

Revised Revenue Estimates



South Dakota Bureau Of Finance and Management
February 12, 2020

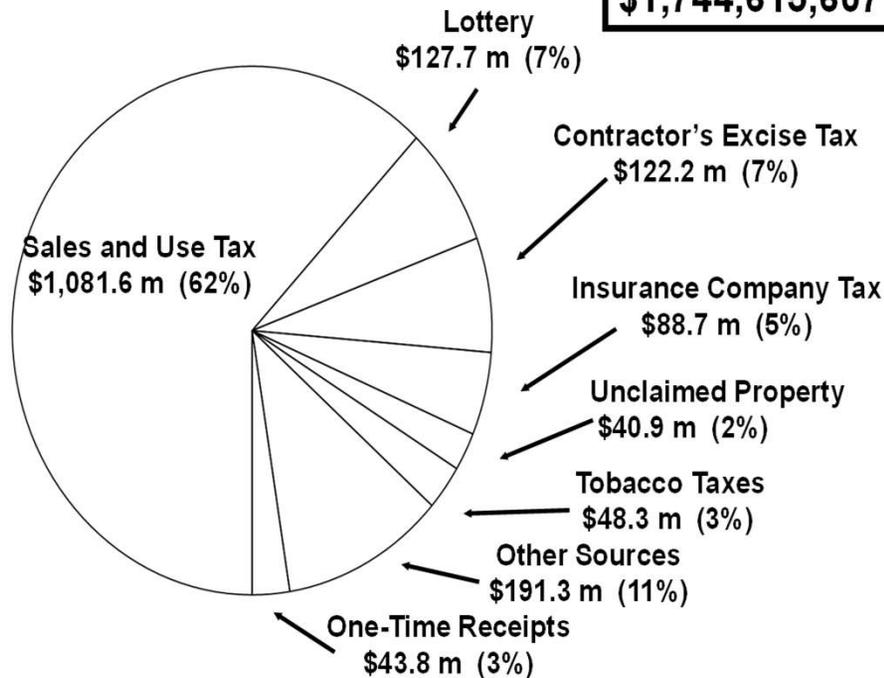
Key Economic Indicators for February Revised (Jan '20)

	2016	2017	2018	2019 f	2020 f	2021 f	'09-'19 avg.
SD Real GDP Growth	0.3%	-0.4%	1.3%	0.7%	1.89%	1.95%	1.7%
SD NF Employment	0.9%	0.5%	1.2%	1.9%	0.9%	0.6%	1.0%
SD NF Income	2.5%	3.4%	5.4%	4.1%	4.1%	4.4%	4.5%
SD Housing Starts	5,583	5,046	4,742	3,900	4,450	4,250	4,279
SD Unempl. Rate	3.0%	3.2%	3.0%	2.9%	2.7%	2.7%	3.6%

FY2020 and FY2021 Revised Estimate

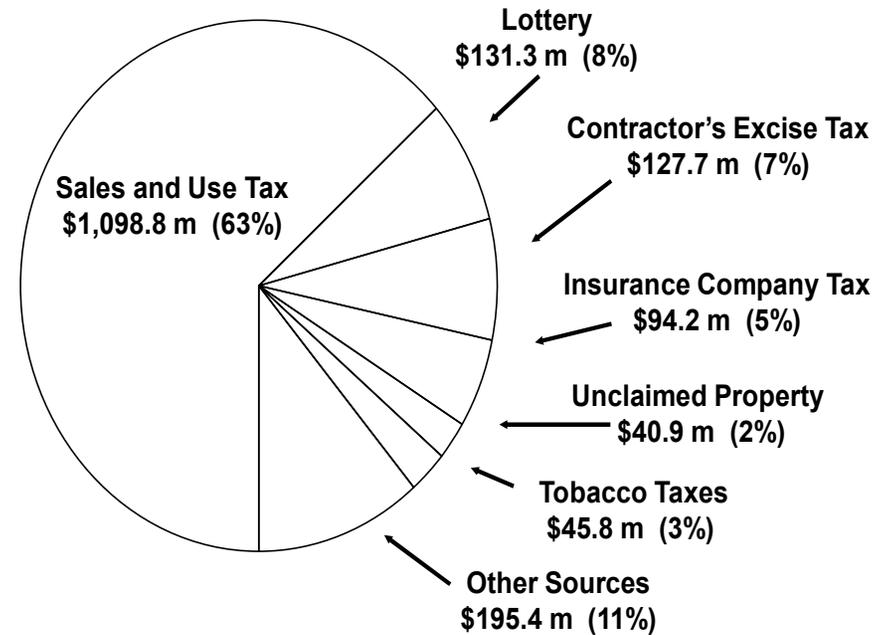
FY2020 General Fund Revenues

\$1,744,615,607



FY2021 General Fund Revenues

\$1,734,178,309



Sales and Use Tax

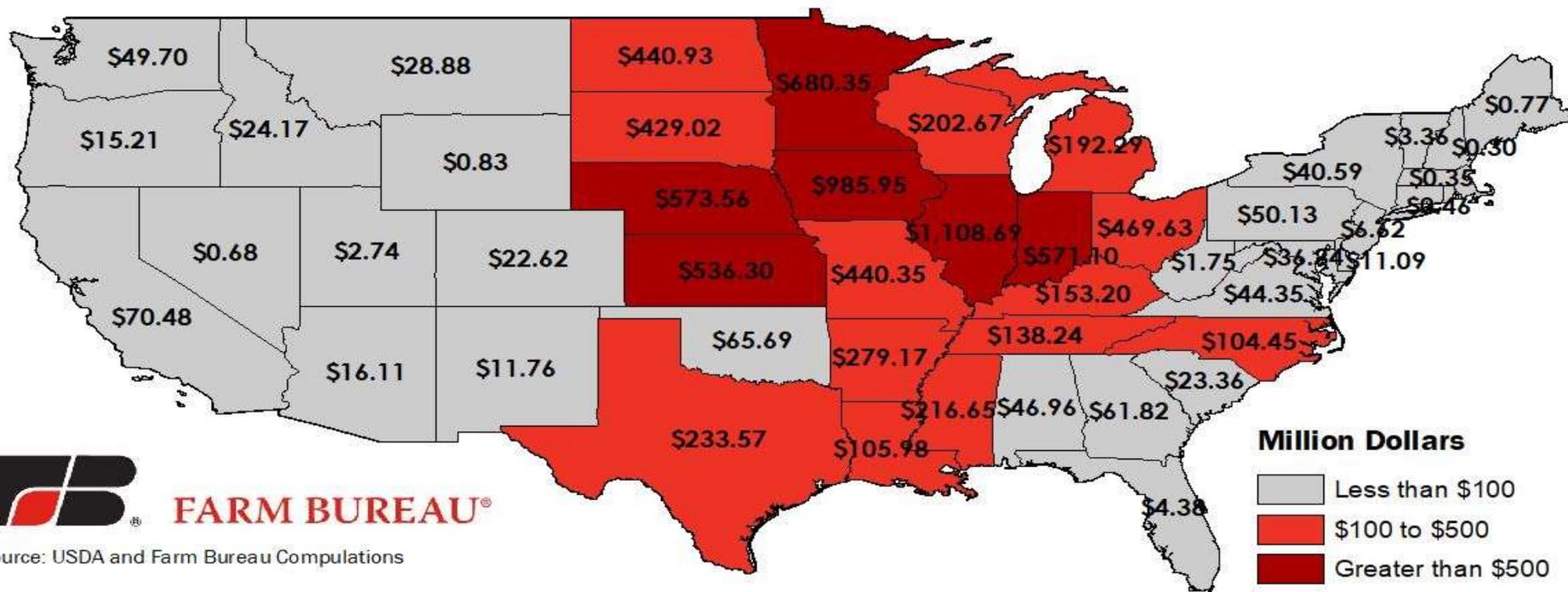
	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Total Receipts	988,823,603	1,025,401,209	1,081,601,734	1,098,817,975
Dollar Change	37,600,522	36,577,605	56,200,526	17,216,241*
Percent Change	3.95	3.70	5.48	1.59

- Approximately 63% of FY2021 ongoing revenues
- Year To Date (YTD) collections are 5.03% above the same period in FY19
- Average annual increase between FY10 and FY19 is 4.6%, when adjusted for tax increase in FY2017 is 3.3%
- FY2021 Includes \$20.0 M reduction for Internet Tax Freedom Forever Act
- What is driving increase in current year?

Markets Facilitation Payments By State - 2018

Figure 1. Total Market Facilitation Program Payments, U.S. \$8.5 Billion

As of May 13, 2019, Includes Corn, Cotton, Dairy, Sweet Cherries, Hogs, Shelled Almonds, Sorghum, Soybeans and Wheat

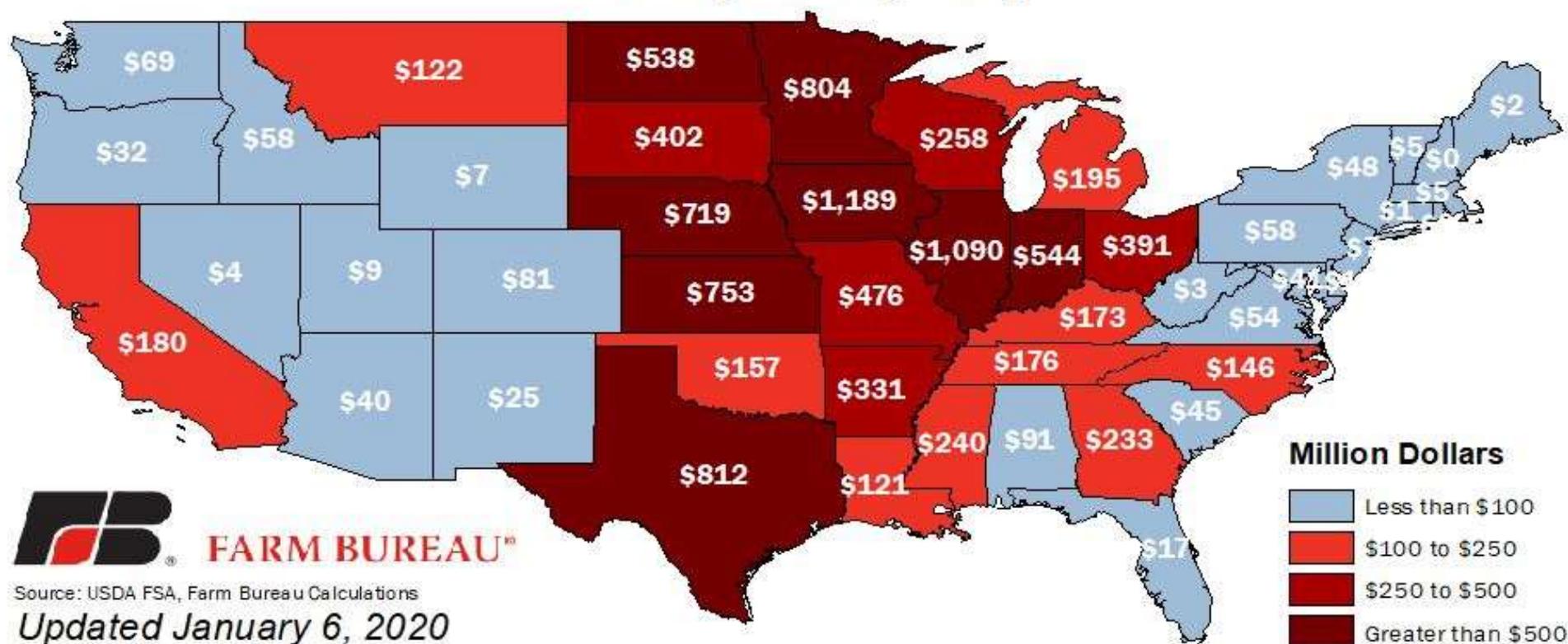


Source: USDA and Farm Bureau Computations

Source: American Farm Bureau Federation

Markets Facilitation Payments By State - 2019

Figure 1. 2019 MFP Payments for Livestock, Non-Specialty Crops and Specialty Crops



Source: USDA FSA, Farm Bureau Calculations
 Updated January 6, 2020

Source: American Farm Bureau Federation

Lottery

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Instant Lottery	6,300,942	7,989,685	6,796,813	7,992,000
Online Lottery	1,400,000	1,800,000	2,539,001	2,625,000
Video Lottery	108,974,498	114,025,816	118,358,797	120,725,973
Total Receipts	116,675,440	123,815,501	127,694,611	131,342,973
Dollar Change	4,848,184	7,140,062	3,879,110	3,648,362
Percent Change	4.34	6.12	3.13	2.86

- Approximately 7.6% of FY2021 ongoing revenues
- YTD revenues are 2.8% above the same period in FY19
- New machines are contributing to growth of video lottery

Contractor's Excise Tax

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	107,626,628	113,163,617	122,209,532	127,705,249
Dollar Change	798,091	5,536,989	9,045,915	5,495,717
Percent Change	0.75	5.14	7.99	4.50

- Approximately 7.4% of FY2021 ongoing revenues
- YTD collections are 8.6% above the same period in FY19
- Average annual increase between FY10 and FY19 is 5.3%
- Weather delays in early CY2019 led to some increased activity later in the year

Insurance Company Tax

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	91,021,843	90,347,541	88,665,662	94,231,460
Dollar Change	7,750,311	(674,302)	(1,681,879)	7,565,798
Percent Change	9.31	(0.74)	(1.86)	8.53

- Approximately 5.4% of FY2021 ongoing revenues
- YTD collections are 2.7% lower than the same period in FY19
- Partners in Education Tax Credit of \$2.0M being fully utilized
- Low premium growth and 2 Year Treasury rates

Unclaimed Property

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	52,766,031	48,573,600	40,937,586	40,937,586
Dollar Change	(4,334,918)	(4,192,430)	(7,636,014)	0
Percent Change	(7.59)	(7.95)	(15.72)	0

- Approximately 2.4% of FY2021 ongoing revenues
- YTD collections are 8.5% lower than the same period in FY19
- Large holder remitted approximately \$5.0M less than anticipated
- Increased claims activity

Unclaimed Property

	Actual FY2015	Actual FY2016	Actual FY2017	Actual FY2018	Actual FY2019	YTD FY2020
Gross Receipts	69,087,009	75,262,672	85,402,857	82,042,338	74,890,547	67,750,970
Claims through first 7 months	9,089,591	10,423,541	15,797,559	14,643,474	11,561,056	13,787,428
Claims as a percent of revenues	13.2%	13.8%	18.5%	17.8%	15.4%	20.4%

Licenses, Permits, and Fees

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	91,021,843	90,347,541	88,665,662	94,231,460
Dollar Change	7,750,311	(674,302)	(1,681,879)	7,565,798
Percent Change	9.31	(0.74)	(1.86)	8.53

- Approximately 4.0% of FY2021 ongoing revenues
- 70% of revenue from securities fees
- YTD collections are 59.7% above the same period in FY19, primarily due to timing
- Exchange Traded Funds (ETF's) causing market shifts

Tobacco Taxes

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	54,157,663	49,971,217	48,322,986	45,791,522
Dollar Change	(2,651,486)	(4,186,446)	(1,648,231)	(2,531,464)
Percent Change	(4.67)	(7.73)	(3.3)	(5.24)

- Approximately 2.6% of FY2021 ongoing revenues
- YTD collections are 0.3% lower than the same period in FY19
- Reductions of \$721K in FY2020 and \$1.4M in FY2021 for T21

Tobacco Taxes

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
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	24,157,663	19,971,217	18,322,986	15,791,522
Total	59,157,663	54,971,217	53,322,986	50,791,522

Trust Funds

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	37,035,528	38,527,936	39,888,859	41,687,771
Dollar Change	1,840,831	1,492,408	1,360,923	1,798,911
Percent Change	5.23	4.03	3.53	4.51

- Approximately 2.4% of FY2021 ongoing revenues
- Current estimated rate of return 3.5% - 3.6%

Trust Funds

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
HCTF	5,214,739	5,414,857	5,520,073	5,675,775
EETF	19,377,842	20,430,222	21,334,601	22,511,712
DCTF	12,442,947	12,682,857	13,034,186	13,500,283
Total	37,035,528	38,527,936	39,888,859	41,687,771

Net Transfers In

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	20,941,048	23,827,140	21,005,164	21,311,678
Dollar Change	(956,023)	2,886,092	(2,821,977)	306,514
Percent Change	(4.37)	13.78	(11.84)	1.46

- Approximately 1.2% of FY2021 ongoing revenues
- YTD collections are 1.2% lower than the same period in FY19 due to one-time increase last year
- Average annual increase since FY2016 is 5.1%

Alcohol Beverage Tax

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	7,668,288	7,845,250	8,001,015	8,140,374
Dollar Change	50,754	176,962	155,765	139,359
Percent Change	0.67	2.31	1.99	1.74

- Approximately 0.5% of FY2021 ongoing revenues
- YTD collections are 0.9% above the same period in FY19
- Average annual increase since FY2017 is 1.5%

Bank Franchise Tax

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	13,494,940	17,256,120	14,375,530	14,889,195
Dollar Change	(1,193,831)	3,761,180	(2,880,590)	513,665
Percent Change	(8.13)	27.87	(16.69)	3.57

- Approximately 0.9% of FY2021 ongoing revenues
- YTD collections are 12.6% lower than the same period in FY19
- Tax Cuts and Jobs Act led to banks adjusting revenue recognition

Charges for Goods and Services

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	16,094,652	16,012,654	16,212,862	16,240,927
Dollar Change	531,980	(81,998)	200,208	28,065
Percent Change	3.42	(0.51)	1.25	0.17

- Approximately 0.9% of FY2021 ongoing revenues
- YTD collections are 9.5% above the same period in FY19

Telecommunications Tax

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	4,931,125	5,089,768	4,609,294	4,266,362
Dollar Change	(398,751)	158,643	(480,474)	(342,931)
Percent Change	(7.48)	3.22	(9.44)	(7.44)

- Approximately 0.3% of FY2021 ongoing revenues
- YTD collections are 12.6% lower than the same period in FY19

Severance Taxes

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	6,602,808	4,234,206	4,959,098	5,381,873
Dollar Change	(2,365,425)	(2,368,602)	724,892	422,774
Percent Change	(26.38)	(35.87)	17.12	8.53

- Approximately 0.3% of FY2021 ongoing revenues
- YTD collections are 73.5% above the same period in FY19
- Weather conditions through the spring and summer affected gold production
- Stronger oil prices/flat and weak natural gas prices

Investment Income and Interest

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	6,053,274	6,229,304	11,058,713	11,946,891
Dollar Change	(312,868)	176,031	4,829,409	888,178
Percent Change	-4.91	2.91	77.53	8.03

- Approximately 0.7% of FY2021 ongoing revenues
- YTD collections are 82.0% above the same period in FY19
- Market conditions affecting income

Alcohol Beverage 2% Wholesale Tax

	Actual FY2018	Actual FY2019	Estimated FY2020	Estimated FY2021
Net Receipts	2,020,940	2,150,157	2,262,350	2,380,397
Dollar Change	66,486	129,216	112,193	118,047
Percent Change	3.40	6.39	5.22	5.22

- Approximately 0.1% of FY2021 ongoing revenues
- YTD collections are 7.87% above the same period in FY19
- Average annual increase between FY10 and FY19 is 5.3%

Governor's Revised FY2020 VS. February Revised FY2020

	GOV. REC FY2020	REVISED FY2020	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,071,609,815	\$ 1,081,601,734	\$ 9,991,919	0.93
Lottery	\$ 127,352,534	127,694,611	342,077	0.27
Contractor's Excise Tax	\$ 117,811,978	122,209,532	4,397,554	3.73
Insurance Company Tax	\$ 91,127,918	88,665,662	(2,462,256)	(2.70)
Unclaimed Property Receipts	\$ 47,167,962	40,937,586	(6,230,376)	(13.21)
Licenses, Permits, and Fees	\$ 68,969,723	68,969,723	0	0.00
Tobacco Taxes	\$ 49,043,485	48,322,986	(720,499)	(1.47)
Trust Funds	\$ 39,875,032	39,888,859	13,827	0.03
Net Transfers In	\$ 21,005,164	21,005,164	0	0.00
Alcohol Beverage Tax	\$ 8,001,015	8,001,015	0	0.00
Bank Franchise Tax	\$ 14,375,530	14,375,530	0	0.00
Charges for Goods and Services	\$ 16,212,862	16,212,862	0	0.00
Telecommunications Tax	\$ 4,711,089	4,609,294	(101,795)	(2.16)
Severance Taxes	\$ 4,794,138	4,959,098	164,960	3.44
Investment Income and Interest	\$ 11,058,713	11,058,713	0	0.00
Alcohol Bev 2% Wholesale Tax	\$ 2,191,736	2,262,350	70,614	3.22
TOTAL (ONGOING RECEIPTS)	\$ 1,695,308,694	\$ 1,700,774,719	\$ 5,466,025	0.32
ONE-TIME RECEIPTS				
Refinancing Gains/Transfer from SDBA	\$ 7,082,539.00	7,082,539	0	100.00
Transfer from Horseracing Fund	120,000	120,000	0	100.00
Transfer from Budget Reserve	16,778,512	15,699,642	(1,078,870)	100.00
Obligated Cash Carried Forward	19,354,553	19,354,553	0	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 43,335,604	\$ 42,256,734	(1,078,870)	100.00
GRAND TOTAL	\$ 1,738,644,298	\$ 1,743,031,453	\$ 4,387,155	0.25

Governor's Recommended FY2021 VS. February Revised FY2021

	GOV. REC. FY2021	FEB REVISED FY2021	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,088,181,339	\$ 1,098,817,975	\$ 10,636,636	0.98
Lottery	\$ 130,994,054	\$ 131,342,973	348,919	0.27
Contractor's Excise Tax	\$ 121,800,414	\$ 127,705,249	5,904,835	4.85
Insurance Company Tax	\$ 95,704,260	\$ 94,231,460	(1,472,800)	(1.54)
Unclaimed Property Receipts	\$ 47,167,962	\$ 40,937,586	(6,230,376)	(13.21)
Licenses, Permits, and Fees	\$ 69,106,076	\$ 69,106,076	0	0.00
Tobacco Taxes	\$ 47,232,519	\$ 45,791,522	(1,440,997)	(3.05)
Trust Funds	\$ 41,577,763	\$ 41,687,771	110,008	0.26
Net Transfers In	\$ 21,311,678	\$ 21,311,678	0	0.00
Alcohol Beverage Tax	\$ 8,140,374	\$ 8,140,374	0	0.00
Bank Franchise Tax	\$ 14,889,195	\$ 14,889,195	0	0.00
Charges for Goods and Services	\$ 16,240,927	\$ 16,240,927	0	0.00
Telecommunications Tax	\$ 4,360,584	\$ 4,266,362	(94,222)	(2.16)
Severance Taxes	\$ 5,304,110	\$ 5,381,873	77,763	1.47
Investment Income and Interest	\$ 9,074,529	\$ 11,946,891	2,872,362	31.65
Alcohol Bev 2% Wholesale Tax	\$ 2,303,823	\$ 2,380,397	76,574	3.32
TOTAL (ONGOING RECEIPTS)	\$ 1,723,389,607	\$ 1,734,178,309	\$ 10,788,702	0.63

History of Actual Ongoing Receipts

	Year Over Year Growth
FY 2010*	(\$29.5)
FY 2011	53.7
FY 2012	72.9
FY 2013	22.3
FY 2014*	95.6
FY 2015	27.6
FY 2016	57.0
FY 2017*	102.4
FY 2018	52.6
FY 2019	47.8
10 year avg.	50.2
Average W/O Outliers*	\$47.7
<i>FY2020 BFM Feb. Revised</i>	<i>\$59.6</i>
<i>FY2021 BFM Feb. Revised W/O Sales Tax Loss</i>	<i>\$53.4</i>

Revised Revenue Estimates

Questions?