



REVENUE **F**ORECASTS

2017 Interim

July 26, 2017

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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 FY2018 Revenue Projections

DATE: July 26, 2017

In accordance with the provisions of SDCL 4-8A-16, the following report includes actual revenue for fiscal years 2016 and 2017 and updated revenue projections for fiscal year 2018 for the various sources of revenue that flow to the state general fund.

The updated FY2018 revenue estimates from the Bureau of Finance and Management total \$1,578,662,447 on an ongoing basis. This updated projection is \$11,436,433 or 0.72 percent lower than the Legislative Adopted FY2018 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 FY2016</u>	<u>ACTUAL FY2017</u>	<u>BFM INTERIM FY2018</u>
ONGOING RECEIPTS			
Sales and Use Tax	\$ 860,905,705	\$ 951,223,081	\$ 988,273,202
Lottery	110,057,269	111,827,256	114,246,507
Contractor's Excise Tax	101,496,551	106,828,537	108,220,849
Insurance Company Tax	84,795,304	83,271,532	86,298,160
Unclaimed Property Receipts	55,107,516	44,386,220	47,942,063
Licenses, Permits, and Fees	56,712,050	64,730,175	65,523,092
Tobacco Taxes	57,967,713	56,809,149	56,144,884
Trust Funds	33,146,867	35,194,697	36,988,633
Net Transfers In	20,664,859	21,897,071	20,836,270
Alcohol Beverage Tax	11,403,076	7,617,533	7,823,657
Bank Franchise Tax	10,512,754	14,688,771	11,567,064
Charges for Goods and Services	11,589,517	15,562,672	15,664,877
Telecommunications Tax	5,943,316	5,329,876	4,796,888
Severance Taxes	6,131,259	8,968,233	6,237,475
Sale-Leaseback	4,663,938	4,138,575	N/A
Investment Income and Interest	5,438,611	6,366,142	6,039,168
Alcohol Beverage 2% Wholesale Tax	1,850,515	1,954,454	2,059,658
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,438,386,820</u>	<u>\$ 1,540,793,973</u>	<u>\$ 1,578,662,447</u>
ONE-TIME RECEIPTS			
One-Time Unclaimed Property Receipts	\$ 0	\$ 12,714,729	\$ 0
Transfer from Private Activities Bond Fee Fund	0	911,625	0
Transfer from Telecommunication Fund	0	800,000	0
Transfer from Video Lottery Fund	0	500,000	0
Transfer from Court Automation Fund	0	500,000	0
Transfer from General Militia Fund	0	180,000	0
Transfer from SD Certified Beef Fund	0	104,000	0
Transfer from Department of Corrections	6,572,387	0	0
Transfer from Petroleum Release Fund	3,500,000	0	0
Transfer from South Dakota Risk Pool	3,353,860	0	0
Prior Period Adjustments	(4,213,467)	(1,712,184)	0
Unexpended Carryovers and Specials	379,252	1,449,345	0
Transfer from Budget Reserve Fund	27,426,643	0	0
Obligated Cash Carried Forward	21,535,148	14,069,144	7,943,412
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 58,553,823</u>	<u>\$ 29,516,659</u>	<u>\$ 7,943,412</u>
GRAND TOTAL	<u><u>\$ 1,496,940,642</u></u>	<u><u>\$ 1,570,310,632</u></u>	<u><u>\$ 1,586,605,859</u></u>

ACTUAL FY2016 vs. ACTUAL FY2017 RECEIPTS

	<u>ACTUAL FY2016</u>	<u>ACTUAL FY2017</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 860,905,705	\$ 951,223,081	\$ 90,317,376	10.49
Lottery	110,057,269	111,827,256	1,769,987	1.61
Contractor's Excise Tax	101,496,551	106,828,537	5,331,986	5.25
Insurance Company Tax	84,795,304	83,271,532	(1,523,772)	(1.80)
Unclaimed Property Receipts	55,107,516	44,386,220	(10,721,296)	(19.46)
Licenses, Permits, and Fees	56,712,050	64,730,175	8,018,125	14.14
Tobacco Taxes	57,967,713	56,809,149	(1,158,563)	(2.00)
Trust Funds	33,146,867	35,194,697	2,047,830	6.18
Net Transfers In	20,664,859	21,897,071	1,232,211	5.96
Alcohol Beverage Tax	11,403,076	7,617,533	(3,785,543)	(33.20)
Bank Franchise Tax	10,512,754	14,688,771	4,176,017	39.72
Charges for Goods and Services	11,589,517	15,562,672	3,973,155	34.28
Telecommunications Tax	5,943,316	5,329,876	(613,441)	(10.32)
Severance Taxes	6,131,259	8,968,233	2,836,975	46.27
Sale-Leaseback	4,663,938	4,138,575	(525,363)	(11.26)
Investment Income and Interest	5,438,611	6,366,142	927,531	17.05
Alcohol Beverage 2% Wholesale Tax	1,850,515	1,954,454	103,939	5.62
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,438,386,820</u>	<u>\$ 1,540,793,973</u>	<u>\$ 102,407,153</u>	<u>7.12</u>
ONE-TIME RECEIPTS				
One-time Unclaimed Property (stock sale)	\$ 0	\$ 12,714,729	\$ 12,714,729	100.00
Transfer from Private Activities Bond Fee Fund	0	911,625	911,625	100.00
Transfer from Telecommunication Fund	0	800,000	800,000	100.00
Transfer from Court Automation Fund	0	500,000	500,000	100.00
Transfer from Video Lottery Fund	0	500,000	500,000	100.00
Transfer from General Militia Fund	0	180,000	180,000	100.00
Transfer from SD Certified Beef Fund	0	104,000	104,000	100.00
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)
Prior Period Adjustments	(4,213,467)	(1,712,184)	2,501,283	(59.36)
Unexpended Carryovers and Specials	379,252	1,449,345	1,070,093	282.16
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>\$ 29,516,659</u>	<u>\$ (29,037,163)</u>	<u>(49.59)</u>
GRAND TOTAL	<u><u>\$ 1,496,940,642</u></u>	<u><u>\$ 1,570,310,632</u></u>	<u><u>\$ 73,369,990</u></u>	<u><u>4.90</u></u>

ACTUAL FY2017 RECEIPTS VS. INTERIM FY2018 FORECAST

	<u>ACTUAL FY2017</u>	<u>BFM INTERIM FY2018</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 951,223,081	\$ 988,273,202	\$ 37,050,121	3.89
Lottery	111,827,256	114,246,507	2,419,251	2.16
Contractor's Excise Tax	106,828,537	108,220,849	1,392,312	1.30
Insurance Company Tax	83,271,532	86,298,160	3,026,628	3.63
Unclaimed Property Receipts	44,386,220	47,942,063	3,555,843	8.01
Licenses, Permits, and Fees	64,730,175	65,523,092	792,917	1.22
Tobacco Taxes	56,809,149	56,144,884	(664,265)	(1.17)
Trust Funds	35,194,697	36,988,633	1,793,936	5.10
Net Transfers In	21,897,071	20,836,270	(1,060,801)	(4.84)
Alcohol Beverage Tax	7,617,533	7,823,657	206,124	2.71
Bank Franchise Tax	14,688,771	11,567,064	(3,121,707)	(21.25)
Charges for Goods and Services	15,562,672	15,664,877	102,205	0.66
Telecommunications Tax	5,329,876	4,796,888	(532,988)	(10.00)
Severance Taxes	8,968,233	6,237,475	(2,730,758)	(30.45)
Sale-Leaseback	4,138,575	0	(4,138,575)	(100.00)
Investment Income and Interest	6,366,142	6,039,168	(326,974)	(5.14)
Alcohol Beverage 2% Wholesale Tax	1,954,454	2,059,658	105,204	5.38
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,540,793,973</u>	<u>\$ 1,578,662,447</u>	<u>\$ 37,868,474</u>	<u>2.46</u>
ONE-TIME RECEIPTS				
One-time Unclaimed Property (stock sale)	\$ 12,714,729	\$ 0	\$ (12,714,729)	(100.00)
Transfer from Private Activities Bond Fee Fund	911,625	0	(911,625)	(100.00)
Transfer from Telecommunication Fund	800,000	0	(800,000)	(100.00)
Transfer from Video Lottery Fund	500,000	0	(500,000)	(100.00)
Transfer from Court Automation Fund	500,000	0	(500,000)	(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)	0	1,712,184	(100.00)
Unexpended Carryovers and Specials	1,449,345	0	(1,449,345)	(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>\$ 7,943,412</u>	<u>\$ (21,573,247)</u>	<u>(73.09)</u>
GRAND TOTAL	<u><u>\$ 1,570,310,632</u></u>	<u><u>\$ 1,586,605,859</u></u>	<u><u>\$ 16,295,227</u></u>	<u><u>1.04</u></u>

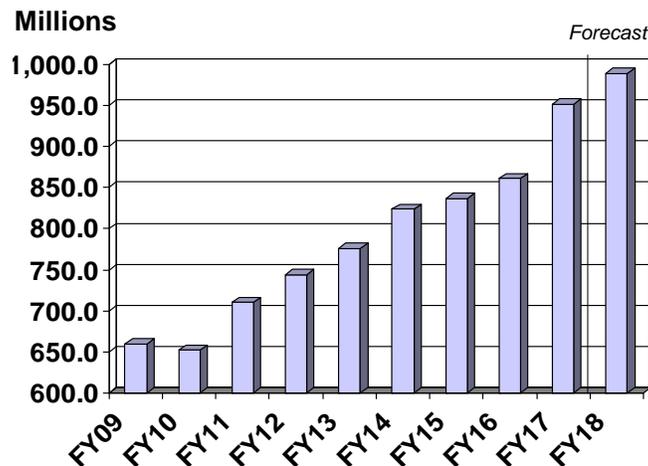
ADOPTED FY2018 FORECAST VS. INTERIM FY2018 FORECAST

	<u>LEG. ADOPTED FY2018</u>	<u>BFM INTERIM FY2018</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ONGOING RECEIPTS				
Sales and Use Tax	\$ 989,040,000	\$ 988,273,202	\$ (766,798)	(0.08)
Lottery	115,318,879	114,246,507	(1,072,372)	(0.93)
Contractor's Excise Tax	110,614,834	108,220,849	(2,393,985)	(2.16)
Insurance Company Tax	93,000,000	86,298,160	(6,701,840)	(7.21)
Unclaimed Property Receipts	51,461,196	47,942,063	(3,519,133)	(6.84)
Licenses, Permits, and Fees	64,000,000	65,523,092	1,523,092	2.38
Tobacco Taxes	55,031,773	56,144,884	1,113,111	2.02
Trust Funds	36,960,438	36,988,633	28,195	0.08
Net Transfers In	21,000,000	20,836,270	(163,730)	(0.78)
Alcohol Beverage Tax	8,000,000	7,823,657	(176,343)	(2.20)
Bank Franchise Tax	10,944,525	11,567,064	622,539	5.69
Charges for Goods and Services	16,115,139	15,664,877	(450,262)	(2.79)
Telecommunications Tax	5,337,875	4,796,888	(540,987)	(10.13)
Severance Taxes	5,825,663	6,237,475	411,812	7.07
Sale-Leaseback	0	0	0	
Investment Income and Interest	5,248,558	6,039,168	790,610	15.06
Alcohol Beverage 2% Wholesale Tax	2,200,000	2,059,658	(140,342)	(6.38)
SUBTOTAL (ONGOING RECEIPTS)	<u>\$ 1,590,098,880</u>	<u>\$ 1,578,662,447</u>	<u>\$ (11,436,433)</u>	<u>(0.72)</u>
ONE-TIME RECEIPTS				
Obligated Cash Carried Forward	0	7,943,412	7,943,412	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	<u>\$ 0</u>	<u>\$ 7,943,412</u>	<u>\$ 7,943,412</u>	<u>100.00</u>
GRAND TOTAL	<u><u>\$ 1,590,098,880</u></u>	<u><u>\$ 1,586,605,859</u></u>	<u><u>\$ (3,493,021)</u></u>	<u><u>(0.22)</u></u>

SALES AND USE TAX

FY2017 Performance: In FY2017, total sales and use tax collections were \$951.2 million which was an increase of 10.5% or \$90.3 million over FY2016. The higher growth rate was due to the 0.5% rate increase that was implemented in FY2017. Sales and use tax audit collections (which are included in the total) for FY2017 were \$15.2 million compared to \$14.6 million in FY2016. Actual FY2017 collections were \$0.2 million higher than the most recent revised adopted estimate.

- The average annual increase in collections between FY2009 and FY2017 was 4.68%
- Net collections from the sales and use tax account for approximately 62% 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. 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)

STCDS = $-291.13 + 0.06 \cdot \text{SD Nonfarm Income} + 210.69 \cdot \text{Seasonal Dummy} + 9.57 \cdot \text{SD Manufacturing Employment} + 22.61 \cdot \text{SD Housing Starts} + 0.03 \cdot \text{Farm Proprietors Income}$
 $R^2 = .9931$

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

STBUSCND = $-2,606.82 + 7.93 \cdot \text{SD Nonfarm Employment} + 270.21 \cdot \text{Seasonal Dummy} + 0.59 \cdot \text{Exports} + 665.89 \cdot \text{CPIF} + 0.03 \cdot \text{Farm Proprietors Income}$
 $R^2 = .9933$

Equation 3: Construction Related Purchases (STCON)

STCON = $-605.09 + 26.30 \cdot \text{SD Construction Employment} + 0.01 \cdot (\text{SD Nonfarm Income} \cdot \text{Seasonal dummy}) + 10.73 \cdot \text{SD Housing Starts} + 0.06 \cdot \text{Wage and Salary Disbursements}$
 $R^2 = .9559$

Equation 4: Recreation Related Purchases (STREC)

$$\text{STREC} = -21.32 + 0.03 \cdot \text{SD Nonfarm Income} + 3.66 \cdot \text{SD Leisure and Hospitality Employment} + 0.01 \cdot (\text{SD Disposable Income} \cdot \text{Seasonal Dummy}) - 0.45 \cdot \text{oil prices.}$$

R² = .9942

Equation 5: Utilities (STUTI)

$$\text{STUTI} = 85.66 + 0.02 \cdot \text{SD Nonfarm Income} + 2.97 \cdot \text{Consumer Spending on Electricity and Natural Gas} + 0.02 \cdot \text{SD Farm Proprietors Income.}$$

R² = .9850

Collection Equation:

$$\text{Sales Tax Collections} = -0.8 + 0.045 \cdot \text{Total Taxable Sales}$$

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.

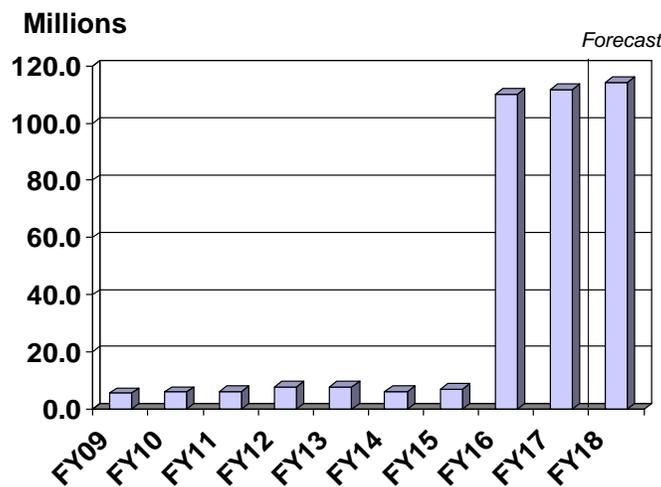
Interim Estimate for FY2018	
Base Sales and Use Tax Collections	978,349,383
+ Audit Collections	13,898,401
+ Boat Tax	2,168,973
+ Off-Road Vehicle Excise Tax	1,057,287
+ Mobile Home Tax	238,605
<u>- Endo/Ecto to BOR</u>	<u>(778,881)</u>
= Base Estimate	994,933,768
- DOR Indirect Funding	<u>(6,660,566)</u>
= Net Sales Tax Estimate	988,273,202

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	860,905,705	951,223,081	988,273,202
Dollar Change	24,318,597	90,317,376	37,050,122
<i>Percent Change</i>	2.91	10.49	3.89

LOTTERY

FY2017 Performance: Receipts to the general fund from the lottery category totaled \$111.8 million in FY2017. Video lottery receipts totaled \$104.8 million, which was an increase of \$2.3 million or 2.3% over FY2016. Receipts from on-line and instant tickets totaled \$7.0 million, which was down \$0.5 million or 7.3% compared to FY2016.

- All of the net proceeds from the sale of instant lottery tickets are deposited in the general fund.
- The first \$1.4 million of the net proceeds from the sale of on-line lottery tickets are deposited in the general fund. The remaining net proceeds from the sale of on-line lottery tickets are deposited in the Capital Construction Fund.
- Receipts included in this category account for approximately 7.2% of ongoing general fund revenues in FY2017.



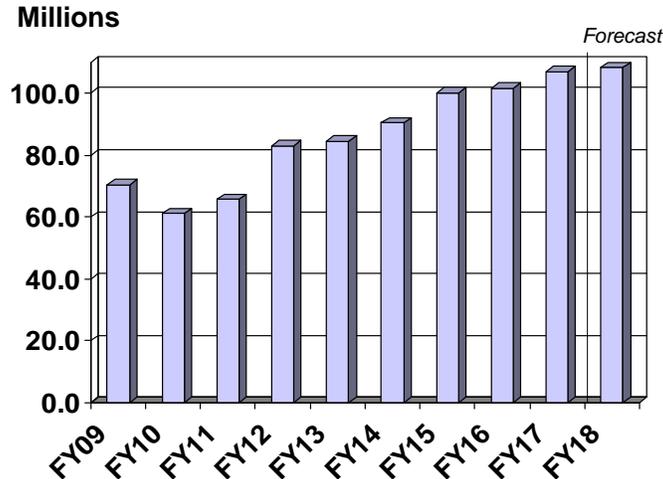
Estimate: The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Instant Lottery	6,124,130	5,577,739	5,900,000
Online Lottery	1,400,000	1,400,000	1,400,000
Video Lottery	102,533,139	104,849,517	106,946,507
Total Receipts	110,057,269	111,827,256	114,246,507
Dollar Change	103,104,963	1,769,987	2,419,251
Percent Change	1483.03	1.61	2.16

CONTRACTOR'S EXCISE TAX

FY2017 Performance: In FY2017, net contractor's excise tax collections were \$106.8 million, which was an increase of 5.3% or \$5.3 million over FY2016. Actual FY2017 collections were \$2.3 million lower than the most recent revised legislative adopted estimate.

- The average annual increase in net contractor's excise tax collections between FY2009 and FY2017 was 4.16%.
- Net collections from the contractor's excise tax account for approximately 6.9% of ongoing general fund receipts in FY2017.



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 = - 44.88 + 1.83*SD Construction, Natural Resources, and Mining Employment + 0.01*(Seasonal Dummy*SD nonfarm income) – 1.82*SD Unemployment Rate + 4.13*Price Index for Metal Materials and Wood Products + 12.47*Consumer Price Index + 0.36*SD Housing Starts

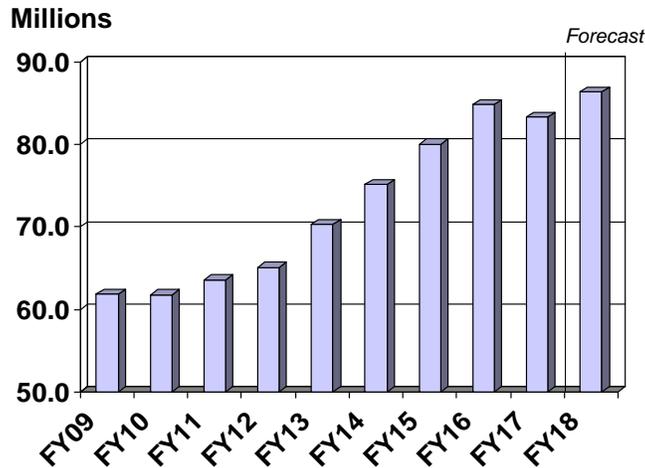
$R^2 = .9923$

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Net Receipts	101,496,551	106,828,537	108,220,849
Dollar Change	1,380,112	5,331,986	1,392,311
Percent Change	1.38	5.25	1.30

INSURANCE COMPANY TAX

FY2017 Performance: In FY2017, insurance company tax collections totaled \$83.3 million, which was down 1.8% or \$1.5 million from FY2016. Actual FY2017 collections were \$7.4 million lower than the most recent legislative adopted estimates.

- The average annual increase between FY2009 and FY2017 was 3.79%.
- Collections from this tax account for approximately 5.4% 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 = 6.90 + 0.50*SD Nonfarm Income – 3.75*Seasonal Dummy + 0.04*Consumer Spending on Insurance - 0.40*Yield on 2 year Treasury note + 2.43 * Affordable Care Act dummy variable.

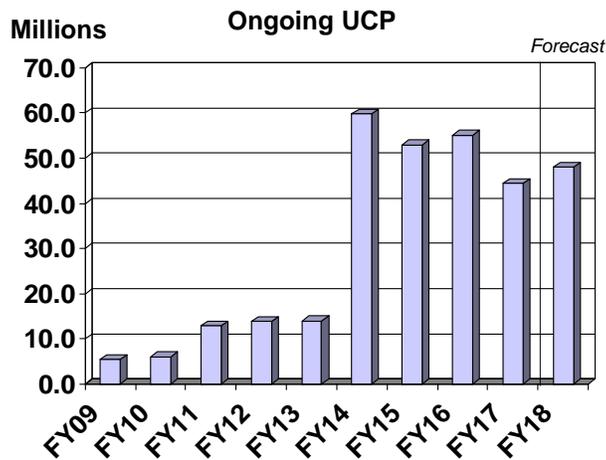
$R^2 = .9741$

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Receipts	84,795,304	83,271,532	86,298,160
Dollar Change	4,818,620	(1,523,772)	3,026,628
Percent Change	6.03	(1.80)	3.63

UNCLAIMED PROPERTY RECEIPTS

FY2017 Performance: In FY2017, unclaimed property receipts to the general fund totaled \$57.1 million, of which \$12.7 million was a result of the sale of stocks and other securities. In total, actual FY2017 collections were \$4.8 million lower than the most recent legislative adopted estimates.

- Collections from unclaimed property receipts account for approximately 2.9% of ongoing general fund revenues in FY2017.
- The chart below shows the ongoing portion of unclaimed property.



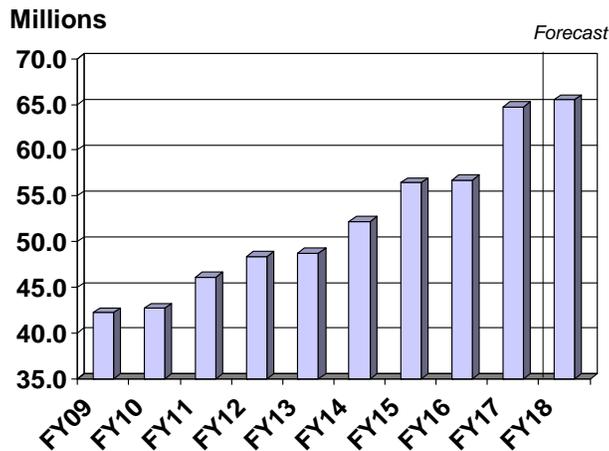
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Ongoing UCP	55,107,516	44,386,220	47,942,063
One-Time UCP	0	12,714,729	0
Total UCP	55,107,516	57,100,949	47,942,063
Dollar Change	2,193,327	1,993,433	(9,158,886)
Percent Change	4.15	3.62	(16.04)

LICENSES, PERMITS, AND FEES

FY2017 Performance: In FY2017, collections from licenses, permits, and fees totaled \$64.7 million, which was up 14.14% or \$8.0 million from FY2016. Collections from security fees grew 17.6% in FY2017, due to the fee increase for open-ended mutual companies in FY2017. Actual FY2016 collections were \$2.1 million higher 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.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Receipts	56,712,050	64,730,175	65,523,092
Dollar Change	255,017	8,018,125	792,918
Percent Change	0.45	14.14	1.22

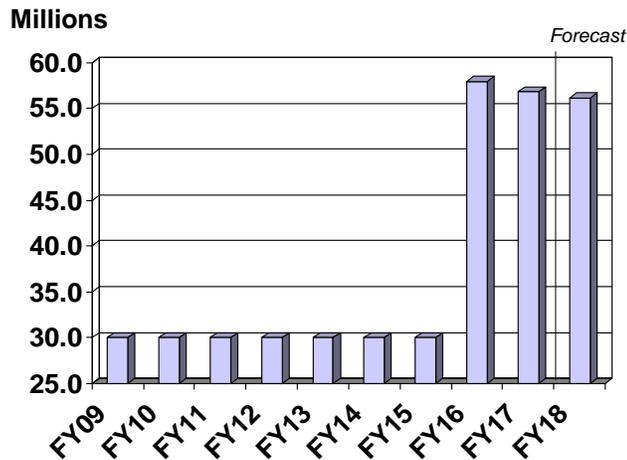
TOBACCO TAXES

FY2017 Performance: In FY2017, the total collections from the tobacco taxes were \$61.8 million and of which \$56.8 million was deposited into the general fund and \$5.0 million was dedicated to tobacco prevention. In FY2017, cigarette taxes totaled \$53.0 million, which was a decrease of \$1.7 million or 3.1% compared to FY2016. Other tobacco taxes totaled \$8.8 million, which was an increase of \$0.5 million or 6.1% over FY2016.

- 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 3.7% of ongoing general fund receipts in FY2017.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
General Fund	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000
Remainder to GF	27,967,713	26,809,149	26,144,884
Total	62,967,713	61,809,149	61,144,884

- 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 FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	57,967,713	56,809,149	56,144,884
Dollar Change	27,967,713	(1,158,563)	(664,265)
Percent Change	93.23	(2.00)	(1.17)

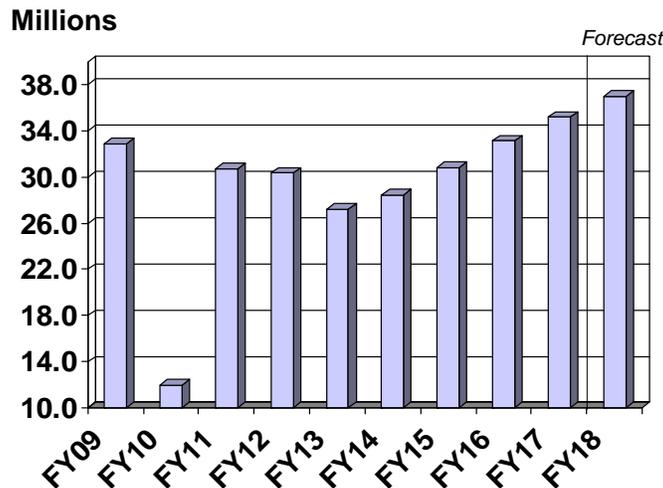
TRUST FUNDS

FY2017 Performance: Transfers from the trust funds to the general fund in FY2017 totaled \$35.2 million, which was an increase of 6.2% or \$2.0 million from FY2016. As of June 30, 2017, the estimated rate of return for FY2017 was approximately 11.0% 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 FY2016 and FY2017, and the estimated amounts for FY2018.

	Actual FY2016	Actual FY2017	Estimated FY2018
HCTF	4,674,130	4,970,123	5,214,739
EETF	17,036,734	18,242,854	19,377,842
DCTF	11,436,003	11,981,721	12,396,052
Total	33,146,867	35,194,697	36,988,633

- Receipts from the trust funds account for approximately 2.3% of ongoing general fund revenues in FY2017.



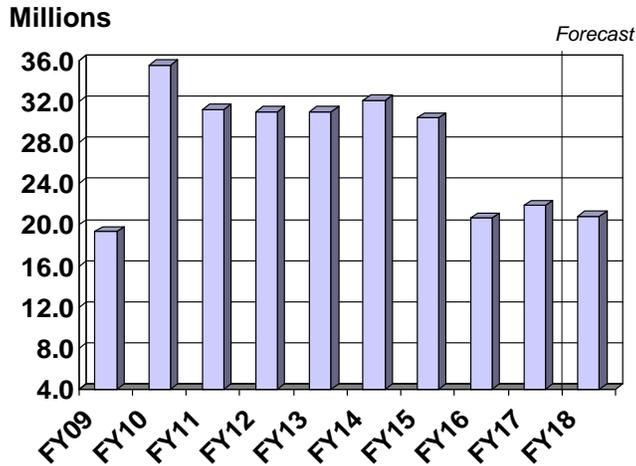
Estimate: The estimate for FY2018 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	33,146,867	35,194,697	36,988,633
Dollar Change	2,320,537	2,320,537	1,793,936
Percent Change	7.53	6.18	5.10

NET TRANSFERS IN

FY2017 Performance: In FY2017, collections from net transfers in totaled \$21.9 million, which was up 6.0% or \$1.2 million from FY2016. Actual collections in FY2017 were \$0.3 million higher than the most recent legislative adopted estimate.

- Receipts included in this category account for approximately 1.3% of ongoing general fund revenues in FY2017.



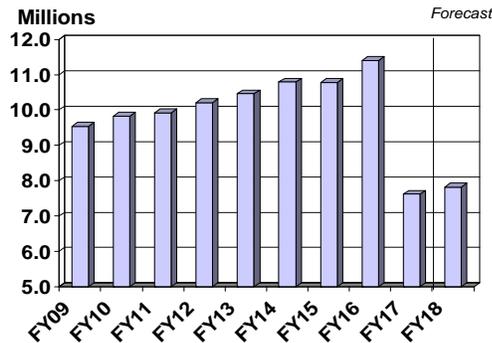
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	20,664,859	21,897,071	20,836,270
Dollar Change	(9,729,612)	1,232,211	(1,060,801)
Percent Change	(32.01)	5.96	(4.84)

ALCOHOL BEVERAGE TAX

FY2017 Performance: Alcohol beverage tax collections to the general fund in FY2017 totaled \$7.6 million, down 33.20% compared to FY2016. Actual FY2017 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 FY2017.



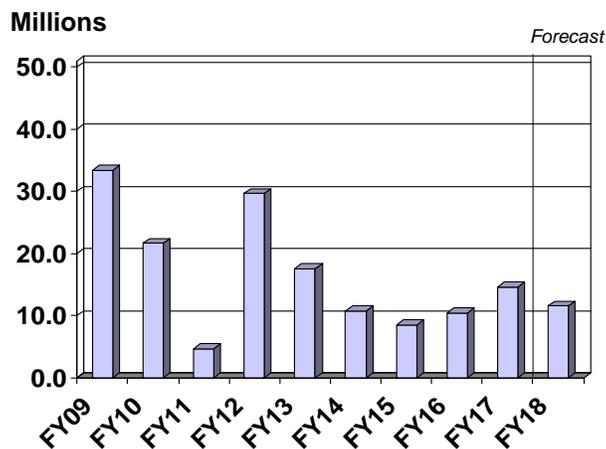
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	11,403,076	7,617,533	7,826,657
Dollar Change	630,713	(3,785,543)	206,124
Percent Change	5.85	(33.20)	2.71

BANK FRANCHISE TAX

FY2017 Performance: In FY2017, bank franchise tax collections totaled \$14.7 million, which was up \$4.2 million or 39.72% compared to FY2016. Bank card collections totaled \$7.4 million, up \$4.2 million or 129.64% compared to FY2016. Traditional bank tax collections totaled \$7.3 million, nearly the same as FY2016. Total FY2017 bank tax collections were \$4.0 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 1.0% of ongoing general fund revenues in FY2017.



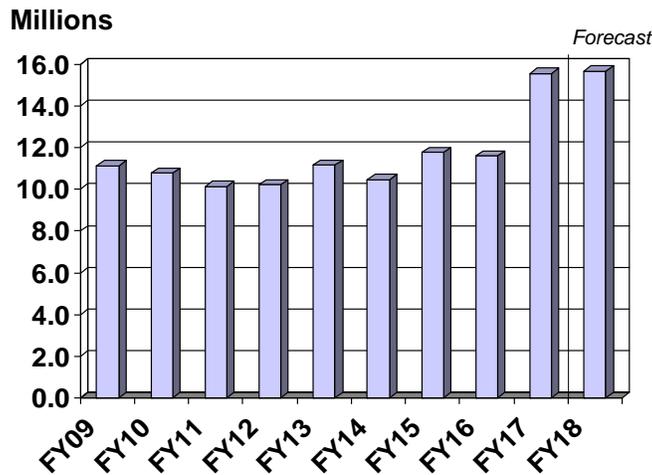
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	10,512,754	14,688,771	11,567,064
Dollar Change		4,176,017	(3,121,707)
Percent Change	22.48	39.72	(21.25)

CHARGES FOR GOODS AND SERVICES

FY2017 Performance: In FY2017, the charges for goods and services category totaled \$15.6 million, an increase of \$4.0 million or 34.28% compared to FY2016 collections. Actual FY2017 collections were \$0.2 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, the primary increase is due to additional receipts from the Department of Corrections due to the budget restructuring in FY2017.
- Receipts included in this category account for approximately 1.0% of ongoing general fund revenues in FY2017.



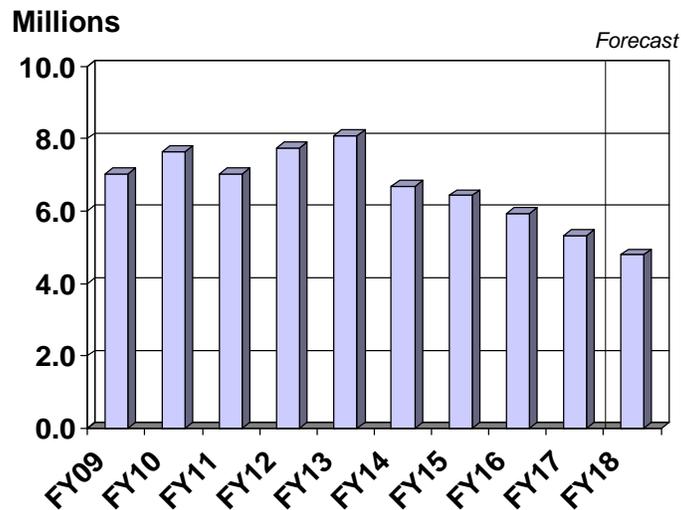
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	11,589,517	15,562,672	15,664,877
Dollar Change	(164,758)	3,973,155	102,205
Percent Change	(1.40)	34.28	0.66

TELECOMMUNICATIONS TAX

FY2017 Performance: In FY2017, the telecommunications tax totaled \$5.3 million, a decrease of \$0.6 million or 10.32% compared to FY2016 collections. Actual FY2017 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 FY2009 through FY2015.



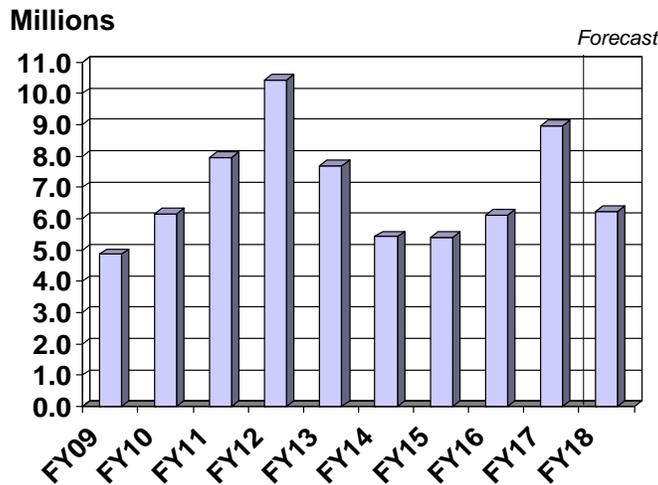
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	5,943,316	5,329,876	4,796,888
Dollar Change	(492,305)	(613,441)	(532,988)
Percent Change	(7.65)	(10.32)	(10.00)

SEVERANCE TAXES

FY2017 Performance: Severance tax collections totaled \$9.0 million in FY2017, which was up \$2.8 million or 46.27% from FY2016. Collections from energy mineral severance taxes (primarily oil) totaled \$1.2 million, which was down \$0.3 million or 21.17% compared to FY2016. Collections from precious metal severance taxes (primarily gold) totaled \$7.8 million, which was up \$3.2 million or 68.75% compared to FY2016. Total FY2017 severance tax collections were \$0.5 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 0.6% of ongoing general fund revenues in FY2017.



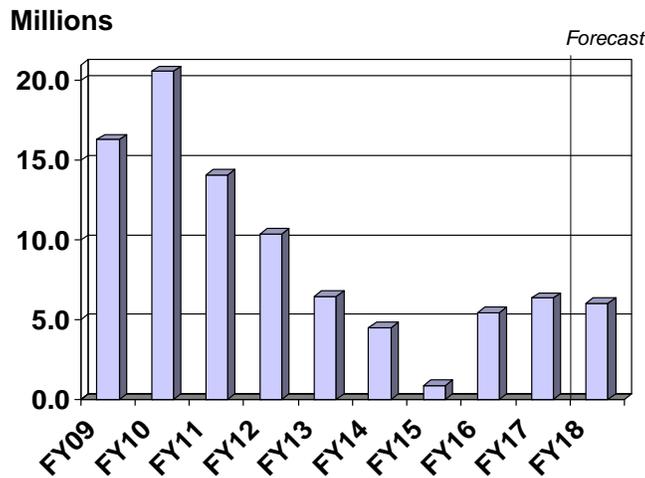
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history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

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	6,131,259	8,968,233	6,237,475
Dollar Change	734,634	2,836,975	(2,730,758)
Percent Change	13.61	46.27	(30.45)

INVESTMENT INCOME AND INTEREST

FY2017 Performance: In FY2017, collections from investment income and interest totaled \$6.4 million, an increase of \$0.9 million or 17.05% compared to FY2016. The yield of the cash flow fund was 1.24% for FY2017. Total FY2017 collections were \$0.1 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 0.4% of ongoing general fund revenues in FY2017.



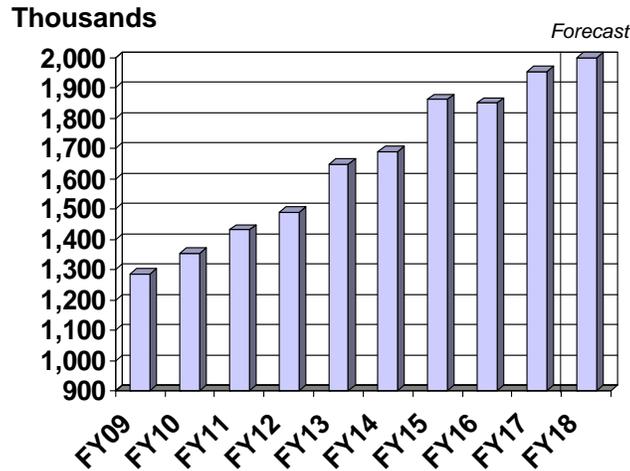
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections.

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	5,438,611	6,366,142	6,039,168
Dollar Change	4,573,946	927,531	(326,974)
Percent Change	528.98	17.05	(5.14)

ALCOHOL BEVERAGE 2% WHOLESALE TAX

FY2017 Performance: Collections in FY2017 totaled \$2.0 million, up 5.62% from FY2016. Actual FY2017 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 FY2017.



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

	Actual FY2016	Actual FY2017	Interim Estimate FY2018
Total Receipts	1,850,515	1,954,454	2,059,658
Dollar Change	(11,231)	103,939	105,204
Percent Change	(0.60)	5.62	5.38