BUREAU OF
FINANCE &
MANAGEMENT
South Dakota

REVENUE FORECASTS

2015 Interim

July 21, 2015

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M E M O R A N D U M

TO: Governor Dennis Daugaard and Interim Joint Committee on Appropriations
FROM: Jim Terwilliger, Economist
Bureau of Finance and Management

SUBJECT: Interim FY2015 Revenue Projections

DATE: July 21, 2015

In accordance with the provisions of SDCL 4-8A-16, the following report includes actual revenue for fiscal years 2014 and 2015 and updated revenue projections for fiscal year 2016 for the various sources of revenue that flow to the state general fund.

The updated FY2016 revenue estimates from the Bureau of Finance and Management total $1,437,731,192 on an ongoing basis. This updated projection is $4,614,107 higher than the Legislative Adopted FY2016 estimate. Since this most recent forecast is higher than the Adopted FY2016 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

	ACTUAL FY2014	ACTUAL FY2015	BFM INTERIM FY2016
ONGOING RECEIPTS			
Sales and Use Tax	$ 823,401,593	$ 836,587,108	$ 869,231,603
Lottery	6,296,600	6,952,306	109,131,373
Contractor's Excise Tax	90,409,495	100,116,439	104,619,393
Insurance Company Tax	75,110,734	79,976,685	83,653,570
Unclaimed Property Receipts	59,761,191	52,914,188	54,867,008
Licenses, Permits, and Fees	52,203,471	56,457,033	56,750,451
Tobacco Taxes	30,000,000	30,000,000	52,558,574
Trust Funds	28,436,564	30,826,330	33,239,017
Net Transfers In	32,133,057	30,394,471	17,416,898
Alcohol Beverage Tax	10,790,053	10,772,363	11,142,062
Bank Franchise Tax	10,782,035	8,583,099	10,802,045
Charges for Goods and Services	10,461,221	11,754,275	11,163,982
Telecommunications Tax	0	0	6,435,621
Severance Taxes	5,424,019	5,396,624	4,776,131
Sale-Leaseback	5,838,681	5,236,813	4,663,938
Investment Income and Interest	4,528,811	864,665	5,315,759
Alcohol Beverage 2% Wholesale Tax	1,690,523	1,861,746	1,963,767
Property Tax Reduction Fund	106,529,196	112,690,797	N/A
SUBTOTAL (ONGOING RECEIPTS)	$1,353,797,245	$1,381,384,943	$1,437,731,192
ONE-TIME RECEIPTS			
Refinancing Gains/Transfer from SDBA	$ 0	$ 5,567,283	$ 0
Prior Period Adjustments	0	1,954,866	0
Transfer from South Dakota Risk Pool	0	1,420,000	0
Transfer from Large Project Liability Account	19,424,586	1,299,428	0
One-time Unclaimed Property Receipts	54,013,610	0	0
Unexpended Carryovers and Specials	4,152,194	16,286,079	0
Transfer from Property Tax Reserves	19,626,221	0	0
Obligated Cash Carried Forward	25,216,171	9,876,349	21,535,148
SUBTOTAL (ONE-TIME RECEIPTS)	$ 122,432,782	$ 36,404,005	$ 21,535,148
GRAND TOTAL	**$1,476,230,027**	**$1,417,788,948**	**$1,459,266,340**

ACTUAL FY2014 vs. ACTUAL FY2015 RECEIPTS

	ACTUAL FY2014	ACTUAL FY2015	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	$ 823,401,593	$ 836,587,108	$13,185,514	1.60
Lottery	6,296,600	6,952,306	655,706	10.41
Contractor's Excise Tax	90,409,495	100,116,439	9,706,945	10.74
Insurance Company Tax	75,110,734	79,976,685	4,865,951	6.48
Unclaimed Property Receipts	59,761,191	52,914,188	(6,847,003)	(11.46)
Licenses, Permits, and Fees	52,203,471	56,457,033	4,253,562	8.15
Tobacco Taxes	30,000,000	30,000,000	0	0.00
Trust Funds	28,436,564	30,826,330	2,389,766	8.40
Net Transfers In	32,133,057	30,394,471	(1,738,586)	(5.41)
Alcohol Beverage Tax	10,790,053	10,772,363	(17,690)	(0.16)
Bank Franchise Tax	10,782,035	8,583,099	(2,198,935)	(20.39)
Charges for Goods and Services	10,461,221	11,754,275	1,293,054	12.36
Telecommunications Tax	0	0	0	0.00
Severance Taxes	5,424,019	5,396,624	(27,394)	(0.51)
Sale-Leaseback	5,838,681	5,236,813	(601,868)	(10.31)
Investment Income and Interest	4,528,811	864,665	(3,664,146)	(80.91)
Alcohol Beverage 2% Wholesale Tax	1,690,523	1,861,746	171,223	10.13
Property Tax Reduction Fund	106,529,196	112,690,797	6,161,600	5.78
SUBTOTAL (ONGOING RECEIPTS)	$ 1,353,797,245	$ 1,381,384,943	$ 27,587,697	2.04
ONE-TIME RECEIPTS				
Refinancing Gains/Transfer from SDBA	$ 0	$ 5,567,283	$ 5,567,283	100.00
Prior Period Adjustments	0	1,954,866	1,954,866	
Transfer from South Dakota Risk Pool	0	1,420,000	1,420,000	100.00
Transfer from Large Project Liability Account	19,424,586	1,299,428	(18,125,158)	100.00
One-time Unclaimed Property Receipts	54,013,610	0	(54,013,610)	(100.00)
Transfer from Property Tax Reserves	19,626,221	0	(19,626,221)	(100.00)
Unexpended Carryovers and Specials	4,152,194	16,286,079	12,133,886	100.00
Obligated Cash Carried Forward	25,216,171	9,876,349	(15,339,822)	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	$ 122,432,782	$ 36,404,005	$ (86,028,777)	100.00
GRAND TOTAL	**$ 1,476,230,027**	**$ 1,417,788,948**	**($58,441,079)**	**(3.96)**

ACTUAL FY2015 RECEIPTS VS. INTERIM FY2016 FORECAST

	ACTUAL FY2015	BFM INTERIM FY2016	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	$ 836,587,108	$ 869,231,603	$ 32,644,495	3.90
Lottery	6,952,306	109,131,373	102,179,067	1469.71
Contractor's Excise Tax	100,116,439	104,619,393	4,502,954	4.50
Insurance Company Tax	79,976,685	83,653,570	3,676,885	4.60
Unclaimed Property Receipts	52,914,188	54,867,008	1,952,820	3.69
Licenses, Permits, and Fees	56,457,033	56,750,451	293,418	0.52
Tobacco Taxes	30,000,000	52,558,574	22,558,574	75.20
Trust Funds	30,826,330	33,239,017	2,412,687	7.83
Net Transfers In	30,394,471	17,416,898	(12,977,573)	(42.70)
Alcohol Beverage Tax	10,772,363	11,142,062	369,699	3.43
Bank Franchise Tax	8,583,099	10,802,045	2,218,946	25.85
Charges for Goods and Services	11,754,275	11,163,982	(590,293)	(5.02)
Telecommunications Tax	0	6,435,621	6,435,621	
Severance Taxes	5,396,624	4,776,131	(620,493)	(11.50)
Sale-Leaseback	5,236,813	4,663,938	(572,875)	(10.94)
Investment Income and Interest	864,665	5,315,759	4,451,094	514.78
Alcohol Beverage 2% Wholesale Tax	1,861,746	1,963,767	102,021	5.48
Property Tax Reduction Fund	112,690,797	N/A	(112,690,797)	
SUBTOTAL (ONGOING RECEIPTS)	$ 1,381,384,943	$ 1,437,731,192	$ 56,346,249	4.08
ONE-TIME RECEIPTS				
Refinancing Gains/Transfer from SDBA	$ 5,567,283	$ 0	$ (5,567,283)	(100.00)
Prior Period Adjustments	1,954,866	0	(1,954,866)	(100.00)
Transfer from South Dakota Risk Pool	1,420,000	0	(1,420,000)	(100.00)
Transfer from Large Project Liability Account	1,299,428	0	(1,299,428)	(100.00)
Unexpended Carryovers and Specials	16,286,079	0	(16,286,079)	(100.00)
Obligated Cash Carried Forward	9,876,349	21,535,148	11,658,799	118.05
SUBTOTAL (ONE-TIME RECEIPTS)	$ 36,404,005	$ 21,535,148	$ (14,868,858)	(40.84)
GRAND TOTAL	**$ 1,417,788,948**	**$ 1,459,266,340**	**$ 41,477,392**	**2.93**

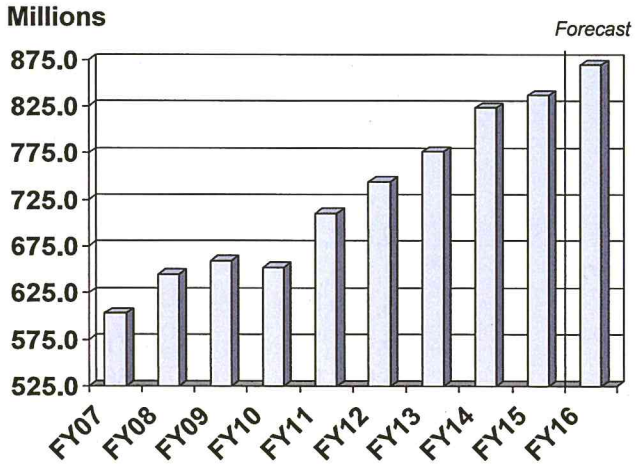
ADOPTED FY2016 FORECAST VS. INTERIM FY2016 FORECAST

	LEG. ADOPTED FY2016	BFM INTERIM FY2016	DOLLAR CHANGE	PERCENT CHANGE
ONGOING RECEIPTS				
Sales and Use Tax	$ 868,924,519	$ 869,231,603	$ 307,084	0.04
Lottery	108,027,292	109,131,373	1,104,081	1.02
Contractor's Excise Tax	101,006,979	104,619,393	3,612,414	3.58
Insurance Company Tax	81,039,460	83,653,570	2,614,110	3.23
Unclaimed Property Receipts	56,967,831	54,867,008	(2,100,823)	(3.69)
Licenses, Permits, and Fees	56,130,029	56,750,451	620,422	1.11
Tobacco Taxes	52,917,047	52,558,574	(358,473)	(0.68)
Trust Funds	33,224,941	33,239,017	14,076	0.04
Net Transfers In	17,242,935	17,416,898	173,963	1.01
Alcohol Beverage Tax	11,425,588	11,142,062	(283,526)	(2.48)
Bank Franchise Tax	10,858,137	10,802,045	(56,092)	(0.52)
Charges for Goods and Services	11,105,706	11,163,982	58,276	0.52
Telecommunications Tax	6,939,019	6,435,621	(503,398)	(7.25)
Severance Taxes	5,867,763	4,776,131	(1,091,632)	(18.60)
Sale-Leaseback	4,663,938	4,663,938	0	0.00
Investment Income and Interest	4,868,382	5,315,759	447,377	9.19
Alcohol Beverage 2% Wholesale Tax	1,907,519	1,963,767	56,248	2.95
Property Tax Reduction Fund	N/A	N/A	0	0.00
SUBTOTAL (ONGOING RECEIPTS)	$ 1,433,117,085	$ 1,437,731,192	$ 4,614,107	0.32
ONE-TIME RECEIPTS				
Obligated Cash Carried Forward	$ 0	$ 21,535,148	$ 21,535,148	100.00
SUBTOTAL (ONE-TIME RECEIPTS)	$ 0	$ 21,535,148	$ 21,535,148	100.00
GRAND TOTAL	**$ 1,433,117,085**	**$ 1,459,266,340**	**$ 26,149,255**	**1.82**

SALES AND USE TAX

FY2015 Performance: In FY2015, total sales and use tax collections were $836,587,108 million which was an increase of 1.6% or $13.2 million over FY2014. Sales and use tax audit collections (which are included in the total) for FY2015 were $12.1 million compared to $17.4 million in FY2014.

- The average annual increase in collections between FY2007 and FY2015 was 4.17%
- Net collections from the sales and use tax account for approximately 60.5% of ongoing general fund revenues in FY2016.



Estimate: Due to the broad nature of the sales and use tax, there are many different variables influencing collections including employment, income, the unemployment rate, inflation, etc. To quantify these theories, regression equations are used to see if historically there has been a statistically significant relationship between these and other variables and sales and use tax collections. The sales and use tax data is divided into five different categories to account for the broad base of the sales and use tax. Different variables are then used in the equations to see if historically a statistically significant relationship between them and taxable sales has existed. After finding the best fitting regression equation for each of the five categories, sales and use tax collections are forecasted. The regression equations used in the forecast, the coefficient of determination (R^2) associated with the equations, and a brief explanation of how to read regression equations are below.

Equation 1: Consumer Spending on Durables and Services (STCDS)
STCDS = -297.45 + 0.07*SD Nonfarm Income + 204.6*Seasonal Dummy + 9.73*SD Manufacturing Employment + 14.96*SD Housing Starts
R^2 = .9941

Equation 2: Business Related Purchases/Consumer Spending on Nondurables (STBUSCND)
STBUSCND = -1,780.2 + 4.19* SD Nonfarm Employment + 248.05*Seasonal Dummy + 0.61*Exports + 1074.14*CPIF – 20.30*Unemployment Rate
R^2 = .9928

Equation 3: Construction Related Purchases (STCON)
STCON = -1,126.14 + 21.78*SD Construction Employment + 0.01*(SD Nonfarm Income*Seasonal dummy) + 131.63 * Price Index for Wood and Metal Materials + 20.54*SD Housing Starts + 408.81*Consumer Price Index.
R^2 = .98.43

Equation 4: Recreation Related Purchases (STREC)
STREC = 94.13+ 0.02*SD Nonfarm Income + 0.94*SD Leisure and Hospitality Employment + 0.01*(SD Disposable Income*Seasonal Dummy) – 15.00*SD Unemployment Rate
R^2 = .9958

Equation 5: Utilities (STUTI)
STUTI = -272.34 + 0.02*SD Nonfarm Income + 0.02*SD Farm Proprietors Income + 43.90*Consumer Spending on Electricity and Natural Gas.
R^2 = .9662

Collection Equation:
Sales Tax Collections = -0.40 + 0.04*Total Taxable Sales
R^2 =.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 R^2. This is one way to identify how well an equation fits the data. An R^2 value close to one tells you that the equation has an excellent overall fit.

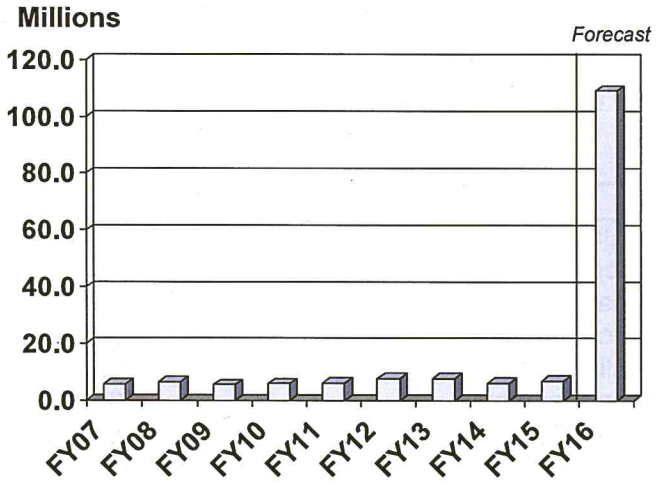
	Interim Estimate for FY2016
Sales and Use Tax Collections	868,303,943
+ Audit Collections	13,083,687
= Base Estimate	881,387,630
- DOR Indirect Funding	(7,542,679)
- Collection Allowance	(4,500,000)
- Reinvestment Payments	(113,348)
= Net Sales Tax Estimate	869,231,603

	Actual FY2014	**Actual FY2015**	**Interim Estimate FY2016**
Total Receipts	823,401,593	836,587,108	869,231,603
Dollar Change	47,306,054	13,185,515	32,644,495
Percent Change	6.10	1.60	3.90

LOTTERY

FY2015 Performance: Receipts to the general fund from the lottery category totaled $7.0 million in FY2015, which was up $0.7 million or 10.4% compared to FY2014. Receipts from on-line tickets totaled $1.4 million, equal to FY2014. Receipts from instant tickets to the general fund totaled $5.5 million, which was up $0.6 million or 13.3% compared to FY2014.

- All of the net proceeds from the sale of instant lottery tickets are deposited in the general fund.
- The first $1.4 million of the net proceeds from the sale of on-line lottery tickets are deposited in the general fund. The remaining net proceeds from the sale of on-line lottery tickets are deposited in the Capital Construction Fund.
- **Due to the repeal of the Property Tax Reduction Fund taking effect July 1, 2015, forty-nine and one half percent of video lottery net machine income will flow to the general fund in this category beginning in FY2016. Previously, the video lottery receipts flowed through the Property Tax Reduction Fund.**
- Receipts included in this category account for approximately 7.6% of ongoing general fund revenues in FY2016.



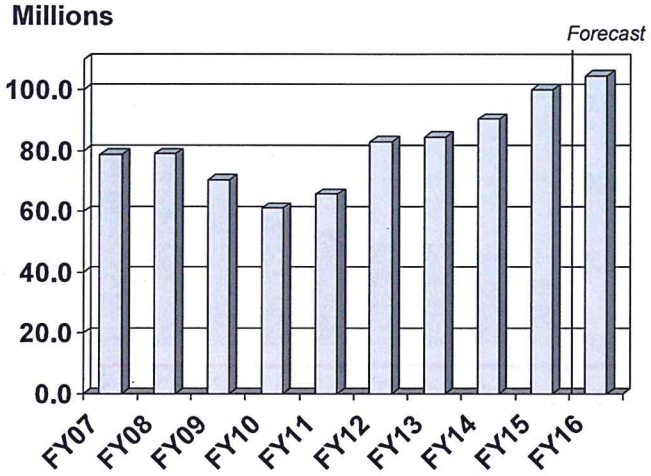
Estimate: The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Instant Lottery	4,896,600	5,552,306	5,510,000
Online Lottery	1,400,000	1,400,000	1,400,000
Video Lottery	N/A	N/A	102,221,373
Total Receipts	**6,296,600**	**6,952,306**	**109,131,373**
Dollar Change	(1,439,376)	655,706	102,179,067
Percent Change	(18.61)	10.41	1,469.71

CONTRACTOR'S EXCISE TAX

FY2015 Performance: In FY2015, net contractor's excise tax collections were $100.1 million, which was an increase of 10.7% or $9.7 million over FY2014. Actual FY2015 collections were $4.2 million higher than the most recent revised legislative adopted estimate.

- The average annual increase in net contractor's excise tax collections between FY2007 and FY2015 was 2.32%.
- Net collections from the contractor's excise tax account for approximately 7.3% of ongoing general fund receipts in FY2016.



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

Contractor's Excise Tax Collections = -46.03 + 1.96*SD Construction, Natural Resources, and Mining Employment + 0.01*(Seasonal Dummy*SD nonfarm income) – 1.53*SD Unemployment Rate + 5.47*Price Index for Metal Materials and Wood Products + 8.82*Consumer Price Index + 0.38*SD Housing Starts

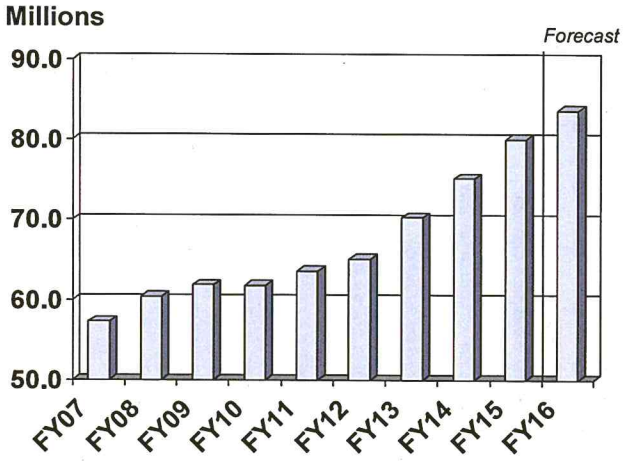
R^2 = .9910

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	90,730,907	100,932,442	104,665,309
Dedicated to BSD	(321,412)	(816,003)	(45,916)
Net Receipts	90,409,495	100,116,439	104,619,393
Dollar Change	5,942,627	9,706,944	4,502,954
Percent Change	7.04	10.74	4.50

INSURANCE COMPANY TAX

FY2015 Performance: In FY2015, insurance company tax collections totaled $80.0 million, which was up 6.5% or $4.9 million from FY2014. Actual FY2015 collections were $2.5 million higher than the most recent legislative adopted estimates.

- The average annual increase between FY2007 and FY2015 was 4.26%.
- Collections from this tax account for approximately 5.8% of ongoing general fund revenues.



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 = 4.70 + 0.50*SD Nonfarm Income - 3.78*Seasonal Dummy + 0.04*Consumer Spending on Insurance - 0.21*Yield on 2 year Treasury note.

$R^2 = .9701$

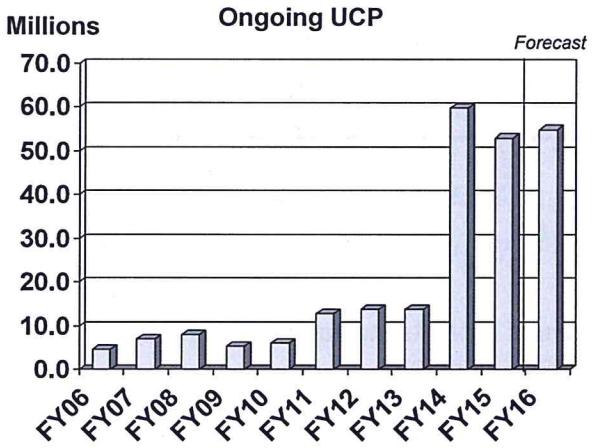
	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	75,110,734	79,976,685	83,653,570
Dollar Change	4,819,706	4,865,951	3,676,885
Percent Change	6.86	6.48	4.60

UNCLAIMED PROPERTY RECEIPTS

FY2015 Performance: In FY2015, unclaimed property receipts to the general fund totaled $52.9 million. In total, actual FY2015 collections were $2.1 million lower than the most recent legislative adopted estimates.

- Collections from unclaimed property receipts account for approximately 3.8% of ongoing general fund revenues in FY2016.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Ongoing UCP	**59,761,191**	**52,914,188**	**54,867,008**
One-time UCP	54,013,610	0	0
Total UCP	113,774,801	52,914,188	54,867,008



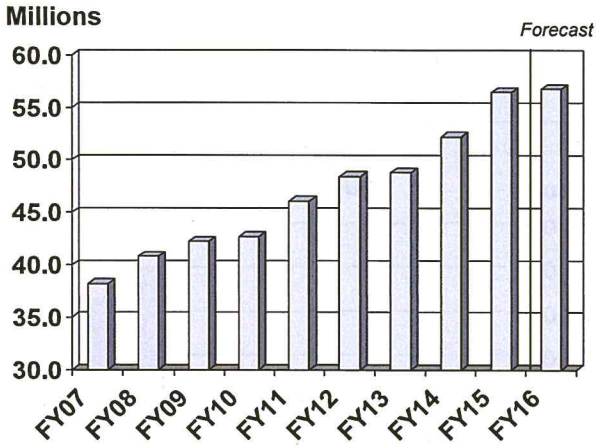
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

	Actual FY2014	Estimated FY2015	Interim Estimate FY2016
Ongoing UCP	59,761,191	52,914,188	54,867,008
Dollar Change	45,848,862	(6,847,003)	1,952,820
Percent Change	329.56	(11.46)	3.69

LICENSES, PERMITS, AND FEES

FY2015 Performance: In FY2015, collections from licenses, permits, and fees totaled $56.5 million, which was up 8.1% or $4.3 million from FY2014. Collections from security fees grew 5.6% in FY2015, significantly higher than the historical average of 3.7%. The state's share from the insurance operating fund grew 14.1% in FY2015, driven primarily by a large settlement collected during the fiscal year. Actual FY2015 collections were $2.1 million higher than the most recent legislative adopted estimates.

- Collections in this category account for approximately 3.9% of ongoing general fund revenues in FY2016.



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

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Receipts	52,203,471	56,457,033	56,750,451
Dollar Change	3,428,015	4,253,562	293,418
Percent Change	7.03	8.15	0.52

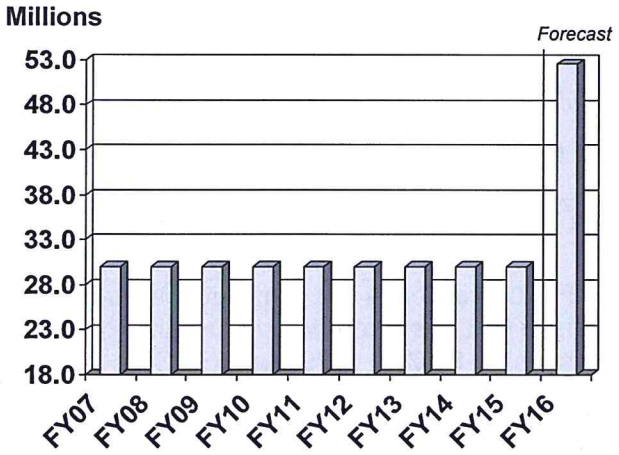
CIGARETTE TAX

FY2015 Performance: In FY2015, the total collections from the tobacco taxes were $58.1 million and the first $30.0 million was deposited to the general fund. In FY2015, cigarette taxes totaled $50.5 million, which was a decrease of $1.5 million or 2.9% compared to FY2014. Other tobacco taxes totaled $7.6 million, which was an increase of $0.2 million or 2.7% over FY2014.

- 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 FY2016.
- The total estimates and breakdown of where the dollars go are included in the following table.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
General Fund	30,000,000	30,000,000	30,000,000
TPRTF	5,000,000	5,000,000	5,000,000
PTRF	8,060,561	7,628,714	repealed
EETTF	8,060,561	7,628,714	repealed
HCTTF	8,304,821	7,859,887	repealed
Remainder to GF			22,558,574
Total	**59,425,953**	**58,117,315**	**52,558,574**

- 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 $52,558,574 in FY2016.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	30,000,000	30,000,000	52,558,574
Dollar Change	0	0	22,558,574
Percent Change	0	0	75.20

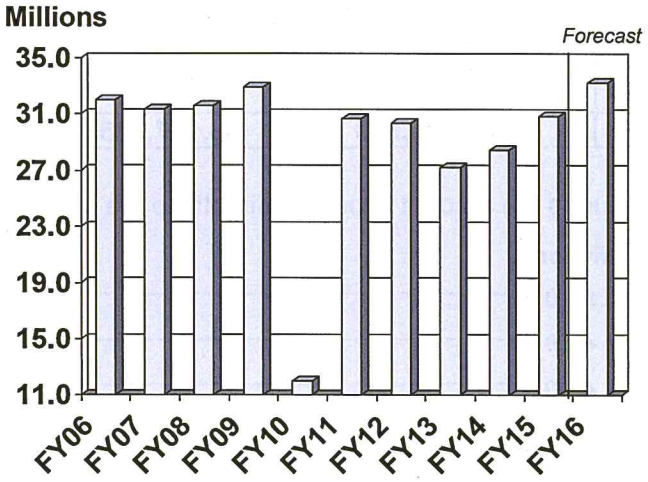
TRUST FUNDS

FY2015 Performance: Transfers from the trust funds to the general fund in FY2015 totaled $30.8 million, which was an increase of 8.4% or $2.4 million from FY2014. As of June 30, 2015, the estimated rate of return for FY2015 ranged from 4.1% to 4.3% 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 FY2014 and FY2015, and the estimated amounts for FY2016.

	Actual FY2014	Actual FY2015	Estimated FY2016
HCTF	3,959,754	4,322,835	4,674,130
EETF	14,413,354	15,699,869	17,036,734
DCTF	10,063,456	10,803,626	11,528,153
Total	28,436,564	30,826,330	33,239,017

- Receipts from the trust funds account for approximately 2.3% of ongoing general fund revenues in FY2016.



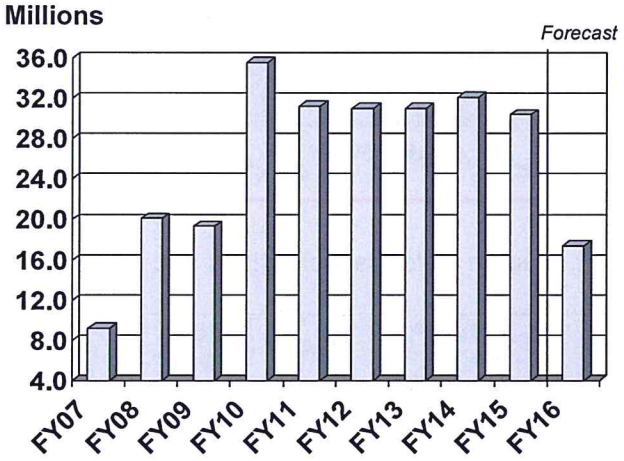
Estimate: The estimate for FY2015 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	28,436,564	30,826,330	33,239,017
Dollar Change	1,201,524	2,389,766	2,412,687
Percent Change	4.41	8.40	7.83

NET TRANSFERS IN

FY2015 Performance: In FY2015, collections from net transfers in totaled $30.4 million, which was down 5.4% or $1.7 million from FY2014. Actual collections in FY2015 were $0.6 million lower than the most recent legislative adopted estimate.

- **In FY2016, the Health Care Tobacco Tax Fund and the Education Enhancement Tobacco Tax Fund are to be repealed. These receipts will be included in the Tobacco Taxes revenue category in FY2016. Other receipts included in this category beginning in FY2016 are the wind taxes and the obligation recovery center recovery fee.**
- Receipts included in this category account for approximately 1.2% of ongoing general fund revenues in FY2016.



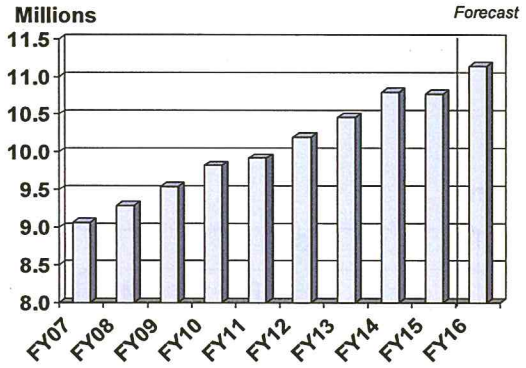
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	32,133,057	30,394,471	17,416,898
Dollar Change	1,129,325	(1,738,586)	(12,977,573)
Percent Change	3.64	(5.41)	(42.70)

ALCOHOL BEVERAGE TAX

FY2015 Performance: Alcohol beverage tax collections to the general fund in FY2015 totaled $10.8 million, down 0.16% compared to FY2014. Actual FY2015 collections were $0.4 million below the most recent legislative adopted estimate.

- The state receives 75% of the tax collected, and 25% of the collections go to the municipalities.
- Collections from this tax account for approximately 0.8% of ongoing general fund revenues in FY2016.



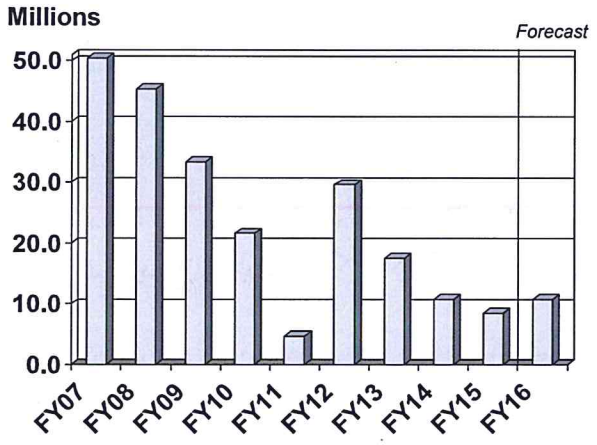
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	10,790,053	10,772,363	11,142,062
Dollar Change	333,654	(17,690)	369,699
Percent Change	3.19	(0.16)	3.43

BANK FRANCHISE TAX

FY2015 Performance: In FY2015, bank franchise tax collections totaled $8.6 million, which was down $2.2 million or 20.4% compared to FY2014. Bank card collections totaled $4.3 million, up $0.4 million or 11.28% compared to FY2014. Traditional bank tax collections totaled $4.3 million, down $2.6 million or 38.23% compared to FY2014. Total FY2015 bank tax collections were $0.8 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 FY2015.



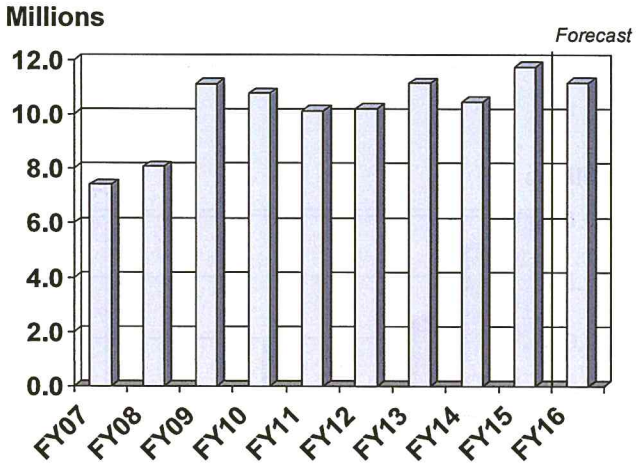
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	10,782,035	8,583,099	10,802,045
Dollar Change	(6,755,011)	(2,198,935)	2,218,946
Percent Change	(38.52)	(20.39)	25.85

CHARGES FOR GOODS AND SERVICES

FY2015 Performance: In FY2015, the charges for goods and services category totaled $11.8 million, an increase of $1.3 million or 12.36% compared to FY2014 collections. Actual FY2015 collections were $0.7 million higher than the most recent legislative adopted estimate.

- Revenues to the general fund from this category are relatively constant from year to year.
- Receipts included in this category account for approximately 0.8% of ongoing general fund revenues in FY2016.



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

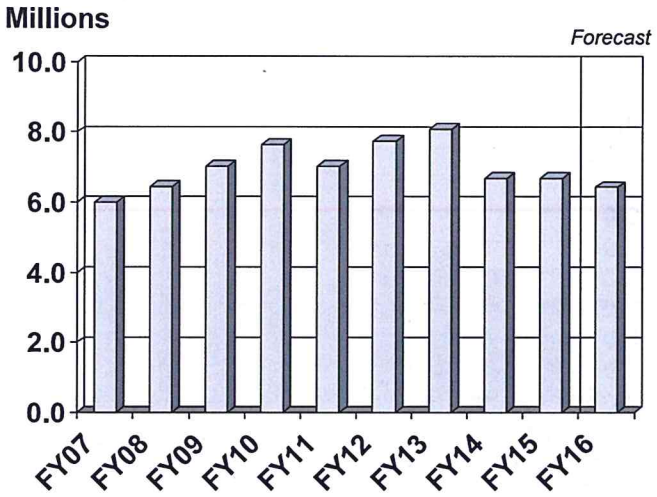
	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	10,461,221	11,754,275	11,163,982
Dollar Change	(683,003)	1,293,054	(590,293)
Percent Change	(6.13)	12.36	(5.20)

TELECOMMUNICATIONS TAX

FY2015 Performance:

- 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 will be 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 FY2007 through FY2015 as well as the FY2016 estimate which will flow directly to the general fund.



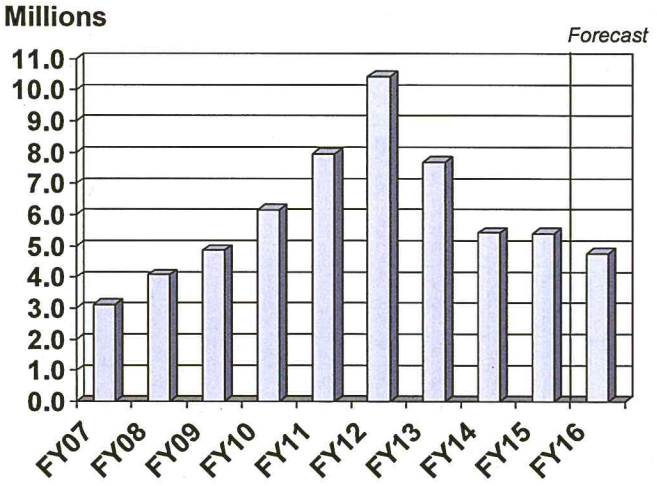
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

	Actual FY2014	Estimated FY2015	Interim Estimate FY2016
Total Receipts	*in PTRF*	*in PTRF*	6,435,621
Dollar Change			6,435,621
Percent Change			

SEVERANCE TAXES

FY2015 Performance: Severance tax collections totaled $5.4 million in FY2015, which was down 0.51% from FY2014. Collections from energy mineral severance taxes (primarily oil) totaled $2.5 million, which was down $1.0 million or 28.95% compared to FY2014. Collections from precious metal severance taxes (primarily gold) totaled $2.9 million, which was up $1.0 million or 52.36% compared to FY2014. Total FY2015 severance tax collections were $0.7 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 0.3% of ongoing general fund revenues in FY2016.



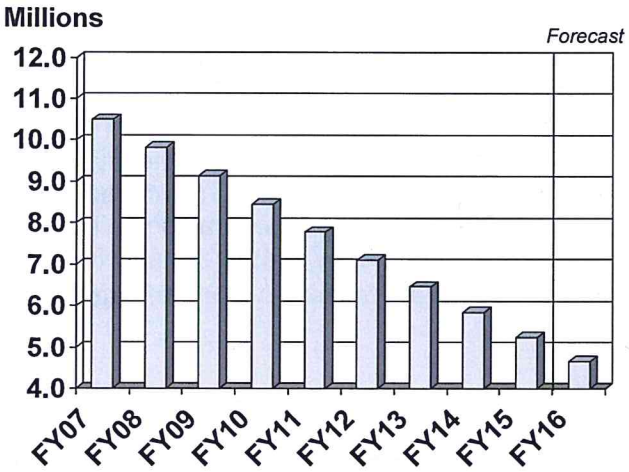
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history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

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	5,424,019	5,396,624	4,776,131
Dollar Change	(2,266,569)	(27,394)	(620,493)
Percent Change	(29.47)	(0.51)	(11.50)

SALE-LEASEBACK

FY2015 Performance: Collections from the sale-leaseback annuity totaled $5.2 million in FY2015.

- This is an in-and-out revenue source.
- Receipts account for approximately 0.3% of ongoing general fund revenues in FY2016.



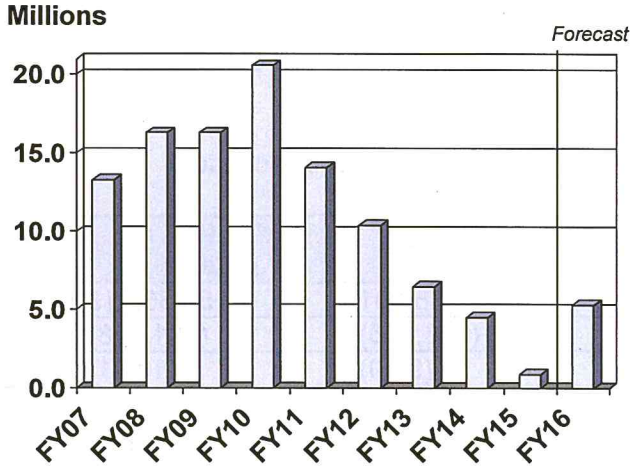
Estimate: The estimates are from the sale-leaseback schedule.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	5,838,681	5,236,813	4,663,938
Dollar Change	(626,406)	(601,868)	(572,875)
Percent Change	(9.69)	(10.31)	(10.94)

INVESTMENT INCOME AND INTEREST

FY2015 Performance: In FY2015, collections from investment income and interest totaled $0.9 million, a decrease of $3.7 million or 80.91% compared to FY2014. The yield of the cash flow fund is estimated at 1.24% for FY2015. Total FY2015 collections were slightly higher than the most recent legislative adopted estimate.

- **The amounts listed below in FY2015 and FY2016 are based on the passage of SB52 which discontinued the accelerated 90% interest earnings for the current year's proration. 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. (SDCL 4-5)
- Receipts in this category account for approximately 0.2% of ongoing general fund revenues in FY2015.



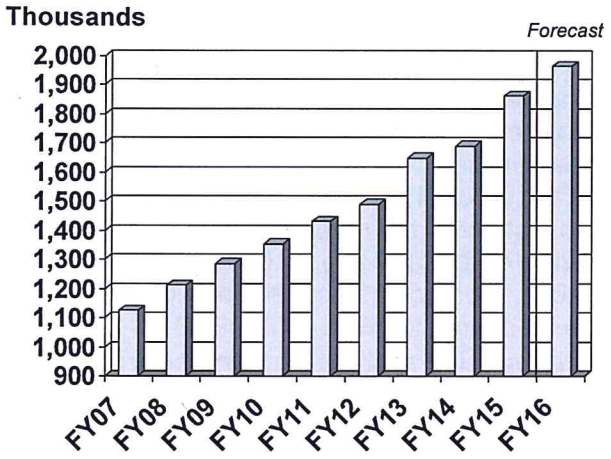
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	4,528,811	864,665	5,315,759
Dollar Change	(1,930,381)	(3,664,146)	4,451,094
Percent Change	(29.89)	(80.91)	514.78

ALCOHOL BEVERAGE 2% WHOLESALE TAX

FY2015 Performance: Collections in FY2015 totaled $1.9 million, up 10.13% from FY2014. Actual FY2015 collections from this tax were $0.1 million higher than the most recent legislative adopted estimate.

- Collections from this tax account for approximately 0.1% of ongoing general fund revenues in FY2016.



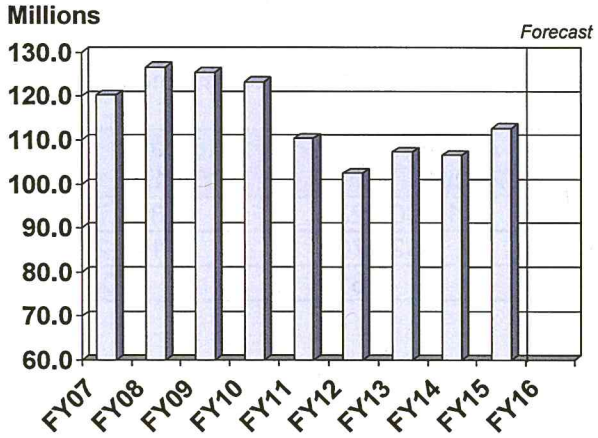
Estimate: The estimates are based on historical collections and current conditions.

	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Total Receipts	1,690,523	1,861,746	1,963,767
Dollar Change	42,976	171,223	102,021
Percent Change	2.61	10.13	5.48

PROPERTY TAX REDUCTION FUND RECEIPTS

FY2015 Performance: In total, ongoing receipts to the general fund from the property tax reduction fund (PTRF) totaled $112.7 in FY2015, up 5.7% or $6.2 million compared to FY2014. In FY2015, video lottery receipts totaled $98.3 million, growing 7.29% over FY2014. In FY2015, the state's share of the receipts from the telecommunications tax was $6.4 million, a 3.90% decrease from FY2014. The PTRF's share of tobacco taxes totaled $7.6 million in FY2015, 5.36% higher than FY2014. Also in FY2015, the PTRF received $336,680 from the wind energy tax fund. The FY2015 receipts from the PTRF finished $0.4 million higher than the revised adopted estimate primarily due to higher than anticipated video lottery receipts.

- Revenues deposited in the PTRF come from four ongoing sources:
  1) Forty-nine and one half percent of video lottery net machine income. (SDCL 42-7A-63)
  2) Sixty percent of the revenue collected from the 4% tax on the gross receipts of telecommunication services, which was imposed by HB 1104 passed by the 2003 Legislature. (SDCL 10-33A-4)
  3) Thirty-three percent share of the revenues in excess of $35 million generated by the tobacco taxes from Initiated Measure 2. (SDCL 10-50-52)
  4) Beginning in FY2014, a portion of the wind farm gross receipts tax is dedicated to the PTRF through the wind energy tax fund. (SDCL 10-35-22)
- **In FY2016, the PTRF is repealed and the ongoing sources will flow directly into the state general fund.**



	Actual FY2014	Actual FY2015	Interim Estimate FY2016
Video Lottery	91,612,448	98,289,782	*Lottery*
Telecom Tax	6,696,957	6,435,621	*Telecom. Tax*
Tobacco	8,060,561	7,628,714	*Tobacco Taxes*
Wind Farm Tax	159,230	336,680	*Net Transfers In*
Total Receipts	**106,529,196**	**112,690,797**	**N/A**
Dollar Change	(731,970)	6,161,600	N/A
Percent Change	(0.68)	5.78	N/A