

GENERAL FUND RECEIPTS

	ACTUAL FY2017	ACTUAL FY2018	REVISED FY2019	PROJECTED FY2020
ONGOING RECEIPTS				
Sales and Use Tax	\$ 951,223,081	\$ 988,823,603	\$ 1,033,401,095	\$ 1,073,277,798
Lottery	111,827,256	116,675,440	121,203,732	124,148,607
Contractor's Excise Tax	106,828,537	107,626,628	113,131,293	117,838,671
Insurance Company Tax	83,271,532	91,021,843	91,115,128	94,895,490
Unclaimed Property Receipts	44,386,220	52,766,031	42,954,878	42,954,878
Licenses, Permits, and Fees	64,730,175	67,492,051	69,030,984	70,458,621
Tobacco Taxes	56,809,149	54,157,663	52,444,178	51,988,082
Trust Funds	35,194,697	37,035,528	38,565,926	40,030,420
Net Transfers In	21,897,071	20,941,048	20,904,525	21,303,879
Alcohol Beverage Tax	7,617,533	7,668,288	7,868,302	8,006,881
Bank Franchise Tax	14,688,771	13,494,940	14,036,446	14,471,640
Charges for Goods and Services	15,562,672	16,094,652	16,422,845	16,502,141
Telecommunications Tax	5,329,876	4,931,125	5,246,717	5,246,717
Severance Taxes	8,968,233	6,602,808	4,883,694	5,391,225
Sale-Leaseback	4,138,575	0	0	0
Investment Income and Interest	6,366,142	6,053,274	5,922,950	5,941,240
Alcohol Beverage 2% Wholesale Tax	1,954,454	2,020,940	2,116,769	2,210,961
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,540,793,973</u>	<u>\$ 1,593,405,861</u>	<u>\$ 1,639,249,462</u>	<u>\$ 1,694,667,251</u>
ONE-TIME RECEIPTS				
Transfer from Dept. of Agriculture	\$ 0	\$ 0	\$ 705,101	\$ 0
Transfer from DOR agency fund	0	3,871,437	0	0
Transfer from Petroleum Release Fund	0	1,300,000	0	0
Transfer from Workforce Education Fund	0	792,729	0	0
Transfer from Prescription Drug Plan Fund	0	750,000	0	0
Transfer from Telecommunication Fund	800,000	750,000	0	0
Transfer from Video Lottery Fund	500,000	500,000	0	0
Transfer from Court Automation Fund	500,000	500,000	0	0
Transfer from Technology Fund	0	500,000	0	0
Transfer from Private Activities Bond Fee Fund	911,625	480,743	0	0
Transfer from Budgetary Accounting Fund	0	261,396	0	0
Transfer from Veterans' Home Operating Fund	0	120,000	0	0
One-Time Unclaimed Property Receipts	12,714,729	0	0	0
Transfer from General Militia Fund	180,000	0	0	0
Transfer from SD Certified Beef Fund	104,000	0	0	0
Prior Period Adjustments	(1,712,184)	(1,309,473)	0	0
Unexpended Carryovers and Specials	1,449,345	204,351	0	0
Transfer from Budget Reserve Fund	0	5,855,710	7,279,931	0
Obligated Cash Carried Forward	14,069,144	7,943,412	16,898,828	0
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 29,516,659</u>	<u>\$ 22,520,305</u>	<u>\$ 24,883,860</u>	<u>\$ 0</u>
GRAND TOTAL	<u><u>\$ 1,570,310,632</u></u>	<u><u>\$ 1,615,926,166</u></u>	<u><u>\$ 1,664,133,322</u></u>	<u><u>\$ 1,694,667,251</u></u>

NOTE: The totals may not add due to rounding.

EXPLANATION OF ONGOING GENERAL FUND RECEIPTS

Sales and Use Tax (SDCL 10-45 and 10-46): A tax of 4.5% is imposed upon the gross receipts from selling, leasing, and renting tangible personal property and the sale of services. A use tax of the same rate as the sales tax is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid. A portion of the sales tax is deposited into the Sales and Use Tax Fund to cover the Department of Revenue's cost of administering the tax.

Lottery (SDCL 42-7A): Receipts under this classification include the general fund's share of revenues from the sale of instant lottery tickets, on-line lottery tickets, and the state's share of video lottery. All of the net proceeds from the sale of instant lottery tickets are deposited in the general fund. The state's share of video lottery dedicated to the general fund is 49.5% of net machine income. Through FY2018, the first \$1.4 million of the net proceeds from the sale of online lottery tickets are deposited in the general fund, and the remaining net proceeds are deposited in the Capital Construction Fund. Beginning in FY2019 through FY2023, the net proceeds of online lottery sales will be allocated to the general fund and the Capital Construction Fund on a percentage basis due to the passage of SB 183 from the 2018 legislative session, with the percentages adjusted each year. In FY2023, and each year thereafter, the percentage of online proceeds dedicated to the general fund will be 70%, with the remaining 30% dedicated to the Capital Construction Fund.

Contractor's Excise Tax (SDCL 10-46A and 10-46B): An excise tax of 2.0% is imposed on the gross receipts of all prime contractors on construction projects. Subcontractor's gross receipts are not subject to the 2.0% tax if subcontractors 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 2.0% excise tax.

Insurance Company Tax (SDCL 10-44): 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 0.08% for the 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 0.08% 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. Beginning in FY2017, insurance company tax credits of up to \$2 million are allowed to support scholarships for private elementary and secondary schools throughout the state.

Unclaimed Property Receipts (SDCL 43-41B): 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, they must be paid to the rightful owner.

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

Tobacco Taxes (SDCL 10-50): The excise tax on a 20 pack of cigarettes is \$1.53 in South Dakota and the tax on other tobacco products is 35% of the wholesale purchase price. The first \$30 million generated from this tax is deposited into the general fund. The next \$5 million collected annually is deposited in the Tobacco Prevention and Reduction Trust Fund. Any collections in excess of \$35 million collected annually are deposited into the general fund.

Trust Funds (SDCL 4-5-29.1, SDCL 4-5-29.2, and Article 13, Sections 20 and 21 of the State Constitution): Receipts included in this category are transfers from the Health Care Trust Fund, the Education Enhancement Trust Fund, and the Dakota Cement Trust Fund. Four percent of the market value is transferred from the Health Care Trust Fund and the Education Enhancement Trust Fund to the general fund as long as the principal of the trust funds is not invaded. The transfer from the Dakota Cement Trust fund is based on four percent of the market value and is also dedicated to support education in South Dakota. The earnings from the Health Care Trust Fund are to be used for health care related programs, and the earnings from

the Education Enhancement Trust Fund are to be used for education enhancement programs. The transfer from the Dakota Cement Trust fund is based on four percent of the market value and is dedicated to support education in South Dakota.

Net Transfers In: 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; lease payments to retire revenue bonds from various state agencies; transfers from the Wind Energy Tax Fund; transfers from the State Veterans' Home operating fund; and other miscellaneous receipts.

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) \$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. The state general fund receives 50% of the total tax collected, with 25% allocated to the municipalities, and the remaining 25% allocated to the counties.

Bank Franchise Tax (SDCL 10-43): 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. Ninety-five percent of the taxes paid defined as credit card banks are deposited in the general fund, and five percent of the taxes collected are returned to the county where the bank or financial institution is located. Twenty-six and two-thirds percent of all other revenues collected from the tax are deposited in the general fund and seventy-three and one-third percent are remitted to the county where the bank or financial institution is located.

Charges for Goods and Services: Receipts included in this category are from charges made by institutions under 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 on county, township, or municipal offenses; various charges for goods and services through the Department of Corrections, and other miscellaneous charges.

Telecommunications Tax (SDCL 10-33A): A tax of 4.0% is imposed on the gross receipts of telecommunications services within the state. Sixty percent of the revenue collected from this tax is dedicated to the state general fund with the remaining 40% deposited to the County Telecommunications Gross Receipts Fund.

Severance Taxes (SDCL 10-39 and 10-39A): A severance tax is imposed at the rate of \$4 per ounce of gold severed in South Dakota as well as an additional per ounce tax if the price of gold is in excess of \$800 per ounce. An additional tax of 10% is imposed on the net profits from the sale of precious metals severed. Owners or operators of energy minerals must pay a tax equal to 4.5% of the taxable value of any energy minerals severed. One-half of the energy mineral severance taxes received are returned to the county where the energy minerals were severed and one-half are credited to the general fund.

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. FY2017 was the last year of the annuity payment.

Investment Income and Interest (SDCL 4-5-30.1): Revenues included in this category are from interest and the investment earnings of the general fund and nonparticipating funds in the Cash Flow Fund from the previous fiscal year.

Alcohol Beverage 2% Wholesale Tax (SDCL 35-5-6.1): This tax is in addition to the tax imposed by SDCL 35-5-3, and 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.

EXPLANATION OF ONE-TIME GENERAL FUND RECEIPTS

Transfer from Department of Agriculture (FY2019): In FY2019, the Governor is recommending a \$0.7 million transfer from the Department of Agriculture other fund to the general fund to support FY2019 emergency special appropriations. These funds were previously appropriated for mountain pine beetle mitigation efforts that are no longer necessary.

Transfer from Department of Revenue agency fund (FY2018): HB 1044, passed by the 2018 Legislature, transferred \$3.9 million from the Department of Revenue agency fund to the general fund in FY2018.

Transfer from Petroleum Release Compensation Fund (FY2018): HB 1044, passed by the 2018 Legislature, transferred \$1.3 million from the Petroleum Release Compensation Fund in FY2018.

Transfer from Workforce Education Fund (FY2018): HB 1044, passed by the 2018 Legislature, transferred \$0.8 million from the Workforce Education Fund in FY2018.

Transfer from Prescription Drug Plan Fund (FY2018): HB 1044, passed by the 2018 Legislature, transferred \$0.8 million from the Prescription Drug Plan Fund in FY2018.

Transfer from Telecommunication Fund (FY2017 and FY2018): SB 32, passed by the 2017 Legislature, transferred \$0.8 million from the Telecommunication Fund for the Deaf. HB 1044, passed by the 2018 Legislature, transferred \$0.8 million from the Telecommunication Fund for the Deaf in FY2018.

Transfer from Court Automation Fund (FY2017 and FY2018): SB 32, passed by the 2017 Legislature, transferred \$0.5 million from the Court Automation Fund. HB 1044, passed by the 2018 Legislature, transferred \$0.5 million from the Court Automation Fund in FY2018.

Transfer from Video Lottery Fund (FY2017 and FY2018): SB 32, passed by the 2017 Legislature, transferred \$0.5 million from the Video Lottery Fund to help balance the budget in FY2017. HB 1044, passed by the 2018 Legislature, transferred \$0.5 million from the Video Lottery Fund in FY2018.

Transfer from Technology Fund (FY2018): HB 1044, passed by the 2018 Legislature, transferred \$0.5 million from the Technology Fund within the Department of Education in FY2018.

Transfer from Private Activities Bond Fee Fund (FY2017 and FY2018): SB 32, passed by the 2017 Legislature, transferred \$0.9 million from the Private Activities Bond Fee Fund. HB 1044, passed by the 2018 Legislature, transferred \$0.5 million from the Private Activities Bond Fee Fund in FY2018.

Transfer from Budgetary Accounting Fund (FY2018): HB 1044, passed by the 2018 Legislature, transferred \$0.3 million from the Budgetary Accounting Fund in FY2018.

Transfer from State Veterans' Home Operating Fund (FY2018): HB 1044, passed by the 2018 Legislature, transferred \$0.1 million from the Budgetary Accounting Fund in FY2018. An additional \$2.0 million transfer is included in the ongoing receipts Net Transfers In category in both FY2018 and FY2019.

One-Time Unclaimed Property Receipts (FY2017): SB 34, passed by the 2017 Legislature, made changes to unclaimed property laws which allows the sale of stocks, bonds, and other securities that is held as unclaimed property. The legislation allowed holdings of securities to be liquidated, which provided \$12.7 million in one-time receipts in FY2017.

Transfer from General Militia Fund (FY2017): SB 32, passed by the 2017 Legislature, transferred \$0.2 million from the General Militia Fund.

Transfer from SD Certified Beef Fund (FY2017): SB 32, passed by the 2017 Legislature, transferred \$0.1 million from the SD Certified Beef Fund.

Prior Period Adjustments (FY2017 and FY2018): FY2017 and FY2018 include various prior period adjustments due to refunds of previous years' taxes.

Unexpended Carryovers and Special Appropriations (FY2017 and FY2018): Unexpended balances reverting to the general fund from prior years for special appropriations and carryovers are reflected in receipts as unexpended carryovers and specials.

Transfer from Budget Reserve Fund (FY2018 and FY2019): HB 1045, passed by the 2018 Legislature, transferred \$5.9 million from the Budget Reserve Fund to the general fund to help pay for increased state aid to education funding needed in FY2018. In FY2019, the Governor is recommending a transfer of \$7.3 million from the Budget Reserve Fund. This \$7.3 million is the amount of reserves in excess of ten percent of the FY2020 budget as recommended by the Governor.

Obligated Cash Carried Forward: This is the amount of prior year cash carried forward to meet obligations existing at the end of the previous year. In FY2016, \$14.1 million of cash was obligated and transferred to the Budget Reserve Fund in FY2017 per state law. This \$14.1 million of obligated cash is reflected as a one-time receipt in FY2017. In FY2017, \$7.9 million of cash was obligated and transferred to the Budget Reserve Fund in FY2018. This \$7.9 million of obligated cash is reflected as a one-time receipt in FY2018. In FY2018, \$16.9 million of cash was obligated and transferred to the Budget Reserve Fund in FY2019. This \$16.9 million of obligated cash is reflected as a one-time receipt in FY2019.