSURANCE COMPANY TAX

Background: A tax of 2.5% of premiums on policies insuring risks located in South Dakota is imposed on insurance companies. In addition, the insurer must also pay a tax of 0.5% of the gross premium receipts on all fire insurance business done in the state. The tax imposed on insurance companies for life insurance policies is 2.5% of premiums on the first \$100,000 of annual life premiums per policy and eight one-hundredths of a percent for that portion of the annual life premiums per policy exceeding \$100,000. A life insurance policy (other than credit life as defined in SDCL 58-19) of a face amount of \$7,000 or less is taxed at the rate of 1.25% of premiums. The tax imposed on insurance companies for annuities is 1.25% of the consideration for annuity contracts on the first \$500,000 of annual consideration per annuity contract and eight one-hundredths of a percent for that portion of the annual consideration per annuity contract exceeding \$500,000. Farm mutual insurers and fraternal benefit societies are exempt from insurance company taxes (SDCL 10-44).

- The average annual increase between FY2011 and FY2020 was 4.4%.
- Insurance company tax collections grew 4.0% in FY2021.
- Collections from this tax account for approximately 5.2% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$59.9 million has been collected from this tax. This is an increase of 0.6% from the first seven months of last year. Year-to-date collections are 60.7% of the most current revised FY2022 estimate. Historically, 62.2% of the total revenue collected from this tax is received in the first seven months.

Estimate: A regression equation is used to project collections from the insurance company tax. The equation and its coefficient of determination are below. (An explanation of how to read a regression equation can be found on page 8.)

Insurance Company Tax Collections = 9.15 – 4.06*Seasonal Dummy + 0.01*SD Nonfarm Income + 0.03*Consumer Spending on Insurance – 0.50*Yield on Two-Year Treasury note + 2.01*Affordable Care Act Dummy Variable.

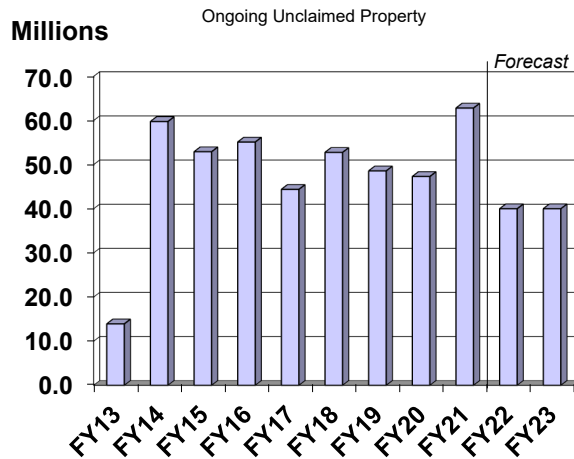
R² = .9808

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Receipts	93,271,112	97,010,439	98,676,553	104,702,780
Dollar Change	2,923,571	3,739,327	1,666,114	6,026,227
Percent Change	3.24	4.01	1.72	6.11

UNCLAIMED PROPERTY RECEIPTS

Background: Receipts to the general fund from unclaimed property are the result of all funds in excess of \$50,000 receipted into the Unclaimed Property Trust Fund. Property is considered abandoned after it has been unclaimed by the rightful owner for three years in South Dakota and must be submitted to the State Treasurer’s office per state law. These unclaimed funds are a perpetual liability of the state of South Dakota and if the owner of such funds is identified, the funds must be paid to the rightful owner.

- Collections from unclaimed property receipts account for approximately 2.0% of ongoing general fund revenues in FY2023.
- The chart below shows the ongoing portion of unclaimed property.



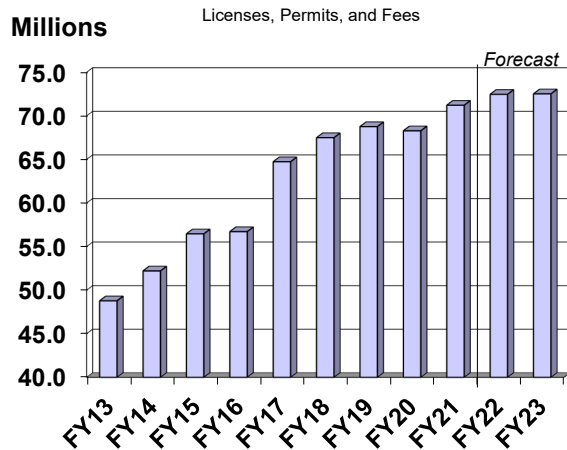
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Receipts	47,308,472	62,809,930	40,000,000	40,000,000
Dollar Change	(1,265,128)	15,501,458	(22,809,930)	0
Percent Change	(2.60)	32.77	(36.32)	0.00
One-Time Receipts			24,260,701	0
Total Receipts			64,260,701	40,000,000

LICENSES, PERMITS, AND FEES

Background: Revenues included in this category are receipts received from the sales of a broad variety of licenses, permits, and filing fees which are assessed to defray administrative costs. State agencies collecting these revenues are the Departments of Agriculture, Health, Labor and Regulation, Public Safety, Social Services, Revenue, the Unified Judicial System, and the Secretary of State.

- Over 65% of the revenue collected in this category comes from securities fees.
- Collections in this category account for approximately 3.6% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$26.8 million has been collected in this category. This is a reduction of 32.0% from the first seven months of last year, primarily due to the timing of receipts. Year-to-date collections are 37.0% of the most current revised FY2022 estimate. Historically, 51.3% of the total revenue is collected in the first seven months.

Estimate: The different sources of receipts included in this category are estimated individually based on historical collections and current conditions.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Receipts	68,277,940	71,212,896	72,461,173	72,520,464
Dollar Change	(480,129)	2,934,956	1,248,277	59,291
Percent Change	(0.70)	4.30	1.75	0.08

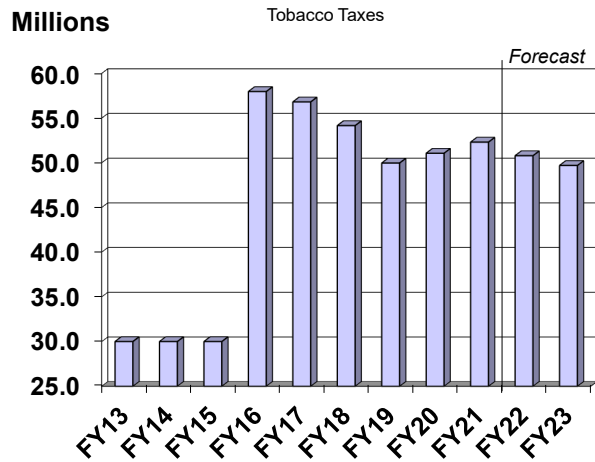
TOBACCO TAXES

Background: The cigarette tax is imposed at the rate of seventy-six and one-half mills on each cigarette (\$1.53 per pack of 20 cigarettes) and the tax on all other tobacco products is 35% of the wholesale purchase price. The first \$30 million generated by this tax increase is allocated to the general fund. The next \$5 million is deposited into the Tobacco Prevention and Reduction Trust Fund. Any revenue in excess of \$35 million is allocated to the state general fund.

- Approximately 80% of the collections included in this category are from the tax on cigarettes, and the remaining is collected based on the tax on the wholesale purchase price of other tobacco products.
- Collections in this category account for approximately 2.5% of ongoing general fund receipts in FY2023.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2020	Actual FY2021	Estimated FY2022	Estimated FY2023
General Fund	30,000,000	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000	5,000,000
Remainder to GF	21,066,112	22,314,193	20,792,728	19,701,009
Total	56,066,112	57,314,193	55,792,728	54,701,009

- The following chart includes the amount allocated directly to the general fund:



Currently: Through the first seven months of FY2022, the total collections from the tobacco taxes totaled \$30.0 million, which was essentially flat compared to the same time period a year ago.

Estimate: Collections from the tax on cigarettes and other tobacco products are estimated individually. The general fund is forecast to receive \$49,701,009 in FY2023.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Total Receipts	51,066,112	52,314,193	50,792,728	49,701,009
Dollar Change	1,094,895	1,248,081	(1,521,465)	(1,091,719)
Percent Change	2.19	2.44	(2.91)	(2.15)

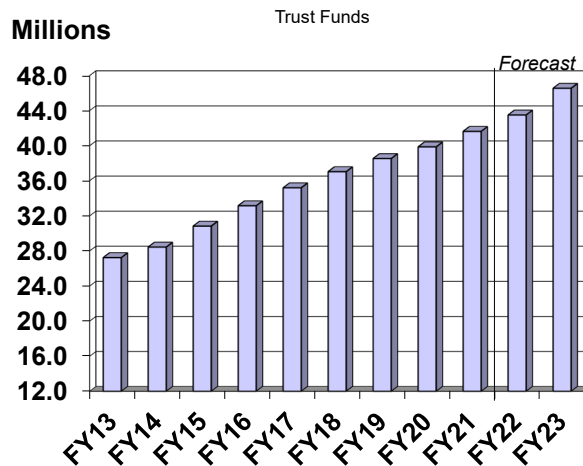
TRUST FUNDS

Background: Receipts included in this category are transfers from the Health Care Trust Fund (HCTF), the Education Enhancement Trust Fund (EETF), and the Dakota Cement Trust Fund (DCTF). Four percent of the market values of the trust funds are transferred to the general fund every year as long as the principal of the trust funds are not invaded. The market values are calculated using a 16-quarter average as of December 31st (SDCL 4-5-29.1 and 4-5-29.2). The earnings from the HCTF are to be used for health care related programs, and the earnings from the EETF and DCTF are to be used for education programs (Article 12, Sections 5 and 6 of the State Constitution; Article 13, Sections 20 and 21 of the State Constitution).

- The table below shows the amounts transferred from each of the trust funds to the general fund in FY2020 and FY2021, and the estimated amounts for FY2022 and FY2023.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
HCTF	5,520,073	5,676,706	5,839,236	6,612,325
EETF	21,334,593	22,515,470	23,673,657	25,277,997
DCTF	13,004,590	13,435,863	13,982,377	14,650,000
Total	39,859,256	41,628,039	43,495,271	46,540,322

- Receipts from the trust funds account for approximately 2.3% of ongoing general fund revenues in FY2023.



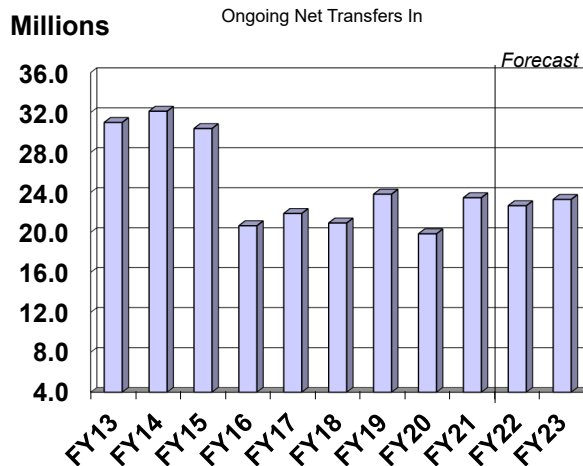
Estimate: The estimate for FY2023 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Total Receipts	39,859,256	41,628,039	43,495,271	46,540,322
Dollar Change	1,331,320	1,768,783	1,867,232	3,045,051
<i>Percent Change</i>	<i>3.46</i>	<i>4.44</i>	<i>4.49</i>	<i>7.00</i>

NET TRANSFERS IN

Background: Receipts included in this category are general fund reimbursements by the Highway Fund; receipts from the Department of Game, Fish, and Parks; receipts from the Motor Vehicle Fund; the state’s share of the Deadwood gaming revenue (SDCL 42-7B-28.1 and SDCL 42-7B-48.1); the obligation recovery center fee (beginning in FY2016); the transfer from the wind energy tax fund (beginning in FY2016); the transfer from the State Veteran’s Home Operating fund (beginning in FY2017); the transfer from the Prison Industries Revolving fund and other miscellaneous receipts.

- In FY2016, the Health Care Tobacco Tax Fund and the Education Enhancement Tobacco Tax Fund were repealed. These receipts are now included in the Tobacco Taxes revenue category.
- In FY2017, this category includes receipts from the Department of Corrections that were previously utilized internally by the department.
- In FY2018 through FY2023, there are transfers of \$2.0 million in each fiscal year from the Veteran’s Home Operating fund included in the receipts and forecasts.
- Receipts included in this category account for approximately 1.2% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$15.7 million has been collected in this category. This is an increase of 12.5% from the first seven months of last year.

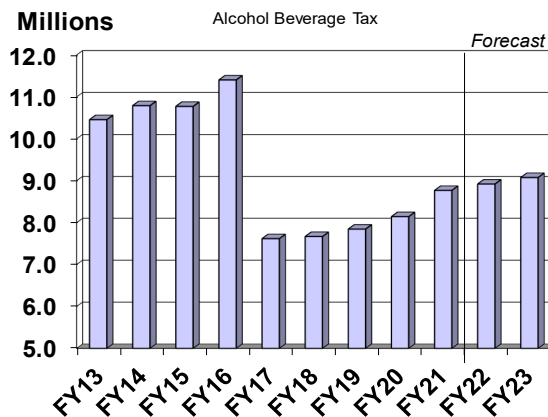
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Ongoing NTI	19,858,120	23,471,494	22,671,407	23,299,948
Dollar Change	(3,969,020)	3,613,374	(800,087)	628,541
Percent Change	(16.66)	18.20	(3.41)	2.77
One-time NTI	7,082,539	6,745,654	0	0
Total NTI	26,940,659	30,217,148	22,932,418	23,299,948
Dollar Change	2,408,418	3,276,489	(7,284,730)	628,541
Percent Change	9.82	12.16	(24.11)	2.77

ALCOHOL BEVERAGE TAX

Background: A tax is levied on manufacturers and wholesalers of alcoholic beverages, and is computed on all alcoholic beverages purchased, received, or imported from a distiller, manufacturer, or foreign wholesaler for sale to a retail dealer. The taxation rates are as follows: 1) \$8.50 per 31 gallon barrel (or a prorata share thereof) on malt beverages; 2) all light wines and diluted beverages (except sparkling wines and cider) having more than 3.2% and not more than 14% alcohol by weight, 93¢ per gallon; 3) all wines (except sparkling wines) having more than 14% and not more than 20% alcohol by weight, \$1.45 per gallon; 4) all wines (except sparkling wines) having more than 20% and not more than 24% alcohol by weight, and all sparkling wines containing alcohol, \$2.07 per gallon; 5) all cider having not more than 10% alcohol by weight, 28¢ per gallon; and, 6) all other alcoholic beverages, \$3.93 per gallon (SDCL 35-5).

- Prior to FY2017, the state received 75% of the tax collected, and 25% of the collections went to the municipalities.
- Beginning in FY2017 per the passage of SB 2, the state will receive 50% of the tax collected with 25% going to the municipalities and 25% going to the counties.
- Collections from this tax account for approximately 0.5% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$4.9 million has been collected from this tax. This is an increase of 3.0% from the first seven months of last year. Year-to-date collections are 55.2% of the most current revised FY2022 estimate. Historically, 55.2% of the total revenue collected from this tax is received in the first seven months.

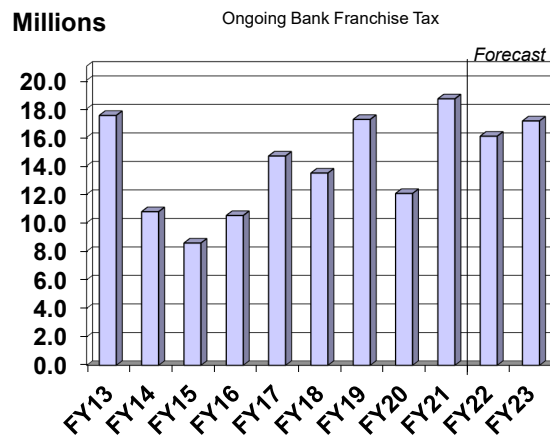
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Total Receipts	8,142,691	8,767,726	8,920,483	9,075,900
Dollar Change	297,441	625,035	152,757	155,417
Percent Change	3.79	7.68	1.74	1.74

BANK FRANCHISE TAX

Background: In lieu of sales tax on financial and banking services, an annual tax is imposed on banks, financial institutions, and savings and loan associations based upon net income assignable to South Dakota. The tax rates are as follows: 1) 6% on net income of \$400 million or less; 2) 5% on net income exceeding \$400 million but equal to or less than \$425 million; 3) 4% on net income exceeding \$425 million but equal to or less than \$450 million; 4) 3% on net income exceeding \$450 million but equal to or less than \$475 million; 5) 2% on net income exceeding \$475 million but equal to or less than \$500 million; 6) 1% on net income exceeding \$500 million but equal to or less than \$600 million; 7) 0.5% on net income exceeding \$600 million but equal to or less than \$1.2 billion; and 8) 0.25% on net income exceeding \$1.2 billion. The minimum tax payable is \$200 (SDCL 10-43).

- 95% of the taxes paid by bank card taxpayers and 26 2/3% of all other revenues are deposited in the general fund. The remaining 5% of collections from bank card taxpayers and the 73 1/3% of revenues received from all other banks are remitted to the county where the bank or financial institution is located.
- Collections from this tax account for approximately 0.9% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$4.9 million has been collected from this tax.

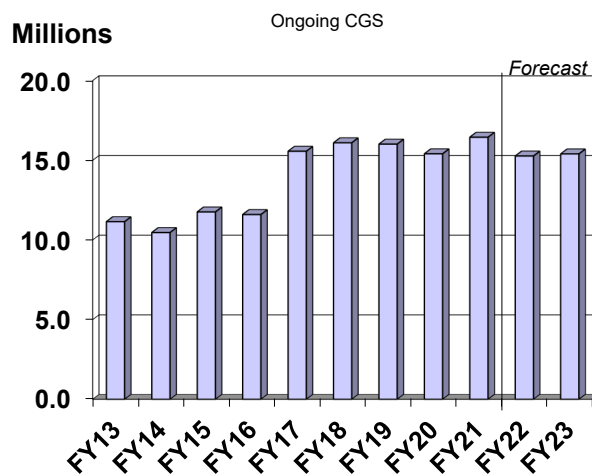
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Ongoing BFT	12,060,604	18,702,022	16,080,223	17,151,487
Dollar Change	(5,195,516)	6,641,418	(2,621,799)	1,071,264
Percent Change	(30.11)	55.07	(14.02)	6.66
One-Time BFT	0	10,013,790	416,316	0
Total BFT	12,060,604	28,715,812	16,496,539	17,151,487
Dollar Change	(5,195,516)	16,655,208	(12,219,273)	654,948
Percent Change	(30.11)	138.10	(42.55)	3.97

CHARGES FOR GOODS AND SERVICES

Background: Receipts included in this category are from charges made by institutions under the Department of Human Services and the Department of Social Services; audit charges made by the Auditor General to state and local governments; child support collections paid back to the state received by the Department of Social Services; 35% of fines, penalties, and forfeitures collected by or through the use of a circuit or magistrate court, clerk, or other court officer for violations of a county, township, municipal, or chartered governmental unit's ordinance, charter, or bylaw; and other miscellaneous charges. Beginning in FY2017, additional receipts from the Department of Corrections are being receipted directly into the general fund.

- Revenues to the general fund from this category are relatively constant from year to year.
- Receipts included in this category account for approximately 0.8% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$7.5 million has been collected in this category. This is a decrease of 20.0% from the first seven months of last year.

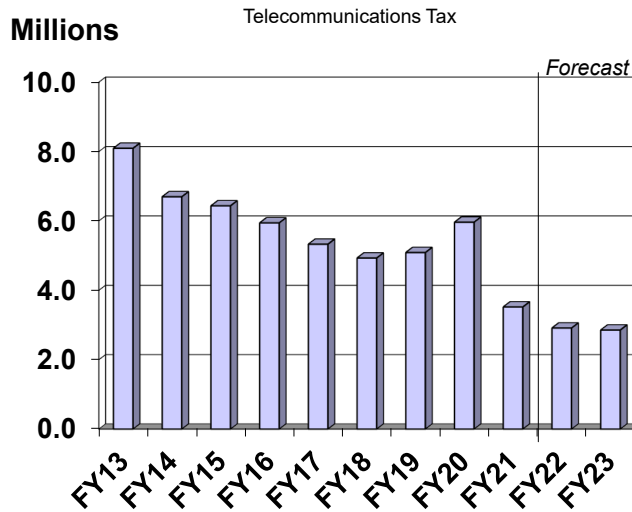
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Ongoing CGS	15,403,871	16,444,429	15,264,298	15,396,902
Dollar Change	(608,783)	1,040,558	(1,180,131)	132,604
Percent Change	(3.80)	6.76	(7.18)	0.87
One-time CGS	0	3,381,726	0	0
Total CGS	15,403,871	19,826,155	15,264,298	15,396,902
Dollar Change	(608,783)	4,422,285	(4,560,857)	132,604
Percent Change	(3.80)	28.71	(23.00)	0.87

TELECOMMUNICATIONS TAX

Background: A gross receipts tax is imposed at the rate of 4% of telecommunications services within the state (SDCL 10-33A). Through FY2015, sixty percent of the revenue generated from this tax was dedicated to the Property Tax Reduction Fund (PTRF) with the remaining forty percent deposited into the County Telecommunications Gross Receipts Fund.

- Beginning in FY2016, the receipts from this tax are included in this separate classification due to the repeal of the PTRF.
- The chart below shows the historical collections of this source of revenue that has flowed through the PTRF to the state general fund from FY2013 through FY2021 as well as the projected amounts through FY2023.
- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$1.4 million has been collected from this source. This is a decrease of 30.10% from the first seven months of last year.

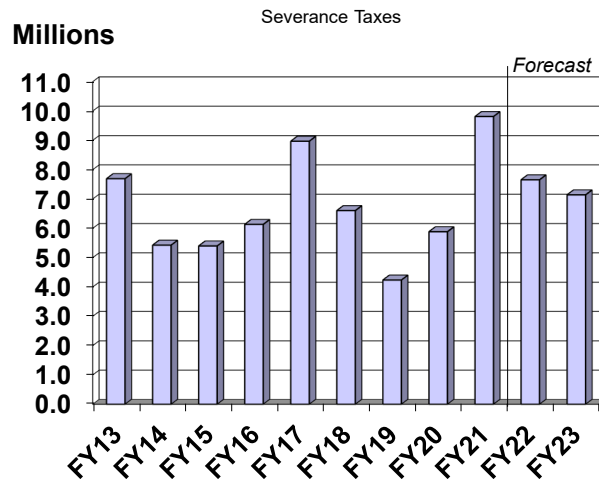
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Total Receipts	5,964,072	3,520,578	2,912,928	2,854,669
Dollar Change	874,304	(2,443,494)	(607,650)	(58,259)
Percent Change	17.18	(40.97)	(17.26)	(2.00)

SEVERANCE TAXES

Background: A severance tax is imposed at the rate of \$4 per ounce of gold severed in South Dakota and an additional per ounce tax of up to \$4 which is dependent on the price of gold. In addition, there is a tax of 10% of the net profits from the sale of precious metals severed (SDCL 10-39). Owners or operators of energy minerals must pay a tax equal to 4.5% of the taxable value of any energy minerals severed (SDCL 10-39A).

- Currently, all precious metal severance taxes are deposited in the general fund.
- One-half of the energy mineral severance taxes received are returned to the county where the energy minerals were severed and one-half of the taxes are deposited in the general fund.
- Collections included in this category account for approximately 0.4% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$5.1 million has been collected in this category. This is a decrease of 38.3% from the first seven months of last year.

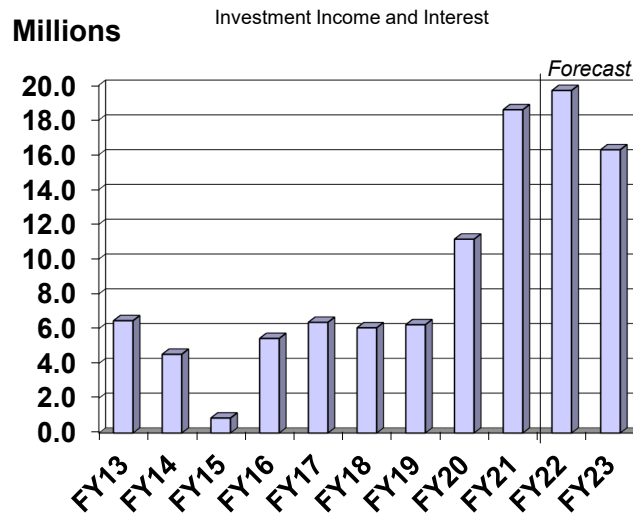
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history and the projected price of crude oil and natural gas.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Total Receipts	5,881,928	9,810,601	7,652,347	7,139,220
Dollar Change	1,647,722	3,928,673	(2,158,254)	(513,127)
Percent Change	38.91	66.79	(22.00)	(6.71)

INVESTMENT INCOME AND INTEREST

Background: Revenues included in this category are from interest and the investment earnings of the general fund and nonparticipating funds in the cash flow fund. (Nonparticipating means the earnings attributable to the company are deposited in the general fund.) The South Dakota Investment Council is responsible for investing the money in the cash flow fund (SDCL 4-5).

- The amounts collected in FY2015 and FY2016 are based on discontinuing the accelerated 90% interest earnings for the current year's proration starting in FY2015. Thus, only 10% of the previous year's proration (FY2014) is reflected in FY2015 receipts and 100% of the earnings from the previous year are reflected in FY2016 receipts.
- Revenues included in this category are from interest and the investment earnings of the general fund and nonparticipating funds in the cash flow fund. Nonparticipating means the earnings attributable to the company are deposited in the general fund. The South Dakota Investment Council is responsible for investing the money in the cash flow fund.
- This category also includes some interest and rent income from the Department of Social Services and the Department of Corrections.
- Receipts in this category account for approximately 0.8% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2022, \$19.5 million has been collected in this category. This is an increase of 6.0% from the first seven months of last year.

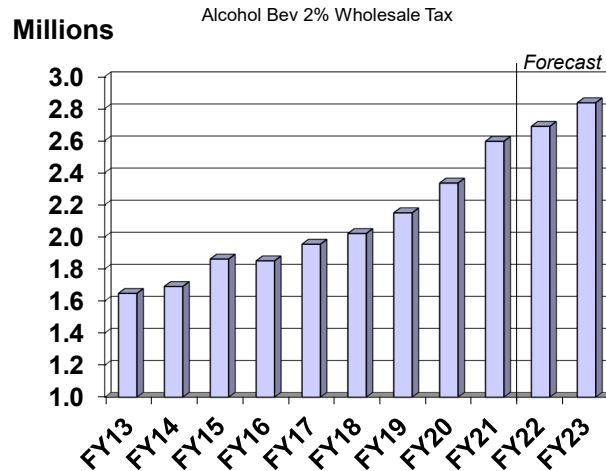
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections. Stimulus funding has been held in the cash flow fund, which is the primary reason for the increases in interest income in recent years. The earnings of the cash flow fund for FY2021 are distributed in FY2022. The earnings of the cash flow fund for FY2022 are distributed in FY2023.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Total Receipts	11,150,037	18,592,297	19,697,445	16,289,391
Dollar Change	4,920,733	7,442,260	1,105,148	(3,408,054)
Percent Change	78.99	66.75	5.94	(17.30)

ALCOHOL BEVERAGE 2% WHOLESALE TAX

Background: In addition to the tax imposed by SDCL 35-5-3, a tax is levied at the rate of 2% of the purchase price upon the purchase of alcoholic beverages, except malt beverages, by a wholesaler from a distiller, manufacturer, or supplier (SDCL 35-5-6.1).

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2023.



Currently: Through the first seven months of FY2020, \$1.5 million has been collected from this tax. This is a decrease of 11.2% from the first seven months of last year. Year-to-date collections are 54.7% of the most current revised estimate. Historically, 59.9% of the total revenue collected from this tax is received in the first seven months.

Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2020	Actual FY2021	Estimate FY2022	Estimate FY2023
Total Receipts	2,335,754	2,596,157	2,689,619	2,836,355
Dollar Change	185,597	260,403	93,462	146,736
Percent Change	8.63	11.15	3.60	5.46

GOVERNOR'S REVISED FY2022 VS. FEBRUARY REVISED FY2022

	GOV. REC. FY2022	FEB. REVISED FY2022	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	1,250,085,781	1,298,143,547	48,057,766	3.84
Lottery	161,112,839	166,369,519	5,256,680	3.26
Contractor's Excise Tax	147,591,027	146,942,983	(648,044)	(0.44)
Insurance Company Tax	100,643,775	98,676,553	(1,967,222)	(1.95)
Unclaimed Property Receipts	40,000,000	40,000,000	0	0.00
Licenses, Permits, and Fees	70,591,134	72,461,173	1,870,039	2.65
Tobacco Taxes	51,132,177	50,792,728	(339,449)	(0.66)
Trust Funds	43,501,898	43,495,271	(6,627)	(0.02)
Net Transfers In	22,489,602	22,671,407	181,805	0.81
Alcohol Beverage Tax	8,840,735	8,920,483	79,748	0.90
Bank Franchise Tax	17,911,177	16,080,223	(1,830,954)	(10.22)
Charges for Goods and Services	15,412,432	15,264,298	(148,134)	(0.96)
Telecommunications Tax	3,049,859	2,912,928	(136,931)	(4.49)
Severance Taxes	7,859,847	7,652,347	(207,500)	(2.64)
Investment Income and Interest	19,738,729	19,697,445	(41,284)	(0.21)
Alcohol Bev 2% Wholesale Tax	2,690,958	2,689,619	(1,339)	(0.05)
TOTAL (ONGOING RECEIPTS)	\$1,962,651,970	\$2,012,770,524	\$ 50,118,554	2.55
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	0	416,316	416,316	N/A
One-Time Sales and Use Tax	28,305,843	28,305,843	0	0.00
One-Time Unclaimed Property Receipts	14,887,304	24,260,701	9,373,397	62.96
Transfer from Budget Reserve Fund	28,012,008	28,012,008	0	0.00
Obligated Cash Carried Forward	85,875,130	85,875,130	0	0.00
Prior Period Adjustment	5,332,982	5,332,982	0	0.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 162,413,267	\$ 172,202,980	\$ 9,789,713	6.03
GRAND TOTAL	\$2,125,065,237	\$2,184,973,504	\$59,908,267	2.82

GOVERNOR'S RECOMMENDED FY2023 VS. FEBRUARY REVISED FY2023

	GOV. REC. FY2023	FEB. REVISED FY2023	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	1,255,854,578	1,279,133,041	23,278,463	1.85
Lottery	164,019,294	168,540,606	4,521,312	2.76
Contractor's Excise Tax	150,205,144	147,254,424	(2,950,720)	(1.96)
Insurance Company Tax	104,242,670	104,702,780	460,110	0.44
Unclaimed Property Receipts	40,000,000	40,000,000	0	0.00
Licenses, Permits, and Fees	70,666,353	72,520,464	1,854,111	2.62
Tobacco Taxes	50,008,340	49,701,009	(307,331)	(0.61)
Trust Funds	46,573,031	46,540,322	(32,709)	(0.07)
Net Transfers In	23,115,825	23,299,948	184,123	0.80
Alcohol Beverage Tax	9,044,956	9,075,900	30,944	0.34
Bank Franchise Tax	17,021,259	17,151,487	130,228	0.77
Charges for Goods and Services	15,545,036	15,396,902	(148,134)	(0.95)
Telecommunications Tax	2,988,861	2,854,669	(134,192)	(4.49)
Severance Taxes	7,531,720	7,139,220	(392,500)	(5.21)
Investment Income and Interest	16,213,891	16,289,391	75,500	0.47
Alcohol Bev 2% Wholesale Tax	2,837,966	2,836,355	(1,611)	(0.06)
TOTAL (ONGOING RECEIPTS)	<u>\$1,975,868,924</u>	<u>\$2,002,436,518</u>	<u>\$ 26,567,594</u>	<u>1.34</u>

ADOPTED FY2022 VS. FEBRUARY REVISED FY2022

	LEG ADOPTED FY2022	FEB. REVISED FY2022	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	1,157,606,191	1,298,143,547	140,537,356	12.14
Lottery	139,393,130	166,369,519	26,976,389	19.35
Contractor's Excise Tax	141,633,824	146,942,983	5,309,159	3.75
Insurance Company Tax	97,376,447	98,676,553	1,300,106	1.34
Unclaimed Property Receipts	45,342,907	40,000,000	(5,342,907)	(11.78)
Licenses, Permits, and Fees	70,353,289	72,461,173	2,107,884	3.00
Tobacco Taxes	52,484,357	50,792,728	(1,691,629)	(3.22)
Trust Funds	43,053,117	43,495,271	442,154	1.03
Net Transfers In	20,700,293	22,671,407	1,971,114	9.52
Alcohol Beverage Tax	8,707,962	8,920,483	212,521	2.44
Bank Franchise Tax	14,941,359	16,080,223	1,138,864	7.62
Charges for Goods and Services	15,225,703	15,264,298	38,595	0.25
Telecommunications Tax	4,568,114	2,912,928	(1,655,186)	(36.23)
Severance Taxes	7,855,207	7,652,347	(202,860)	(2.58)
Investment Income and Interest	11,423,584	19,697,445	8,273,861	72.43
Alcohol Bev 2% Wholesale Tax	2,647,955	2,689,619	41,664	1.57
TOTAL (ONGOING RECEIPTS)	\$1,833,313,439	\$2,012,770,524	\$ 179,457,085	9.79
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	0	416,316	416,316	N/A
One-Time Sales and Use Tax	25,000,000	28,305,843	3,305,843	13.22
One-Time Unclaimed Property Receipts	0	24,260,701	24,260,701	N/A
Transfer from Budget Reserve Fund	0	28,012,008	28,012,008	N/A
Obligated Cash Carried Forward	0	85,875,130	85,875,130	N/A
Prior Period Adjustment	0	5,332,982	5,332,982	N/A
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 25,000,000	\$ 172,202,980	\$ 147,202,980	588.81
GRAND TOTAL	\$1,858,313,439	\$2,184,973,504	\$326,660,065	17.58

ACTUAL FY2021 VS. FEBRUARY REVISED FY2022

	ACTUAL FY2021	FEB. REVISED FY2022	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$1,209,342,342	1,298,143,547	88,801,205	7.34
Lottery	155,527,049	166,369,519	10,842,470	6.97
Contractor's Excise Tax	144,448,267	146,942,983	2,494,716	1.73
Insurance Company Tax	97,010,439	98,676,553	1,666,114	1.72
Unclaimed Property Receipts	62,809,930	40,000,000	(22,809,930)	(36.32)
Licenses, Permits, and Fees	71,212,896	72,461,173	1,248,277	1.75
Tobacco Taxes	52,314,193	50,792,728	(1,521,465)	(2.91)
Trust Funds	41,628,039	43,495,271	1,867,232	4.49
Net Transfers In	23,471,494	22,671,407	(800,087)	(3.41)
Alcohol Beverage Tax	8,767,726	8,920,483	152,757	1.74
Bank Franchise Tax	18,702,022	16,080,223	(2,621,799)	(14.02)
Charges for Goods and Services	16,444,429	15,264,298	(1,180,131)	(7.18)
Telecommunications Tax	3,520,578	2,912,928	(607,650)	(17.26)
Severance Taxes	9,810,601	7,652,347	(2,158,254)	(22.00)
Investment Income and Interest	18,592,297	19,697,445	1,105,148	5.94
Alcohol Bev 2% Wholesale Tax	2,596,157	2,689,619	93,462	3.60
TOTAL (ONGOING RECEIPTS)	\$1,936,198,459	\$2,012,770,524	\$ 76,572,065	3.95
ONE-TIME RECEIPTS				
Refinancing Gains/Transfer from SDBA	6,745,654	0	(6,745,654)	(100.00)
Closeout of SDRC Inc. Funds	3,381,726	0	(3,381,726)	(100.00)
Bank Franchise Tax Prior Year Revenue	10,013,790	416,316	(9,597,474)	(95.84)
One-Time Sales and Use Tax	13,486,289	28,305,843	14,819,554	109.89
One-Time Unclaimed Property Receipts	0	24,260,701	24,260,701	N/A
Unexpended Carryovers and Specials	4,125,561	0	(4,125,561)	(100.00)
Transfer from Budget Reserve Fund	0	28,012,008	28,012,008	N/A
Obligated Cash Carried Forward	19,093,963	85,875,130	66,781,167	349.75
Prior Period Adjustment	22,523,535	5,332,982	(17,190,553)	(76.32)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 79,370,518	\$ 172,202,980	\$ 92,832,462	116.96
GRAND TOTAL	\$2,015,568,977	\$2,184,973,504	\$169,404,527	8.40

FEBRUARY REVISED FY2022 VS. FEBRUARY REVISED FY2023

	FEB. REVISED FY2022	FEB. REVISED FY2023	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	1,298,143,547	1,279,133,041	(19,010,506)	(1.46)
Lottery	166,369,519	168,540,606	2,171,087	1.30
Contractor's Excise Tax	146,942,983	147,254,424	311,441	0.21
Insurance Company Tax	98,676,553	104,702,780	6,026,227	6.11
Unclaimed Property Receipts	40,000,000	40,000,000	0	0.00
Licenses, Permits, and Fees	72,461,173	72,520,464	59,291	0.08
Tobacco Taxes	50,792,728	49,701,009	(1,091,719)	(2.15)
Trust Funds	43,495,271	46,540,322	3,045,051	7.00
Net Transfers In	22,671,407	23,299,948	628,541	2.77
Alcohol Beverage Tax	8,920,483	9,075,900	155,417	1.74
Bank Franchise Tax	16,080,223	17,151,487	1,071,264	6.66
Charges for Goods and Services	15,264,298	15,396,902	132,604	0.87
Telecommunications Tax	2,912,928	2,854,669	(58,259)	(2.00)
Severance Taxes	7,652,347	7,139,220	(513,127)	(6.71)
Investment Income and Interest	19,697,445	16,289,391	(3,408,054)	(17.30)
Alcohol Bev 2% Wholesale Tax	2,689,619	2,836,355	146,736	5.46
TOTAL (ONGOING RECEIPTS)	<u>\$2,012,770,524</u>	<u>\$ 2,002,436,518</u>	<u>\$ (10,334,006)</u>	<u>(0.51)</u>
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	416,316	0	(416,316)	(100.00)
One-Time Sales and Use Tax	28,305,843	0	(28,305,843)	(100.00)
One-Time Unclaimed Property Receipts	24,260,701	0	(24,260,701)	(100.00)
Transfer from Budget Reserve Fund	28,012,008	0	(28,012,008)	(100.00)
Obligated Cash Carried Forward	85,875,130	0	(85,875,130)	(100.00)
Prior Period Adjustment	5,332,982	0	(5,332,982)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 172,202,980</u>	<u>\$ -</u>	<u>\$ (172,202,980)</u>	<u>(100.00)</u>
GRAND TOTAL	<u><u>\$2,184,973,504</u></u>	<u><u>\$2,002,436,518</u></u>	<u><u>(\$182,536,986)</u></u>	<u><u>(8.35)</u></u>