

GENERAL FUND RECEIPTS

	ACTUAL FY2002	ACTUAL FY2003	REVISED FY2004	PROJECTED FY2005
CONTINUING RECEIPTS				
Sales and Use Tax	\$457,950,970	\$475,956,210	\$503,688,444	\$534,957,957
Contractor's Excise Tax	52,737,997	56,136,750	60,069,801	64,024,350
Alcohol Beverage Tax	7,700,582	7,606,230	7,771,124	7,864,504
Alcohol Beverage 2% Wholesale Tax	736,916	792,354	841,279	879,882
Cigarette Tax	18,713,254	21,660,817	27,856,181	27,087,174
Bank Franchise Tax	31,274,044	33,196,009	33,662,620	34,275,428
Insurance Company Tax	46,239,092	49,838,203	53,591,463	57,328,530
Inheritance Tax	21,118,943	24,502,910	7,090,000	3,450,000
Licenses, Permits, and Fees	29,743,160	29,855,195	31,716,950	32,748,680
Investment Income and Interest	18,029,170	14,954,285	11,097,207	13,907,886
Charges for Goods and Services	8,367,050	8,570,862	8,283,687	8,350,598
Net Transfers In	10,345,028	12,296,414	23,028,883	23,982,039
Cement Plant Annual Transfer	12,000,000	12,000,000	12,000,000	12,000,000
Mineral Extraction Tax	951,888	1,310,055	407,371	176,139
Energy Mineral Severance Tax	624,052	722,404	697,759	621,397
Unexpended Carryover	4,837,728	1,925,731	0	0
South Dakota Lottery	4,478,037	4,004,199	4,430,000	4,430,000
Property Tax Reduction Fund	101,787,076	104,890,557	110,227,042	112,397,859
Sale-Leaseback	13,702,390	13,100,000	12,478,191	11,835,491
CRP Program	1,355,956	1,325,291	1,152,786	1,156,755
SUBTOTAL (CONTINUING RECEIPTS)	<u>\$842,693,334</u>	<u>\$874,644,477</u>	<u>\$910,090,788</u>	<u>\$951,474,669</u>
ONE-TIME RECEIPTS				
Acceleration of Interest Earnings	\$ 0	\$ 0	\$ 12,155,704	\$ 0
Transfer from Petroleum Release Fund	0	0	15,000,000	0
Securities Global Settlement	0	0	0	4,625,000
Transfer from Video Lottery Fund	0	0	0	3,000,000
Transfer from Budget Reserves	6,641,700	0	0	0
Transfer from Property Tax Reserves	6,641,700	10,474,011	0	16,566,998
Obligated Cash Carried Forward	11,037,698	6,178,570	1,355,714	0
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 24,321,098</u>	<u>\$ 16,652,581</u>	<u>\$ 28,511,418</u>	<u>\$ 24,191,998</u>
GRAND TOTAL	<u>\$867,014,432</u>	<u>\$891,297,058</u>	<u>\$938,602,206</u>	<u>\$975,666,667</u>

EXPLANATION OF CONTINUING GENERAL FUND RECEIPTS

Sales and Use Tax (SDCL 10-45 and 10-46): A tax of 4% is imposed upon the gross receipts, less trade-in, from the sale of tangible personal property or services, except for the gross receipts, less trade-in, from the sale of agricultural machinery, irrigation equipment, and vending machines, or amusement devices that are taxed at 3%. In addition, an excise tax of the same rate is imposed on the privilege of the use, storage, or consumption in this state of tangible personal property not originally purchased in the state, but thereafter used, stored, or consumed in South Dakota. SB262, passed by the 1994 legislature, created the Sales and Use Tax Fund into which a portion of the sales tax is deposited to cover the Department of Revenue and Regulation's cost of administering the tax. SB63, passed by the 2003 legislature, broadened the sales tax to include interstate telecommunication services.

Realty Improvement Contractor's Excise Tax (SDCL 10-46A and 10-46B): An excise tax of 2% is imposed on the gross receipts of all prime contractors engaged in realty improvements on any property, excluding utilities, where a 1.5% excise tax on the gross receipts of all prime and subcontractors is imposed.

Alcohol Beverage Tax (SDCL 35-5): This tax is computed and levied 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) light wines and diluted beverages having more than 3.2% and not more than 14% alcohol by weight, 93¢ per gallon; 2) wines and diluted beverages having more than 14% and not more than 20% alcohol by weight, \$1.45 per gallon; 3) wines and diluted beverages having not more than 24% alcohol by weight, and all sparkling wines, \$2.07 per gallon; 4) cider having not more than 10% alcohol by weight, 28¢ per gallon; 5) other alcohol beverages, \$3.93 per gallon; and, 6) \$8.50 per 31 gallon barrel (or pro rata share thereof) on malt beverages. The state receives 75% of the total tax collected with 25% of the collections returned to the municipalities.

Alcohol Beverage 2% Purchase Price Tax (SDCL 35-5-6.1): This tax is in addition to the tax imposed by Section 35-5-3, and is imposed at the rate of 2% upon the purchase of alcohol beverages, except beer, by a wholesaler.

Cigarette Tax (SDCL 10-50): HB1297, passed by the 1995 legislature, increased the cigarette tax from 23¢ to 33¢ per pack and imposed a tax upon all tobacco products at the rate of 10% of the wholesale purchase price beginning in FY1996. HB1147, passed by the 2003 legislature, increased the cigarette tax from 33¢ per pack to 53¢ per pack. The new tax rate became effective March 24, 2003.

Bank Franchise Tax (SDCL 10-43 and 51-16): An annual tax of 6% of net income is levied on banks and financial corporations doing business in the state. For those referred to in SDCL 10-43, 73 1/3% of the tax receipts is distributed to the political subdivisions of the state in lieu of all other taxes and licenses and 26 2/3% is retained by the state. For those organized under SDCL 51-16, 5% of the tax collected is returned to the county where the financial institution is located. The remaining 95% is deposited in the state's general fund.

Insurance Company Tax (SDCL 10-44-2): Tax rates of 2 1/2% of premiums and 1 1/4% of the consideration for annuity contracts are imposed on all companies, except fraternal and farm mutual insurance companies doing insurance business in the state. In addition, a fire insurance tax (SDCL 10-44-9) is levied on all companies doing fire insurance business in the state at the rate of one half of one percent.

Inheritance Tax (SDCL 10-40): Included in this category is the state's share of the inheritance tax and estate tax. Amendment C, passed by the voters on November 7, 2000, repealed the inheritance tax effective July 1, 2001. This tax was imposed upon the inheritance of an heir and the rate varied according to the amount inherited and to the degree of blood relationship between the deceased and the heir. Ten percent of the total collections made by the county treasurer was retained by the county, and 90% was remitted to the state. The estate tax (SDCL 10-40A) is imposed upon an estate subject to the federal estate tax. The tax is equal to the credit on the federal tax return for state estate taxes. The state estate tax has no effect on the total amount of tax paid by a deceased person's estate. For South Dakota estates, ten percent is sent to the deceased person's county, and the rest is retained by the state.

Licenses, Permits, and Fees: This receipt classification covers the receipts received from the sales of a broad variety of licenses, permits, and filing fees that are assessed to partially defray the administrative costs. State agencies collecting these revenues include the Departments of Agriculture; Revenue and Regulation; Social Services; Labor; Public Safety; Health; Unified Judicial System; and, Secretary of State.

Investment Income and Interest: Receipts generated under this classification include the interest and investment earnings of the general fund and other nondedicated funds, which are transferred to the general fund at the direction of the Governor and Commissioner of the Bureau of Finance and Management.

Charges for Goods and Services: Receipt sources under this category include charges made by the institutions under the Department of Human Services; 35% of fines, penalties, and forfeitures collected on municipal offenses (SDCL 16-2-34); audit charges made by the Auditor General to state and local governments (SDCL 4-1-18); and, other miscellaneous charges.

Net Transfers In: Receipts under this category include general fund reimbursements by the Highway Fund; receipts from the Department of Game, Fish, and Parks; the Motor Vehicle Fund; the Soil and Water Conservation Fund; and, the state's share of the Deadwood gaming revenue. Also included here are receipts derived from the transfer of funds from the Custer State Park Concession Bond Redemption Fund that are derived from concession contracts at the park, and other miscellaneous receipts. Included in FY2002 is \$1,900,000 in interest proceeds from the Tobacco Settlement Agreement transferred from the People's Trust Fund to the general fund. Also included in FY2002 is \$4,274,000 in receipts from the deauthorization of encumbrances and \$500,000 transferred from the Children's Trust Fund authorized by HB1197 by the 2002 legislature to balance the FY2002 deficit. Included in the FY2003, FY2004, and FY2005 figures are \$6.0 million, \$17.6 million, and \$17.8 million, respectively, in interest proceeds from the Health Care and Education Enhancement Trust Funds. In addition, the FY2003 figure includes \$100,000 from the Children's Trust Fund and \$600,000 from the South Dakota Building Authority.

Cement Plant Annual Transfer: In FY2002, the proceeds from the Cement Plant sale were deposited into the Dakota Cement Trust Fund, from which the \$12 million annual transfer to the general fund takes place.

Mineral Extraction Tax (SDCL 10-39): A tax of \$4 per ounce of gold severed in this state, plus 10% of net profits. Prior to FY1995, the tax was 2% imposed on the gross yield from the sale of precious metals severed in this state, plus 8% of net profits. 20% of all revenue received by the state for those permits issued after January 1, 1981 is remitted to the county treasurer of the county in which the precious metals were severed.

Energy Mineral Severance Tax (SDCL 10-39A): A tax of 4 1/2% of the taxable value of energy minerals is imposed on the owners of energy minerals for the privilege of severing energy minerals in this state. One-half of the taxes imposed by Chapter 10-39A are returned to the county where the energy minerals were severed, one-sixth of the taxes are deposited into the Energy Development Impact Fund, and one-third of the taxes are deposited into the state general fund. Any excess over \$100,000 in the Energy Development Impact Fund is automatically credited to the state general fund.

Unexpended Carryovers: Unexpended balances that revert to the general fund from prior years for special appropriations and emergency special appropriations are reflected in receipts as unexpended carryover.

South Dakota Lottery (SDCL 42-7A): Receipts under this classification include the state's share of receipts from the instant ticket lottery and on-line lottery. HB1088, passed during the 1996 legislative session, provides that the first \$1.4 million of on-line lottery revenue be deposited into the general fund, with the remaining amount deposited into the Capital Construction Fund.

Property Tax Reduction Fund: SB225, passed during the 1996 legislative session, required that the state's proceeds from video lottery be deposited into the Property Tax Reduction Fund, beginning in FY1997. In addition, the bill provides that the Commissioner of the Bureau of Finance and Management may transfer monies available from the Property Tax Reduction Fund to the general fund necessary to provide property tax relief through state aid to education. HB1186, passed during the 1998 legislative session, transfers all remaining unobligated cash at year-end to the Property Tax Reduction Fund, after the transfer to the budget reserve. HB1198, passed during the 2002 legislative session, states the Commissioner of the Bureau of Finance and Management shall transfer any unobligated cash remaining after the transfer into the budget reserve fund into the Property Tax Reduction Fund, if the amount in the Property Tax Reduction Fund does not exceed 15% of the general fund appropriations in the General Appropriations Act for the previous fiscal year. HB1104, passed by the 2003 legislature, imposed a tax of 4% upon the gross receipts of telecommunications services, beginning in FY2004. Sixty percent of the revenue collected from this tax is to be deposited into the Property Tax Reduction Fund. The impact of the bill on the Property Tax Reduction Fund is estimated to be \$3.6 million in FY2004, and \$4.1 million in FY2005.

Sale-Leaseback: Receipts under this classification are derived from the annuity contract purchased with the proceeds from the sale of certificates of participation associated with the December 1986 sale-leaseback transaction.

CRP Program Receipts under this classification are derived from federal Conservation Reserve Program payments that farmers signed over to the state in exchange for lump sum payments.

EXPLANATION OF ONE-TIME GENERAL FUND RECEIPTS

Acceleration of Interest Earnings: HB1099, passed by the 2003 legislature, accelerated the proration of interest earnings in the cash flow fund by having 90% of the estimated proration due to the general fund for the next fiscal year transferred to the general fund in the year in which the interest is earned. This results in one year (FY2004) where the general fund will receive two years of earnings deposits. Included in this category is the estimated amount of FY2004 interest earnings that will be deposited into the general fund.

Transfer from Petroleum Release Compensation Fund: HB1069, passed by the 2003 legislature, transferred \$15 million to the Petroleum Release Compensation Fund. These funds were transferred to the highway fund during the 2002 legislative session to cover an expected deficit in matching federal highway dollars. This shortfall never occurred; therefore, HB1069 moved the dollars back to the Petroleum Release Compensation Fund. HB1283, the general appropriations bill, transfers the \$15.0 million from the Petroleum Release Compensation Fund to the general fund in FY2004.

Securities Global Settlement: This represents South Dakota's share of a global settlement with various large brokerage firms accused of providing bad investment advice to their customers prior to and subsequent to the market falling off in 2000.

Transfer from Video Lottery Fund: This represents a one-time transfer of \$3.0 million from the video lottery operating fund to the general fund to help balance the projected shortfall in FY2005.

Transfer from Budget Reserves: This represents any transfers made by a legislative act to transfer money from the budget reserve to the general fund. HB1197, passed by the 2002 legislature, transferred \$6.6 million from the budget reserve to the general fund to help balance the FY2002 deficit.

Transfer from Property Tax Reserves: SB225, passed during the 1996 legislative session, provides that the Commissioner of the Bureau of Finance and Management may transfer monies available from the Property Tax Reduction Fund to the general fund necessary to provide property tax relief through State Aid to Education. HB1197, passed by the 2002 legislature, transferred \$6.6 million from the Property Tax Reduction Fund to the general fund to help balance the FY2002 deficit. In FY2003, \$10.5 million was transferred from the Property Tax Reduction Fund to the general fund to help balance the FY2003 deficit. In FY2005, it is projected that \$16.6 million will need to be transferred from the Property Tax Reduction Fund to the general fund to balance the budget.

Obligated Cash Carried Forward: This figure represents the amount of prior year cash carried forward to meet obligations that existed at the end of the previous year.