

GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2012	ACTUAL FY2013	REVISED FY2014	PROJECTED FY2015
RECEIPTS				
Sales and Use Tax ^A	\$ 744,413,638	\$ 776,095,539	\$ 810,063,958	\$ 835,211,364
Property Tax Reduction Fund ^{B, C}	102,441,742	107,261,166	108,053,338	110,176,855
Contractor's Excise Tax	82,991,355	84,466,868	89,532,268	94,819,513
Insurance Company Tax	65,076,133	70,291,028	73,988,534	77,463,340
Unclaimed Property Receipts	13,865,906	13,912,329	67,455,802 ^D	67,455,802 ^D
Bank Franchise Tax ^E	29,688,991	17,537,046	16,986,127	17,492,588
Other ^{F, G, H, I, J}	197,426,132	188,613,241	187,635,112	191,113,132
One-Time Receipts	26,326,591 ^K	29,931,989 ^L	77,880,389 ^M	-
Transfer from Budget Reserves	20,155,015 ^N	-	-	-
Transfer from Property Tax Reserves	-	-	19,626,221 ^O	-
Obligated Cash Carried Forward	-	75,655,964 ^{Y,Z}	25,216,171 ^{Y,Z}	-
TOTAL RECEIPTS	\$1,282,385,503	\$1,363,765,170	\$1,476,437,920	\$1,393,732,594
EXPENDITURES				
General Bill Excl. State Aid to Education ^{P, Q, R}	\$ 811,329,252	\$ 849,777,970	\$ 930,372,509	\$ 990,396,007 ^S
State Aid to Education	335,465,599	371,944,344	388,052,645	400,456,744
Special Appropriations	27,845,256	27,806,110	5,183,800	-
Emergency Special Appropriations	24,693,972	31,990,554	117,278,528	-
Continuous Appropriations ^T	2,395,460	2,435,167	2,617,916	2,770,191
Expenditure Transfers	5,000,000 ^U	6,745,000 ^V	8,700,000 ^W	109,652 ^X
TOTAL EXPENDITURES	\$1,206,729,539	\$1,290,699,145	\$1,452,205,398	\$1,393,732,594
TRANSFERS				
Budget Reserve Fund ^Y	\$ -	\$ 47,849,854	\$ 24,232,522	\$ -
TOTAL TRANSFERS	\$ -	\$ 47,849,854	\$ 24,232,522	\$ -
Beginning Unobligated Cash Balance	\$ -	\$ -	\$ -	\$ -
Net (Receipts less Expend./Transfers)	\$ 75,655,964	\$ 25,216,171	\$ -	\$ -
OBLIGATIONS AGAINST CASH				
Budget Reserve Fund ^Y	\$ (47,849,854)	\$ (24,232,522)	\$ -	\$ -
Cash Committed for Following Budget ^Z	(27,806,110)	(983,649)	-	-
Total Obligations Against Cash	(75,655,964)	(25,216,171)	-	-
Ending Unobligated Cash Balance	\$ -	\$ -	\$ -	\$ -

SOURCE: State of South Dakota Bureau of Finance and Management

NOTE: This document was prepared on a cash basis for budgeting purposes and reflects obligations against cash. The totals may not add due to rounding.

NOTES FOR RECEIPTS SECTION

^A Under current federal law South Dakota will lose the ability to assess sales tax on internet access services beginning on November 1, 2014. The loss of sales tax collections for FY2015 due to this provision is estimated at \$5.4 million and is incorporated in the sales and use tax estimate.

^B SB 225, passed during the 1996 legislative session, requires the state's proceeds from video lottery to be deposited into the Property Tax Reduction Fund (PTRF). In addition, the bill provides that the Commissioner of the Bureau of Finance and Management may transfer monies available from the PTRF to the general fund necessary to provide property tax relief through state aid to education. HB 1104, passed by the 2003 Legislature, imposes a tax of 4% upon the gross receipts of telecommunication services. Sixty percent of the revenue collected from this tax is deposited into the PTRF. Initiated Measure 2, adopted by the voters in November of 2006, increased the cigarette tax on a 20 pack of cigarettes by \$1.00 and

the tax on a 25 pack of cigarettes by \$1.25. In addition, the wholesale tax on other tobacco products increased from 10% to 35% of the wholesale purchase price. The PTRF receives a 33% share of any revenue generated by the tobacco tax which is in excess of \$35 million. The PTRF's share of the tobacco tax was \$7.4 million in FY2012 and \$7.8 million in FY2013, and is estimated to be \$7.9 million and \$7.7 million for FY2014 and FY2015, respectively.

- C In November of 2010, the voters of South Dakota approved Referred Law 12, which extended the statewide smoking ban to nearly all public places including restaurants, bars, and casinos. This change in law caused a sharp decline in video lottery revenue of approximately 18% for the first year. Video lottery revenue continues to be below its previous peak of \$111.1 million, which was reached in FY2008. The PTRF's share of video lottery revenue was \$87.3 million in FY2012 and \$91.4 million in FY2013, and is estimated to be \$93.1 million and \$94.9 million in FY2014 and FY2015, respectively.
- D Due to consolidation in the banking industry and changes in regulations, some large banks have moved their home office to South Dakota. This is expected to increase ongoing unclaimed property receipts to \$67.5 million in FY2014 and FY2015.
- E The national recession combined with federal regulation changes in the financial sector, most notably the credit card industry, caused bank franchise tax collections to the general fund to decline substantially during and after the economic recession. Improvements in economic conditions increased collections to \$29.7 million in FY2012. However, due to consolidation within the banking industry and new financial regulations, the allocation of taxable income to South Dakota decreased collections in FY2013 to just \$17.5 million. Bank franchise tax collections are expected to continue to trend below historical levels with collections totaling just \$17.0 million and \$17.5 million in FY2014 and FY2015, respectively.
- F Includes \$7.1 million in FY2012, \$6.5 million in FY2013, \$5.8 million in FY2014, and \$5.2 million in FY2015 derived from annuity contract payments related to the 1986 sale-leaseback transaction.
- G Includes receipts of \$2.1 million in FY2012, \$2.0 million in FY2013, \$1.9 million in FY2014, and \$2.2 million in FY2015 due to legislation allowing the Department of Game, Fish, and Parks to make lease payments to the Building Authority. These are used to retire revenue bonds issued for the renovation and modernization of infrastructure at Custer State Park, the renovation and modernization of fish hatchery facilities, the Sioux Falls Outdoor Learning Center, and stabilization of the Cedar Shore Resort marina.
- H Includes receipts of \$0.7 million in each fiscal year due to legislation passed in 2007 allowing the Board of Regents to make lease payments to the Building Authority. These are used to retire revenue bonds issued for critical maintenance and repair projects for the Board of Regents.
- I Includes \$18.3 million in FY2012, \$17.9 million in FY2013, \$18.4 million in FY2014, and \$19.9 million in FY2015 in interest proceeds from the Education Enhancement and Health Care Trust Funds. The market values of the Education Enhancement and Health Care Trust Funds are calculated using a 16 quarter moving average of the prior 16 quarters as of December 31st.
- J The Health Care Tobacco Tax Fund and the Education Enhancement Tobacco Tax Fund, created by the 2007 Legislature, receive a 34% share and 33% share of the revenue, respectively, generated by the tobacco tax in excess of \$35 million. The transfer from the Health Care Tobacco Tax Fund to the general fund was \$7.6 million in FY2012 and \$8.0 million in FY2013 and is estimated to be \$8.1 million and \$7.9 million in FY2014 and FY2015, respectively. The transfer from the Education Enhancement Tobacco Tax Fund to the general fund was \$7.4 million in FY2012 and \$7.8 million in FY2013, and is estimated to be \$7.9 million and \$7.7 million in FY2014 and FY2015, respectively.
- K Included in FY2012 one-time receipts is \$1.0 million transferred from the Tobacco Prevention and Reduction Trust Fund to the general fund due to HB 1251 passed by the 2011 Legislature. In addition, a reallocation of bank income from previous tax years increased the bank franchise tax collections by \$14.3 million on a one-time basis in FY2012. Also included are \$0.4 million from CREP savings, \$0.4 million from a securities settlement, \$0.4 million from refinancing gains, and \$9.8 million for unexpended carryovers and special appropriations.
- L Included in FY2013 one-time receipts are \$17.4 million in one-time unclaimed property receipts, \$2.4 million from miscellaneous national settlements, and \$1.7 million from refinancing gains. In addition, the 2013 Legislature passed HB 1060 which transferred \$4.1 million from the Tax Relief fund and \$1.8 million from the Budgetary Accounting fund to help offset the shortfall in the state employee health insurance. Also included in the one-time receipts is \$1.0 million transferred from the Tobacco and Prevention Reduction Trust fund, which was offset by a corresponding expense transfer, along with \$1.2 million from a one-time bank franchise tax correction from a prior fiscal year, and \$0.3 million from unexpended carryovers and special appropriations.
- M Included in FY2014 one-time receipts is \$54.5 million of one-time unclaimed property receipts. HB 1270, passed by the 2012 Legislature, changed the dormancy period for unclaimed property from 5 years to 3 years. Also included is a transfer of \$19.4 million of available cash from the large project refund liability account and \$4.0 million from an unexpended carryover.

- ^N HB 1269, passed by the 2012 Legislature, transferred \$20.2 million from the Budget Reserve Fund to the general fund to pay for 2011 flood and other disaster costs and for pine beetle suppression in the Black Hills through the Emergency and Disaster Fund and the Fire Suppression Fund.
- ^O In FY2014, the Governor is recommending using one-time funds to pay off higher interest debt to reduce future ongoing expenses. Included as part of the debt reduction plan, the Governor is recommending a transfer of \$19.6 million from the Property Tax Reserves to the general fund.

NOTES FOR EXPENDITURES, TRANSFERS, AND OBLIGATIONS AGAINST CASH SECTIONS

- ^P Includes \$7.1 million in FY2012, \$6.5 million in FY2013, \$5.8 million in FY2014, and \$5.4 million in FY2015 as appropriated to the Bureau of Administration and to the Bureau of Finance and Management to make lease payments pursuant to the leases entered into with the South Dakota Building Authority dated December 1, 1986.
- ^Q Includes expenditures of \$2.1 million in FY2012, \$2.0 million in FY2013, \$1.9 million in FY2014, and \$2.2 million in FY2015 due to legislation allowing the Department of Game, Fish, and Parks to make lease payments to the Building Authority. These are used to retire revenue bonds issued for the renovation and modernization of infrastructure at Custer State Park, the renovation and modernization of fish hatchery facilities, and for the Sioux Falls Outdoor Learning Center, and stabilization of the Cedar Shore Resort marina.
- ^R Includes expenditures of \$0.7 million in each fiscal year due to legislation passed in 2007 allowing the Board of Regents to make lease payments to the Building Authority. These are used to retire revenue bonds issued for critical maintenance and repair projects for the Board of Regents.
- ^S As part of the debt reduction plan recommended by the Governor, a savings of \$6.3 million has been incorporated in the FY2015 recommended budget. Reducing long-term debt with one-time funds allows the state to eliminate generally funded bond payments beginning in FY2015.
- ^T Includes continuous appropriations for fire premium tax refunds (SDCL 10-44-9.1) and the payment of special assessments (SDCL 5-14-20). Included is \$2.3 million in FY2012, \$2.4 million in FY2013, \$2.5 million in FY2014, and \$2.7 million in FY2015 for fire premium tax refunds and \$80,000 each fiscal year for payment of special assessments.
- ^U HB 1137 and SB 48, both passed during the 2012 legislative session, transferred \$1.0 million to the Cement Plant Retirement fund to reduce the liability shortfall and \$4.0 million to the Railroad Trust Fund for railroad projects in FY2012.
- ^V SB 197, passed during the 2012 legislative session, transferred \$0.2 million from the general fund to the Teen Court Grant Program Fund. HB 1060 and SB 90, which both passed during the 2013 Legislative session, amended the FY2013 General Appropriations Act and transferred \$6.6 million from the general fund for the following purposes: \$2.0 million to the Cement Plant Retirement Fund to reduce the liability shortfall, \$2.0 million to the Future Fund for economic development projects, \$1.0 million to the Department of Corrections Local & Endowment Fund for the Criminal Justice Initiative, \$1.0 million to the Tobacco Prevention and Reduction Trust Fund, \$0.5 million to Research Proof-of-Concept Fund for research commerce grants, and \$0.1 million to the Boxing Commission Fund for the South Dakota Athletic Commission.
- ^W HB 1185, which is the General Appropriations Act for FY2014, transferred \$7.0 million from the general fund for the following purposes: \$2.0 million to the Cement Plant Retirement Fund to reduce the liability shortfall, \$2.0 million to the SD Science and Technology Authority to rehabilitate the Ross shaft, \$2.0 million to the Future Fund for economic development projects, and \$1.0 million to the Railroad Trust Fund for railroad projects. SB 237, passed by the 2013 Legislature, authorized \$0.2 million to be transferred to the Board of Regents for the need-based matching program. In FY2014, the Governor is recommending a transfer of \$1.5 million from the general fund to the Health Special Services Fund for a reserve balance for the correctional health care program.
- ^X SB 233 and SB 237 passed by the 2013 Legislature allocated additional funds to the Education Enhancement Trust fund for the critical teaching needs scholarship program and the need-based matching program. The estimated amount of allocation for each program is \$54,826, for a total of \$0.1 million in FY2015.
- ^Y HB 1287, passed during the 1991 legislative session, provided that on July 1, 1991, \$20.0 million of the general fund ending unobligated cash balance from FY1991 be transferred into the Budget Reserve Fund. The maximum level of cash in the Budget Reserve Fund is limited to 10% of the general funds appropriated for the prior year in the General Appropriations Act. At the end of FY2012 and FY2013, \$47.8 million and \$24.2 million of unobligated general fund cash was obligated to the Budget Reserve Fund and transferred at the beginning of FY2013 and FY2014.
- ^Z SB 192, passed during the 2012 legislative session, obligated \$27.8 million of FY2012 cash and carried it forward to FY2013 to fund one-time special appropriations in FY2013. SB 90, passed during the 2013 legislative session, obligated \$1.0 million of FY2013 cash and carried it forward to FY2014. This obligated cash is reflected as a one-time receipt in FY2013 and FY2014.