



**R**EVENUE

**F**ORECASTS

**2020 Interim**


**July 22, 2020**

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# MEMORANDUM

**TO:** Governor Kristi Noem and Interim Joint Committee on Appropriations

**FROM:** Mark Quasney, State Economist   
Bureau of Finance and Management

**SUBJECT:** Interim FY2021 Revenue Projections

**DATE:** July 22, 2020

In accordance with the provisions of SDCL 4-8A-16, the following report includes actual revenue for FY2019 and FY2020 and updated revenue projections for FY2020 for the various sources of revenue that flow to the state general fund.

The updated FY2021 revenue estimates from the Bureau of Finance and Management total \$1,702,966,646 on an ongoing basis. This updated projection is \$39,609,429 or 2.27 percent lower than the Legislative Adopted FY2021 estimate. Although the interim forecast is lower, it does not meet the threshold required for any further action per SDCL 4-8A-16.

## GENERAL FUND RECEIPTS

	ACTUAL FY2019	ACTUAL FY2020	BFM Interim FY2021
<b>ONGOING RECEIPTS</b>			
Sales and Use Tax	\$ 1,025,401,208.60	\$ 1,072,830,649	\$ 1,068,724,177
Lottery	123,815,501	122,489,001	129,896,843
Contractor's Excise Tax	113,163,617	123,723,519	117,745,318
Insurance Company Tax	90,347,541	93,271,112	94,739,680
Unclaimed Property Receipts	48,573,600	47,308,472	42,215,473
Licenses, Permits, and Fees	68,758,069	68,277,940	68,414,589
Tobacco Taxes	49,971,217	51,066,112	48,400,826
Trust Funds	38,527,936	39,859,256	42,125,630
Net Transfers In	23,827,140	19,858,120	19,960,763
Alcohol Beverage Tax	7,845,250	8,142,691	8,167,862
Bank Franchise Tax	17,256,120	12,060,604	14,889,195
Charges for Goods and Services	16,012,654	15,403,871	15,155,242
Telecommunications Tax	5,089,768	5,964,072	5,392,052
Severance Taxes	4,234,206	5,881,928	6,232,735
Investment Income and Interest	6,229,304	11,150,037	18,435,623
Alcohol Beverage 2% Wholesale Tax	2,150,157	2,335,754	2,470,637
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,641,203,288</b>	<b>\$ 1,699,623,137</b>	<b>\$ 1,702,966,646</b>
<b>ONE-TIME RECEIPTS</b>			
Transfer from Dept. of Agriculture	\$ 705,101	\$ 0	\$ 0
Prior Period Adjustments	2,755,524	0	0
Refinancing Gains/Transfer from SDBA	0	7,082,539	0
Unexpended Carryovers and Specials	5,777,493	425,135	0
Transfer from Budget Reserve Fund	6,603,463	14,859,866	0
Obligated Cash Carried Forward	16,898,828	19,354,553	19,092,963
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 32,740,409</b>	<b>\$ 41,722,093</b>	<b>\$ 19,092,963</b>
<b>GRAND TOTAL</b>	<b>\$ 1,673,943,697</b>	<b>\$ 1,741,345,230</b>	<b>\$ 1,722,059,609</b>

## ACTUAL FY2019 vs. ACTUAL FY2020 RECEIPTS

	<u>ACTUAL FY2019</u>	<u>ACTUAL FY2020</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,025,401,209	\$ 1,072,830,649	\$ 47,429,440	4.63
Lottery	123,815,501	122,489,001	(1,326,501)	(1.07)
Contractor's Excise Tax	113,163,617	123,723,519	10,559,901	9.33
Insurance Company Tax	90,347,541	93,271,112	2,923,571	3.24
Unclaimed Property Receipts	48,573,600	47,308,472	(1,265,128)	(2.60)
Licenses, Permits, and Fees	68,758,069	68,277,940	(480,129)	(0.70)
Tobacco Taxes	49,971,217	51,066,112	1,094,895	2.19
Trust Funds	38,527,936	39,859,256	1,331,320	3.46
Net Transfers In	23,827,140	19,858,120	(3,969,020)	(16.66)
Alcohol Beverage Tax	7,845,250	8,142,691	297,441	3.79
Bank Franchise Tax	17,256,120	12,060,604	(5,195,516)	(30.11)
Charges for Goods and Services	16,012,654	15,403,871	(608,783)	(3.80)
Telecommunications Tax	5,089,768	5,964,072	874,304	17.18
Severance Taxes	4,234,206	5,881,928	1,647,722	38.91
Investment Income and Interest	6,229,304	11,150,037	4,920,733	78.99
Alcohol Bev 2% Wholesale Tax	2,150,157	2,335,754	185,597	8.63
<b>TOTAL (ONGOING RECEIPTS)</b>	<u>\$ 1,641,203,288</u>	<u>\$ 1,699,623,137</u>	<u>\$ 58,419,848</u>	<u>3.56</u>
<b>ONE-TIME RECEIPTS</b>				
Transfer from Dept. of Agriculture	\$ 705,101	\$ 0	\$ (705,101)	(100.00)
Prior Period Adjustments	2,755,524	0	(2,755,524)	(100.00)
Refinancing Gains/Transfer from SDBA	0	7,082,539	7,082,539	100.00
Unexpended Carryovers and Specials	5,777,493	425,135	(5,352,358)	(92.64)
Transfer from Budget Reserve	6,603,463	14,859,866	8,256,403	125.03
Obligated Cash Carried Forward	16,898,828	19,354,553	2,455,725	14.53
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<u>\$ 32,740,409</u>	<u>\$ 41,722,093</u>	<u>\$ 8,981,684</u>	<u>100.00</u>
<b>GRAND TOTAL</b>	<u><b>\$ 1,673,943,697</b></u>	<u><b>\$ 1,741,345,230</b></u>	<u><b>\$67,401,533</b></u>	<u><b>4.03</b></u>

## ACTUAL FY2020 RECEIPTS VS. ADOPTED FY2021 ESTIMATE

	ACTUAL FY2020	LEG ADOPTED FY2021	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,072,830,649	\$ 1,102,000,000	\$ 29,169,351	2.72
Lottery	122,489,001	\$ 132,201,431	9,712,430	7.93
Contractor's Excise Tax	123,723,519	\$ 130,300,000	6,576,481	5.32
Insurance Company Tax	93,271,112	\$ 94,000,000	728,888	0.78
Unclaimed Property Receipts	47,308,472	\$ 41,500,000	(5,808,472)	(12.28)
Licenses, Permits, and Fees	68,277,940	\$ 70,000,000	1,722,060	2.52
Tobacco Taxes	51,066,112	\$ 45,791,522	(5,274,590)	(10.33)
Trust Funds	39,859,256	\$ 41,689,974	1,830,718	4.59
Net Transfers In	19,858,120	\$ 21,311,678	1,453,558	7.32
Alcohol Beverage Tax	8,142,691	\$ 8,163,370	20,679	0.25
Bank Franchise Tax	12,060,604	\$ 14,072,270	2,011,666	16.68
Charges for Goods and Services	15,403,871	\$ 17,039,667	1,635,796	10.62
Telecommunications Tax	5,964,072	\$ 4,677,328	(1,286,744)	(21.57)
Severance Taxes	5,881,928	\$ 5,500,000	(381,928)	(6.49)
Investment Income and Interest	11,150,037	\$ 11,946,891	796,854	7.15
Alcohol Bev 2% Wholesale Tax	2,335,754	\$ 2,381,944	46,190	1.98
<b>TOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,699,623,137</b>	<b>\$ 1,742,576,075</b>	<b>\$ 42,952,938</b>	<b>2.53</b>
<b>ONE-TIME RECEIPTS</b>				
Refinancing Gains/Transfer from SDBA	\$ 7,082,539	\$ -	\$ (7,082,539)	(100.00)
Unexpended Carryovers and Specials	425,135	0	(425,135)	(100.00)
Transfer from Budget Reserve	14,859,866	0	(14,859,866)	(100.00)
Obligated Cash Carried Forward	19,354,553	0	(19,354,553)	(100.00)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 41,722,093</b>	<b>\$ -</b>	<b>\$ (41,722,093)</b>	<b>100.00</b>
<b>GRAND TOTAL</b>	<b>\$ 1,741,345,230</b>	<b>\$ 1,742,576,075</b>	<b>\$1,230,845</b>	<b>0.07</b>

## ACTUAL FY2020 RECEIPTS VS. INTERIM FY2021 FORECAST

	ACTUAL FY2020	BFM INTERIM FY2021	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,072,830,649	\$ 1,068,724,177	\$ (4,106,472)	(0.38)
Lottery	122,489,001	129,896,843	7,407,842	6.05
Contractor's Excise Tax	123,723,519	117,745,318	(5,978,200)	(4.83)
Insurance Company Tax	93,271,112	94,739,680	1,468,568	1.57
Unclaimed Property Receipts	47,308,472	42,215,473	(5,092,999)	(10.77)
Licenses, Permits, and Fees	68,277,940	68,414,589	136,649	0.20
Tobacco Taxes	51,066,112	48,400,826	(2,665,285)	(5.22)
Trust Funds	39,859,256	42,125,630	2,266,374	5.69
Net Transfers In	19,858,120	19,960,763	102,643	0.52
Alcohol Beverage Tax	8,142,691	8,167,862	25,171	0.31
Bank Franchise Tax	12,060,604	14,889,195	2,828,591	23.45
Charges for Goods and Services	15,403,871	15,155,242	(248,628)	(1.61)
Telecommunications Tax	5,964,072	5,392,052	(572,020)	(9.59)
Severance Taxes	5,881,928	6,232,735	350,807	5.96
Investment Income and Interest	11,150,037	18,435,623	7,285,586	65.34
Alcohol Bev 2% Wholesale Tax	2,335,754	2,470,637	134,883	5.77
<b>TOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,699,623,137</b>	<b>\$ 1,702,966,646</b>	<b>\$ 3,343,509</b>	<b>0.20</b>
<b>ONE-TIME RECEIPTS</b>				
Refinancing Gains/Transfer from SDBA	\$ 7,082,539	\$ -	\$ (7,082,539)	(100.00)
Unexpended Carryovers and Specials	425,135	0	(425,135)	(100.00)
Transfer from Budget Reserve	14,859,866	0	(14,859,866)	(100.00)
Obligated Cash Carried Forward	19,354,553	19,092,963	(261,590)	(1.35)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 41,722,093</b>	<b>\$ 19,092,963</b>	<b>\$ (22,629,130)</b>	<b>100.00</b>
<b>GRAND TOTAL</b>	<b>\$ 1,741,345,230</b>	<b>\$ 1,722,059,609</b>	<b>(\$19,285,621)</b>	<b>(1.11)</b>

## ADOPTED FY2021 ESTIMATE VS. INTERIM FY2020 FORECAST

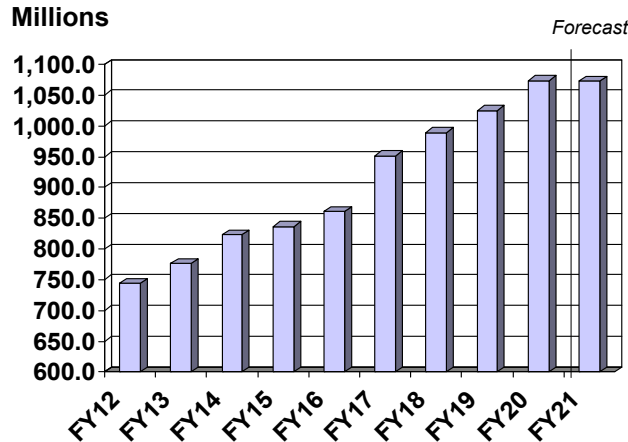
	<u>LEG. ADOPTED FY2021</u>	<u>BFM INTERIM FY2021</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 1,102,000,000	\$ 1,068,724,177	\$ (33,275,823)	(3.02)
Lottery	132,201,431	129,896,843	(2,304,588)	(1.74)
Contractor's Excise Tax	130,300,000	117,745,318	(12,554,682)	(9.64)
Insurance Company Tax	94,000,000	94,739,680	739,680	0.79
Unclaimed Property Receipts	41,500,000	42,215,473	715,473	1.72
Licenses, Permits, and Fees	70,000,000	68,414,589	(1,585,411)	(2.26)
Tobacco Taxes	45,791,522	48,400,826	2,609,304	5.70
Trust Funds	41,689,974	42,125,630	435,656	1.04
Net Transfers In	21,311,678	19,960,763	(1,350,915)	(6.34)
Alcohol Beverage Tax	8,163,370	8,167,862	4,492	0.06
Bank Franchise Tax	14,072,270	14,889,195	816,925	5.81
Charges for Goods and Services	17,039,667	15,155,242	(1,884,425)	(11.06)
Telecommunications Tax	4,677,328	5,392,052	714,724	15.28
Severance Taxes	5,500,000	6,232,735	732,735	13.32
Investment Income and Interest	11,946,891	18,435,623	6,488,732	54.31
Alcohol Bev 2% Wholesale Tax	2,381,944	2,470,637	88,693	3.72
<b>TOTAL (ONGOING RECEIPTS)</b>	<u>\$ 1,742,576,075</u>	<u>\$ 1,702,966,646</u>	<u>\$ (39,609,429)</u>	<u>(2.27)</u>
<b>ONE-TIME RECEIPTS</b>				
Obligated Cash Carried Forward	\$ -	\$ 19,092,963	\$ 19,092,963	100.00
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<u>\$ -</u>	<u>\$ 19,092,963</u>	<u>\$ 19,092,963</u>	<u>100.00</u>
<b>GRAND TOTAL</b>	<u><u>\$ 1,742,576,075</u></u>	<u><u>\$ 1,722,059,609</u></u>	<u><u>(\$20,516,466)</u></u>	<u><u>(1.18)</u></u>



## SALES AND USE TAX

**FY2020 Performance:** In FY2020, total sales and use tax collections were \$1,072.8 million which was an increase of 4.6% or \$47.4 million over FY2019. Sales and use tax audit collections (which are included in the total) for FY2020 were \$12.9 million compared to \$11.8 million in FY2019. Actual FY2020 collections were \$11.8 million lower than the most recent revised adopted estimate.

- The average annual increase in collections between FY2012 and FY2020 was 4.7%.
- Net collections from the sales and use tax account for approximately 63.1 % of ongoing general fund revenues in FY2020.



**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)**

$$\text{STCDS} = -241.26 + 0.06 * \text{SD Nonfarm Income} + 210.75 * \text{Seasonal Dummy} + 8.18 * \text{SD Manufacturing Employment} + 27.02 * \text{SD Housing Starts} - 129.22 * \text{Wayfair Dummy}$$

**$R^2 = .9958$**

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

$$\text{STBUSCND} = -1721.35 + 7.40 * \text{SD Nonfarm Employment} + 271.42 * \text{Seasonal Dummy} + 0.71 * \text{Exports} + 398.35 * \text{Wayfair Dummy} + 0.13 * \text{Transfer Payments}$$

**$R^2 = .9917$**

**Equation 3: Construction Related Purchases (STCON)**

$$\text{STCON} = -498.27 + 25.23 * \text{SD Construction Employment} + 0.01 * (\text{SD Nonfarm Income} * \text{Seasonal dummy}) + 6.41 * \text{SD Housing Starts} + 0.05 * \text{Wage and Salary Disbursements} + 0.03 * \text{Farm Proprietors Income (lagged)} - 71.00 * \text{Wayfair Dummy}$$

**$R^2 = .9858$**

Equation 4: Recreation Related Purchases (STREC)

STREC = -682.65 + 0.02\*SD Nonfarm Income + 24.33\*SD Leisure and Hospitality Employment + 0.01\*(SD Disposable Income\*Seasonal Dummy) – 0.34\*oil prices -235.53 COVID Dummy  
**R<sup>2</sup> = .9908**

Equation 5: Utilities (STUTI)

STUTI = 37.99 + 0.02\*SD Nonfarm Income + 3.42\*Consumer Spending on Electricity and Natural Gas + 0.03 \* SD Farm Proprietors Income.  
**R<sup>2</sup> = .9858**

Collection Equation:

Sales Tax Collections = -21.00 + 0.043\*Total Taxable Sales  
**R<sup>2</sup> = .9968**

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 R<sup>2</sup>. This is one way to identify how well an equation fits the data. An R<sup>2</sup> value close to one tells you that the equation has a good overall fit.

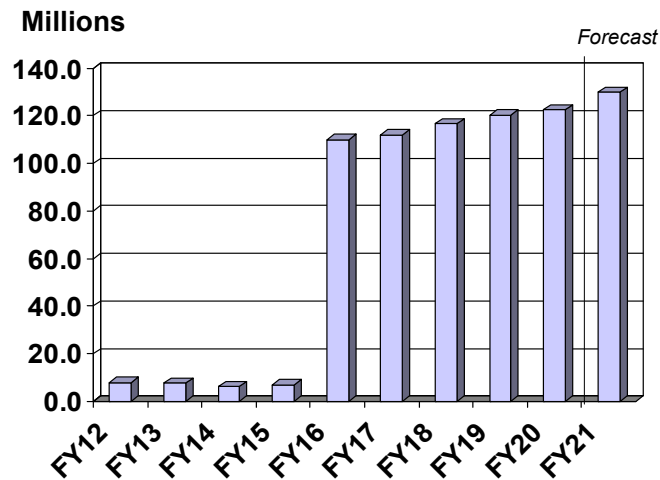
	Interim Estimate for FY2020
Base Sales and Use Tax Collections	1,056,853,802
+ Audit Collections	13,535,947
+ Boat Tax	2,468,894
+ Off-Road Vehicle Excise Tax	2,414,306
<u>+ Mobile Home Tax</u>	<u>211,442</u>
= Base Estimate	1,070,264,405
- DOR Indirect Funding	(6,760,215)
<b>= Net Sales Tax Estimate</b>	<b>1,068,724,177</b>

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Receipts	1,025,401,209	1,072,830,649	1,068,724,177
Dollar Change	36,577,605	47,429,440	(4,106,472)
Percent Change	3.70	4.63	(0.38)

# LOTTERY

**FY2020 Performance:** Receipts to the general fund from the lottery category totaled \$122.5 million in FY2020. Video lottery receipts totaled \$115.3 million, which was an increase of \$1.3 million or 1.1% over FY2019. Receipts from on-line and instant tickets totaled \$7.2 million, which was down \$2.6 million or 26.7% compared to FY2019.

- All of the net proceeds from the sale of instant lottery tickets are deposited in the general fund.
- Beginning in FY2019 through FY2023, the net proceeds from on-line lottery funds to the general fund increases pursuant to the passage of SB 183 from the 2018 legislative session.
- Receipts included in this category account for approximately 7.2% of ongoing general fund revenues in FY2020.



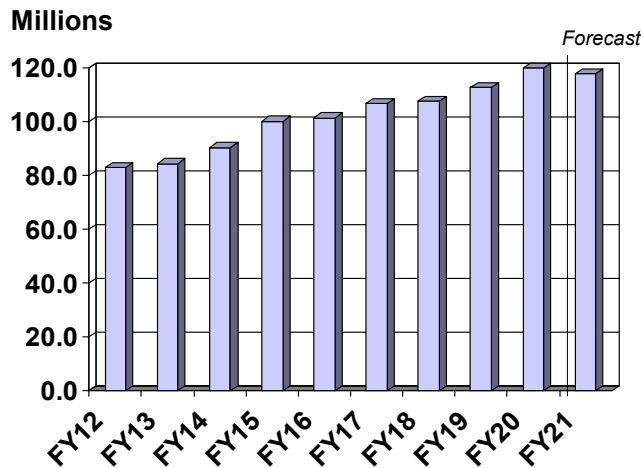
**Estimate:** The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Instant/Online Lottery	9,789,685	7,175,814	8,802,247
Video Lottery	114,025,816	114,025,816	121,094,596
<b>Total Receipts</b>	<b>123,815,501</b>	<b>122,489,001</b>	<b>129,896,843</b>
Dollar Change	7,140,061	(1,326,501)	3,290,831
Percent Change	6.12	(1.07)	6.05

## CONTRACTOR'S EXCISE TAX

**FY2020 Performance:** In FY2020, net contractor's excise tax collections were \$123.7 million, which was an increase of 9.3% or \$10.6 million over FY2019. Actual FY2020 collections were \$0.8 million lower than the most recent revised legislative adopted estimate.

- The average annual increase in net contractor's excise tax collections between FY2012 and FY2020 was 7.3%.
- Net collections from the contractor's excise tax account for approximately 7.3% of ongoing general fund receipts in FY2020.



**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 = - 37.68 + 1.42\*SD Construction, Natural Resources, and Mining Employment + 0.01\*(Seasonal Dummy\*SD nonfarm income) – 1.27\*SD Unemployment Rate + 20.08\*Consumer Price Index + 0.33\*SD Housing Starts

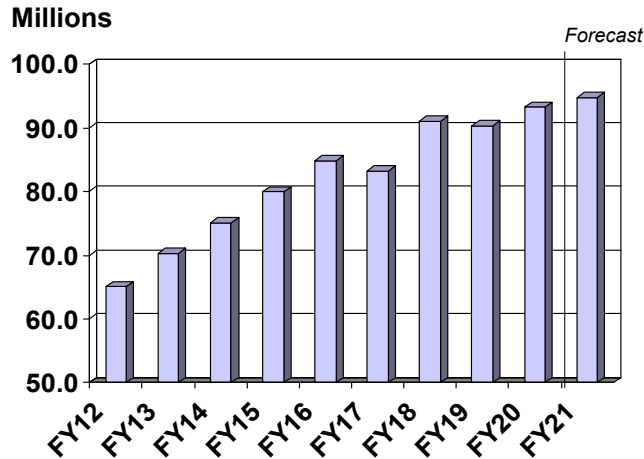
R<sup>2</sup> = .9899

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Net Receipts	113,163,617	123,723,519	117,745,318
Dollar Change	5,536,989	10,559,901	(5,978,200)
Percent Change	5.14	9.33	(4.83)

# INSURANCE COMPANY TAX

**FY2020 Performance:** In FY2020, insurance company tax collections totaled \$94.7 million, which was up 1.6% or \$1.5 million from FY2019. Actual FY2020 collections were \$4.3 million higher than the most recent legislative adopted estimates.

- The average annual increase between FY2012 and FY2020 was 4.41%.
- Collections from this tax account for approximately 5.5% of ongoing general fund revenues in FY2020.



**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 = 6.89 + 0.01\*SD Nonfarm Income – 4.06\*Seasonal Dummy + 0.05\*Consumer Spending on Insurance - 0.41\*Yield on two-year Treasury note + 2.32 \* Affordable Care Act dummy variable.

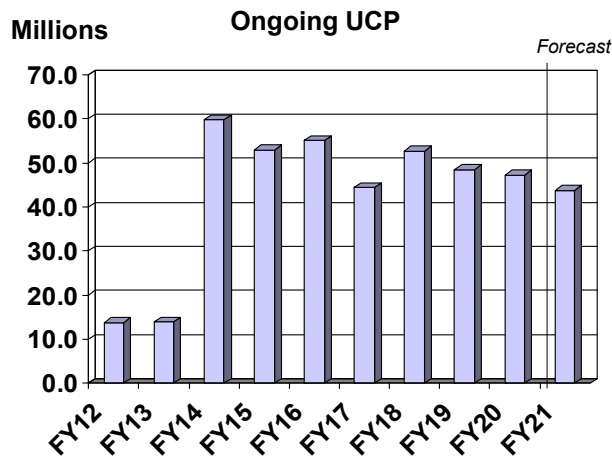
R<sup>2</sup> = .9813

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Receipts	90,347,541	94,739,680	94,739,680
Dollar Change	(674,302)	2,923,571	1,468,568
Percent Change	(0.74)	3.24	1.57

## UNCLAIMED PROPERTY RECEIPTS

**FY2020 Performance:** In FY2020, unclaimed property receipts to the general fund totaled \$47.3 million. In total, actual FY2020 collections were \$5.8 million higher than the most recent legislative adopted estimates.

- Collections from unclaimed property receipts account for approximately 2.8% of ongoing general fund revenues in FY2020.
- The chart below shows the ongoing portion of unclaimed property.



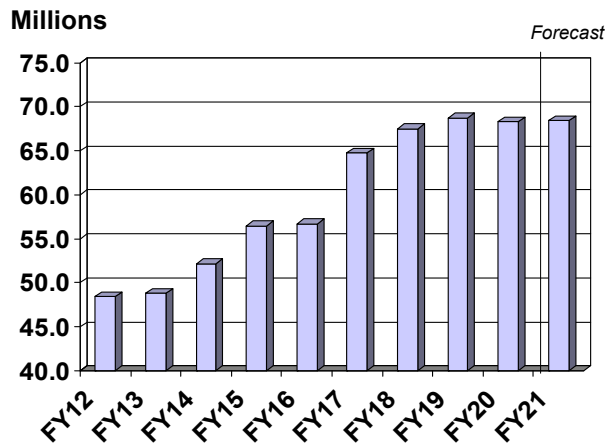
**Estimate:** The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Ongoing UCP	48,573,600	47,308,472	42,215,473
One-Time UCP	0	0	0
<b>Total UCP</b>	<b>48,573,600</b>	<b>47,308,472</b>	<b>43,743,806</b>
Dollar Change	(4,192,430)	(1,265,128)	(5,092,999)
Percent Change	(7.95)	(2.60)	(10.77)

## LICENSES, PERMITS, AND FEES

**FY2020 Performance:** In FY2020, collections from licenses, permits, and fees totaled \$68.3 million, which was down 0.7% or \$0.5 million from FY2018. Actual FY2020 collections were \$1.1 million lower than the most recent legislative adopted estimates.

- Collections in this category account for approximately 4.0% of ongoing general fund revenues in FY2020.



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

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Receipts	68,758,069	68,277,940	68,414,589
Dollar Change	1,266,019	(480,129)	(1,585,411)
Percent Change	1.88	(0.70)	(2.26)

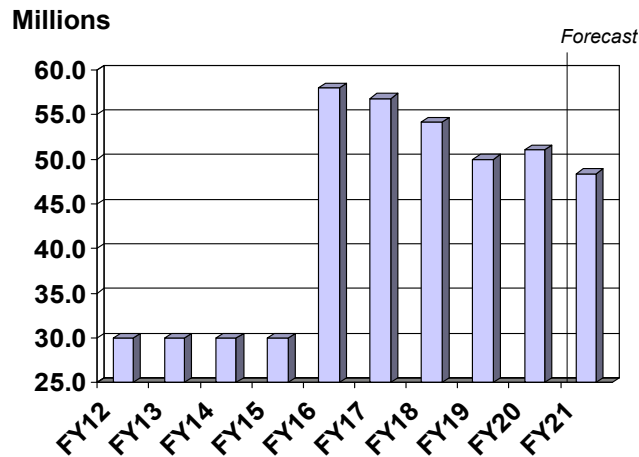
## TOBACCO TAXES

**FY2020 Performance:** In FY2020, the total collections from the tobacco taxes were \$56.1 million of which \$51.1 million was deposited into the general fund and \$5.0 million was dedicated to tobacco prevention. In FY2020, cigarette taxes totaled \$45.9 million, which was an increase of \$0.4 million or 0.8% compared to FY2019. Other tobacco taxes totaled \$10.2 million, which was an increase of \$0.7 million or 7.3% over FY2019.

- Approximately 89.9% of the collections included in this category are from the tax on cigarettes, and the remaining 10.1% is collected based on the tax on the wholesale purchase price of other tobacco products.
- Collections in this category account for approximately 3.0% of ongoing general fund receipts in FY2019.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
General Fund	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000
Remainder to GF	19,971,217	16,066,112	13,400,826
<b>Total</b>	<b>54,971,217</b>	<b>51,066,112</b>	<b>48,400,826</b>

- 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 \$48,400,826 in FY2021.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Receipts	49,971,217	51,066,112	48,400,826
Dollar Change	(4,186,446)	1,094,895	(2,665,285)
Percent Change	(7.73)	2.19	(5.22)



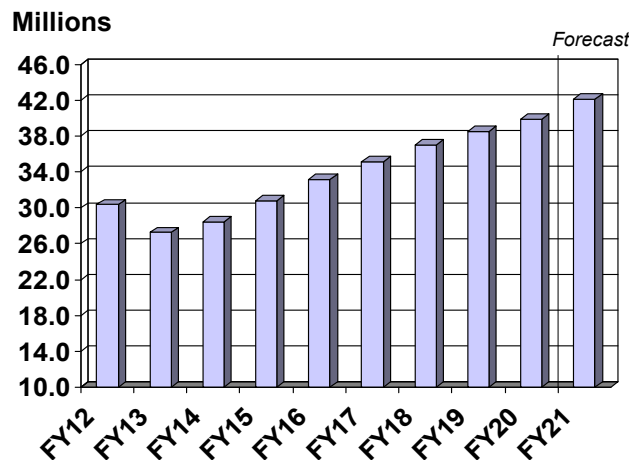
## TRUST FUNDS

**FY2020 Performance:** Transfers from the trust funds to the general fund in FY2020 totaled \$39.9 million, which was an increase of 3.5% or \$2.9 million from FY2019. As of June 30, 2019, the estimated rate of return for FY2020 was 2.8% for the Education Enhancement Trust Fund, 3.6% for the Dakota Cement Trust Fund, and 3.5% for the Health Care Trust Fund.

- The table below shows the amounts transferred from each of the trust funds to the general fund in FY2018 and FY2019, and the estimated amounts for FY2020.

	Actual FY2019	Actual FY2020	Estimated FY2021
HCTF	5,414,857	5,520,073	5,491,982
EETF	20,430,222	21,334,601	23,535,671
DCTF	12,682,857	13,004,590	13,097,977
<b>Total</b>	<b>38,527,936</b>	<b>39,859,263</b>	<b>42,125,630</b>

- Receipts from the trust funds account for approximately 2.4% of ongoing general fund revenues in FY2020.



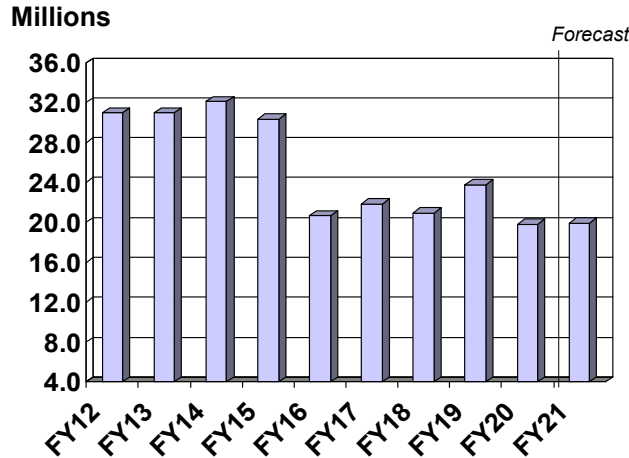
**Estimate:** The estimate for FY2021 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Receipts	38,527,936	39,859,256	42,125,630
Dollar Change	1,492,408	1,331,320	2,266,374
Percent Change	4.03	3.46	5.69

## NET TRANSFERS IN

**FY2020 Performance:** In FY2020, collections from net transfers in totaled \$19.9 million, which was a decrease of 16.7% or \$4.0 million from FY2019. Actual collections in FY2020 were \$1.2 million lower than the most recent legislative adopted estimate.

- Receipts included in this category account for approximately 1.2% of ongoing general fund revenues in FY2020.



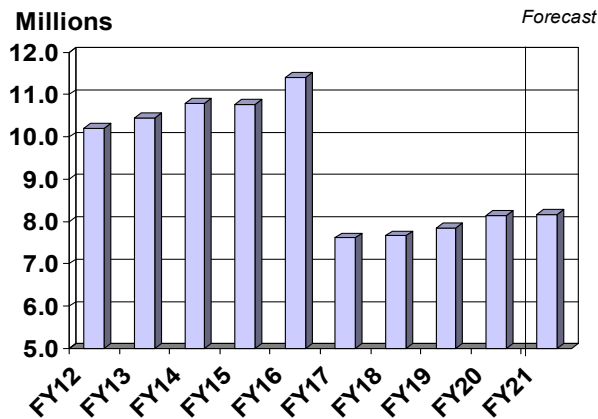
**Estimate:** The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Receipts	23,827,140	19,858,120	19,960,763
Dollar Change	2,886,092	(3,969,020)	102,643
Percent Change	13.78	(16.66)	0.52

## ALCOHOL BEVERAGE TAX

**FY2020 Performance:** Alcohol beverage tax collections to the general fund in FY2020 totaled \$8.1 million, up 3.8% compared to FY2019. Actual FY2020 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 0.5% of ongoing general fund revenues in FY2019.



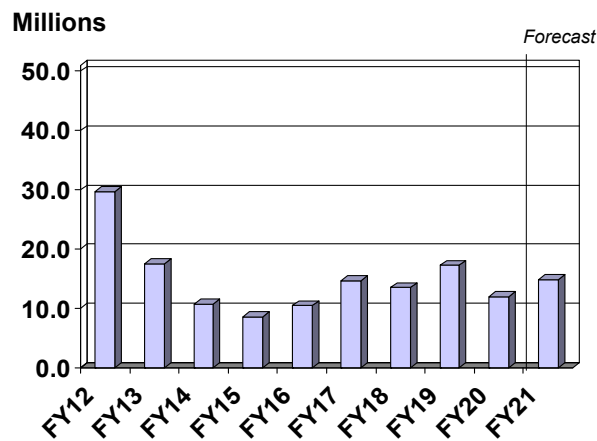
**Estimate:** The estimates are based on historical collections and current conditions.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Receipts	7,845,250	8,142,691	8,167,862
Dollar Change	176,962	297,441	25,171
Percent Change	2.31	3.79	0.31

## BANK FRANCHISE TAX

**FY2020 Performance:** In FY2020, bank franchise tax collections totaled \$12.1 million, which was a decrease of \$5.2 million or 30.1% compared to FY2019. Total FY2020 bank tax collections were \$2.0 million lower 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 FY2020.



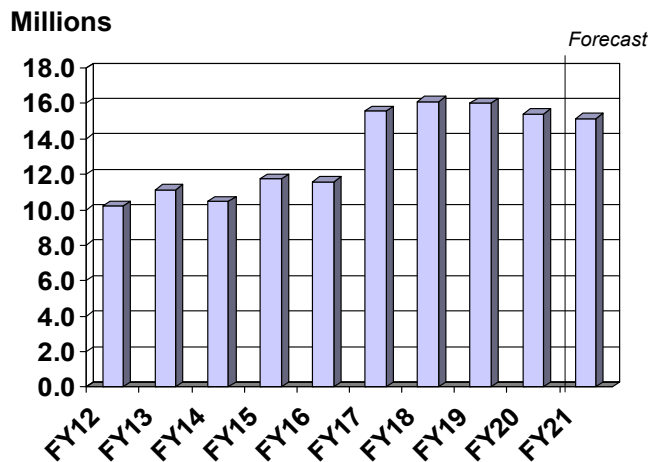
**Estimate:** Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Receipts	17,256,120	12,060,604	14,889,195
Dollar Change	3,761,180	(5,195,516)	2,828,591
Percent Change	27.87	(30.11)	23.45

## CHARGES FOR GOODS AND SERVICES

**FY2020 Performance:** In FY2020, the charges for goods and services category totaled \$15.4 million, a decrease of \$0.6 million or 3.8% compared to FY2019 collections. Actual FY2020 collections were \$1.4 million lower than the most recent legislative adopted estimate.

- Revenues to the general fund from this category are relatively constant from year to year.
- 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 0.9% of ongoing general fund revenues in FY2019.



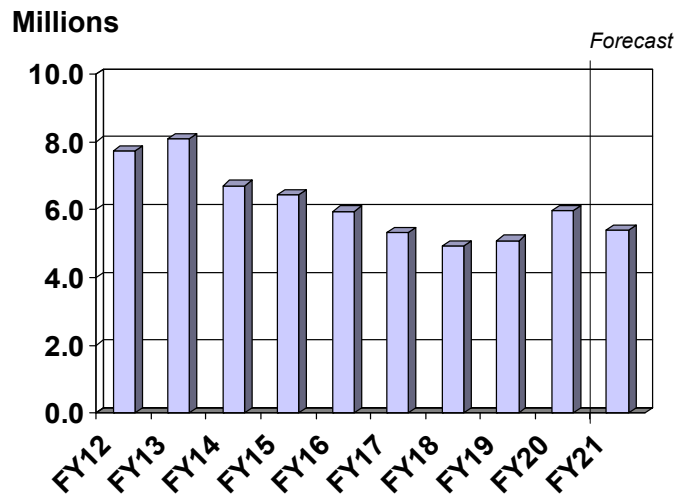
**Estimate:** The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Receipts	16,012,654	15,403,871	15,155,242
Dollar Change	(81,998)	(608,783)	(248,628)
Percent Change	(0.51)	(3.80)	(1.61)

## TELECOMMUNICATIONS TAX

**FY2020 Performance:** In FY2020, the telecommunications tax totaled \$5.9 million, an increase of \$0.9 million or 17.2% compared to FY2019 collections. Actual FY2020 collections were \$1.3 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, 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 FY2012 through FY2020.



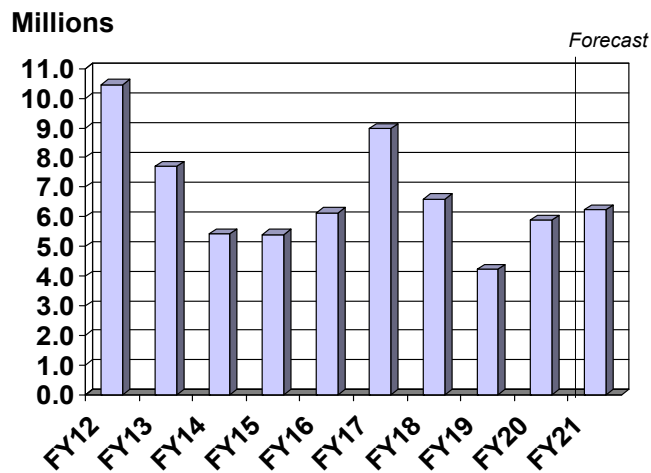
**Estimate:** Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2019	Actual FY2020	Interim Estimate FY2021
Total Receipts	5,089,768	5,964,072	5,392,052
Dollar Change	158,643	874,304	(572,020)
Percent Change	3.22	17.18	(9.59)

## SEVERANCE TAXES

**FY2020 Performance:** Severance tax collections totaled \$5.8 million in FY2020, which was up \$1.6 million or 38.9% from FY2019. Collections from energy mineral severance taxes (primarily oil) totaled \$1.2 million, which was down \$0.3 million or 21.6% compared to FY2019. Collections from precious metal severance taxes (primarily gold) totaled \$4.7 million, which was up \$2.0 million or 73.3% compared to FY2019. Total FY2020 severance tax collections were \$0.4 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 FY2020.



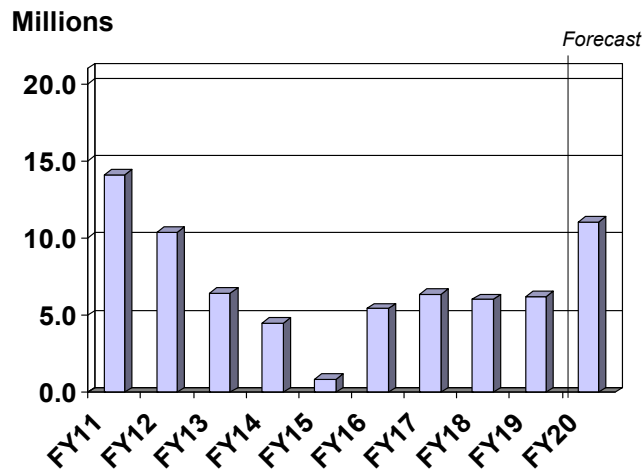
**Estimate:** Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on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

	<b>Actual FY2019</b>	<b>Actual FY2020</b>	<b>Interim Estimate FY2021</b>
Total Receipts	4,234,206	5,881,928	6,232,735
Dollar Change	(2,368,602)	1,647,722	350,807
Percent Change	(35.87)	38.91	5.96

## INVESTMENT INCOME AND INTEREST

**FY2020 Performance:** In FY2020, collections from investment income and interest totaled \$11.2 million, an increase of \$4.9 million or 79.0% compared to FY2019. The yield of the cash flow fund was 2.1% for FY2019. Total FY2020 collections were \$0.07 million 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.
- 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 0.7% of ongoing general fund revenues in FY2020.



**Estimate:** The estimate is based on information provided by the South Dakota Investment Council and historical collections. The estimated yield of the cash flow fund for this past year was approximately 2.3%. In addition, \$1.25B in Coronavirus Relief Fund dollars were received in April of which the interest earned on it can be kept by the state which is the primary reason for the FY2021 increase in interest income.

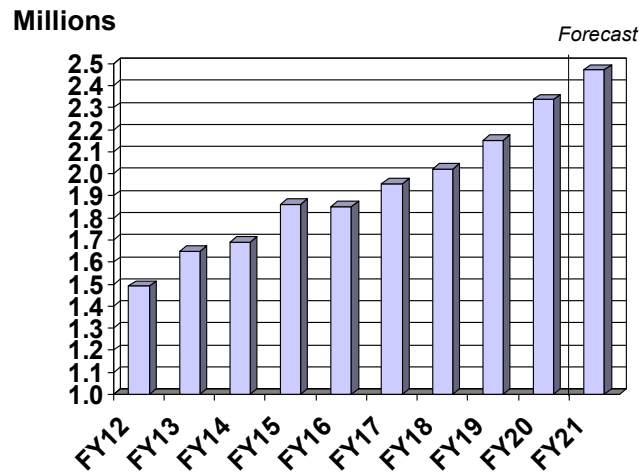
	<b>Actual FY2019</b>	<b>Actual FY2020</b>	<b>Interim Estimate FY2021</b>
Total Receipts	6,229,304	11,150,037	18,435,623
Dollar Change	176,031	4,920,733	7,285,586
Percent Change	2.91	78.99	65.34



## ALCOHOL BEVERAGE 2% WHOLESALE TAX

**FY2020 Performance:** Collections in FY2020 totaled \$2.3 million, up 8.6% from FY2019. Actual FY2020 collections from this tax were \$0.07 million lower than the most recent legislative adopted estimate.

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2020.



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

	<b>Actual FY2019</b>	<b>Actual FY2020</b>	<b>Interim Estimate FY2021</b>
Total Receipts	2,150,157	2,335,754	2,470,637
Dollar Change	129,216	185,597	134,883
Percent Change	6.39	8.63	5.77