



REVENUE FORECASTS

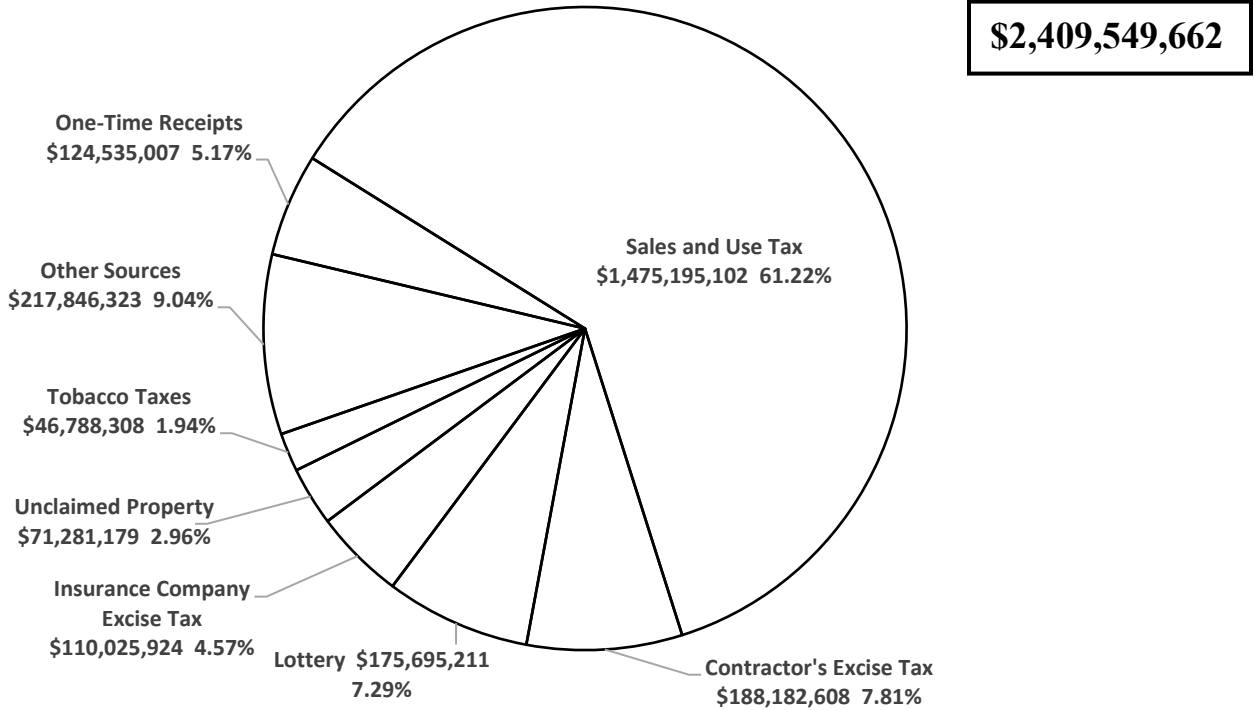
**PRESENTED TO
JOINT APPROPRIATIONS COMMITTEE
FEBRUARY 2023**

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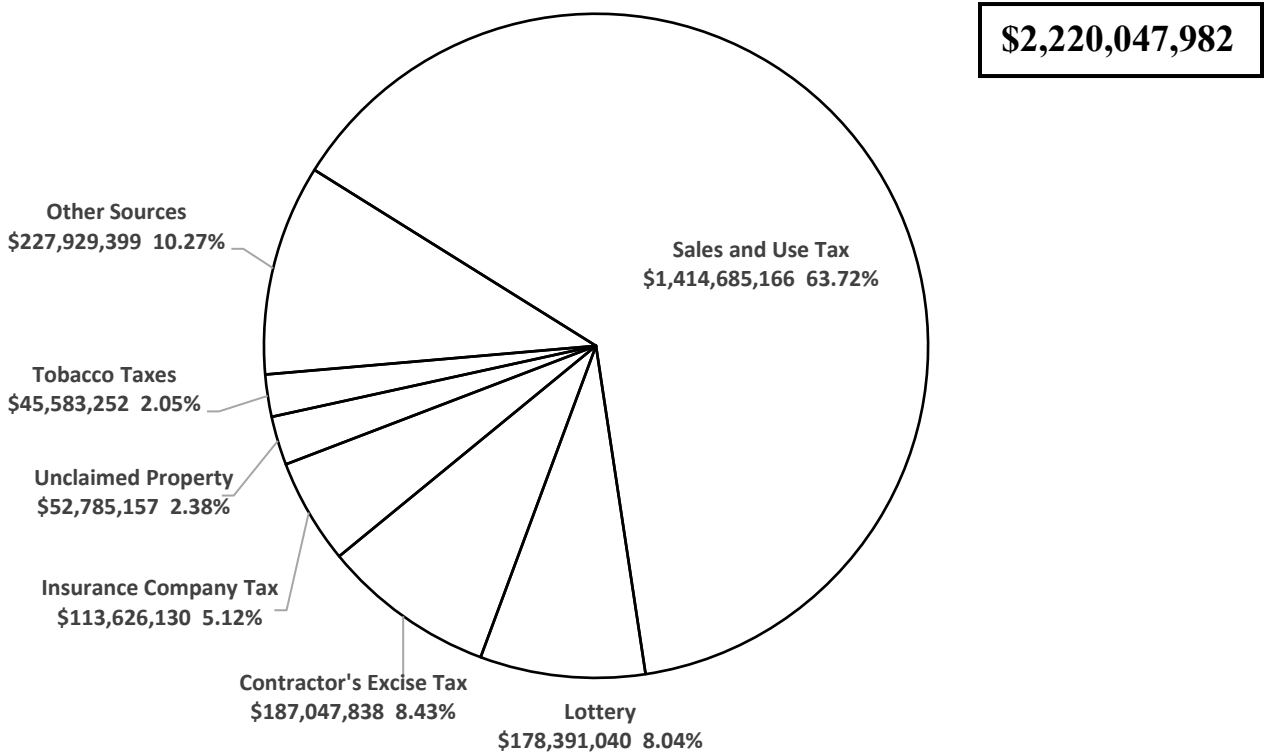
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FY2023 AND FY2024 GENERAL FUND REVENUES

FY2023 General Fund Revenues



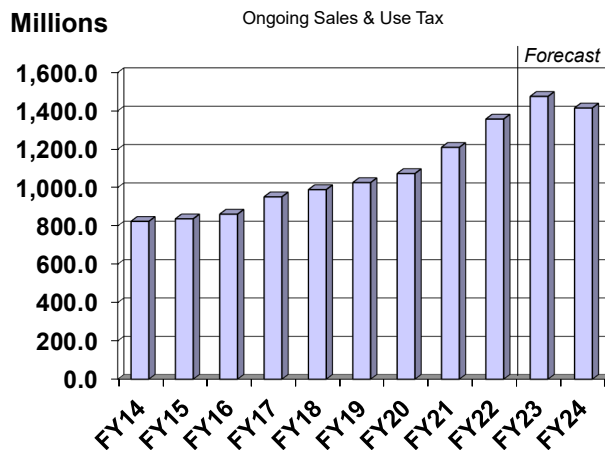
FY2024 General Fund Revenues



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 collections between FY2014 and FY2022 was 6.5%.
- Total net collections in FY2022 increased 13.3% (ongoing and one-time).
- Net collections from the sales and use tax account for approximately 63.7% of ongoing general fund revenues in FY2024.



FY2024 forecast includes a reduction of \$102,483,993 for the removal of state sales tax on groceries. Sales tax estimate before the reduction is \$1,517,169,159 or 2.8% growth from FY2023.

Currently: In the first seven months of FY2023, sales and use tax collections, excluding audits, were \$906.7 million. This is an increase of 11.5% from the first seven months of last year.

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 (R^2) 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)

$$STCDS = -897.87 + 0.06 * SD \text{ Nonfarm Income} + 225.01 * \text{Seasonal Indicator Variable} + 11.56 * SD \text{ Leisure and Hospitality Employment} + 43.80 * SD \text{ Housing Starts} + 460.29 * \text{Consumer Price Index excluding Food and Energy}$$

$R^2 = .9931$

Equation 2: Business Related Purchases/Consumer Spending on Nondurables (STBUSCND)

$STBUSCND = -2091.71 + 21.72*SD \text{ Consumer Price Index} + 0.02*SD \text{ Nonfarm Personal Income} + 356.90*Seasonal \text{ Indicator Variable} + 1260.23*Stimulus \text{ Indicator Variable}$
R² = .9825

Equation 3: Construction Related Purchases (STCON)

$STCON = -633.46 + 25.34*SD \text{ Construction Employment} + 152.43*Seasonal \text{ Indicator Variable} + 18.59*SD \text{ Housing Starts} + 0.05*SD \text{ Wage and Salary Disbursements} + 0.05*Farm Proprietors \text{ Income (lagged)}$
R² = .9789

Equation 4: Recreation Related Purchases (STREC)

$STREC = -245.91 + 39.16*Seasonal \text{ Indicator Variable} + 0.02*SD \text{ Nonfarm Income} + 6.43*SD \text{ Leisure and Hospitality Employment} + 0.01*(SD \text{ Disposable Income} * Seasonal \text{ Indicator Variable}) - 0.33*Oil \text{ Prices} - 315.46*COVID \text{ Indicator Variable} + 104.08*Consumer \text{ Price Index excluding Food and Energy}$
R² = .9910

Equation 5: Utilities (STUTI)

$STUTI = -238.28 + 0.01*SD \text{ Nonfarm Income} + 3.67*Consumer \text{ Spending on Electricity and Natural Gas} + 44.16*Consumer \text{ Price Index for Energy} - 255.26*Indicator \text{ Variable}$
R² = .9733

Collection Equation:

$Sales \text{ Tax Collections} = -10.64 + 0.045*Total \text{ Taxable Sales (STCDS + STBUSCNDOTH + STCON + STREC + STUTI)}$
R² = .9979

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.

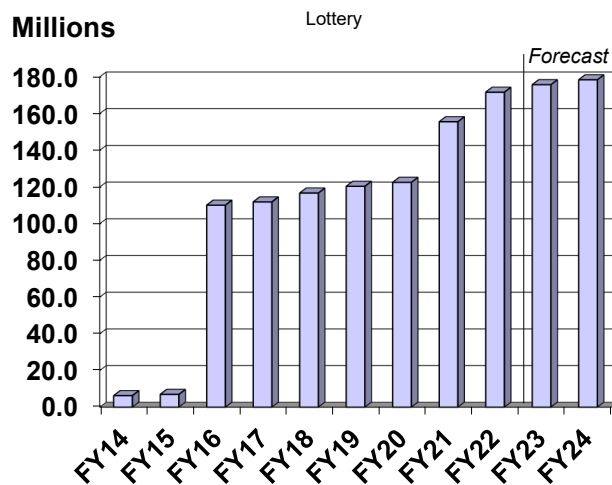
	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Ongoing SUT	1,209,342,342	1,356,844,793	1,475,195,102	1,414,685,166*
Dollar Change	136,511,693	147,502,451	118,350,309	(60,509,936)
<i>Percent Change</i>	12.72	12.20	8.72	(4.10)
One-time SUT	13,486,289	28,305,843	0	0
Total SUT	1,222,828,631	1,385,150,636	1,475,195,102	1,414,685,166
Dollar Change	149,997,982	162,322,005	90,044,466	(60,509,936)
<i>Percent Change</i>	13.98	13.27	6.50	(4.10)

* FY2024 forecast includes a reduction of \$102,483,993 for the removal of state sales tax on groceries. Sales tax estimate before the reduction is \$1,517,169,159 or 2.8% growth from FY2023.

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.
- 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 8.0% of ongoing general fund revenues in FY2024.



Currently: Through the first seven months of FY2023, the state’s share of video lottery receipts is up 1.4% compared to the same time period a year ago. Through January 2023, total lottery revenues are up 5.3% compared to a year ago.

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

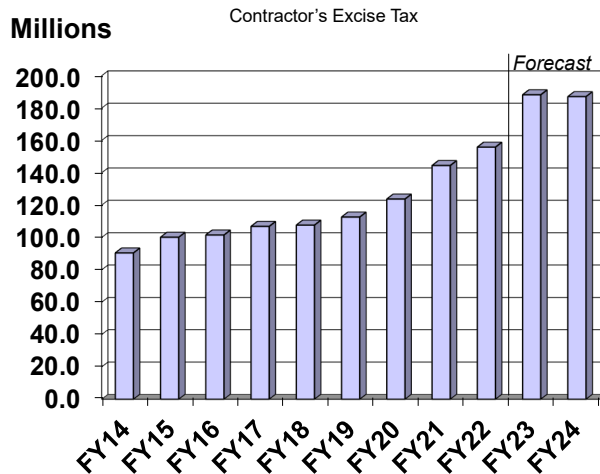
	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Instant/Online Lottery	7,716,398	10,648,016	12,380,140	12,626,243
Video Lottery	147,810,651	160,961,666	163,315,071	165,764,797
Total Receipts	155,527,049	171,609,682	175,695,211	178,391,040
Dollar Change	33,038,048	16,082,633	4,085,529	2,695,829
Percent Change	26.97	10.34	2.38	1.53

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 FY2014 and FY2022 was 7.1%.
- Contractor's excise tax collections in FY2022 increased 7.9%.
- Net collections from the contractor's excise tax account for approximately 8.4% of ongoing general fund receipts in FY2024.



Currently: In the first seven months of FY2023, net contractor's excise tax collections were \$128.3 million. This is an increase of 25.0% from the first seven months of last year.

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 3.)

$$\text{Contractor's Excise Tax Collections} = -31.95 + 1.15 * \text{SD Construction, Natural Resources, and Mining Employment} + 0.01 * (\text{Seasonal Indicator Variable} * \text{SD Nonfarm Income}) - 2.44 * \text{SD Unemployment Rate} + 21.89 * \text{Consumer Price Index} + 0.32 * \text{SD Housing Starts} + 11.46 * \text{Stimulus Indicator Variable}$$

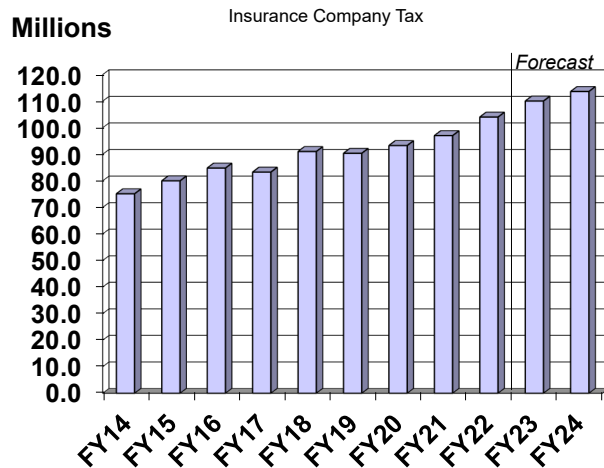
$R^2 = .9934$

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Total Net Receipts	144,448,267	155,823,772	188,182,608	187,047,838
Dollar Change	20,724,748	11,375,506	32,358,836	(1,134,770)
Percent Change	16.75	7.88	20.77	(0.60)

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 FY2014 and FY2022 was 4.5%.
- Insurance company tax collections grew 7.2% in FY2022.
- Collections from this tax account for approximately 5.1% of ongoing general fund revenues in FY2024.



Currently: Through the first seven months of FY2023, \$67.1 million has been collected from this tax. This is an increase of 12.0% from the first seven months of last year.

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 3.)

$$\text{Insurance Company Tax Collections} = 9.76 - 4.36 * \text{Seasonal Indicator Variable} + 0.01 * \text{SD Nonfarm Income} + 0.04 * \text{Consumer Spending on Insurance} - 0.59 * \text{Yield on Two-Year Treasury Note} + 2.30 * \text{Affordable Care Act Indicator Variable}$$

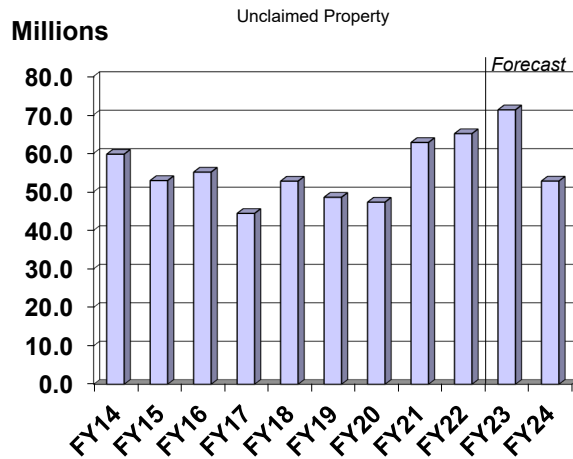
R² = .9786

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Receipts	97,010,439	103,995,420	110,025,924	113,626,130
Dollar Change	3,739,327	6,984,981	6,030,504	3,600,206
Percent Change	4.01	7.20	5.80	3.27

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 2.4% of ongoing general fund revenues in FY2024.
- The chart below shows the ongoing portion of unclaimed property.



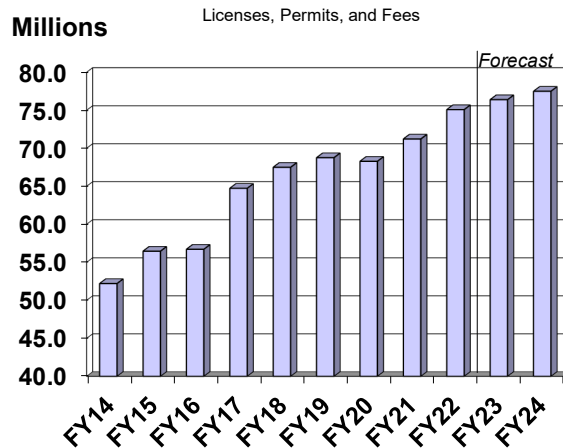
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Receipts	62,809,930	65,097,628	71,281,179	52,785,157
Dollar Change	15,501,458	2,287,698	6,183,551	(18,496,022)
Percent Change	32.77	3.64	9.50	(25.95)

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 3.5% of ongoing general fund revenues in FY2024.



Currently: Through the first seven months of FY2023, \$26.5 million has been collected in this category. This is a reduction of 1.2% from the first seven months of last year.

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

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Receipts	71,212,896	75,077,171	76,386,690	77,492,914
Dollar Change	2,934,956	3,864,275	1,309,519	1,106,224
Percent Change	4.30	5.43	1.74	1.45

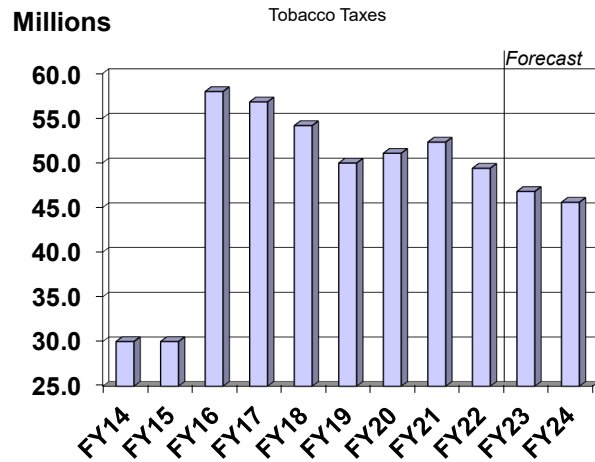
TOBACCO TAXES

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 79% of the collections included in this category are from the tax on cigarettes, and the remaining 21% is collected based on the tax on the wholesale purchase price of other tobacco products.
- Collections in this category account for approximately 2.1% of ongoing general fund receipts in FY2024.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
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	22,314,193	19,385,379	16,788,308	15,583,252
Total	57,314,193	54,385,379	51,788,308	50,583,252

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



Currently: Through the first seven months of FY2023, the total collections from the tobacco taxes totaled \$30.0 million, which is 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 \$45,583,252 in FY2024.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Total Receipts	52,314,193	49,385,379	46,788,308	45,583,252
Dollar Change	1,248,081	(2,928,814)	(2,597,071)	(1,205,056)
Percent Change	2.44	(5.60)	(5.26)	(2.58)

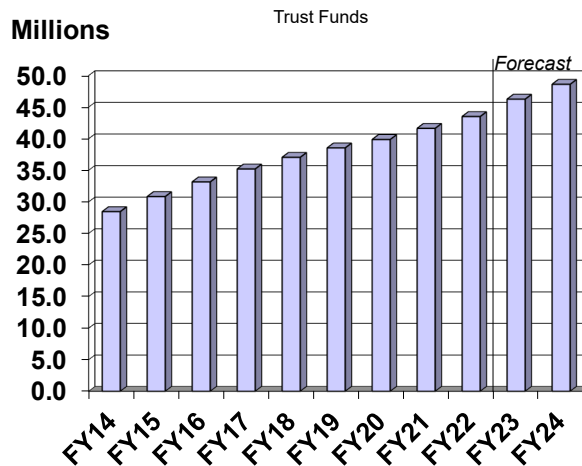
TRUST FUNDS

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 FY2021 and FY2022, and the estimated amounts for FY2023 and FY2024.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
HCTF	5,676,706	5,839,236	6,612,325	7,267,000
EETF	22,515,470	23,673,657	25,277,997	26,361,000
DCTF	13,435,863	13,982,377	14,356,000	14,973,308
Total	41,628,039	43,495,271	46,246,322	48,601,308

- Receipts from the trust funds account for approximately 2.2% of ongoing general fund revenues in FY2024.



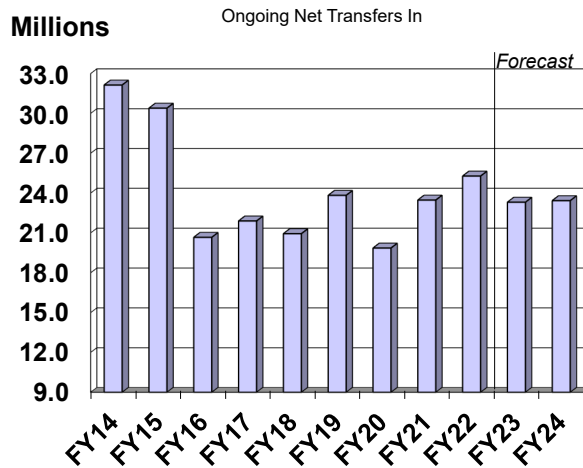
Estimate: The estimate for FY2024 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Total Receipts	41,628,039	43,495,271	46,246,322	48,601,308
Dollar Change	1,768,783	1,867,232	2,751,051	2,354,986
Percent Change	4.44	4.49	6.32	5.09

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.

- Receipts included in this category account for approximately 1.1% of ongoing general fund revenues in FY2024.



Currently: Through the first seven months of FY2022, \$13.4 million has been collected in this category. This is a decrease of 14.8% from the first seven months of last year.

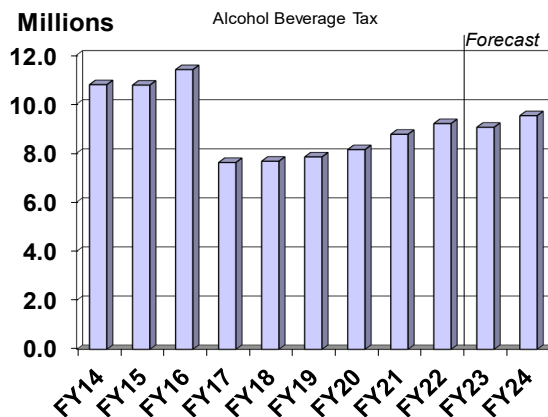
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Ongoing NTI	23,471,494	25,279,507	23,311,922	23,427,355
Dollar Change	3,613,374	1,808,013	(1,967,585)	115,433
<i>Percent Change</i>	18.20	7.70	(7.78)	0.50
One-time NTI	6,745,654	3,061,037	0	0
Total NTI	30,217,148	28,340,544	23,311,922	23,427,355
Dollar Change	3,276,489	(1,876,604)	(5,028,622)	115,433
<i>Percent Change</i>	12.16	(6.21)	(17.74)	0.50

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 0.4% of ongoing general fund revenues in FY2024.



Currently: Through the first seven months of FY2023, \$4.8 million has been collected from this tax. This is a decrease of 2.8% from the first seven months of last year.

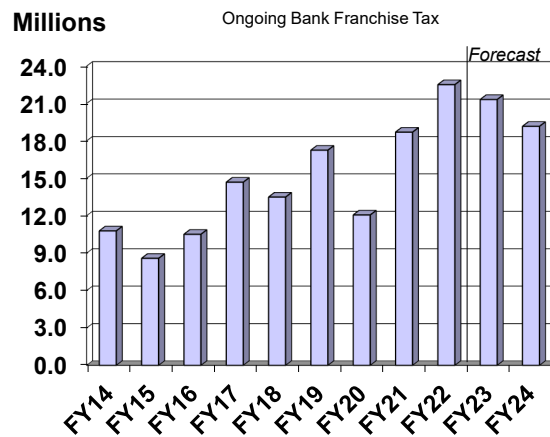
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Total Receipts	8,767,726	9,203,968	9,052,323	9,525,054
Dollar Change	625,035	436,241	(151,645)	472,731
Percent Change	7.68	4.98	(1.65)	5.22

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 FY2024.



Currently: Through the first seven months of FY2023, \$5.3 million has been collected from this tax.

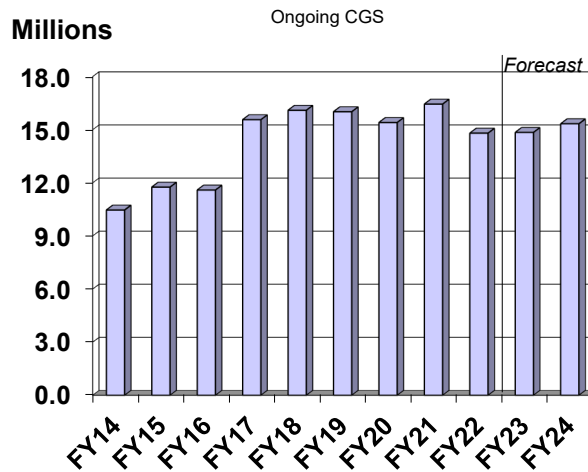
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Ongoing BFT	18,702,022	22,511,850	21,320,051	19,169,875
Dollar Change	6,641,418	3,809,828	(1,191,799)	(2,150,176)
Percent Change	55.07	20.37	(5.29)	(10.09)
One-Time BFT	10,013,790	1,568,296	692,349	0
Total BFT	28,715,812	24,080,146	22,012,400	19,169,875
Dollar Change	16,655,208	(4,635,666)	(2,067,746)	(2,842,525)
Percent Change	138.10	(16.14)	(8.59)	(12.91)

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.
- In FY2017, the primary increase is due to additional receipts from the Department of Corrections due to the budget restructuring.
- Receipts included in this category account for approximately 0.7% of ongoing general fund revenues in FY2024.



Currently: Through the first seven months of FY2023, \$7.3 million has been collected in this category. This is a decrease of 2.5% from the first seven months of last year.

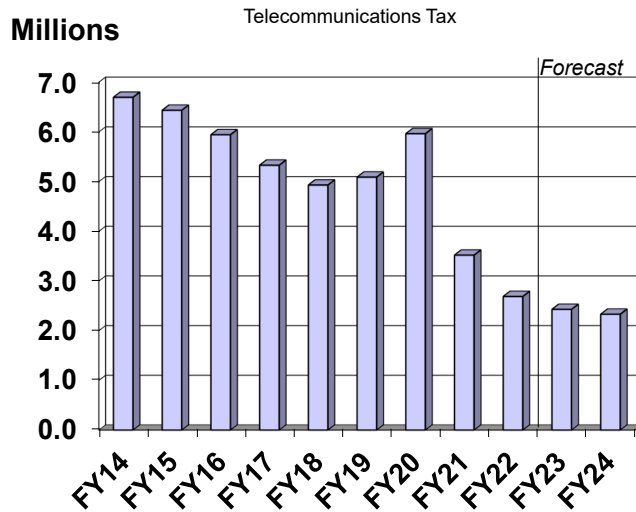
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Ongoing CGS	16,444,429	14,804,251	14,844,481	15,333,411
Dollar Change	1,040,558	(1,640,178)	40,230	488,930
Percent Change	6.76	(9.97)	0.27	3.29
One-time CGS	3,381,726	0	0	0
Total CGS	19,826,155	14,804,251	14,844,481	15,333,411
Dollar Change	4,422,285	(5,021,904)	40,230	488,930
Percent Change	28.71	(25.33)	0.27	3.29

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.
- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2024.



Currently: Through the first seven months of FY2023, \$1.2 million has been collected from this source. This is a decrease of 13.2% from the first seven months of last year.

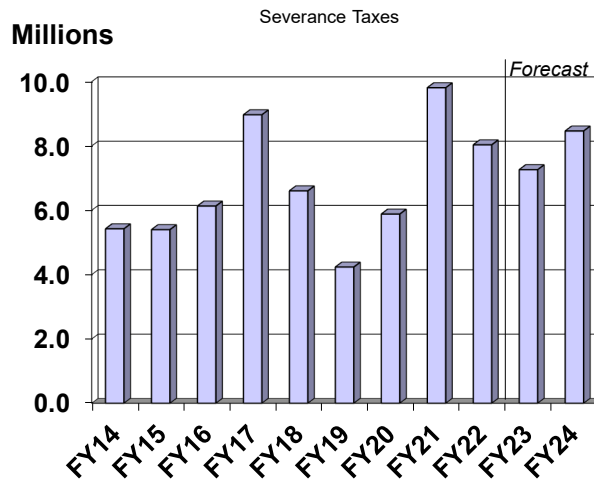
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Total Receipts	3,520,578	2,688,458	2,428,951	2,331,276
Dollar Change	(2,443,494)	(832,120)	(259,507)	(97,675)
Percent Change	(40.97)	(23.64)	(9.65)	(4.02)

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 FY2024.



Currently: Through the first seven months of FY2023, \$4.6 million has been collected in this category. This is a decrease of 9.3% from the first seven months of last year.

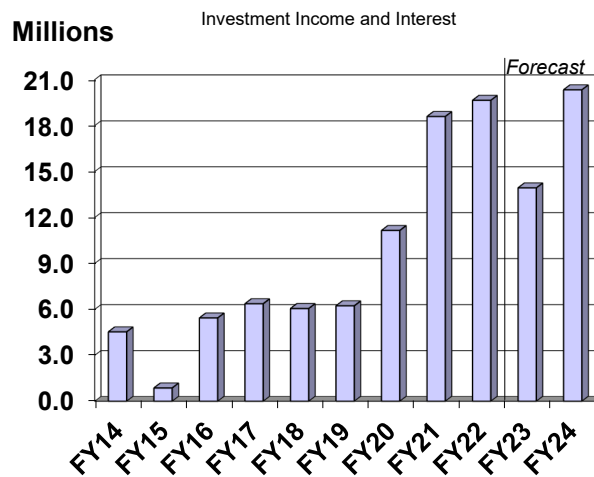
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history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

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Total Receipts	9,810,601	8,033,942	7,262,562	8,465,375
Dollar Change	3,928,673	(1,776,659)	(771,380)	1,202,813
Percent Change	66.79	(18.11)	(9.60)	16.56

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 0.9% of ongoing general fund revenues in FY2024.



Currently: Through the first seven months of FY2023, \$13.8 million has been collected in this category. This is a decrease of 29.4% from the first seven months of last year.

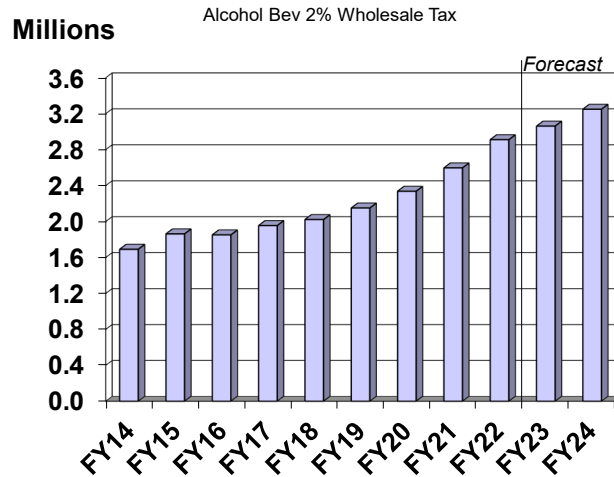
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections. Stimulus funding has been held in the cash flow fund, which is the primary reason for the increases in interest income in recent years. The earnings of the cash flow fund for FY2022 are distributed in FY2023. The earnings of the cash flow fund for FY2023 are distributed in FY2024.

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Total Receipts	18,592,297	19,648,565	13,931,725	20,334,000
Dollar Change	7,442,260	1,056,268	(5,716,840)	6,402,275
Percent Change	66.75	5.68	(29.10)	45.95

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 FY2024.



Currently: Through the first seven months of FY2023, \$1.8 million has been collected from this tax. This is an increase of 23.3% from the first seven months of last year.

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

	Actual FY2021	Actual FY2022	Estimate FY2023	Estimate FY2024
Total Receipts	2,596,157	2,909,711	3,061,296	3,248,831
Dollar Change	260,403	313,554	151,585	187,535
Percent Change	11.15	12.08	5.21	6.13

GOVERNOR'S REVISED FY2023 VS. FEBRUARY REVISED FY2023

	<u>GOV. REC.</u> <u>FY2023</u>	<u>FEB. REVISED</u> <u>FY2023</u>	<u>DOLLAR</u> <u>CHANGE</u>	<u>PERCENT</u> <u>CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,467,482,227	\$1,475,195,102	\$ 7,712,875	0.53
Lottery	175,756,231	175,695,211	(61,020)	(0.03)
Contractor's Excise Tax	177,624,072	188,182,608	10,558,536	5.94
Insurance Company Tax	110,099,755	110,025,924	(73,831)	(0.07)
Unclaimed Property Receipts	70,678,824	71,281,179	602,355	0.85
Licenses, Permits, and Fees	75,729,924	76,386,690	656,766	0.87
Tobacco Taxes	47,618,873	46,788,308	(830,565)	(1.74)
Trust Funds	46,307,322	46,246,322	(61,000)	(0.13)
Net Transfers In	24,052,525	23,311,922	(740,603)	(3.08)
Alcohol Beverage Tax	9,237,650	9,052,323	(185,327)	(2.01)
Bank Franchise Tax	21,848,429	21,320,051	(528,378)	(2.42)
Charges for Goods and Services	15,644,481	14,844,481	(800,000)	(5.11)
Telecommunications Tax	2,419,644	2,428,951	9,307	0.38
Severance Taxes	7,464,373	7,262,562	(201,811)	(2.70)
Investment Income and Interest	13,931,725	13,931,725	0	0.00
Alcohol Bev 2% Wholesale Tax	3,048,237	3,061,296	13,059	0.43
TOTAL (ONGOING RECEIPTS)	<u>\$ 2,268,944,292</u>	<u>\$2,285,014,655</u>	<u>\$ 16,070,363</u>	<u>0.71</u>
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	\$ 14,625	\$ 692,349	\$ 677,724	4634.01
Unexpended Carryovers and Specials	8,364,225	8,364,225	0	0.00
Obligated Cash Carried Forward	115,478,433	115,478,433	0	0.00
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 123,857,283</u>	<u>\$ 124,535,007</u>	<u>\$ 677,724</u>	<u>0.55</u>
GRAND TOTAL	<u><u>\$ 2,392,801,575</u></u>	<u><u>\$2,409,549,662</u></u>	<u><u>16,748,087</u></u>	<u><u>0.70</u></u>

GOVERNOR'S RECOMMENDED FY2024 VS. FEBRUARY REVISED FY2024

	GOV. REC. FY2024	FEB. REVISED FY2024	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,408,938,421	\$ 1,414,685,166	\$ 5,746,745	0.41
Lottery	178,452,976	178,391,040	(61,936)	(0.03)
Contractor's Excise Tax	178,191,414	187,047,838	8,856,424	4.97
Insurance Company Tax	114,227,770	113,626,130	(601,640)	(0.53)
Unclaimed Property Receipts	51,705,829	52,785,157	1,079,328	2.09
Licenses, Permits, and Fees	76,828,720	77,492,914	664,194	0.86
Tobacco Taxes	46,423,628	45,583,252	(840,376)	(1.81)
Trust Funds	48,628,510	48,601,308	(27,202)	(0.06)
Net Transfers In	24,165,364	23,427,355	(738,009)	(3.05)
Alcohol Beverage Tax	9,689,739	9,525,054	(164,685)	(1.70)
Bank Franchise Tax	19,634,848	19,169,875	(464,973)	(2.37)
Charges for Goods and Services	15,742,669	15,333,411	(409,258)	(2.60)
Telecommunications Tax	2,343,231	2,331,276	(11,955)	(0.51)
Severance Taxes	8,026,540	8,465,375	438,835	5.47
Investment Income and Interest	13,288,500	20,334,000	7,045,500	53.02
Alcohol Bev 2% Wholesale Tax	3,264,117	3,248,831	(15,286)	(0.47)
TOTAL (ONGOING RECEIPTS)	\$ 2,199,552,276	\$ 2,220,047,982	\$ 20,495,706	0.93

ADOPTED FY2023 VS. FEBRUARY REVISED FY2023

	<u>LEG ADOPTED FY2023</u>	<u>FEB. REVISED FY2023</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,331,550,501	\$ 1,475,195,102	\$ 143,644,601	10.79
Lottery	170,540,000	175,695,211	5,155,211	3.02
Contractor's Excise Tax	152,237,105	188,182,608	35,945,503	23.61
Insurance Company Tax	101,685,257	110,025,924	8,340,667	8.20
Unclaimed Property Receipts	47,049,387	71,281,179	24,231,792	51.50
Licenses, Permits, and Fees	72,756,235	76,386,690	3,630,455	4.99
Tobacco Taxes	50,781,051	46,788,308	(3,992,743)	(7.86)
Trust Funds	46,397,822	46,246,322	(151,500)	(0.33)
Net Transfers In	22,655,333	23,311,922	656,589	2.90
Alcohol Beverage Tax	9,013,182	9,052,323	39,141	0.43
Bank Franchise Tax	17,007,625	21,320,051	4,312,426	25.36
Charges for Goods and Services	15,460,833	14,844,481	(616,352)	(3.99)
Telecommunications Tax	2,601,188	2,428,951	(172,237)	(6.62)
Severance Taxes	7,625,358	7,262,562	(362,796)	(4.76)
Investment Income and Interest	15,967,250	13,931,725	(2,035,525)	(12.75)
Alcohol Bev 2% Wholesale Tax	2,816,541	3,061,296	244,755	8.69
TOTAL (ONGOING RECEIPTS)	<u>\$ 2,066,144,668</u>	<u>\$ 2,285,014,655</u>	<u>\$ 218,869,987</u>	<u>10.59</u>
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	\$ 0	\$ 692,349	\$ 692,349	N/A
Unexpended Carryovers and Specials	0	8,364,225	8,364,225	N/A
Obligated Cash Carried Forward	0	115,478,433	115,478,433	N/A
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 0</u>	<u>\$ 124,535,007</u>	<u>\$ 124,535,007</u>	<u>N/A</u>
GRAND TOTAL	<u><u>\$ 2,066,144,668</u></u>	<u><u>\$ 2,409,549,662</u></u>	<u><u>\$ 343,404,994</u></u>	<u><u>16.62</u></u>

ACTUAL FY2022 VS. FEBRUARY REVISED FY2023

	<u>ACTUAL FY2022</u>	<u>FEB. REVISED FY2023</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,356,844,793	\$ 1,475,195,102	\$ 118,350,309	8.72
Lottery	171,609,682	175,695,211	4,085,529	2.38
Contractor's Excise Tax	155,823,772	188,182,608	32,358,836	20.77
Insurance Company Tax	103,995,420	110,025,924	6,030,504	5.80
Unclaimed Property Receipts	65,097,628	71,281,179	6,183,551	9.50
Licenses, Permits, and Fees	75,077,171	76,386,690	1,309,519	1.74
Tobacco Taxes	49,385,379	46,788,308	(2,597,071)	(5.26)
Trust Funds	43,495,271	46,246,322	2,751,051	6.32
Net Transfers In	25,279,507	23,311,922	(1,967,585)	(7.78)
Alcohol Beverage Tax	9,203,968	9,052,323	(151,645)	(1.65)
Bank Franchise Tax	22,511,850	21,320,051	(1,191,799)	(5.29)
Charges for Goods and Services	14,804,251	14,844,481	40,230	0.27
Telecommunications Tax	2,688,458	2,428,951	(259,507)	(9.65)
Severance Taxes	8,033,942	7,262,562	(771,380)	(9.60)
Investment Income and Interest	19,648,565	13,931,725	(5,716,840)	(29.10)
Alcohol Bev 2% Wholesale Tax	2,909,711	3,061,296	151,585	5.21
TOTAL (ONGOING RECEIPTS)	<u>\$ 2,126,409,366</u>	<u>\$ 2,285,014,655</u>	<u>\$ 158,605,289</u>	<u>7.46</u>
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	\$ 1,568,296	\$ 692,349	\$ (875,947)	(55.85)
One-Time Sales and Use Tax	28,305,843	0	(28,305,843)	(100.00)
Surplus Property	3,061,037	0	(3,061,037)	(100.00)
Unexpended Carryovers and Specials	2,900,492	8,364,225	5,463,733	188.37
Obligated Cash Carried Forward	85,875,130	115,478,433	29,603,302	34.47
Prior Period Adjustment	5,332,982	0	(5,332,982)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 127,043,781</u>	<u>\$ 124,535,007</u>	<u>\$ (2,508,775)</u>	<u>(1.97)</u>
GRAND TOTAL	<u><u>\$ 2,253,453,148</u></u>	<u><u>\$ 2,409,549,662</u></u>	<u><u>\$ 156,096,514</u></u>	<u><u>6.93</u></u>

FEBRUARY REVISED FY2023 VS. FEBRUARY REVISED FY2024

	<u>FEB. REVISED FY2023</u>	<u>FEB. REVISED FY2024</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,475,195,102	\$ 1,414,685,166	\$ (60,509,936)	(4.10)
Lottery	175,695,211	178,391,040	2,695,829	1.53
Contractor's Excise Tax	188,182,608	187,047,838	(1,134,770)	(0.60)
Insurance Company Tax	110,025,924	113,626,130	3,600,206	3.27
Unclaimed Property Receipts	71,281,179	52,785,157	(18,496,022)	(25.95)
Licenses, Permits, and Fees	76,386,690	77,492,914	1,106,224	1.45
Tobacco Taxes	46,788,308	45,583,252	(1,205,056)	(2.58)
Trust Funds	46,246,322	48,601,308	2,354,986	5.09
Net Transfers In	23,311,922	23,427,355	115,433	0.50
Alcohol Beverage Tax	9,052,323	9,525,054	472,731	5.22
Bank Franchise Tax	21,320,051	19,169,875	(2,150,176)	(10.09)
Charges for Goods and Services	14,844,481	15,333,411	488,930	3.29
Telecommunications Tax	2,428,951	2,331,276	(97,675)	(4.02)
Severance Taxes	7,262,562	8,465,375	1,202,813	16.56
Investment Income and Interest	13,931,725	20,334,000	6,402,275	45.95
Alcohol Bev 2% Wholesale Tax	3,061,296	3,248,831	187,535	6.13
TOTAL (ONGOING RECEIPTS)	<u>\$ 2,285,014,655</u>	<u>\$ 2,220,047,982</u>	<u>\$ (64,966,673)</u>	<u>(2.84)</u>
ONE-TIME RECEIPTS				
Bank Franchise Tax Prior Year Revenue	\$ 692,349	\$ 0	\$ (692,349)	(100.00)
Unexpended Carryovers and Specials	8,364,225	0	(8,364,225)	(100.00)
Obligated Cash Carried Forward	115,478,433	0	(115,478,433)	(100.00)
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 124,535,007</u>	<u>\$ -</u>	<u>\$ (124,535,007)</u>	<u>N/A</u>
GRAND TOTAL	<u><u>\$ 2,409,549,662</u></u>	<u><u>\$ 2,220,047,982</u></u>	<u><u>\$ (189,501,680)</u></u>	<u><u>(7.86)</u></u>