



REVENUE

FORECASTS

2016 Interim

July 22, 2016

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MEMORANDUM

TO: Governor Dennis Daugaard and Interim Joint Committee on Appropriations

FROM: Jim Terwilliger, State Economist 
Bureau of Finance and Management

SUBJECT: Interim FY2017 Revenue Projections

DATE: July 22, 2016

In accordance with the provisions of SDCL 4-8A-16, the following report includes actual revenue for fiscal years 2015 and 2016 and updated revenue projections for fiscal year 2017 for the various sources of revenue that flow to the state general fund.

The updated FY2017 revenue estimates from the Bureau of Finance and Management total \$1,594,191,619 on an ongoing basis. This updated projection is \$3,948,228 or 0.25 percent lower than the Legislative Adopted FY2017 estimate. Although the interim forecast is slightly lower, it does not meet the threshold required for any further action per SDCL 4-8A-16.

GENERAL FUND RECEIPTS

	<u>ACTUAL FY2015</u>	<u>ACTUAL FY2016</u>	<u>BFM INTERIM FY2017</u>
ONGOING RECEIPTS			
Sales and Use Tax	\$ 836,587,108	\$ 860,905,705	\$ 998,870,512
Lottery	6,952,306	110,057,269	112,556,467
Contractor's Excise Tax	100,116,439	101,496,551	105,825,541
Insurance Company Tax	79,976,685	84,795,304	87,255,140
Unclaimed Property Receipts	52,914,188	55,107,516	54,000,000
Licenses, Permits, and Fees	56,457,033	56,712,050	66,207,468
Tobacco Taxes	30,000,000	57,967,713	56,597,621
Trust Funds	30,826,330	33,146,867	35,154,175
Net Transfers In	30,394,471	20,664,859	19,929,312
Alcohol Beverage Tax	10,772,363	11,403,076	7,770,937
Bank Franchise Tax	8,583,099	10,512,754	11,430,506
Charges for Goods and Services	11,754,275	11,589,517	15,809,451
Telecommunications Tax	0	5,943,316	5,598,923
Severance Taxes	5,396,624	6,131,259	5,596,681
Sale-Leaseback	5,236,813	4,663,938	4,138,575
Investment Income and Interest	864,665	5,438,611	5,499,289
Alcohol Beverage 2% Wholesale Tax	1,861,746	1,850,515	1,951,021
Property Tax Reduction Fund	112,690,797	N/A	N/A
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,381,384,943</u>	<u>\$ 1,438,386,820</u>	<u>\$ 1,594,191,619</u>
ONE-TIME RECEIPTS			
Transfer from Department of Corrections	\$ 0	\$ 6,572,387	\$ 0
Transfer from Petroleum Release Fund	0	3,500,000	0
Transfer from South Dakota Risk Pool	1,420,000	3,353,860	0
Refinancing Gains/Transfer from SDBA	5,567,283	0	0
Transfer from Large Project Liability Account	1,299,428	0	0
Unexpended Carryovers and Specials	16,286,079	379,252	0
Prior Period Adjustments	1,954,866	(4,213,467)	0
Transfer from Budget Reserve Fund	0	27,426,643	0
Obligated Cash Carried Forward	9,876,349	21,535,148	14,069,144
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 36,404,005</u>	<u>\$ 58,553,823</u>	<u>\$ 14,069,144</u>
GRAND TOTAL	<u><u>\$ 1,417,788,948</u></u>	<u><u>\$ 1,496,940,642</u></u>	<u><u>\$ 1,608,260,763</u></u>

ACTUAL FY2015 vs. ACTUAL FY2016 RECEIPTS

	<u>ACTUAL FY2015</u>	<u>ACTUAL FY2016</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 836,587,108	\$ 860,905,705	\$ 24,318,597	2.91
Lottery	6,952,306	110,057,269	103,104,963	1483.03
Contractor's Excise Tax	100,116,439	101,496,551	1,380,112	1.38
Insurance Company Tax	79,976,685	84,795,304	4,818,620	6.03
Unclaimed Property Receipts	52,914,188	55,107,516	2,193,327	4.15
Licenses, Permits, and Fees	56,457,033	56,712,050	255,017	0.45
Tobacco Taxes	30,000,000	57,967,713	27,967,713	93.23
Trust Funds	30,826,330	33,146,867	2,320,537	7.53
Net Transfers In	30,394,471	20,664,859	(9,729,612)	(32.01)
Alcohol Beverage Tax	10,772,363	11,403,076	630,713	5.85
Bank Franchise Tax	8,583,099	10,512,754	1,929,654	22.48
Charges for Goods and Services	11,754,275	11,589,517	(164,758)	(1.40)
Telecommunications Tax	0	5,943,316	5,943,316	100.00
Severance Taxes	5,396,624	6,131,259	734,634	13.61
Sale-Leaseback	5,236,813	4,663,938	(572,875)	(10.94)
Investment Income and Interest	864,665	5,438,611	4,573,946	528.98
Alcohol Beverage 2% Wholesale Tax	1,861,746	1,850,515	(11,231)	(0.60)
Property Tax Reduction Fund	112,690,797	N/A	(112,690,797)	(100.00)
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,381,384,943</u>	<u>\$ 1,438,386,820</u>	<u>\$ 57,001,877</u>	<u>4.13</u>
ONE-TIME RECEIPTS				
Transfer from Department of Corrections	\$ 0	\$ 6,572,387	\$ 6,572,387	100.00
Transfer from Petroleum Release Fund	0	3,500,000	3,500,000	100.00
Transfer from South Dakota Risk Pool	1,420,000	3,353,860	1,933,860	136.19
Refinancing Gains/Transfer from SDBA	5,567,283	0	\$ (5,567,283)	(100.00)
Transfer from Large Project Liability Account	1,299,428	0	(1,299,428)	(100.00)
Unexpended Carryovers and Specials	16,286,079	379,252	(15,906,828)	(97.67)
Prior Period Adjustments	1,954,866	(4,213,467)	(6,168,333)	(315.54)
Transfer from Budget Reserve Fund	0	27,426,643	27,426,643	100.00
Obligated Cash Carried Forward	9,876,349	21,535,148	11,658,799	118.05
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 36,404,005</u>	<u>\$ 58,553,823</u>	<u>\$ 22,149,817</u>	<u>60.84</u>
GRAND TOTAL	<u><u>\$ 1,417,788,948</u></u>	<u><u>\$ 1,496,940,642</u></u>	<u><u>\$ 79,151,694</u></u>	<u><u>5.58</u></u>

ACTUAL FY2016 RECEIPTS VS. INTERIM FY2017 FORECAST

	<u>ACTUAL FY2016</u>	<u>BFM INTERIM FY2017</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 860,905,705	\$ 998,870,512	\$ 137,964,808	16.03
Lottery	110,057,269	112,556,467	2,499,198	2.27
Contractor's Excise Tax	101,496,551	105,825,541	4,328,990	4.27
Insurance Company Tax	84,795,304	87,255,140	2,459,836	2.90
Unclaimed Property Receipts	55,107,516	54,000,000	(1,107,516)	(2.01)
Licenses, Permits, and Fees	56,712,050	66,207,468	9,495,418	16.74
Tobacco Taxes	57,967,713	56,597,621	(1,370,092)	(2.36)
Trust Funds	33,146,867	35,154,175	2,007,308	6.06
Net Transfers In	20,664,859	19,929,312	(735,547)	(3.56)
Alcohol Beverage Tax	11,403,076	7,770,937	(3,632,139)	(31.85)
Bank Franchise Tax	10,512,754	11,430,506	917,752	8.73
Charges for Goods and Services	11,589,517	15,809,451	4,219,934	36.41
Telecommunications Tax	5,943,316	5,598,923	(344,393)	(5.79)
Severance Taxes	6,131,259	5,596,681	(534,578)	(8.72)
Sale-Leaseback	4,663,938	4,138,575	(525,363)	(11.26)
Investment Income and Interest	5,438,611	5,499,289	60,678	1.12
Alcohol Beverage 2% Wholesale Tax	1,850,515	1,951,021	100,506	5.43
Property Tax Reduction Fund	N/A	N/A	0	0.00
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,438,386,820</u>	<u>\$ 1,594,191,619</u>	<u>\$ 155,804,799</u>	<u>10.83</u>
ONE-TIME RECEIPTS				
Transfer from Department of Corrections	\$ 6,572,387	\$ 0	\$ (6,572,387)	(100.00)
Transfer from Petroleum Release Fund	3,500,000	0	(3,500,000)	(100.00)
Transfer from South Dakota Risk Pool	3,353,860	0	(3,353,860)	(100.00)
Unexpended Carryovers and Specials	379,252	0	(379,252)	(100.00)
Prior Period Adjustments	(4,213,467)	0	4,213,467	(100.00)
Transfer from Budget Reserve Fund	27,426,643	0	(27,426,643)	(100.00)
Obligated Cash Carried Forward	21,535,148	14,069,144	(7,466,003)	(34.67)
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 58,553,823</u>	<u>\$ 14,069,144</u>	<u>\$ (44,484,678)</u>	<u>(75.97)</u>
GRAND TOTAL	<u><u>\$ 1,496,940,642</u></u>	<u><u>\$ 1,608,260,763</u></u>	<u><u>\$ 111,320,121</u></u>	<u><u>7.44</u></u>

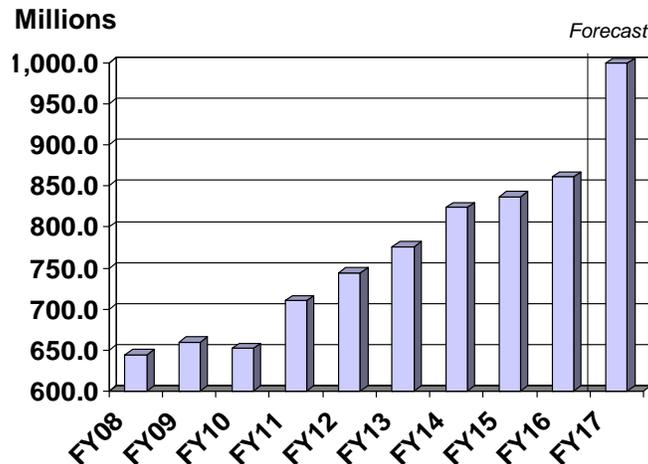
ADOPTED FY2017 FORECAST VS. INTERIM FY2017 FORECAST

	LEG. ADOPTED FY2017	BFM INTERIM FY2017	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,006,724,206	\$ 998,870,512	\$ (7,853,694)	(0.78)
Lottery	111,997,154	112,556,467	559,313	0.50
Contractor's Excise Tax	107,427,227	105,825,541	(1,601,686)	(1.49)
Insurance Company Tax	85,396,833	87,255,140	1,858,307	2.18
Unclaimed Property Receipts	54,000,000	54,000,000	0	0.00
Licenses, Permits, and Fees	65,979,550	66,207,468	227,918	0.35
Tobacco Taxes	56,508,795	56,597,621	88,826	0.16
Trust Funds	35,158,903	35,154,175	(4,728)	(0.01)
Net Transfers In	18,932,912	19,929,312	996,400	5.26
Alcohol Beverage Tax	7,740,352	7,770,937	30,585	0.40
Bank Franchise Tax	11,472,803	11,430,506	(42,297)	(0.37)
Charges for Goods and Services	15,712,470	15,809,451	96,981	0.62
Telecommunications Tax	6,101,884	5,598,923	(502,961)	(8.24)
Severance Taxes	4,034,939	5,596,681	1,561,742	38.71
Sale-Leaseback	4,138,575	4,138,575	0	0.00
Investment Income and Interest	4,819,500	5,499,289	679,789	14.10
Alcohol Beverage 2% Wholesale Tax	1,993,744	1,951,021	(42,723)	(2.14)
SUBTOTAL (ONGOING RECEIPTS)	\$ 1,598,139,847	\$ 1,594,191,619	\$ (3,948,228)	(0.25)
ONE-TIME RECEIPTS				
Obligated Cash Carried Forward	\$ 0	\$ 14,069,144	\$ 14,069,144	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 0	\$ 14,069,144	\$ 14,069,144	100.00
GRAND TOTAL	\$ 1,598,139,847	\$ 1,608,260,763	\$ 10,120,916	0.63

SALES AND USE TAX

FY2016 Performance: In FY2016, total sales and use tax collections were \$860.9 million which was an increase of 2.9% or \$24.3 million over FY2015. Sales and use tax audit collections (which are included in the total) for FY2016 were \$14.6 million compared to \$12.1 million in FY2015. Actual FY2016 collections were \$6.1 million lower than the most recent revised adopted estimate.

- The average annual increase in collections between FY2008 and FY2016 was 3.68%
- Net collections from the sales and use tax account for approximately 62.7% of ongoing general fund revenues in FY2017.



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)

$$\text{STCDS} = -871.34 + 0.07 * \text{SD Nonfarm Income} + 215.99 * \text{Seasonal Dummy} + 19.95 * \text{SD Manufacturing Employment} + 24.55 * \text{SD Housing Starts}$$

$R^2 = .9912$

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

$$\text{STBUSCND} = -2,260.79 + 6.18 * \text{SD Nonfarm Employment} + 263.01 * \text{Seasonal Dummy} + 0.62 * \text{Exports} + 889.77 * \text{CPIF} - 12.86 * \text{Unemployment Rate}$$

$R^2 = .9937$

Equation 3: Construction Related Purchases (STCON)

$$\text{STCON} = -865.23 + 33.13 * \text{SD Construction Employment} + 0.01 * (\text{SD Nonfarm Income} * \text{Seasonal dummy}) + 19.99 * \text{SD Housing Starts} + 0.06 * \text{Wage and Salary Disbursements}$$

$R^2 = .9891$

Equation 4: Recreation Related Purchases (STREC)

STREC = 20.44 + 0.03*SD Nonfarm Income + 0.47*SD Leisure and Hospitality Employment + 0.01*(SD Disposable Income*Seasonal Dummy) – 0.89*oil prices.

R² = .9929

Equation 5: Utilities (STUTI)

STUTI = -272.95 + 0.02*SD Nonfarm Income + 3.52*Consumer Spending on Electricity and Natural Gas.

R² = .9687

Collection Equation:

Sales Tax Collections = 0.3 + 0.04*Total Taxable Sales

R² = .9993

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 a good overall fit.

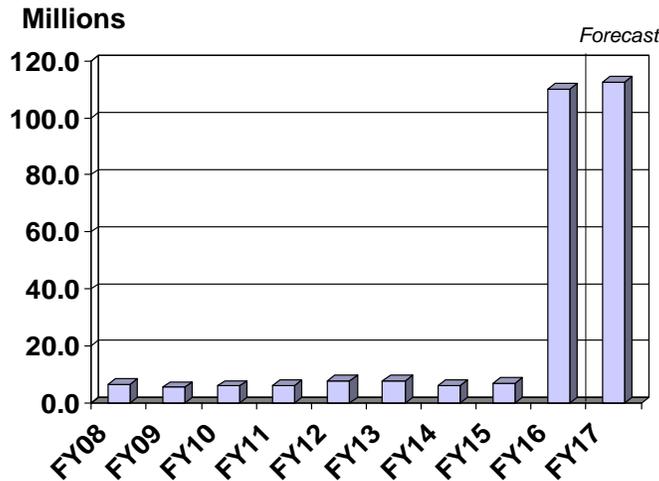
Interim Estimate for FY2017	
Base Sales and Use Tax Collections (4.0%)	885,163,959
+ Audit Collections	14,610,457
+ Boat Tax	2,172,480
+ Mobile Home Tax	254,041
<u>- Endo/Ecto to BOR</u>	<u>(778,881)</u>
= Base Estimate	901,422,056
- DOR Indirect Funding	(8,084,610)
+ Movement to 4.5% HB1182	105,533,066
= Net Sales Tax Estimate	998,870,512

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	836,587,108	860,905,705	998,870,512
Dollar Change	13,185,515	24,318,597	137,964,808
Percent Change	1.60	2.91	16.03

LOTTERY

FY2016 Performance: Receipts to the general fund from the lottery category totaled \$110.1 million in FY2016. Video lottery receipts totaled \$102.5 million, which was an increase of \$4.2 million or 4.3% over FY2015. Receipts from on-line and instant tickets totaled \$7.5 million, which was up \$0.6 million or 8.2% compared to FY2015.

- 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.
- **Due to the repeal of the Property Tax Reduction Fund taking effect July 1, 2015, forty-nine and one half percent of video lottery net machine income now flows directly to the general fund which started in FY2016. Previously, the video lottery receipts flowed through the Property Tax Reduction Fund.**
- Receipts included in this category account for approximately 7.1% of ongoing general fund revenues in FY2017.



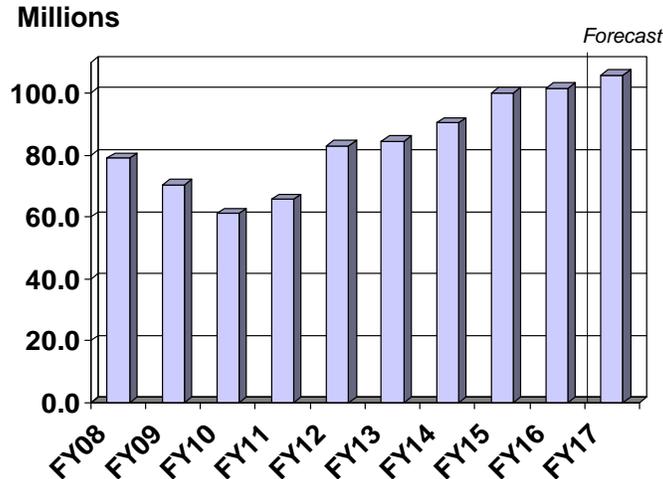
Estimate: The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Instant Lottery	5,552,306	6,124,130	6,060,000
Online Lottery	1,400,000	1,400,000	1,400,000
Video Lottery	N/A	102,533,139	105,096,467
Total Receipts	6,952,306	110,057,269	112,556,467
Dollar Change	655,706	103,104,963	2,499,198
Percent Change	10.41	1483.03	2.27

CONTRACTOR'S EXCISE TAX

FY2016 Performance: In FY2016, net contractor's excise tax collections were \$101.5 million, which was an increase of 1.4% or \$1.4 million over FY2015. Actual FY2016 collections were \$1.7 million lower than the most recent revised legislative adopted estimate.

- The average annual increase in net contractor's excise tax collections between FY2008 and FY2016 was 1.80%.
- Net collections from the contractor's excise tax account for approximately 6.6% of ongoing general fund receipts in FY2016.



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

Contractor's Excise Tax Collections = - 44.16 + 1.80*SD Construction, Natural Resources, and Mining Employment + 0.01*(Seasonal Dummy*SD nonfarm income) - 1.90*SD Unemployment Rate + 4.93*Price Index for Metal Materials and Wood Products + 11.38*Consumer Price Index + 0.30*SD Housing Starts

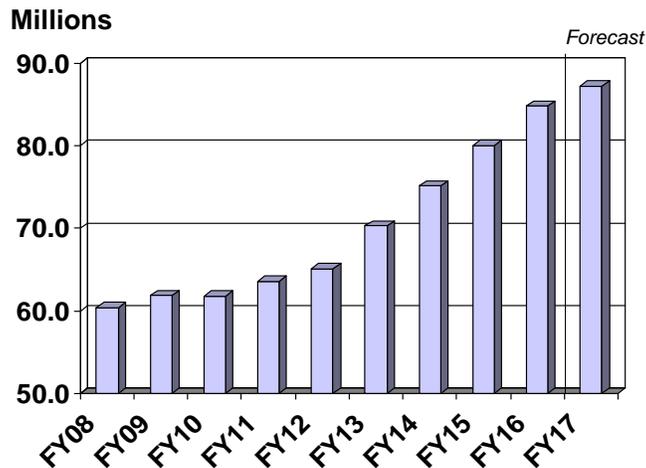
$R^2 = .9906$

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Net Receipts	100,932,442	101,496,551	105,825,541
Dollar Change	9,706,944	1,380,112	4,328,989
Percent Change	10.74	1.38	4.27

INSURANCE COMPANY TAX

FY2016 Performance: In FY2016, insurance company tax collections totaled \$84.8 million, which was up 6.0% or \$4.8 million from FY2015. Actual FY2016 collections were \$1.4 million higher than the most recent legislative adopted estimates.

- The average annual increase between FY2008 and FY2016 was 4.33%.
- **In FY2017, \$2.0 million has been reduced from the insurance company tax due to insurance company tax provided by the passage of SB 159 from the 2016 legislative session.**
- Collections from this tax account for approximately 5.5% of ongoing general fund revenues in FY2017.



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.)

Insurance Company Tax Collections = 3.40 + 0.50*SD Nonfarm Income – 4.00*Seasonal Dummy + 0.04*Consumer Spending on Insurance - 0.28*Yield on 2 year Treasury note.

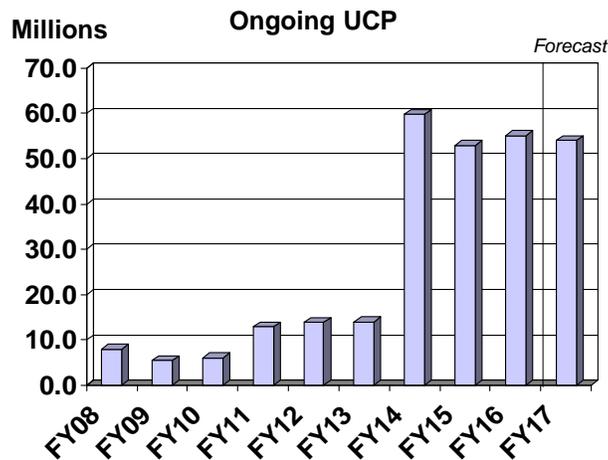
$R^2 = .9632$

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	79,976,685	84,795,304	89,255,140
Scholarship Credits			(2,000,000)
Net Receipts	79,976,685	84,795,304	87,255,140
Dollar Change	4,865,951	4,818,620	2,459,836
Percent Change	6.48	6.03	2.90

UNCLAIMED PROPERTY RECEIPTS

FY2016 Performance: In FY2016, unclaimed property receipts to the general fund totaled \$55.1 million. In total, actual FY2016 collections were \$0.9 million lower than the most recent legislative adopted estimates.

- Collections from unclaimed property receipts account for approximately 3.4% of ongoing general fund revenues in FY2017.
- The chart below shows the ongoing portion of unclaimed property.



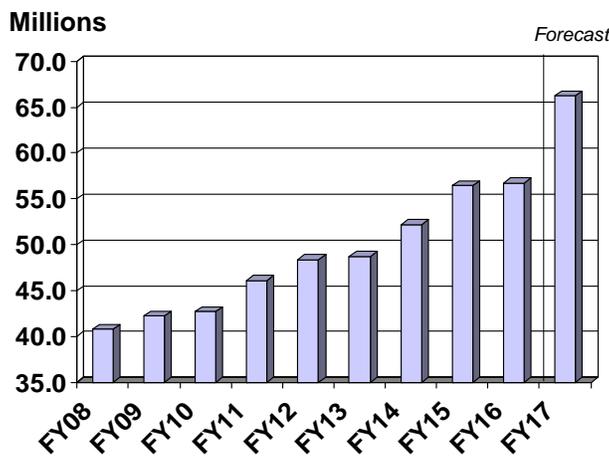
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Ongoing UCP	52,914,188	55,107,516	54,000,000
Dollar Change	(6,847,003)	2,193,327	(1,107,515)
Percent Change	(11.46)	4.15	(2.01)

LICENSES, PERMITS, AND FEES

FY2016 Performance: In FY2016, collections from licenses, permits, and fees totaled \$56.7 million, which was up 0.45% or \$0.3 million from FY2015. Collections from security fees grew 4.3% in FY2016, slightly higher than the historical average of 3.3%. The state's share from the insurance operating fund declined 8.9% in FY2016, due to a large settlement received in the prior year. Actual FY2016 collections were \$0.6 million lower than the most recent legislative adopted estimates.

-
- Collections in this category account for approximately 4.2% of ongoing general fund revenues in FY2017.



Estimate: The different sources of receipts included in this category are estimated individually based on historical collections and current conditions. The FY2017 estimate includes fee changes as a result of SB 46 (securities fees) and SB 49 (Secretary of State fees).

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Receipts	56,457,033	56,712,050	66,207,468
Dollar Change	4,253,562	255,017	9,495,418
Percent Change	8.15	0.45	16.74

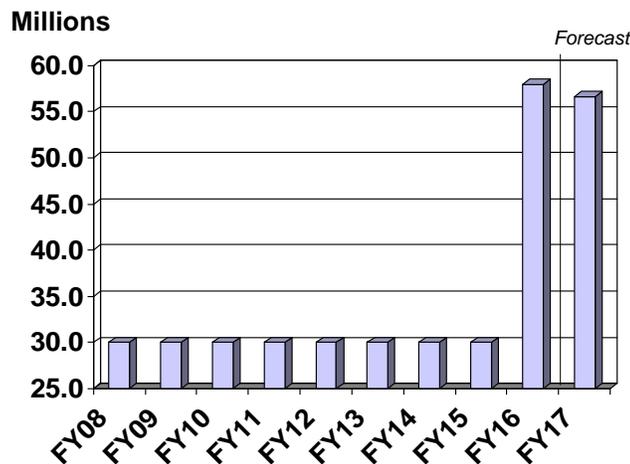
TOBACCO TAXES

FY2016 Performance: In FY2016, the total collections from the tobacco taxes were \$63.0 million and of which \$58.0 million was deposited into the general fund and \$5.0 million was dedicated to tobacco prevention. In FY2016, cigarette taxes totaled \$54.7 million, which was an increase of \$4.2 million or 8.3% compared to FY2015. Other tobacco taxes totaled \$8.3 million, which was an increase of \$0.7 million or 8.7% over FY2015.

- 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 3.6% of ongoing general fund receipts in FY2017.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
General Fund	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000
PTRF	7,628,714	repealed	repealed
EETTF	7,628,714	repealed	repealed
HCTTF	7,859,887	repealed	repealed
Remainder to GF		27,967,713	26,597,621
Total	58,117,315	62,967,713	61,597,621

- 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 forecast to receive \$56,597,621 in FY2017.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	30,000,000	57,967,713	56,597,621
Dollar Change	0	27,967,713	(1,370,092)
Percent Change	0	93.23	(2.36)

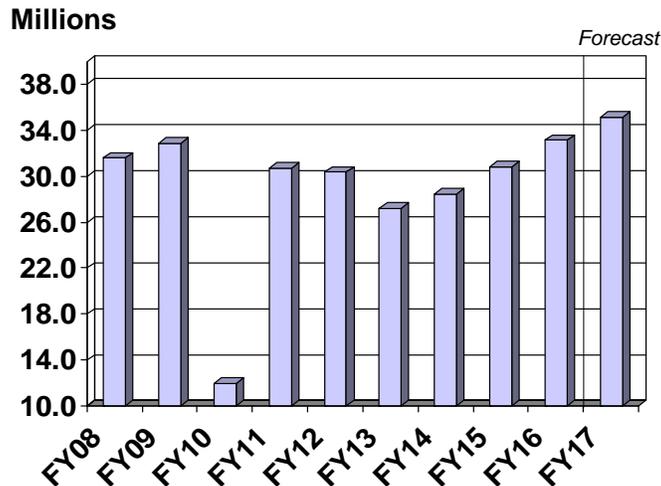
TRUST FUNDS

FY2016 Performance: Transfers from the trust funds to the general fund in FY2016 totaled \$33.1 million, which was an increase of 7.5% or \$2.3 million from FY2015. As of June 30, 2016, the estimated rate of return for FY2016 ranged from -0.2% to 0.1% 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 FY2015 and FY2016, and the estimated amounts for FY2017.

	Actual FY2015	Actual FY2016	Estimated FY2017
HCTF	4,322,835	4,674,130	4,970,123
EETF	15,699,869	17,036,734	18,242,854
DCTF	10,803,626	11,436,003	11,941,199
Total	30,826,330	33,146,867	35,154,175

- Receipts from the trust funds account for approximately 2.2% of ongoing general fund revenues in FY207.



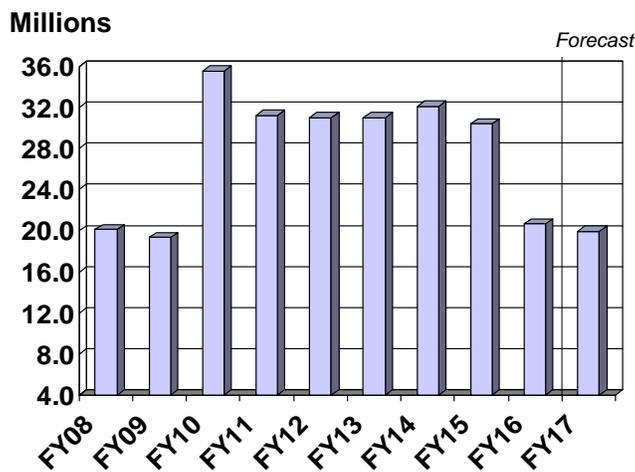
Estimate: The estimate for FY2017 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	30,826,330	33,146,867	35,154,175
Dollar Change	2,389,766	2,320,537	2,412,687
Percent Change	8.40	7.53	6.06

NET TRANSFERS IN

FY2016 Performance: In FY2016, collections from net transfers in totaled \$20.7 million, which was down 32.0% or \$9.7 million from FY2015. Actual collections in FY2016 were \$2.3 million higher than the most recent legislative adopted estimate.

- In FY2016, the Health Care Tobacco Tax Fund and the Education Enhancement Tobacco Tax Fund was repealed. These receipts are now included in the Tobacco Taxes revenue category in FY2016. Other receipts included in this category beginning in FY2016 are the wind taxes and the obligation recovery center recovery fee.
- Receipts included in this category account for approximately 1.3% of ongoing general fund revenues in FY2017.



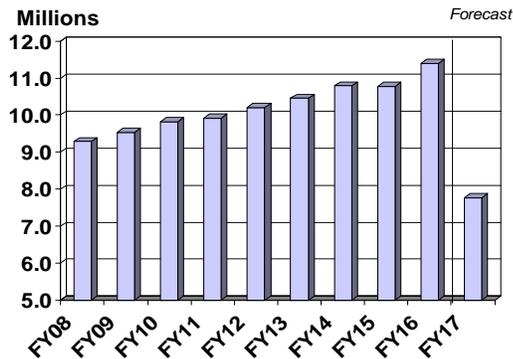
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	30,394,471	20,664,859	19,929,312
Dollar Change	(1,738,586)	(9,729,612)	(735,548)
Percent Change	(5.41)	(32.01)	(3.56)

ALCOHOL BEVERAGE TAX

FY2016 Performance: Alcohol beverage tax collections to the general fund in FY2016 totaled \$11.4 million, up 5.85% compared to FY2015. Actual FY2016 collections were \$0.1 million higher than the most recent legislative adopted estimate.

- Prior to FY2017, the state received 75% of the tax collected, and 25% of the collections went to the municipalities.
- **Beginning in FY2017 per the passage of SB 2, the state will receive 50% of the tax collected with 25% going to the municipalities and 25% going to the counties.**
- Collections from this tax account for approximately 0.7% of ongoing general fund revenues in FY2017.



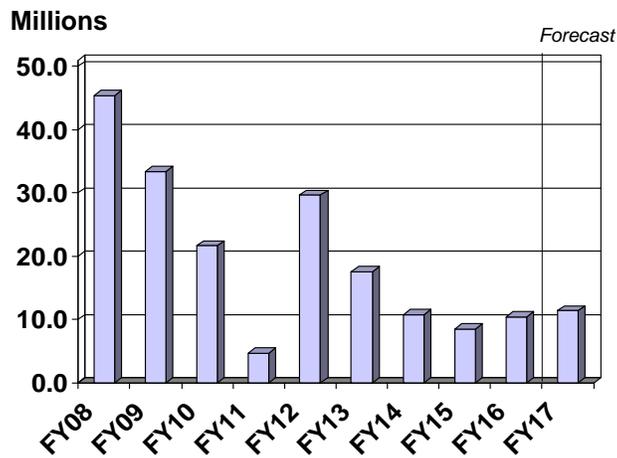
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	10,772,363	11,403,076	7,770,937
Dollar Change	(17,690)	630,713	(3,632,139)
Percent Change	(0.16)	.85	(31.85)

BANK FRANCHISE TAX

FY2016 Performance: In FY2016, bank franchise tax collections totaled \$10.5 million, which was up \$1.9 million or 22.5% compared to FY2015. Bank card collections totaled \$3.2 million, down \$1.1 million or 25.28% compared to FY2015. Traditional bank tax collections totaled \$7.3 million, up \$3.0 million or 70.95% compared to FY2015. Total FY2016 bank tax collections were \$2.7 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 0.7% of ongoing general fund revenues in FY2017.



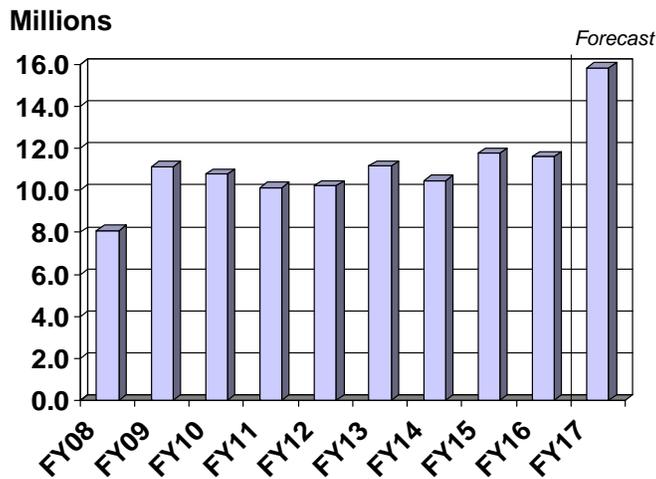
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	8,583,099	10,512,754	11,430,506
Dollar Change	(2,198,935)	1,929,654	917,752
Percent Change	(20.39)	22.48	8.73

CHARGES FOR GOODS AND SERVICES

FY2016 Performance: In FY2016, the charges for goods and services category totaled \$11.5 million, a decrease of \$0.2 million or 1.40% compared to FY2015 collections. Actual FY2016 collections were \$0.3 million higher than the most recent legislative adopted estimate.

- Revenues to the general fund from this category are relatively constant from year to year.
- **In FY2017, an additional \$4.4 million in receipts is projected from the Department of Corrections due to the budget restructuring that was approved during the 2016 Legislative session.**
- Receipts included in this category account for approximately 1.0% of ongoing general fund revenues in FY2017.



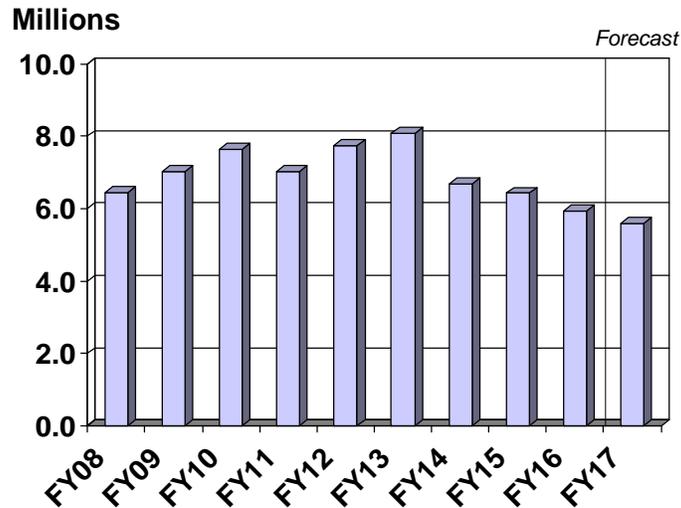
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	11,754,275	11,589,517	15,809,451
Dollar Change	1,293,054	(164,758)	4,219,934
Percent Change	12.36	(1.40)	36.41

TELECOMMUNICATIONS TAX

FY2016 Performance: In FY2016, the telecommunications tax totaled \$5.9 million, a decrease of \$0.5 million or 7.65% compared to FY2015 collections. Actual FY2016 collections were \$0.1 million lower than the most recent legislative adopted estimate.

- A gross receipts tax is imposed at the rate of 4% of telecommunications services within the state (SDCL 10-33A). Through FY2015, sixty percent of the revenue generated from this tax is dedicated to the Property Tax Reduction Fund (PTRF) with the remaining forty percent deposited into the County Telecommunications Gross Receipts Fund.
- **Beginning in FY2016, the receipts from this tax are included in this separate classification due to the repeal of the PTRF.**
- The chart below shows the historical collections of this particular source of revenue that has flowed through the PTRF to the state general fund from FY2008 through FY2015 as well as the actual FY2016 amount and FY2017 estimate which now flows directly to the general fund.



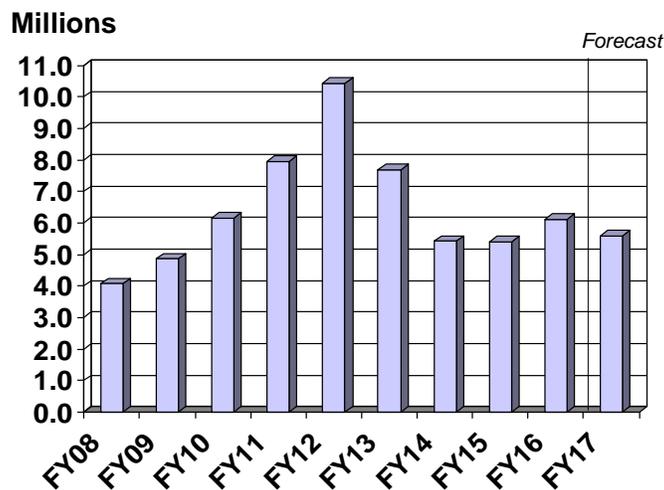
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	*in PTRF*	5,943,316	5,598,923
Dollar Change		(492,305)	(344,393)
Percent Change		(7.65)	(5.79)

SEVERANCE TAXES

FY2016 Performance: Severance tax collections totaled \$6.1 million in FY2016, which was up \$0.7 million or 13.61% from FY2015. Collections from energy mineral severance taxes (primarily oil) totaled \$1.5 million, which was down \$1.0 million or 38.84% compared to FY2015. Collections from precious metal severance taxes (primarily gold) totaled \$4.6 million, which was up \$1.7 million or 59.08% compared to FY2015. Total FY2016 severance tax collections were \$2.6 million higher 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 FY2017.



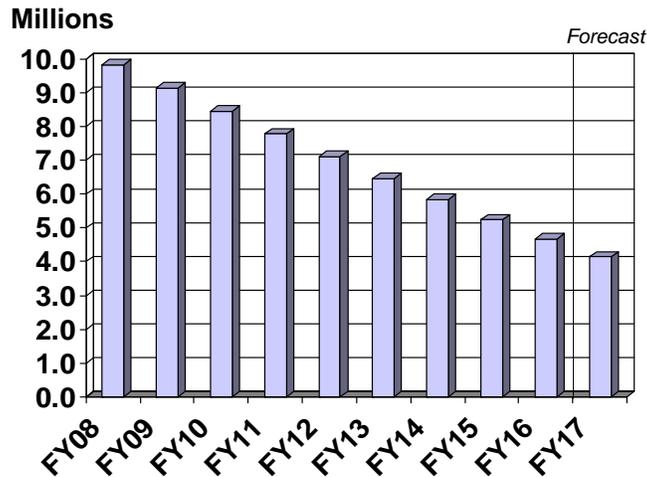
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history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

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	5,396,624	6,131,259	5,596,681
Dollar Change	(27,394)	734,634	(534,577)
Percent Change	(0.51)	13.61	(8.72)

SALE-LEASEBACK

FY2016 Performance: Collections from the sale-leaseback annuity totaled \$4.7 million in FY2016.

- This is an in-and-out revenue source.
- Receipts account for approximately 0.3% of ongoing general fund revenues in FY2017.



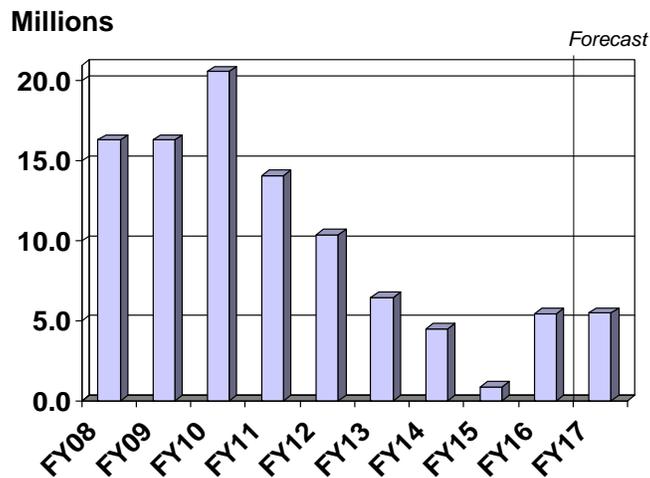
Estimate: The estimates are from the sale-leaseback schedule.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	5,236,813	4,663,938	4,138,575
Dollar Change	(601,868)	(572,875)	(525,363)
Percent Change	(10.31)	(10.94)	(11.26)

INVESTMENT INCOME AND INTEREST

FY2016 Performance: In FY2016, collections from investment income and interest totaled \$5.4 million, an increase of \$4.6 million or 528.98% compared to FY2015. The yield of the cash flow fund is estimated at 1.35% for FY2016. Total FY2016 collections were slightly higher than the most recent legislative adopted estimate.

- The amounts collected in FY2015 and FY2016 are based on discontinuing the accelerated 90% interest earnings for the current year's proration starting in FY2015. Thus, only 10% of the previous year's proration (FY2014) is reflected in FY2015 receipts and 100% of the earnings from the previous year are reflected in FY2016 receipts.
- 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. Also included in FY2017 is an interest refund on a bond issuance that has been received in this category the past two years.
- Receipts in this category account for approximately 0.3% of ongoing general fund revenues in FY2017.



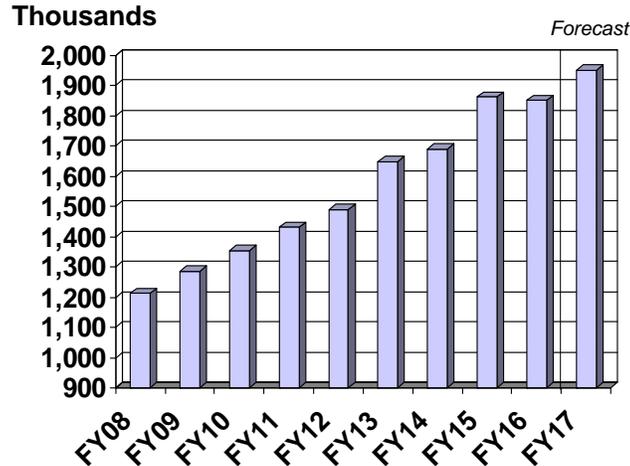
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	864,665	5,438,611	5,499,289
Dollar Change	(3,664,146)	4,573,946	60,678
Percent Change	(80.91)	528.98	1.12

ALCOHOL BEVERAGE 2% WHOLESALE TAX

FY2016 Performance: Collections in FY2016 totaled \$1.9 million, down 0.60% from FY2015. Actual FY2016 collections from this tax were nearly equal to the most recent legislative adopted estimate.

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2017.



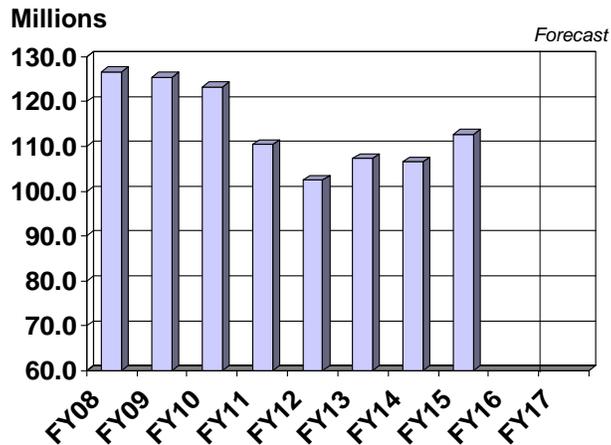
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Total Receipts	1,861,746	1,850,515	1,951,021
Dollar Change	171,223	(11,231)	100,506
Percent Change	10.13	(0.60)	5.43

PROPERTY TAX REDUCTION FUND RECEIPTS

FY2016 Performance: In FY2016, the Property Tax Reduction Fund was repealed and all ongoing sources of revenue now flow directly to the general fund in other categories.

- The graph below shows the historical amounts that flowed through the PTRF to the general fund prior to its repeal.



	Actual FY2015	Actual FY2016	Interim Estimate FY2017
Video Lottery	98,289,782	*Lottery*	*Lottery*
Telecom Tax	6,435,621	*Telecom. Tax*	*Telecom. Tax*
Tobacco	7,628,714	*Tobacco Taxes*	*Tobacco Taxes*
Wind Farm Tax	336,680	*Net Transfers In*	*Net Transfers In*
Total Receipts	112,690,797	N/A	N/A
Dollar Change	6,161,600	N/A	N/A
Percent Change	5.78	N/A	N/A