



REVENUE

FORECASTS

2018 Interim

July 25, 2018

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MEMORANDUM

TO: Governor Dennis Daugaard and Interim Joint Committee on Appropriations

FROM: Jim Terwilliger, Deputy Commissioner
Bureau of Finance and Management



SUBJECT: Interim FY2019 Revenue Projections

DATE: July 25, 2018

In accordance with the provisions of SDCL 4-8A-16, the following report includes actual revenue for FY2017 and FY2018 and updated revenue projections for FY2019 for the various sources of revenue that flow to the state general fund.

The updated FY2019 revenue estimates from the Bureau of Finance and Management total \$1,641,840,477 on an ongoing basis. This updated projection is \$294,793 or 0.02 percent higher than the Legislative Adopted FY2019 estimate. Since this most recent forecast is higher than the Adopted FY2019 budgeted level, there is no shortfall in the current fiscal year at this time and no further action is necessary per SDCL 4-8A-16.

GENERAL FUND RECEIPTS

	<u>ACTUAL FY2017</u>	<u>ACTUAL FY2018</u>	<u>BFM INTERIM FY2019</u>
ONGOING RECEIPTS			
Sales and Use Tax	\$ 951,223,081	\$ 988,823,603	\$ 1,027,523,378
Lottery	111,827,256	116,675,440	120,333,860
Contractor's Excise Tax	106,828,537	107,626,628	112,614,684
Insurance Company Tax	83,271,532	91,021,843	93,106,970
Unclaimed Property Receipts	44,386,220	52,766,031	49,279,257
Licenses, Permits, and Fees	64,730,175	67,492,051	68,918,542
Tobacco Taxes	56,809,149	54,157,663	53,800,381
Trust Funds	35,194,697	37,035,528	38,560,323
Net Transfers In	21,897,071	20,941,048	20,771,768
Alcohol Beverage Tax	7,617,533	7,668,288	7,868,302
Bank Franchise Tax	14,688,771	13,494,940	14,119,337
Charges for Goods and Services	15,562,672	16,094,652	16,452,092
Telecommunications Tax	5,329,876	4,931,125	4,561,291
Severance Taxes	8,968,233	6,602,808	5,905,069
Sale-Leaseback	4,138,575	N/A	N/A
Investment Income and Interest	6,366,142	6,053,274	5,923,525
Alcohol Beverage 2% Wholesale Tax	1,954,454	2,020,940	2,101,698
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,540,793,973</u>	<u>\$ 1,593,405,861</u>	<u>\$ 1,641,840,477</u>
ONE-TIME RECEIPTS			
Transfer from DOR agency fund	\$ 0	3,871,437	\$ 0
Transfer from Petroleum Release Fund	0	1,300,000	0
Transfer from Workforce Education Fund	0	792,729	0
Transfer from Prescription Drug Plan Fund	0	750,000	0
Transfer from Telecommunication Fund	800,000	750,000	0
Transfer from Court Automation Fund	500,000	500,000	0
Transfer from Video Lottery Fund	500,000	500,000	0
Transfer from Technology Fund	0	500,000	0
Transfer from Private Activities Bond Fee Fund	911,625	480,743	0
Transfer from Budgetary Accounting Fund	0	261,396	0
Transfer from Veterans' Home Operating Fund	0	120,000	0
One-time Unclaimed Property (stock sales)	12,714,729	0	0
Transfer from General Militia Fund	180,000	0	0
Transfer from SD Certified Beef Fund	104,000	0	0
Prior Period Adjustments	(1,712,184)	(1,309,473)	0
Unexpended Carryovers and Specials	1,449,345	204,351	0
Transfer from Budget Reserves	0	5,855,710	0
Obligated Cash Carried Forward	14,069,144	7,943,412	16,898,828
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 29,516,659</u>	<u>\$ 22,520,305</u>	<u>\$ 16,898,828</u>
GRAND TOTAL	<u><u>\$ 1,570,310,632</u></u>	<u><u>\$ 1,615,926,166</u></u>	<u><u>\$ 1,658,739,305</u></u>

ACTUAL FY2017 vs. ACTUAL FY2018 RECEIPTS

	<u>ACTUAL FY2017</u>	<u>ACTUAL FY2018</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 951,223,081	\$ 988,823,603	\$ 37,600,523	3.95
Lottery	111,827,256	116,675,440	4,848,184	4.34
Contractor's Excise Tax	106,828,537	107,626,628	798,091	0.75
Insurance Company Tax	83,271,532	91,021,843	7,750,311	9.31
Unclaimed Property Receipts	44,386,220	52,766,031	8,379,811	18.88
Licenses, Permits, and Fees	64,730,175	67,492,051	2,761,876	4.27
Tobacco Taxes	56,809,149	54,157,663	(2,651,486)	(4.67)
Trust Funds	35,194,697	37,035,528	1,840,831	5.23
Net Transfers In	21,897,071	20,941,048	(956,023)	(4.37)
Alcohol Beverage Tax	7,617,533	7,668,288	50,754	0.67
Bank Franchise Tax	14,688,771	13,494,940	(1,193,831)	(8.13)
Charges for Goods and Services	15,562,672	16,094,652	531,980	3.42
Telecommunications Tax	5,329,876	4,931,125	(398,751)	(7.48)
Severance Taxes	8,968,233	6,602,808	(2,365,425)	(26.38)
Sale-Leaseback	4,138,575	0	(4,138,575)	(100.00)
Investment Income and Interest	6,366,142	6,053,274	(312,868)	(4.91)
Alcohol Bev 2% Wholesale Tax	1,954,454	2,020,940	66,486	3.40
TOTAL (ONGOING RECEIPTS)	<u>\$ 1,540,793,973</u>	<u>\$ 1,593,405,861</u>	<u>\$ 52,611,888</u>	<u>3.41</u>
ONE-TIME RECEIPTS				
Transfer from DOR agency fund	\$ 0	\$ 3,871,437	\$ 3,871,437	100.00
Transfer from Petroleum Release Fund	0	1,300,000	1,300,000	100.00
Transfer from Workforce Education Fund	0	792,729	792,729	100.00
Transfer from Prescription Drug Plan Fund	0	750,000	750,000	100.00
Transfer from Telecommunication Fund	800,000	750,000	(50,000)	(6.25)
Transfer from Court Automation Fund	500,000	500,000	0	0.00
Transfer from Video Lottery Fund	500,000	500,000	0	0.00
Transfer from Technology Fund	0	500,000	500,000	100.00
Transfer from Private Activites Bond Fee Fund	911,625	480,743	(430,882)	(47.27)
Transfer from Budgetary Accounting Fund	0	261,396	261,396	100.00
Transfer from Veterans' Home Operating Fund	0	120,000	120,000	100.00
One-time Unclaimed Property (stock sales)	12,714,729	0	(12,714,729)	(100.00)
Transfer from General Militia Fund	180,000	0	(180,000)	(100.00)
Transfer from SD Certified Beef Fund	104,000	0	(104,000)	(100.00)
Prior Period Adjustments	(1,712,184)	(1,309,473)	402,711	(23.52)
Unexpended Carryovers and Specials	1,449,345	204,351	(1,244,994)	(85.90)
Transfer from Budget Reserves	0	5,855,710	5,855,710	100.00
Obligated Cash Carried Forward	14,069,144	7,943,412	(6,125,732)	(43.54)
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 29,516,659</u>	<u>\$ 22,520,305</u>	<u>\$ (6,996,354)</u>	<u>(23.70)</u>
GRAND TOTAL	<u><u>\$ 1,570,310,632</u></u>	<u><u>\$ 1,615,926,166</u></u>	<u><u>\$ 45,615,533</u></u>	<u><u>2.90</u></u>

ACTUAL FY2018 RECEIPTS VS. INTERIM FY2019 FORECAST

	ACTUAL FY2018	BFM INTERIM FY2019	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	\$ 988,823,603	\$ 1,027,523,378	\$ 38,699,775	3.91
Lottery	116,675,440	120,333,860	3,658,420	3.14
Contractor's Excise Tax	107,626,628	112,614,684	4,988,056	4.63
Insurance Company Tax	91,021,843	93,106,970	2,085,127	2.29
Unclaimed Property Receipts	52,766,031	49,279,257	(3,486,774)	(6.61)
Licenses, Permits, and Fees	67,492,051	68,918,542	1,426,491	2.11
Tobacco Taxes	54,157,663	53,800,381	(357,282)	(0.66)
Trust Funds	37,035,528	38,560,323	1,524,795	4.12
Net Transfers In	20,941,048	20,771,768	(169,280)	(0.81)
Alcohol Beverage Tax	7,668,288	7,868,302	200,014	2.61
Bank Franchise Tax	13,494,940	14,119,337	624,397	4.63
Charges for Goods and Services	16,094,652	16,452,092	357,440	2.22
Telecommunications Tax	4,931,125	4,561,291	(369,834)	(7.50)
Severance Taxes	6,602,808	5,905,069	(697,739)	(10.57)
Investment Income and Interest	6,053,274	5,923,525	(129,749)	(2.14)
Alcohol Bev 2% Wholesale Tax	2,020,940	2,101,698	80,758	4.00
TOTAL (ONGOING RECEIPTS)	\$ 1,593,405,861	\$ 1,641,840,477	\$ 48,434,616	3.04
ONE-TIME RECEIPTS				
Transfer from DOR agency fund	\$ 3,871,437	\$ 0	\$ (3,871,437)	(100.00)
Transfer from Petroleum Release Fund	1,300,000	0	(1,300,000)	(100.00)
Transfer from Workforce Education Fund	792,729	0	(792,729)	(100.00)
Transfer from Prescription Drug Plan Fund	750,000	0	(750,000)	(100.00)
Transfer from Telecommunication Fund	750,000	0	(750,000)	(100.00)
Transfer from Court Automation Fund	500,000	0	(500,000)	(100.00)
Transfer from Video Lottery Fund	500,000	0	(500,000)	(100.00)
Transfer from Technology Fund	500,000	0	(500,000)	(100.00)
Transfer from Private Activities Bond Fee Fund	480,743	0	(480,743)	(100.00)
Transfer from Budgetary Accounting Fund	261,396	0	(261,396)	(100.00)
Transfer from Veterans' Home Operating Fund	120,000	0	(120,000)	(100.00)
One-time Unclaimed Property (stock sales)	0	0	0	(100.00)
Transfer from General Militia Fund	0	0	0	(100.00)
Transfer from SD Certified Beef Fund	0	0	0	(100.00)
Prior Period Adjustments	(1,309,473)	0	1,309,473	(100.00)
Unexpended Carryovers and Specials	204,351	0	(204,351)	(100.00)
Transfer from Budget Reserves	5,855,710	0	(5,855,710)	(100.00)
Obligated Cash Carried Forward	7,943,412	16,898,828	8,955,416	112.74
SUBTOTAL (ONE-TIME RECEIPTS)	\$ 22,520,305	\$ 16,898,828	\$ (5,621,477)	(24.96)
GRAND TOTAL	\$ 1,615,926,166	\$ 1,658,739,305	\$ 42,813,139	2.65

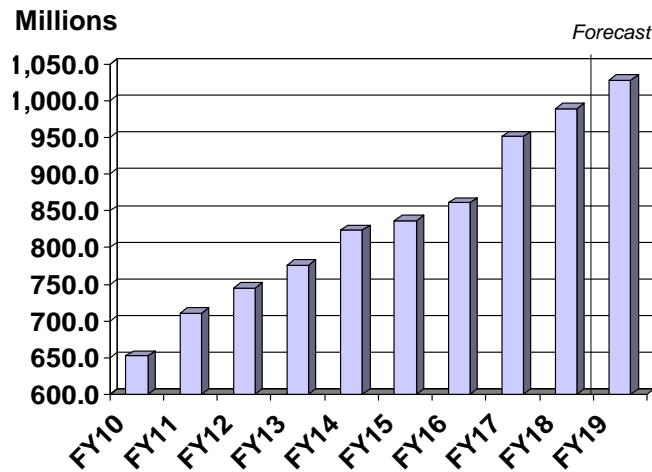
ADOPTED FY2019 FORECAST VS. INTERIM FY2019 FORECAST

	<u>LEG. ADOPTED FY2019</u>	<u>BFM INTERIM FY2019</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 1,029,090,230	\$ 1,027,523,378	\$ (1,566,852)	(0.15)
Lottery	120,659,812	120,333,860	(325,952)	(0.27)
Contractor's Excise Tax	111,415,004	112,614,684	1,199,680	1.08
Insurance Company Tax	90,176,480	93,106,970	2,930,490	3.25
Unclaimed Property Receipts	49,505,508	49,279,257	(226,251)	(0.46)
Licenses, Permits, and Fees	67,934,656	68,918,542	983,886	1.45
Tobacco Taxes	54,514,454	53,800,381	(714,073)	(1.31)
Trust Funds	38,618,079	38,560,323	(57,756)	(0.15)
Net Transfers In	21,006,868	20,771,768	(235,100)	(1.12)
Alcohol Beverage Tax	8,159,825	7,868,302	(291,523)	(3.57)
Bank Franchise Tax	13,708,579	14,119,337	410,758	3.00
Charges for Goods and Services	17,000,000	16,452,092	(547,908)	(3.22)
Telecommunications Tax	4,385,195	4,561,291	176,096	4.02
Severance Taxes	7,082,431	5,905,069	(1,177,362)	(16.62)
Investment Income and Interest	6,050,000	5,923,525	(126,475)	(2.09)
Alcohol Bev 2% Wholesale Tax	2,238,563	2,101,698	(136,865)	(6.11)
TOTAL (ONGOING RECEIPTS)	<u>\$ 1,641,545,684</u>	<u>\$ 1,641,840,477</u>	<u>\$ 294,793</u>	<u>0.02</u>
ONE-TIME RECEIPTS				
Obligated Cash Carried Forward	0	16,898,828	16,898,828	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ -</u>	<u>\$ 16,898,828</u>	<u>\$ 16,898,828</u>	<u>100.00</u>
GRAND TOTAL	<u><u>\$ 1,641,545,684</u></u>	<u><u>\$ 1,658,739,305</u></u>	<u><u>\$ 17,193,621</u></u>	<u><u>1.05</u></u>

SALES AND USE TAX

FY2018 Performance: In FY2018, total sales and use tax collections were \$988.8 million which was an increase of 4.0% or \$37.6 million over FY2017. Sales and use tax audit collections (which are included in the total) for FY2018 were \$12.8 million compared to \$15.2 million in FY2017. Actual FY2018 collections were \$2.8 million lower than the most recent revised adopted estimate.

- The average annual increase in collections between FY2010 and FY2018 was 5.3%.
- Net collections from the sales and use tax account for approximately 62% of ongoing general fund revenues in FY2018.



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. Independent 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)

$$\text{STCDS} = -294.65 + 0.07 * \text{SD Nonfarm Income} + 204.56 * \text{Seasonal Dummy} + 9.66 * \text{SD Manufacturing Employment} + 24.01 * \text{SD Housing Starts}$$

$R^2 = .9942$

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

$$\text{STBUSCND} = -2,507.53 + 7.58 * \text{SD Nonfarm Employment} + 272.13 * \text{Seasonal Dummy} + 0.63 * \text{Exports} + 673.49 * \text{CPIF} + 0.02 * \text{Farm Proprietors Income}$$

$R^2 = .9939$

Equation 3: Construction Related Purchases (STCON)

$$\text{STCON} = -545.29 + 26.24 * \text{SD Construction Employment} + 0.01 * (\text{SD Nonfarm Income} * \text{Seasonal dummy}) + 7.41 * \text{SD Housing Starts} + 0.05 * \text{Wage and Salary Disbursements} + 0.03 * \text{Farm Proprietors Income (lagged)}$$

$R^2 = .9862$

Equation 4: Recreation Related Purchases (STREC)

STREC = -3.68 + 0.03*SD Nonfarm Income + 2.80* SD Leisure and Hospitality Employment + 0.01*(SD Disposable Income*Seasonal Dummy) – 0.56*oil prices.

R² = .9950

Equation 5: Utilities (STUTI)

STUTI = 79.06 + 0.02*SD Nonfarm Income + 2.88*Consumer Spending on Electricity and Natural Gas + 0.02 * SD Farm Proprietors Income.

R² = .9862

Collection Equation:

Sales Tax Collections = -2.3 + 0.045*Total Taxable Sales

R² = .9917

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.

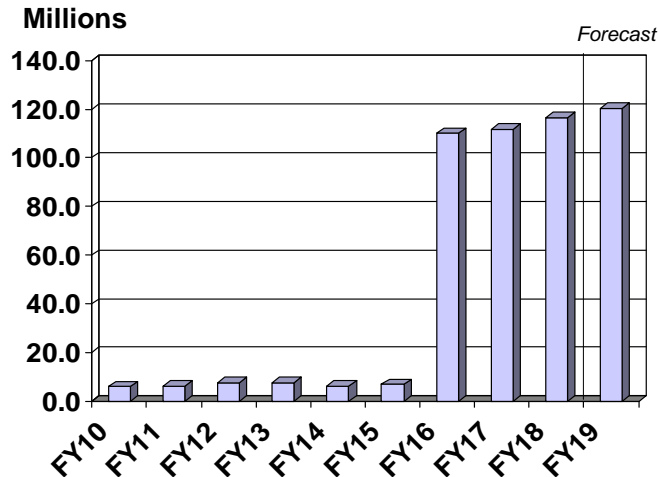
Interim Estimate for FY2019	
Base Sales and Use Tax Collections	1,015,608,576
+ Audit Collections	14,404,671
+ Boat Tax	2,145,281
+ Off-Road Vehicle Excise Tax	1,629,236
<u>+ Mobile Home Tax</u>	<u>258,171</u>
= Base Estimate	1,034,045,934
- DOR Indirect Funding	(6,522,557)
= Net Sales Tax Estimate	1,027,523,378

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	951,223,081	988,823,603	1,027,523,378
Dollar Change	90,317,376	37,600,523	38,699,774
<i>Percent Change</i>	10.49	3.95	3.91

LOTTERY

FY2018 Performance: Receipts to the general fund from the lottery category totaled \$116.7 million in FY2018. Video lottery receipts totaled \$109.0 million, which was an increase of \$4.1 million or 3.9% over FY2017. Receipts from on-line and instant tickets totaled \$7.7 million, which was up \$0.7 million or 10.4% compared to FY2017.

- 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 in FY2018 and prior years, with the remaining net proceeds from the sale of on-line lottery tickets are deposited in the Capital Construction Fund.
- Beginning in FY2019 through FY2023, the net proceeds from on-line lottery funds to the general fund will increase pursuant to the passage of SB 183 from the 2018 legislative session.
- Receipts included in this category account for approximately 7.3% of ongoing general fund revenues in FY2018.



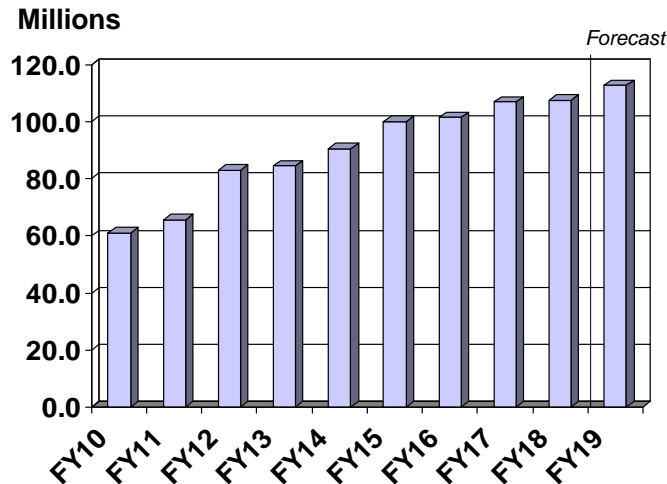
Estimate: The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Instant Lottery	5,577,739	6,300,942	5,585,000
Online Lottery	1,400,000	1,400,000	2,050,000
Video Lottery	104,849,517	108,974,498	111,698,860
Total Receipts	111,827,256	116,675,440	120,333,860
Dollar Change	1,769,987	4,848,184	3,658,420
Percent Change	1.61	4.34	3.14

CONTRACTOR'S EXCISE TAX

FY2018 Performance: In FY2018, net contractor's excise tax collections were \$107.6 million, which was an increase of 0.7% or \$0.8 million over FY2017. Actual FY2018 collections were \$0.9 million higher than the most recent revised legislative adopted estimate.

- The average annual increase in net contractor's excise tax collections between FY2010 and FY2018 was 4.99%.
- Net collections from the contractor's excise tax account for approximately 6.8% of ongoing general fund receipts in FY2018.



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 = - 44.90 + 1.80*SD Construction, Natural Resources, and Mining Employment + 0.01*(Seasonal Dummy*SD nonfarm income) – 1.92*SD Unemployment Rate + 4.40*Price Index for Metal Materials and Wood Products + 12.46*Consumer Price Index + 0.43*SD Housing Starts

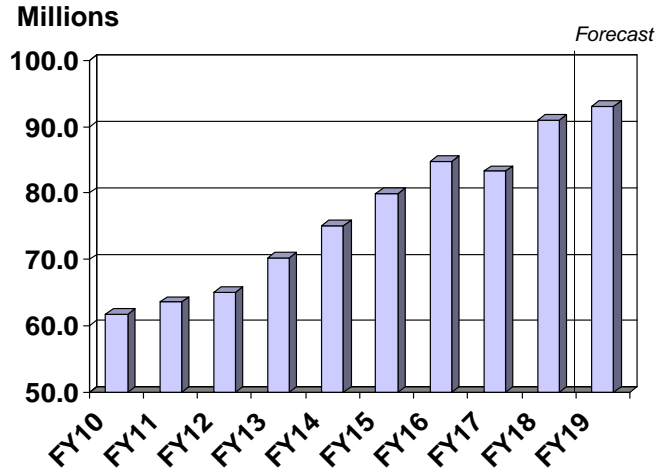
$R^2 = .9935$

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Net Receipts	106,828,537	107,626,628	112,614,684
Dollar Change	5,331,986	798,091	4,988,056
Percent Change	5.25	0.75	4.63

INSURANCE COMPANY TAX

FY2018 Performance: In FY2018, insurance company tax collections totaled \$91.0 million, which was up 9.3% or \$7.8 million from FY2017. Actual FY2018 collections were \$3.7 million higher than the most recent legislative adopted estimates.

- The average annual increase between FY2010 and FY2018 was 4.97%.
- Collections from this tax account for approximately 5.7% of ongoing general fund revenues in FY2018.



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 = 5.33 + 0.40*SD Nonfarm Income – 3.87*Seasonal Dummy + 0.06*Consumer Spending on Insurance - 0.38*Yield on 2 year Treasury note + 2.68 * Affordable Care Act dummy variable.

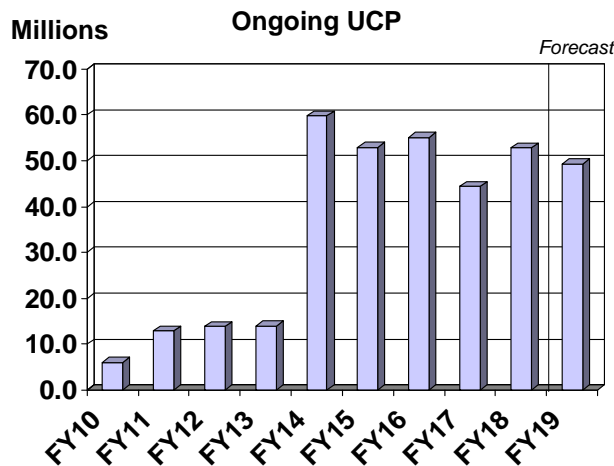
$R^2 = .9743$

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Receipts	83,271,532	91,021,843	93,106,970
Dollar Change	(1,523,772)	7,750,311	3,026,628
Percent Change	(1.80)	9.31	2.29

UNCLAIMED PROPERTY RECEIPTS

FY2018 Performance: In FY2018, unclaimed property receipts to the general fund totaled \$52.8 million. In total, actual FY2018 collections were \$2.4 million higher than the most recent legislative adopted estimates.

- Collections from unclaimed property receipts account for approximately 3.3% of ongoing general fund revenues in FY2018.
- The chart below shows the ongoing portion of unclaimed property.



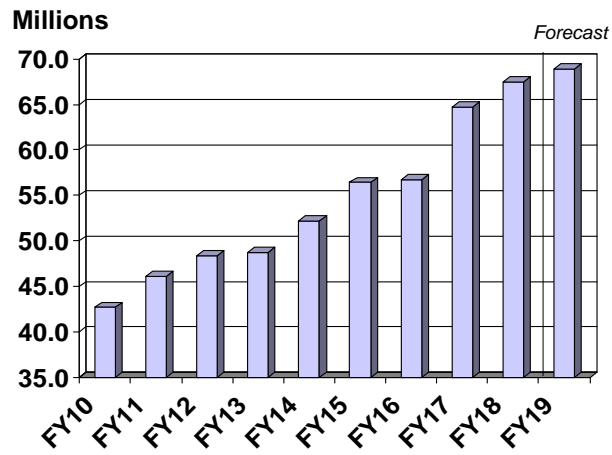
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Ongoing UCP	44,386,220	52,766,031	49,279,257
One-Time UCP	12,714,729	0	0
Total UCP	57,100,949	52,766,031	49,279,257
Dollar Change	1,993,433	(4,334,918)	(3,486,774)
Percent Change	3.62	(7.59)	(6.61)

LICENSES, PERMITS, AND FEES

FY2018 Performance: In FY2018, collections from licenses, permits, and fees totaled \$67.5 million, which was up 4.27% or \$2.8 million from FY2017. Actual FY2018 collections were \$0.5 million higher than the most recent legislative adopted estimates.

- Collections in this category account for approximately 4.2% of ongoing general fund revenues in FY2018.



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

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Receipts	64,730,175	67,492,051	68,918,542
Dollar Change	8,018,125	2,761,876	1,426,491
Percent Change	14.14	4.27	2.11

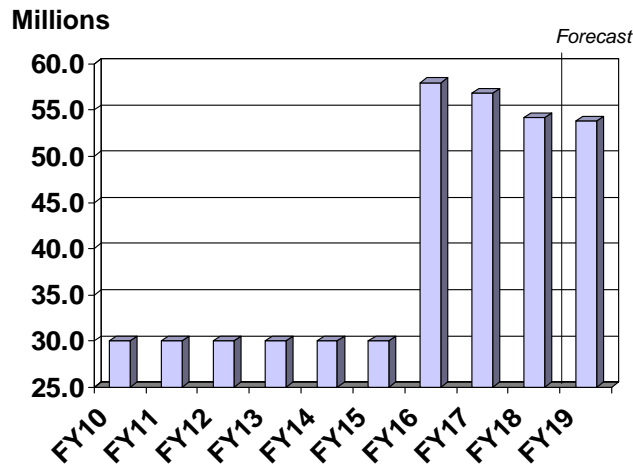
TOBACCO TAXES

FY2018 Performance: In FY2018, the total collections from the tobacco taxes were \$59.2 million and of which \$54.2 million was deposited into the general fund and \$5.0 million was dedicated to tobacco prevention. In FY2018, cigarette taxes totaled \$49.9 million, which was a decrease of \$3.1 million or 5.9% compared to FY2017. Other tobacco taxes totaled \$9.3 million, which was an increase of \$0.4 million or 5.1% over FY2017.

- Approximately 84% of the collections included in this category are from the tax on cigarettes, and the remaining 16% is collected based on the tax on the wholesale purchase price of other tobacco products.
- Collections in this category account for approximately 3.4% of ongoing general fund receipts in FY2018.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
General Fund	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000
Remainder to GF	26,809,149	24,157,663	23,800,381
Total	61,809,149	59,157,663	58,800,381

- 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 \$53,800,381 in FY2018.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	56,809,149	54,157,663	53,800,381
Dollar Change	(1,158,563)	(12,651,486)	(357,282)
Percent Change	(2.00)	(4.67)	(0.66)

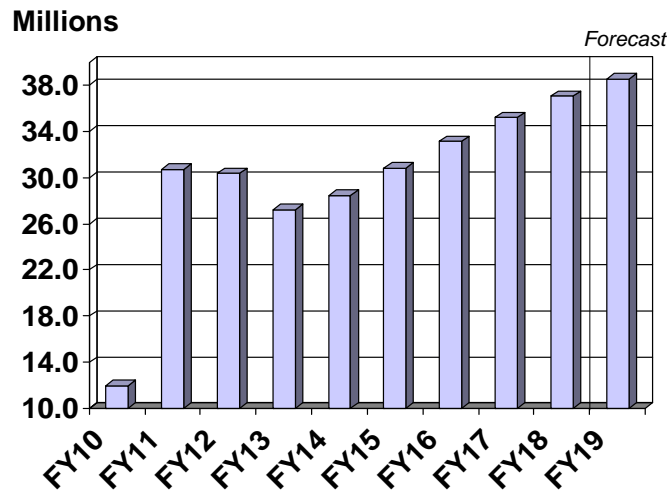
TRUST FUNDS

FY2018 Performance: Transfers from the trust funds to the general fund in FY2018 totaled \$37.0 million, which was an increase of 5.2% or \$1.8 million from FY2017. As of June 30, 2018, the estimated rate of return for FY2018 was approximately 6.4% 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 FY2017 and FY2018, and the estimated amounts for FY2019.

	Actual FY2017	Actual FY2018	Estimated FY2019
HCTF	4,970,123	5,214,739	5,414,857
EETF	18,242,854	19,377,842	20,430,222
DCTF	11,981,721	12,442,947	12,715,245
Total	35,194,697	37,035,528	38,560,323

- Receipts from the trust funds account for approximately 2.3% of ongoing general fund revenues in FY2018.



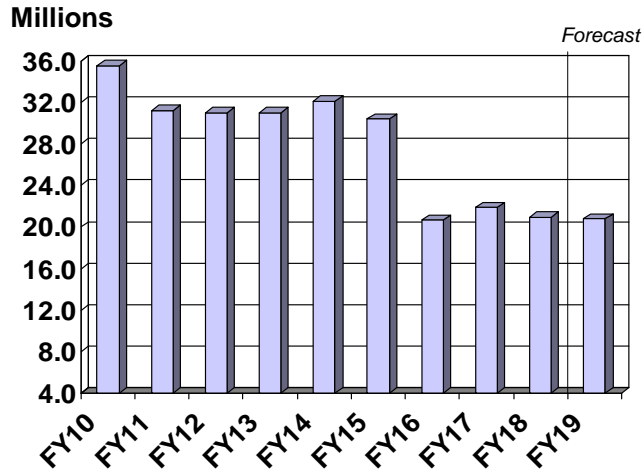
Estimate: The estimate for FY2019 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	35,194,697	37,035,528	38,560,323
Dollar Change	2,320,537	1,840,831	1,524,795
Percent Change	6.18	5.23	4.12

NET TRANSFERS IN

FY2018 Performance: In FY2018, collections from net transfers in totaled \$20.9 million, which was down 4.4% or \$1.0 million from FY2017. Actual collections in FY2018 were \$0.6 million lower than the most recent legislative adopted estimate.

- Receipts included in this category account for approximately 1.3% of ongoing general fund revenues in FY2018.



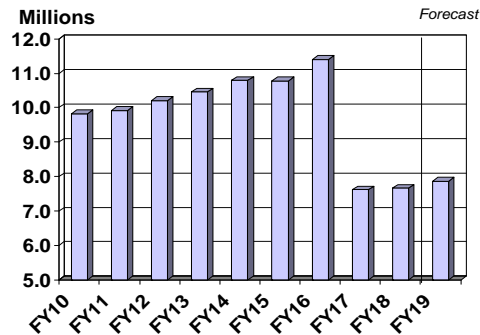
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	21,897,071	20,941,048	20,771,768
Dollar Change	1,232,211	(956,023)	(169,280)
Percent Change	5.96	(4.37)	(0.81)

ALCOHOL BEVERAGE TAX

FY2018 Performance: Alcohol beverage tax collections to the general fund in FY2018 totaled \$7.7 million, up 0.67% compared to FY2017. Actual FY2018 collections were \$0.4 million lower 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 0.5% of ongoing general fund revenues in FY2018.



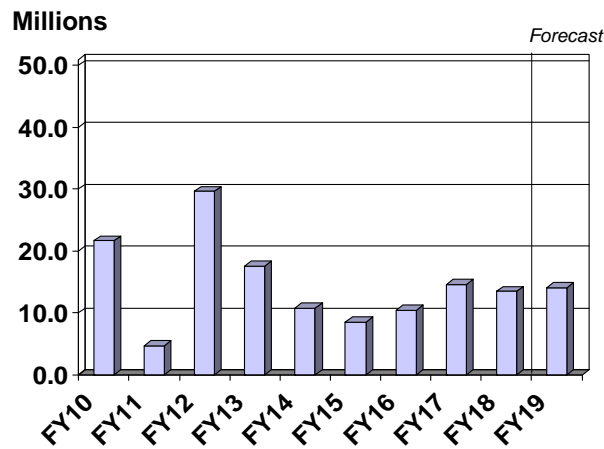
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	7,617,533	7,668,288	7,868,302
Dollar Change	(3,785,543)	50,754	200,014
Percent Change	(33.20)	0.67	2.61

BANK FRANCHISE TAX

FY2018 Performance: In FY2018, bank franchise tax collections totaled \$13.5 million, which was down \$1.2 million or 8.13% compared to FY2017. Bank card collections totaled \$3.9 million, down \$3.5 million or 47.8% compared to FY2017. Traditional bank tax collections totaled \$9.6 million, up \$2.3 million or 32.3% compared to FY2017. Total FY2018 bank tax collections were \$4.4 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 0.8% of ongoing general fund revenues in FY2018.



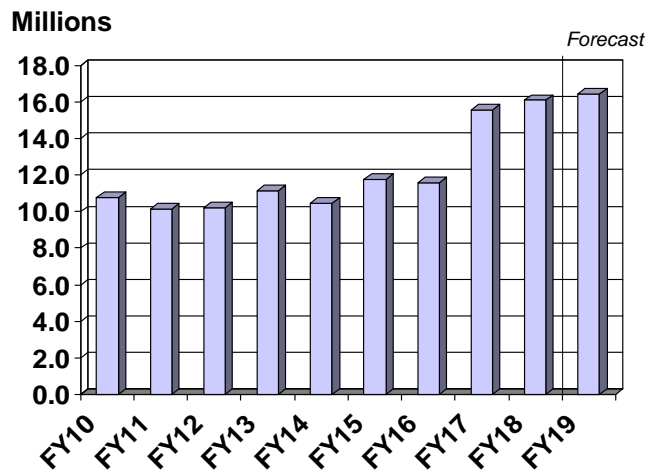
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	14,688,771	13,494,940	14,119,337
Dollar Change		(1,193,831)	624,398
Percent Change		(8.13)	4.63

CHARGES FOR GOODS AND SERVICES

FY2018 Performance: In FY2018, the charges for goods and services category totaled \$16.1 million, an increase of \$0.5 million or 3.42% compared to FY2017 collections. Actual FY2018 collections were \$1.1 million lower than the most recent legislative adopted estimate.

- Revenues to the general fund from this category are relatively constant from year to year.
- In FY2017, the primary increase is due to additional receipts from the Department of Corrections due to the budget restructuring.
- Receipts included in this category account for approximately 1.0% of ongoing general fund revenues in FY2018.



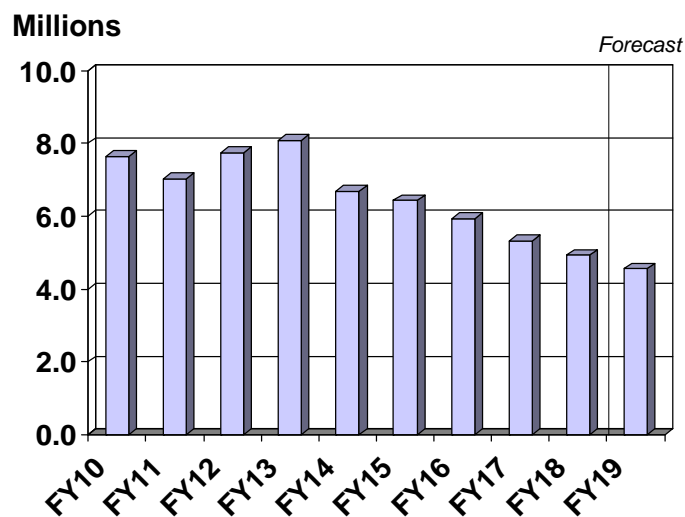
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	15,562,672	16,094,652	16,452,092
Dollar Change	3,973,155	531,980	357,440
Percent Change	34.28	3.42	2.22

TELECOMMUNICATIONS TAX

FY2018 Performance: In FY2018, the telecommunications tax totaled \$4.9 million, a decrease of \$0.4 million or 7.48% compared to FY2017 collections. Actual FY2018 collections were \$0.2 million higher 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, 60% of the revenue generated from this tax was dedicated to the Property Tax Reduction Fund (PTRF) with the remaining 40% 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 FY2010 through FY2015.



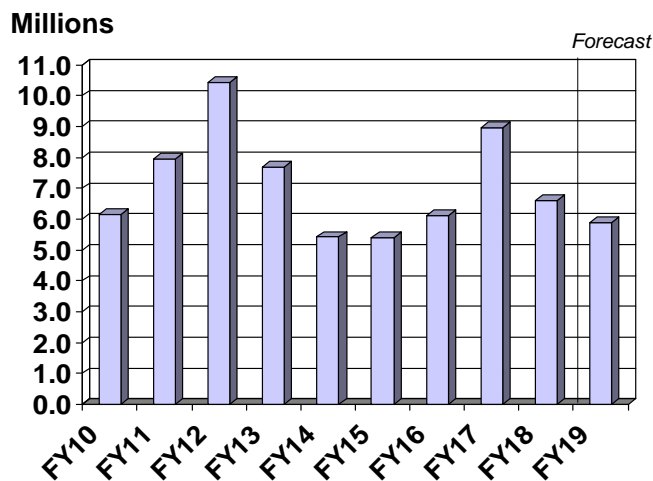
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	5,329,876	4,931,125	4,561,291
Dollar Change	(613,441)	(398,751)	(369,834)
Percent Change	(10.32)	(7.48)	(7.50)

SEVERANCE TAXES

FY2018 Performance: Severance tax collections totaled \$6.6 million in FY2018, which was down \$2.4 million or 26.38% from FY2017. Collections from energy mineral severance taxes (primarily oil) totaled \$1.4 million, which was up \$0.2 million or 12.55% compared to FY2017. Collections from precious metal severance taxes (primarily gold) totaled \$5.2 million, which was down \$2.5 million or 32.44% compared to FY2017. Total FY2018 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 FY2018.



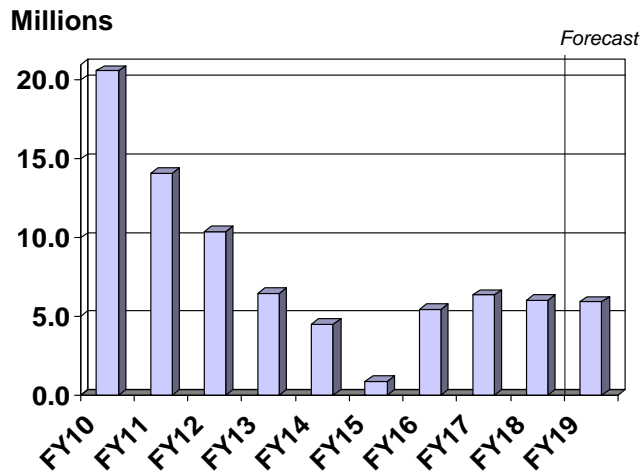
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history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

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	8,968,233	6,602,808	5,905,069
Dollar Change	2,836,975	(2,365,425)	(697,740)
Percent Change	46.27	(26.8)	(10.57)

INVESTMENT INCOME AND INTEREST

FY2018 Performance: In FY2018, collections from investment income and interest totaled \$6.1 million, a decrease of \$0.3 million or 4.91% compared to FY2017. The yield of the cash flow fund was 1.2% for FY2018. Total FY2018 collections were nearly equal to 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.
- This category also includes some interest and rent income from the Department of Social Services and the Department of Corrections.
- Receipts in this category account for approximately 0.4% of ongoing general fund revenues in FY2018.



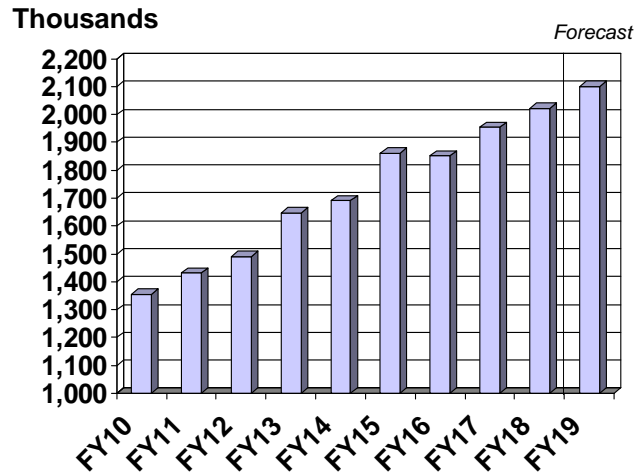
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections.

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	6,366,142	6,053,274	5,923,525
Dollar Change	927,531	(312,868)	(129,749)
Percent Change	17.05	(4.91)	(2.14)

ALCOHOL BEVERAGE 2% WHOLESALE TAX

FY2018 Performance: Collections in FY2018 totaled \$2.0 million, up 3.40% from FY2017. Actual FY2018 collections from this tax were \$0.1 million lower than the most recent legislative adopted estimate.

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2018.



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

	Actual FY2017	Actual FY2018	Interim Estimate FY2019
Total Receipts	1,954,454	2,020,940	2,101,698
Dollar Change	103,939	66,486	80,758
Percent Change	5.62	3.40	4.00