



REVENUE

FORECASTS

2014 Interim

July 28, 2014

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MEMORANDUM

TO: Governor Dennis Daugaard and Interim Joint Committee on Appropriations

FROM: Jim Terwilliger, Economist 
Bureau of Finance and Management

SUBJECT: Interim FY2015 Revenue Projections

DATE: July 28, 2014

In accordance with the provisions of SDCL 4-8A-16, the following report includes actual revenue for fiscal years 2013 and 2014 and updated revenue projections for fiscal year 2015 for the various sources of revenue that flow to the state general fund.

The updated FY2015 revenue estimates from the Bureau of Finance and Management total \$1,392,052,374 on an ongoing basis. This updated projection is \$215,941 higher than the Legislative Adopted FY2015 estimate. Since this updated forecast is slightly higher than the Adopted FY2015 budgeted level, there is no shortfall in the current fiscal year at this time and no further action is necessary under SDCL 4-8A-16.

GENERAL FUND RECEIPTS

	<u>ACTUAL FY2013</u>	<u>ACTUAL FY2014</u>	<u>BFM INTERIM FY2015</u>
ONGOING RECEIPTS			
Sales and Use Tax	\$ 776,095,539	\$ 823,401,593	\$ 852,180,403
Property Tax Reduction Fund	107,261,166	106,529,196	107,759,120
Contractor's Excise Tax	84,466,868	90,409,495	95,401,668
Insurance Company Tax	70,291,028	75,110,734	78,677,080
Unclaimed Property Receipts	13,912,329	59,761,191	60,200,000
Licenses, Permits, and Fees	48,775,456	52,203,471	52,901,370
Net Transfers In	31,003,732	32,133,057	31,536,290
Trust Funds	27,235,040	28,436,564	30,809,792
Cigarette Tax	30,000,000	30,000,000	30,000,000
Bank Franchise Tax	17,537,046	10,782,035	8,525,229
Alcohol Beverage Tax	10,456,399	10,790,053	11,100,378
Charges for Goods and Services	11,144,224	10,461,221	10,607,587
Lottery	7,735,976	6,296,600	7,005,000
Severance Taxes	7,690,588	5,424,019	5,874,723
Sale-Leaseback	6,465,087	5,838,681	5,236,813
Investment Income and Interest	6,459,192	4,528,811	2,403,174
Alcohol Beverage 2% Wholesale Tax	1,647,547	1,690,523	1,833,747
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,258,177,217</u>	<u>\$ 1,353,797,245</u>	<u>\$ 1,392,052,374</u>
ONE-TIME RECEIPTS			
One-time Unclaimed Property Receipts	\$ 17,397,006	\$ 54,013,610	\$ 0
Transfer from Large Project Liability Account	0	19,424,586	0
Transfer from Tax Relief Fund	4,133,192	0	0
Miscellaneous Settlements	2,366,100	0	0
Transfer from Budgetary Accounting Fund	1,839,990	0	0
Refinancing Gains	1,738,786	0	0
Transfer from Tobacco Prev. and Red. TF	1,000,000	0	0
One-time Bank Franchise Tax	1,153,334	0	0
Unexpended Carryovers and Specials	303,580	4,152,194	0
Transfer from Property Tax Reserves	0	19,626,221	0
Obligated Cash Carried Forward	75,655,964	25,216,171	9,876,349
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 105,587,953</u>	<u>\$ 122,432,782</u>	<u>\$ 9,876,349</u>
GRAND TOTAL	<u><u>\$ 1,363,765,170</u></u>	<u><u>\$ 1,476,230,027</u></u>	<u><u>\$ 1,401,928,723</u></u>

ACTUAL FY2013 vs. ACTUAL FY2014 RECEIPTS

	ACTUAL FY2013	ACTUAL FY2014	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 776,095,539	\$ 823,401,593	\$ 47,306,054	6.10
Property Tax Reduction Fund	107,261,166	106,529,196	(731,970)	(0.68)
Contractor's Excise Tax	84,466,868	90,409,495	5,942,627	7.04
Insurance Company Tax	70,291,028	75,110,734	4,819,706	6.86
Unclaimed Property Receipts	13,912,329	59,761,191	45,848,862	329.56
Licenses, Permits, and Fees	48,775,456	52,203,471	3,428,015	7.03
Net Transfers In	31,003,732	32,133,057	1,129,325	3.64
Trust Funds	27,235,040	28,436,564	1,201,524	4.41
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	17,537,046	10,782,035	(6,755,011)	(38.52)
Alcohol Beverage Tax	10,456,399	10,790,053	333,654	3.19
Charges for Goods and Services	11,144,224	10,461,221	(683,002)	(6.13)
Lottery	7,735,976	6,296,600	(1,439,376)	(18.61)
Severance Taxes	7,690,588	5,424,019	(2,266,570)	(29.47)
Sale-Leaseback	6,465,087	5,838,681	(626,406)	(9.69)
Investment Income and Interest	6,459,192	4,528,811	(1,930,381)	(29.89)
Alcohol Beverage 2% Wholesale Tax	1,647,547	1,690,523	42,976	2.61
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,258,177,217	\$ 1,353,797,245	\$ 95,620,029	7.60
ONE-TIME RECEIPTS				
One-time Unclaimed Property Receipts	\$ 17,397,006	\$ 54,013,610	\$ 36,616,604	210.48
Transfer from Large Project Liability Account	0	19,424,586	19,424,586	100.00
Transfer from Tax Relief Fund	4,133,192	0	(4,133,192)	0.00
Miscellaneous Settlements	2,366,100	0	(2,366,100)	0.00
Transfer from Budgetary Accounting Fund	1,839,990	0	(1,839,990)	0.00
Refinancing Gains	1,738,786	0	(1,738,786)	0.00
Transfer from Tobacco Prev. and Red. TF	1,000,000	0	(1,000,000)	0.00
One-time Bank Franchise Tax	1,153,334	0	(1,153,334)	0.00
Unexpended Carryovers and Specials	303,580	4,152,194	3,848,613	1267.74
Transfer from Property Tax Reserves	0	19,626,221	19,626,221	100.00
Obligated Cash Carried Forward	75,655,964	25,216,171	(50,439,793)	(66.67)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 105,587,953	\$ 122,432,782	\$ 16,844,829	15.95
GRAND TOTAL	\$ 1,363,765,170	\$ 1,476,230,027	\$ 112,464,858	8.25

ACTUAL FY2014 RECEIPTS VS. INTERIM FY2015 FORECAST

	ACTUAL FY2014	BFM INTERIM FY2015	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 823,401,593	\$ 852,180,403	\$ 28,778,810	3.50
Property Tax Reduction Fund	106,529,196	107,759,120	1,229,924	1.15
Contractor's Excise Tax	90,409,495	95,401,668	4,992,173	5.52
Insurance Company Tax	75,110,734	78,677,080	3,566,346	4.75
Unclaimed Property Receipts	59,761,191	60,200,000	438,809	0.73
Licenses, Permits, and Fees	52,203,471	52,901,370	697,899	1.34
Net Transfers In	32,133,057	31,536,290	(596,767)	(1.86)
Trust Funds	28,436,564	30,809,792	2,373,228	8.35
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	10,782,035	8,525,229	(2,256,806)	(20.93)
Alcohol Beverage Tax	10,790,053	11,100,378	310,325	2.88
Charges for Goods and Services	10,461,221	10,607,587	146,366	1.40
Lottery	6,296,600	7,005,000	708,400	11.25
Severance Taxes	5,424,019	5,874,723	450,705	8.31
Sale-Leaseback	5,838,681	5,236,813	(601,868)	(10.31)
Investment Income and Interest	4,528,811	2,403,174	(2,125,637)	(46.94)
Alcohol Beverage 2% Wholesale Tax	1,690,523	1,833,747	143,224	8.47
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,353,797,245	\$ 1,392,052,374	\$ 38,255,129	2.83
ONE-TIME RECEIPTS				
One-time Unclaimed Property Receipts	\$ 54,013,610	\$ 0	\$ (54,013,610)	(100.00)
Transfer from Large Project Liability Account	19,424,586	0	(19,424,586)	(100.00)
Unexpended Carryovers and Specials	4,152,194	0	(4,152,194)	(100.00)
Transfer from Property Tax Reserves	19,626,221	0	(19,626,221)	(100.00)
Obligated Cash Carried Forward	25,216,171	9,876,349	(15,339,822)	(60.83)
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 122,432,782	\$ 9,876,349	\$ (112,556,433)	(91.93)
GRAND TOTAL	\$ 1,476,230,027	\$ 1,401,928,723	\$ (112,410,067)	(5.03)

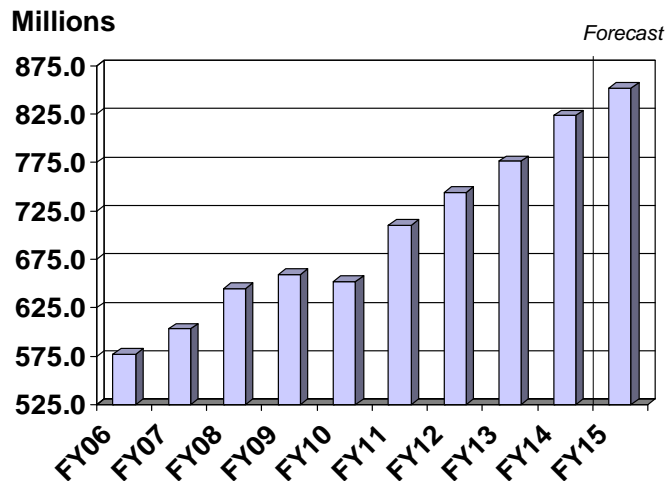
ADOPTED FY2015 FORECAST VS. INTERIM FY2015 FORECAST

	LEG. ADOPTED FY2015	BFM INTERIM FY2015	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 851,345,413	\$ 852,180,403	\$ 834,990	0.10
Property Tax Reduction Fund	107,821,172	107,759,120	(62,052)	(0.06)
Contractor's Excise Tax	95,378,299	95,401,668	23,369	0.02
Insurance Company Tax	77,967,813	78,677,080	709,267	0.91
Unclaimed Property Receipts	60,200,000	60,200,000	0	0.00
Licenses, Permits, and Fees	52,273,316	52,901,370	628,054	1.20
Net Transfers In	31,173,505	31,536,290	362,785	1.16
Trust Funds	30,782,266	30,809,792	27,526	0.09
Cigarette Tax	30,000,000	30,000,000	0	0.00
Bank Franchise Tax	8,711,612	8,525,229	(186,383)	(2.14)
Alcohol Beverage Tax	11,143,578	11,100,378	(43,200)	(0.39)
Charges for Goods and Services	10,844,148	10,607,587	(236,561)	(2.18)
Lottery	7,800,696	7,005,000	(795,696)	(10.20)
Severance Taxes	6,260,231	5,874,723	(385,508)	(6.16)
Sale-Leaseback	5,236,813	5,236,813	0	0.00
Investment Income and Interest	2,860,000	2,403,174	(456,826)	(15.97)
Alcohol Beverage 2% Wholesale Tax	2,037,571	1,833,747	(203,824)	(10.00)
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,391,836,433	\$ 1,392,052,374	\$ 215,941	0.02
ONE-TIME RECEIPTS				
Obligated Cash Carried Forward	\$ 0	9,876,349	9,876,349	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 9,876,349	\$ 9,876,349	100.00
GRAND TOTAL	\$ 1,391,836,433	\$ 1,401,928,723	\$ 10,092,290	0.73

SALES AND USE TAX

FY2014 Performance: In FY2014, total sales and use tax collections were \$823.4 million which was an increase of 6.1% or \$47.3 million over FY2013. Sales and use tax audit collections (which are included in the total) for FY2014 were \$17.4 million compared to \$14.4 million in FY2013 and contributed 0.4% to the total FY2014 growth in sales and use tax collections. The increase in audit collections was one of the major reasons that actual sales and use tax collections exceeded the revised FY2014 adopted estimate by \$4.4 million.

- The average annual increase in collections between FY2006 and FY2014 was 4.55%.
- Net collections from the sales and use tax account for approximately 61% of ongoing general fund revenues in FY2015.



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. Different 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)

$$\text{STCDS} = -3.3.27 + 0.05 \cdot \text{SD Nonfarm Income} + 198.55 \cdot \text{Seasonal Dummy} + 10.57 \cdot \text{SD Manufacturing Employment} + 0.05 \cdot \text{Gross National Product}$$

$R^2 = .9941$

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

$$\text{STBUSCND} = -2,459.09 + 7.50 \cdot \text{SD Nonfarm Employment} + 236.48 \cdot \text{Seasonal Dummy} + 0.66 \cdot \text{Exports} + 664.64 \cdot \text{CPIF} + 198.21 \cdot \text{Dummy variable} - 174.11 \cdot \text{Dummy variable}$$

$R^2 = .9950$

Equation 3: Construction Related Purchases (STCON)

$$\text{STCON} = -1,631.48 + 3.46 \cdot \text{SD Nonfarm Employment} + 0.01 \cdot \text{SD Nonfarm Income} + 151.74 \cdot \text{Seasonal dummy} + 171.15 \cdot \text{Price Index for Wood and Metal Materials} + 27.54 \cdot \text{SD Housing Starts}$$

$R^2 = .9714$

Equation 4: Recreation Related Purchases (STREC)

STREC = -58.86+ 0.02*SD Nonfarm Income + 6.04*SD Leisure and Hospitality Employment + 0.01*(SD Disposable Income*Seasonal Dummy)

R² = .9951

Equation 5: Utilities (STUTI)

STUTI = -257.74 + 0.02*SD Nonfarm Income + 0.03*SD Farm Proprietors Income + 4.10*Consumer Spending on Electricity and Natural Gas.

R² = .9639

Collection Equation:

Sales Tax Collections = -2.0 + 0.04*Total Taxable Sales

R² =.9990

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 an excellent overall fit.

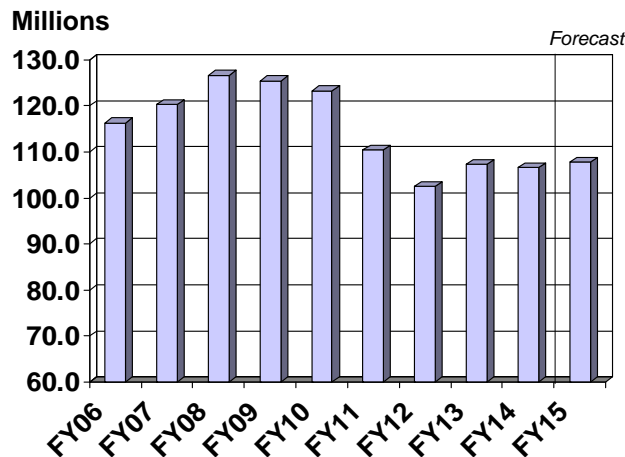
	Interim Estimate for FY2015
Sales and Use Tax Collections	848,965,098
+ Audit Collections	<u>14,390,246</u>
= Base Estimate	863,355,344
- DOR Indirect Funding	(7,251,301)
- Collection Allowance	(3,773,858)
- Reinvestment Payments	(149,782)
= Net Sales Tax Estimate	852,180,403

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	776,095,539	823,401,593	652,180,403
Dollar Change	31,681,901	47,306,054	28,778,810
Percent Change	4.26	6.10	3.50

PROPERTY TAX REDUCTION FUND RECEIPTS

FY2014 Performance: In total, ongoing receipts to the general fund from the property tax reduction fund (PTRF) totaled \$106.5 in FY2014, down 0.7% or \$0.7 million compared to FY2013. In FY2014, video lottery receipts totaled \$91.6 million, growing 0.22% over FY2013. In FY2014, the state's share of the receipts from the telecommunications tax was \$6.7 million, a 17.3% decrease from FY2013. The PTRF's share of tobacco taxes totaled \$8.1 million in FY2014, 3.9% higher than FY2013. Also in FY2014, the PTRF received \$159,230 from the wind energy tax fund. The FY2014 receipts from the PTRF finished \$0.3 million higher than the revised adopted estimate primarily due to higher than anticipated video lottery receipts.

- Revenues deposited in the PTRF come from four ongoing sources:
 - 1) Forty-nine and one half percent of video lottery net machine income. (SDCL 42-7A-63)
 - 2) Sixty percent of the revenue collected from the 4% tax on the gross receipts of telecommunication services, which was imposed by HB 1104 passed by the 2003 Legislature. (SDCL 10-33A-4)
 - 3) Thirty-three percent share of the revenues in excess of \$35 million generated by the tobacco taxes from Initiated Measure 2. (SDCL 10-50-52)
 - 4) Beginning in FY2014, a portion of the wind farm gross receipts tax is dedicated to the PTRF through the wind energy tax fund. (SDCL 10-35-22)
- Receipts from the PTRF account for approximately 7.7% of general fund revenues in FY2015.



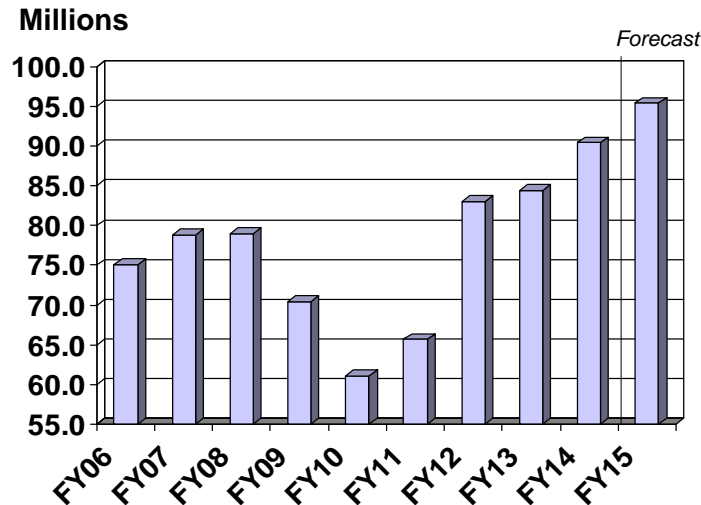
Estimate: The projections for video lottery collections and receipts from the telecommunications tax are estimated separately based on historical collections and current conditions. The estimate for the tobacco tax revenue is based on historical collections and current conditions. The estimate for the distribution from the wind energy tax fund is provided by the Department of Revenue. For FY2015, it is anticipated that all the revenues from these sources will be transferred to the general fund.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Video Lottery	91,409,517	91,612,448	92,528,572
Telecom Tax	8,094,947	6,696,957	7,011,714
Tobacco	7,756,702	8,060,561	7,933,834
Wind Farm Tax	0	159,230	285,000
Total Receipts	107,261,166	106,529,196	107,759,120
Dollar Change	4,819,424	(731,970)	1,229,924
Percent Change	4.70	(0.68)	1.15

CONTRACTOR'S EXCISE TAX

FY2014 Performance: In FY2014, net contractor's excise tax collections were \$90.4 million, which was an increase of 7.0%, or \$5.9 million over FY2013. Actual FY2014 collections were \$0.3 million lower than the most recent revised legislative adopted estimate.

- The average annual increase in net contractor's excise tax collections between FY2006 and FY2014 was 2.35%.
- Net collections from the contractor's excise tax account for approximately 7% of ongoing general fund receipts in FY2015.



Estimate: Contractor's excise tax collections are estimated using a single regression equation. The equation and its coefficient of determination are on the following page. (An explanation of how to read a regression equation can be found on page 7.)

Contractor's Excise Tax Collections = $-43.74 + 1.90 \cdot \text{SD Construction, Natural Resources, and Mining Employment} + 0.01 \cdot (\text{Seasonal Dummy} \cdot \text{SD nonfarm income}) - 1.49 \cdot \text{SD Unemployment Rate} + 5.27 \cdot \text{Price Index for Metal Materials and Wood Products} + 8.75 \cdot \text{Consumer Price Index} + 0.29 \cdot \text{SD Housing Starts}$

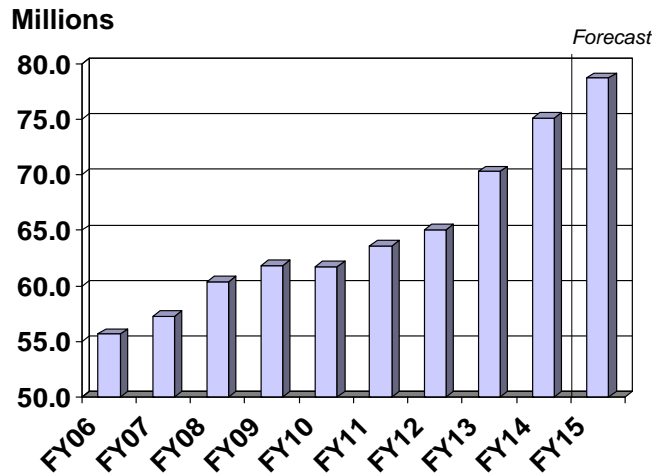
$R^2 = .9919$

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	84,466,868	90,730,907	95,493,500
Dedicated to BSD		(321,412)	(91,832)
Net Receipts	84,466,868	90,409,495	95,401,668
Dollar Change	1,475,513	5,942,627	4,992,173
Percent Change	1.78	7.04	5.52

INSURANCE COMPANY TAX

FY2014 Performance: In FY2014, insurance company tax collections totaled \$75.1 million, which was up 6.9% or \$4.8 million from FY2013. Actual FY2014 collections were \$0.5 million higher than the most recent legislative adopted estimates.

- The average annual increase between FY2006 and FY2014 was 3.81%.
- Collections from this tax account for approximately 6% of ongoing general fund revenues.



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 7.)

$$\text{Insurance Company Tax Collections} = 5.5 + 0.50 * \text{SD Nonfarm Income} - 3.66 * \text{Seasonal Dummy} + 0.04 * \text{Consumer Spending on Insurance} - 0.18 * \text{Yield on 2 year Treasury note}.$$

$$R^2 = .9722$$

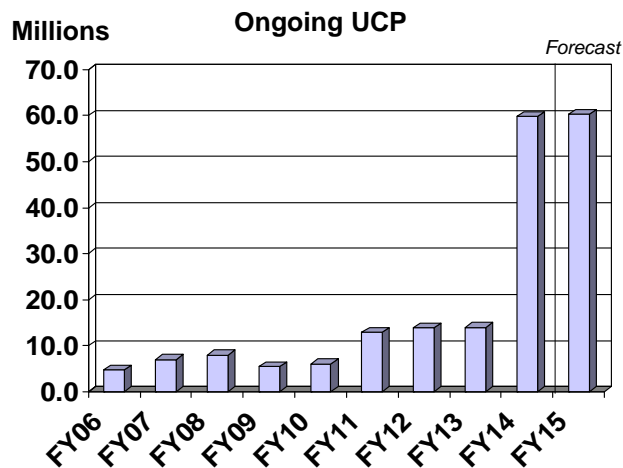
	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	70,291,028	75,110,734	78,677,080
Dollar Change	5,214,895	4,819,706	3,566,346
Percent Change	8.01	6.86	4.75

UNCLAIMED PROPERTY RECEIPTS

FY2014 Performance: In FY2014, unclaimed property receipts to the general fund totaled \$113.8 million of which \$59.8 million is considered ongoing with \$54.0 million being one-time. In total, actual FY2014 collections were \$3.4 million lower than the most recent legislative adopted estimates.

- Collections from unclaimed property receipts account for approximately 4.3% of ongoing general fund revenues in FY2015.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Ongoing UCP	13,912,329	59,761,191	60,200,000
One-time UCP	17,397,006	54,013,610	0
Total UCP	31,309,335	113,774,801	60,200,000



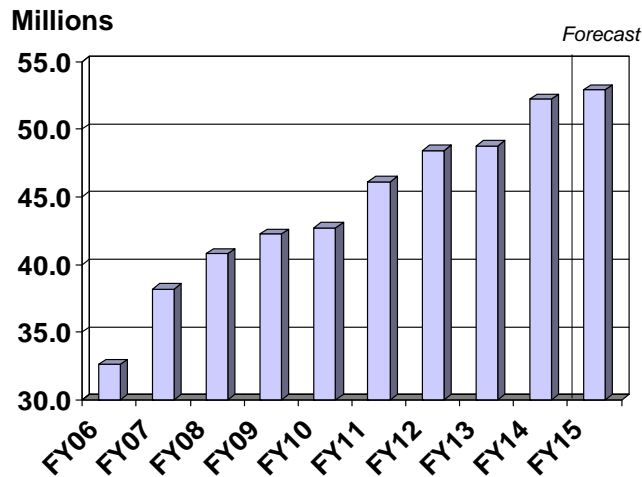
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2013	Estimated FY2014	Interim Estimate FY2015
Ongoing UCP	13,912,329	59,761,191	60,200,000
Dollar Change	46,423	45,848,862	438,809
Percent Change	0.33	329.56	0.73

LICENSES, PERMITS, AND FEES

FY2014 Performance: In FY2014, collections from licenses, permits, and fees totaled \$52.2 million, which was up 7.0% or \$3.4 million from FY2013. Collections from security fees grew 7.1% in FY2014, significantly higher than the historical average of 2.7%. The state's share from the insurance operating fund grew 17.1% in FY2014, driven primarily by higher penalty fees collected during the fiscal year. Actual FY2014 collections were \$1.0 million higher than the most recent legislative adopted estimates.

- Collections in this category account for approximately 3.8% of ongoing general fund revenues in FY2015.



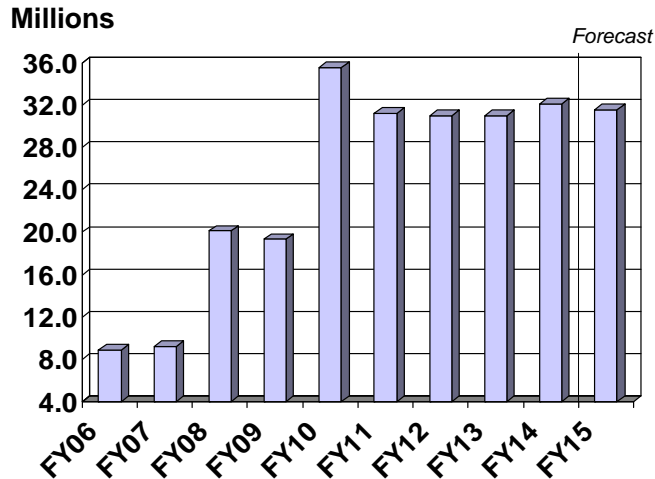
Estimate: The different sources of receipts included in this category are estimated individually based on historical collections and current conditions.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Receipts	48,775,456	52,203,471	52,901,370
Dollar Change	373,094	3,428,015	697,899
Percent Change	0.77	7.03	1.34

NET TRANSFERS IN

FY2014 Performance: In FY2014, collections from net transfers in totaled \$32.1 million, which was up 3.6% or \$1.1 million from FY2013. Actual collections in FY2014 were \$1.0 million higher than the most recent legislative adopted estimate.

- Receipts included in this category account for approximately 2.3% of ongoing general fund revenues in FY2015.



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

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	31,003,732	32,133,057	31,536,290
Dollar Change	(11,605)	1,129,325	(596,767)
Percent Change	(0.06)	3.64	(1.86)

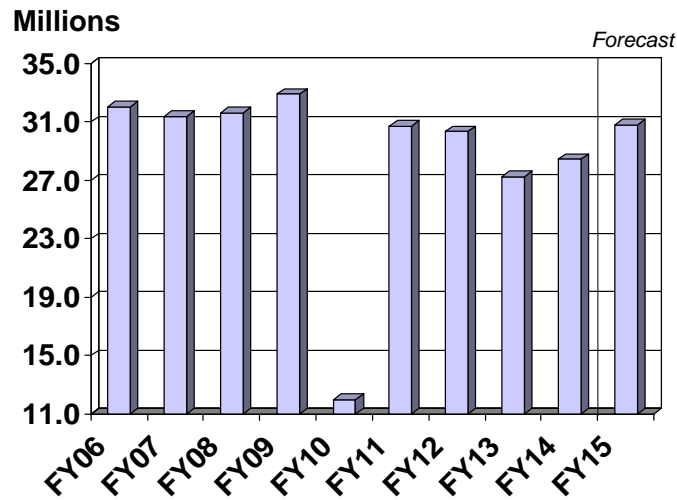
TRUST FUNDS

FY2014 Performance: Transfers from the trust funds to the general fund in FY2014 totaled \$28.4 million, which was an increase of 4.4% from FY2013. As of June 30, 2014, the estimated rate of return for FY2014 was 15.8% for each of the three trust funds.

- The table below shows the amounts transferred from each of the trust funds to the general fund in FY2013 and FY2014, and the estimated amounts for FY2015.

	Actual FY2013	Actual FY2014	Estimated FY2015
HCTF	3,825,385	3,959,754	4,322,835
EETF	14,052,700	14,413,354	15,699,869
DCTF	9,356,955	10,063,456	10,787,088
Total	27,235,040	28,436,564	30,809,792

- Receipts from the trust funds account for approximately 2.2% of ongoing general fund revenues in FY2015.



Estimate: The estimate for FY2015 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 FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	27,235,040	28,436,564	30,809,792
Dollar Change	(3,110,646)	1,201,524	2,373,228
Percent Change	(10.25)	4.41	8.35

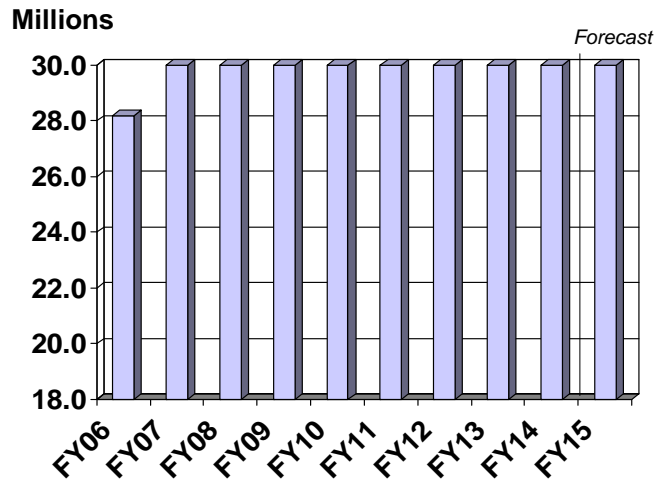
CIGARETTE TAX

FY2014 Performance: In FY2014, the total collections from the tobacco taxes were \$59.4 million and the first \$30.0 million was deposited to the general fund. In FY2014, cigarette taxes totaled \$52.0 million, which was an increase of \$0.4 million or 0.7% over FY2013. Other tobacco taxes totaled \$7.4 million, which was an increase of \$0.6 million or 8.1% over FY2013.

- Approximately 87% of the collections included in this category are from the tax on cigarettes, and the remaining 13% is collected based on the tax on the wholesale purchase price of other tobacco products.
- Collections in this category account for approximately 2.2% of ongoing general fund revenues.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
General Fund	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000
PTRF	7,756,703	8,060,561	7,933,834
EETTF	7,756,703	8,060,561	7,933,834
HCTTF	7,991,754	8,304,821	8,174,253
Total	58,505,159	59,425,953	59,041,921

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



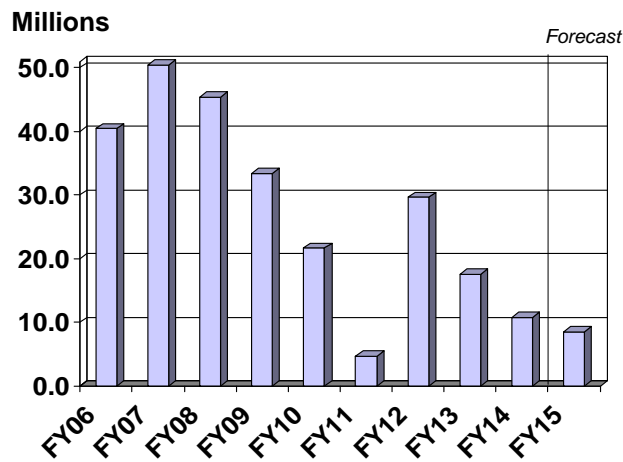
Estimate: Collections from the tax on cigarettes and other tobacco products are estimated individually. The general fund is expected to receive \$30,000,000 in FY2015.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	30,000,000	30,000,000	30,000,000
Dollar Change	0	0	0
Percent Change	0	0	0

BANK FRANCHISE TAX

FY2014 Performance: In FY2014, bank franchise tax collections totaled \$10.8 million, which was down \$6.8 million or 38.5% compared to FY2013. Bank card collections totaled \$3.9 million, down \$5.2 million, or 57.3% compared to FY2013. Traditional bank tax collections totaled \$6.9 million, down \$1.5 million or 18.3% compared to FY2013. Total FY2014 bank tax collections were \$0.7 million higher than the most recent legislative adopted estimate.

- Ninety-five percent 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 0.6% of ongoing general fund revenues in FY2015.



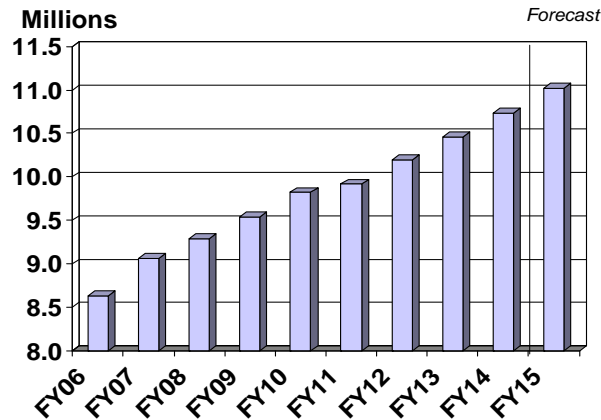
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	17,537,046	10,782,035	8,525,229
Dollar Change	(12,151,945)	(6,755,011)	(2,256,806)
Percent Change	(40.93)	(38.52)	(20.93)

ALCOHOL BEVERAGE TAX

FY2014 Performance: Alcohol beverage tax collections to the general fund in FY2014 totaled \$10.8 million, an increase of \$0.3 million or 3.2% compared to FY2013. Actual FY2014 collections were slightly below the most recent legislative adopted estimate.

- The state receives 75% of the tax collected, and 25% of the collections go to the municipalities.
- Collections from this tax account for approximately 0.8% of ongoing general fund revenues in FY2015.



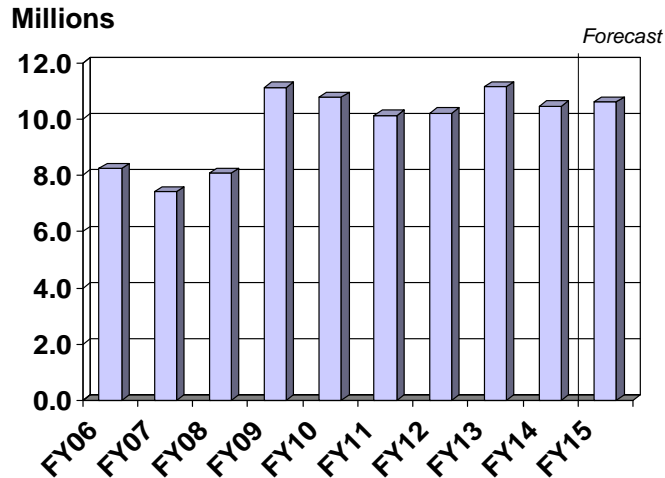
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	10,456,399	10,790,053	11,100,378
Dollar Change	269,957	333,654	310,325
Percent Change	2.65	3.19	2.88

CHARGES FOR GOODS AND SERVICES

FY2014 Performance: In FY2014, the charges for goods and services category totaled \$10.5 million, a decrease of \$0.7 million or 6.1% compared to FY2013 collections. Actual FY2014 collections were \$0.4 million lower than the most recent legislative adopted estimate.

- Revenues to the general fund from this category are relatively constant from year to year.
- Receipts included in this category account for approximately 0.8% of ongoing general fund revenues in FY2015.



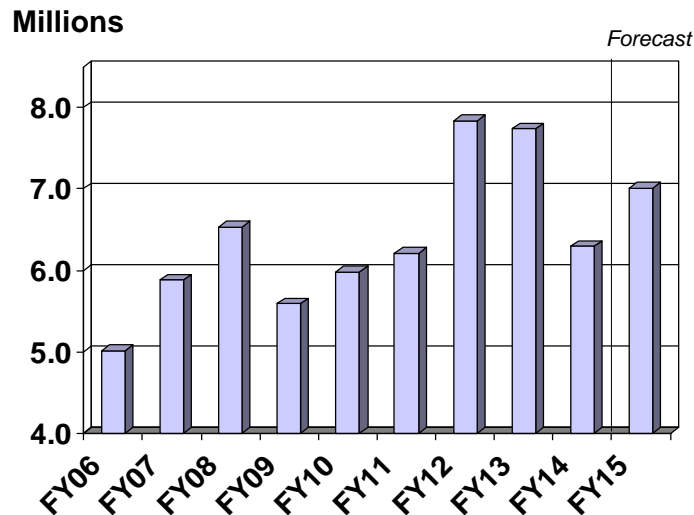
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	11,144,224	10,461,221	10,607,587
Dollar Change	940,632	(683,003)	146,366
Percent Change	9.22	(6.13)	1.40

LOTTERY

FY2014 Performance: Receipts to the general fund from the lottery category totaled \$6.3 million in FY2014, which was down \$1.4 million or 18.6% compared to FY2013. Receipts from on-line tickets totaled \$1.4 million, equal to FY2013. Receipts from instant tickets to the general fund totaled \$4.8 million, which was down \$1.4 million or 22.2% compared to FY2013. Total FY2014 lottery collections were \$1.2 million lower than the most recent legislative adopted estimate.

- All of the net proceeds from the sale of instant lottery tickets are deposited in the general fund.
- The first \$1.4 million of the net proceeds from the sale of on-line lottery tickets are deposited in the general fund. The remaining net proceeds from the sale of on-line lottery tickets are deposited in the Capital Construction Fund.
- Receipts included in this category account for approximately 0.5% of ongoing general fund revenues in FY2015.



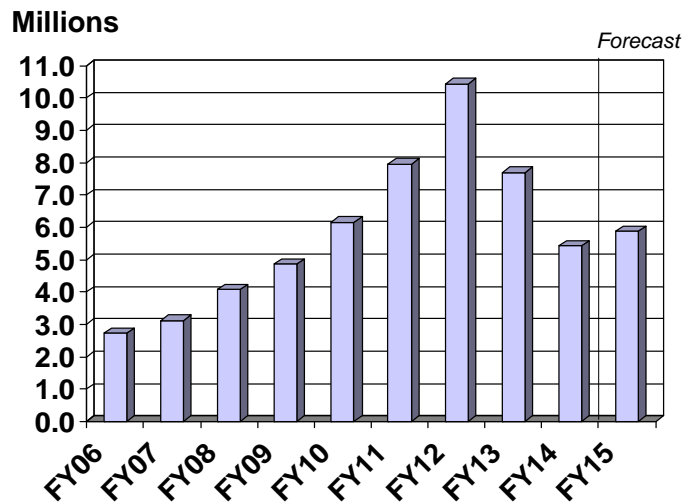
Estimate: The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	7,735,976	6,296,600	7,005,000
Dollar Change	(98,356)	(1,439,376)	708,400
Percent Change	(1.26)	(18.61)	11.25

SEVERANCE TAXES

FY2014 Performance: Severance tax collections totaled \$5.4 million in FY2014, which was down \$2.3 million or 29.5% from FY2013. Collections from energy mineral severance taxes (primarily oil) totaled \$3.5 million, which was up \$0.4 million or 12.8% compared to FY2013. Collections from precious metal severance taxes (primarily gold) totaled \$1.9 million, which was down \$2.7 million or 58.4% compared to FY2013. Total FY2014 severance tax collections were \$0.2 million lower than the most recent legislative adopted estimate.

- 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 FY2015.



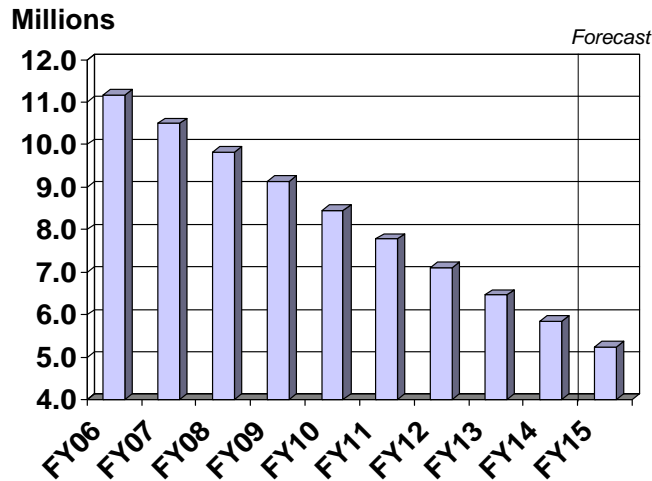
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history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

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	7,690,588	5,424,019	5,874,723
Dollar Change	(2,751,352)	(2,266,569)	450,704
Percent Change	(26.35)	(29.47)	8.31

SALE-LEASEBACK

FY2014 Performance: Collections from the sale-leaseback annuity totaled \$5.8 million in FY2014.

- This is an in-and-out revenue source.
- Receipts account for approximately 0.4% of ongoing general fund revenues in FY2015.



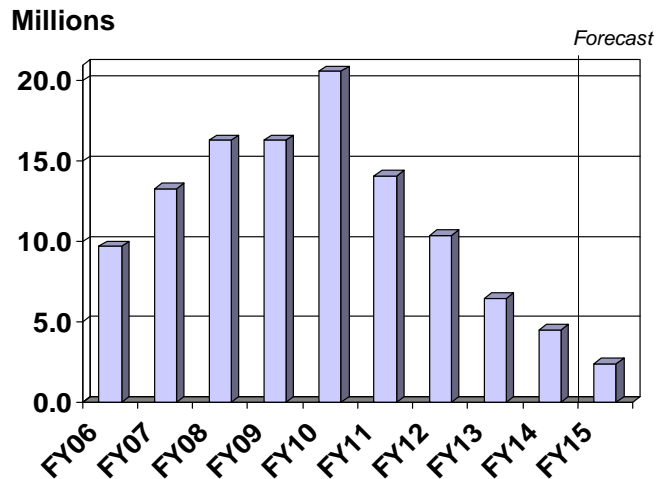
Estimate: The estimates are from the sale-leaseback schedule.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	6,465,087	5,838,681	5,236,813
Dollar Change	(646,132)	(626,406)	(601,868)
Percent Change	(9.09)	(9.69)	(10.31)

INVESTMENT INCOME AND INTEREST

FY2014 Performance: In FY2014, collections from investment income and interest totaled \$4.5 million, a decrease of \$1.9 million or 29.9% compared to FY2013. The yield of the cash flow fund is estimated at 0.85% for FY2014. Total FY2014 collections were \$0.3 million higher than the most recent legislative adopted estimate.

- 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)
- Receipts in this category account for approximately 0.2% of ongoing general fund revenues in FY2015.



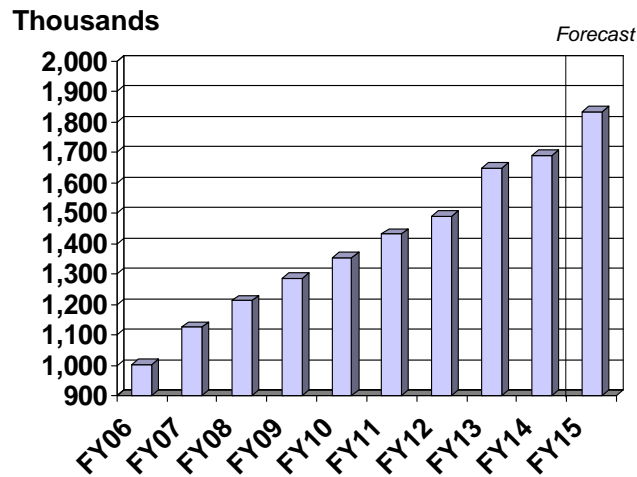
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections.

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	6,459,192	4,528,811	2,403,174
Dollar Change	(3,935,388)	(1,930,381)	(2,125,637)
Percent Change	(37.86)	(29.89)	(46.94)

ALCOHOL BEVERAGE 2% WHOLESALE TAX

FY2014 Performance: Collections in FY2014 totaled \$1.7 million, up 2.6% from FY2013. Actual FY2014 collections from this tax were \$0.2 million lower than the most recent legislative adopted estimate.

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2015.



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

	Actual FY2013	Actual FY2014	Interim Estimate FY2015
Total Receipts	1,647,547	1,690,523	1,833,747
Dollar Change	156,907	42,976	143,224
Percent Change	10.53	2.61	8.47