

Staff Follow-up Questions to Budget Briefings on January 12, 2017

GOED

What is Enterprise 605, Inc. and what do they do and what was the purpose of the future funds?

The Enterprise 605, Inc. (E605) is a South Dakota non-profit corporation created for the purpose of promoting economic interests and economic development in the State of South Dakota by fostering entrepreneurship opportunities, the expansion of businesses, and supporting the growth and development of business concerns in South Dakota. E605 accomplishes this through education, informing public opinion germane to economic development in South Dakota, an internship program focused on economic development, and providing financial support to South Dakota businesses or businesses who plan to do business in South Dakota. The primary goal of the E605 is to provide investment growth capital to early stage South Dakota companies that have proven their business concept is commercially viable, but are not yet established enough to attract the interest of venture capitalists. GOED has agreed to provide certain staff services and related support for E605's programs and will provide these services out of GOED funds. GOED has pledged \$7,000,000 in Future Funds to support the mission of E605. As of June 30, 2016, \$3,000,000 of the grant dollars have been disbursed to E605.

Do you have the details regarding the criteria for the Future Fund Award to Enterprise 605?

The award to Enterprise 605 was made to support economic development by increasing the availability of capital for early- and growth-stage companies in South Dakota.

How have the funds awarded to Enterprise 605 been utilized?

Enterprise 605 is currently conducting due diligence on a possible investment into a state-wide equity fund focused on early- and growth-stage companies in South Dakota, which will be licensed by the U.S. Small Business Administration ("SBA") as a Small Business Investment Company ("SBIC"). The fund has been engaged in SBIC licensing discussions with SBA, which are technical and time-consuming, since the fall of 2016. We anticipate that upon the fund's receipt of an SBIC license and favorable results of its own due diligence, Enterprise 605 will make an initial investment in the fund sometime in early 2017.

Are there any remaining funds that still have to be given to Enterprise 605?

Yes; \$4 million.

What is the history/on-going revenue into Building South Dakota from \$20M projects?

	FY14	FY15	FY16	FY17-Dec
Excise Tax Revenue Collected from \$20M+ Projects for Building South Dakota (BSD)	\$ 321,412	\$ 816,003	\$1,550,700	\$ 567,607
Excise Tax Revenue paid into Building South Dakota	\$ -	\$ -	\$ 840,000	\$ -
Funds Remaining to be Transferred to BSD	\$ 321,412	\$1,137,415	\$1,848,115	\$2,415,722

Refund to Project Owners				
Sales/Use Tax of \$20M+ projects or \$2M equipment upgrades**	\$1,262,529	\$4,121,212	\$4,306,298	\$ 351,281
Refunds Paid to Project Owners		\$ 854,333	\$3,485,751	
Funds Remaining to be Paid to Project Owners	\$1,262,529	\$4,529,408	\$5,349,955	\$5,701,236

**If this reinvestment payment happens then all contractor's excise tax goes into Building South Dakota Fund

The historic/on-going revenue into the Building South Dakota (BSD) Fund from \$20M projects has been \$840,000; however, revenue has been collected that is earmarked for BSD, but has not been transferred to the BSD Fund. The amount of funds remaining to be transferred to BSD as of December 2017, is \$2.4M.

If the Board of Economic Development approves a new or expanded facility with project costs exceeding twenty million dollars to receive a reinvestment payment pursuant to the provisions of §§ 1-16G-56 to 1-

16G-68, inclusive, the Department of Revenue shall deposit all of the contractor's excise tax imposed and paid pursuant to the provisions of chapter 10-46A or 10-46B on the project costs into the building South Dakota fund. Excerpt from SDCL §1-16G-47

Have there been any \$20M+ projects that have not been approved for the reinvestment payment program?

There have been a few since the inception of RPP.

What happens to the excise tax Dept. of Revenue tracks on a \$20M+ that is never approved for the reinvestment payment?

You may want to check with Revenue to verify this, but if a large project is not the recipient of RPP, then I think the excise tax just flows to the State as it would with any other project. When a project is approved for a reinvestment payment by the Board of Economic Development, the Agreement states the recipient must notify GOED within 30 days of starting construction. GOED then notifies Revenue so they can track the excise tax on that particular project. Otherwise, I don't think Revenue distinguishes large from small project excise tax receipts.

What is the number of \$20M+ projects or \$2M equipment upgrade projects in the recent fiscal years?

In CY16 there were 3 projects approved; 2 in CY15. This is also available under the public records tab on www.sdreadytowork.com

Tourism - Page 9 of the Budget Brief

Tourism Cash Centers large negative cash balance? What is the purpose of the fund and tourism cash centers?

The "Tourism Cash Centers" is a roll up of several centers within tourism. The expenses for gaming and the promotion tax are paid out of the tourism cash centers and there is no cash held within the fund centers. The gaming revenue and promotion tax revenue each have their own funds to keep the revenue distinct from each other, while the expenses are paid out of the tourism cash centers, which is why there is a large cash balance shown for gaming and promotion tax, while at the same time the tourism cash centers are negative.