



REVENUE **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 |
|--------------------------------------|-------------------------|-------------------------|-------------------------|
| ONGOING RECEIPTS | | | |
| 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 |
| SUBTOTAL (ONGOING RECEIPTS) | \$ 1,641,203,288 | \$ 1,699,623,137 | \$ 1,702,966,646 |
| ONE-TIME RECEIPTS | | | |
| 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 |
| SUBTOTAL (ONE-TIME RECEIPTS) | \$ 32,740,409 | \$ 41,722,093 | \$ 19,092,963 |
| GRAND TOTAL | \$ 1,673,943,697 | \$ 1,741,345,230 | \$ 1,722,059,609 |

ACTUAL FY2019 vs. ACTUAL FY2020 RECEIPTS

| | <u>ACTUAL FY2019</u> | <u>ACTUAL FY2020</u> | <u>DOLLAR CHANGE</u> | <u>PERCENT CHANGE</u> |
|--------------------------------------|--------------------------------|--------------------------------|----------------------------|---------------------------|
| ONGOING RECEIPTS | | | | |
| 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 |
| TOTAL (ONGOING RECEIPTS) | <u>\$ 1,641,203,288</u> | <u>\$ 1,699,623,137</u> | <u>\$ 58,419,848</u> | <u>3.56</u> |
| ONE-TIME RECEIPTS | | | | |
| 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 |
| SUBTOTAL (ONE-TIME RECEIPTS) | <u>\$ 32,740,409</u> | <u>\$ 41,722,093</u> | <u>\$ 8,981,684</u> | <u>100.00</u> |
| GRAND TOTAL | <u>\$ 1,673,943,697</u> | <u>\$ 1,741,345,230</u> | <u>\$67,401,533</u> | <u>4.03</u> |

ACTUAL FY2020 RECEIPTS VS. ADOPTED FY2021 ESTIMATE

| | ACTUAL FY2020 | LEG ADOPTED FY2021 | DOLLAR CHANGE | PERCENT CHANGE |
|--------------------------------------|-------------------------|-------------------------|------------------------|-------------------|
| ONGOING RECEIPTS | | | | |
| 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 |
| TOTAL (ONGOING RECEIPTS) | \$ 1,699,623,137 | \$ 1,742,576,075 | \$ 42,952,938 | 2.53 |
| ONE-TIME RECEIPTS | | | | |
| 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) |
| SUBTOTAL (ONE-TIME RECEIPTS) | \$ 41,722,093 | \$ - | \$ (41,722,093) | 100.00 |
| GRAND TOTAL | \$ 1,741,345,230 | \$ 1,742,576,075 | \$1,230,845 | 0.07 |

ACTUAL FY2020 RECEIPTS VS. INTERIM FY2021 FORECAST

| | ACTUAL FY2020 | BFM INTERIM FY2021 | DOLLAR CHANGE | PERCENT CHANGE |
|--------------------------------------|-------------------------|-------------------------|------------------------|-------------------|
| ONGOING RECEIPTS | | | | |
| 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 |
| TOTAL (ONGOING RECEIPTS) | \$ 1,699,623,137 | \$ 1,702,966,646 | \$ 3,343,509 | 0.20 |
| ONE-TIME RECEIPTS | | | | |
| 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) |
| SUBTOTAL (ONE-TIME RECEIPTS) | \$ 41,722,093 | \$ 19,092,963 | \$ (22,629,130) | 100.00 |
| GRAND TOTAL | \$ 1,741,345,230 | \$ 1,722,059,609 | (\$19,285,621) | (1.11) |

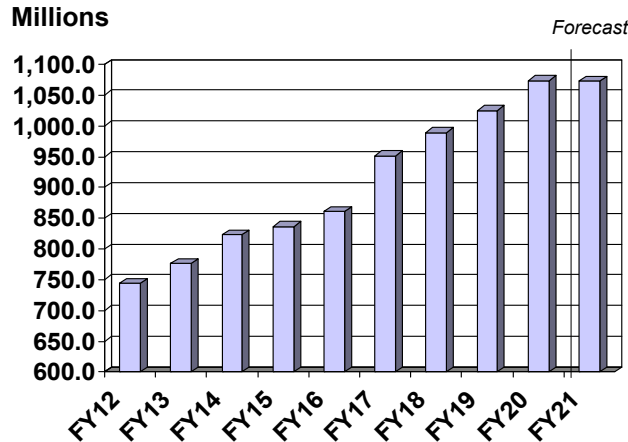
ADOPTED FY2021 ESTIMATE VS. INTERIM FY2020 FORECAST

| | <u>LEG. ADOPTED FY2021</u> | <u>BFM INTERIM FY2021</u> | <u>DOLLAR CHANGE</u> | <u>PERCENT CHANGE</u> |
|-------------------------------------|--------------------------------|--------------------------------|------------------------------|---------------------------|
| ONGOING RECEIPTS | | | | |
| 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 |
| TOTAL (ONGOING RECEIPTS) | <u>\$ 1,742,576,075</u> | <u>\$ 1,702,966,646</u> | <u>\$ (39,609,429)</u> | <u>(2.27)</u> |
| ONE-TIME RECEIPTS | | | | |
| Obligated Cash Carried Forward | \$ - | \$ 19,092,963 | \$ 19,092,963 | 100.00 |
| SUBTOTAL (ONE-TIME RECEIPTS) | <u>\$ -</u> | <u>\$ 19,092,963</u> | <u>\$ 19,092,963</u> | <u>100.00</u> |
| GRAND TOTAL | <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
R² = .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.
R² = .9858

Collection Equation:

Sales Tax Collections = -21.00 + 0.043*Total Taxable Sales
R² = .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 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.

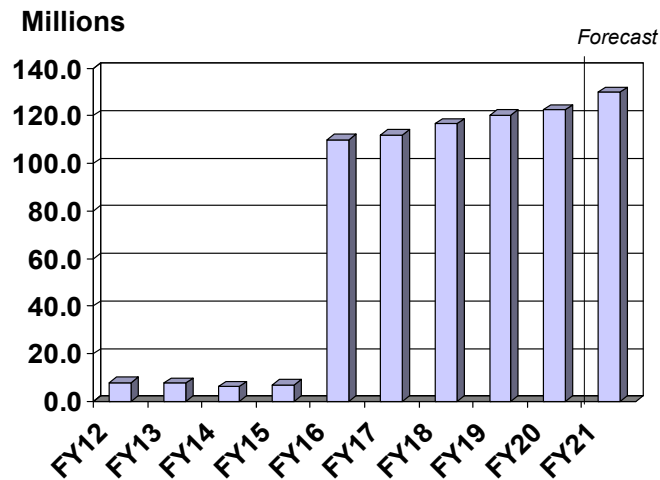
| Interim Estimate for FY2020 | |
|------------------------------------|----------------------|
| Base Sales and Use Tax Collections | 1,056,853,802 |
| + Audit Collections | 13,535,947 |
| + Boat Tax | 2,468,894 |
| + Off-Road Vehicle Excise Tax | 2,414,306 |
| <u>+ Mobile Home Tax</u> | <u>211,442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

| | 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.



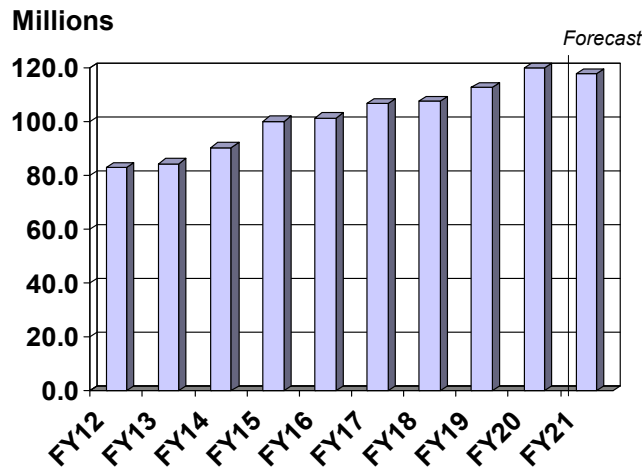
Estimate: The estimates are based on historical collections, current conditions and information provided by the South Dakota Lottery.

| | 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 |
| Total Receipts | 123,815,501 | 122,489,001 | 129,896,843 |
| 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

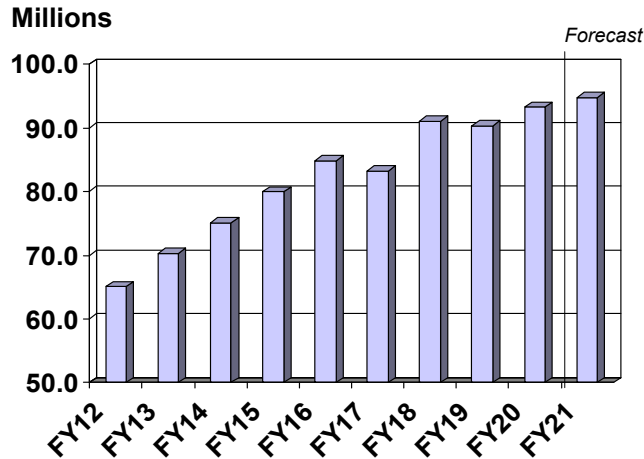
R² = .9899

| | 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.

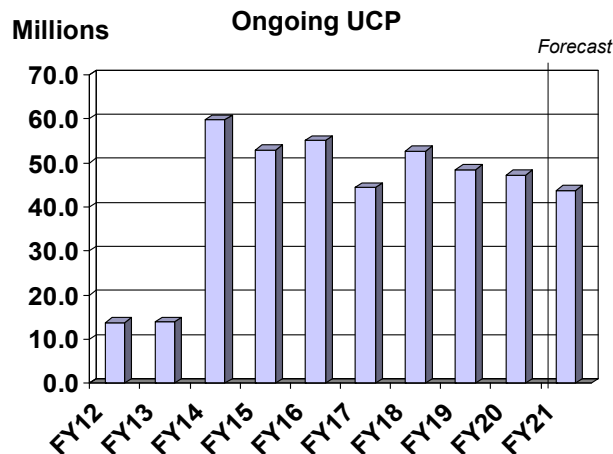
R² = .9813

| | 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.



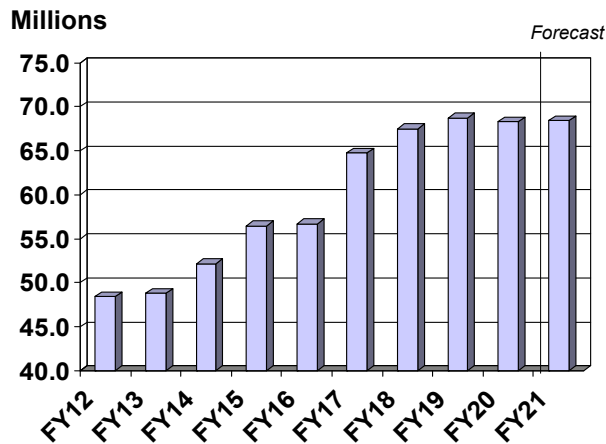
Estimate: The projections for unclaimed property receipts are based on historical collections and current conditions.

| | Actual FY2019 | Actual FY2020 | Interim Estimate FY2021 |
|------------------|-------------------|-------------------|----------------------------|
| Ongoing UCP | 48,573,600 | 47,308,472 | 42,215,473 |
| One-Time UCP | 0 | 0 | 0 |
| Total UCP | 48,573,600 | 47,308,472 | 43,743,806 |
| 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) |

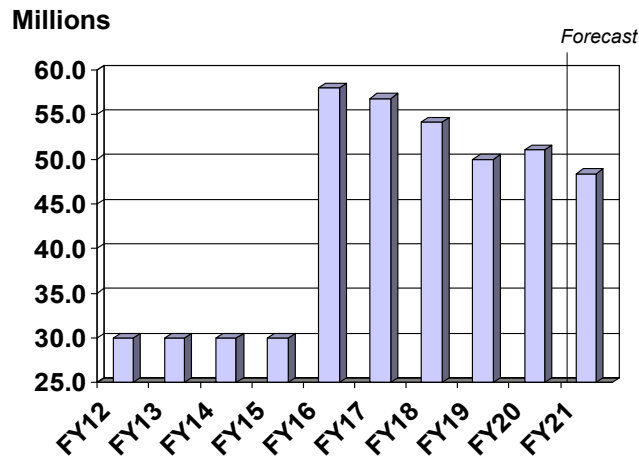
TOBACCO TAXES

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 |
| Total | 54,971,217 | 51,066,112 | 48,400,826 |

- 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) |

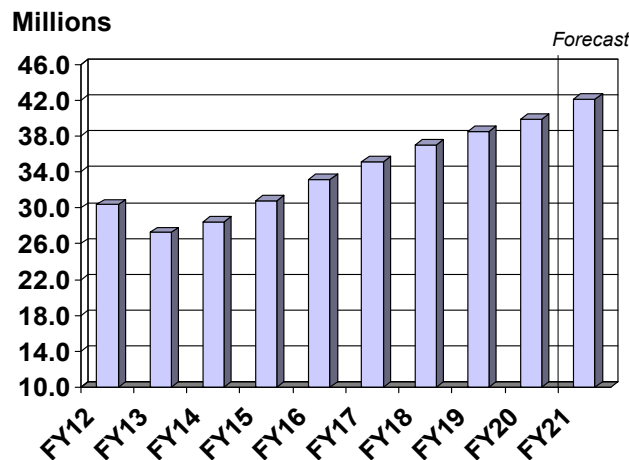
TRUST FUNDS

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 |
| Total | 38,527,936 | 39,859,263 | 42,125,630 |

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



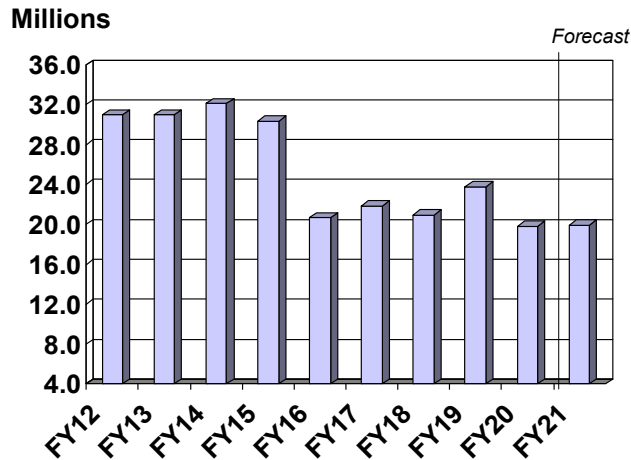
Estimate: The estimate for FY2021 includes the constitutionally required transfer from the Dakota Cement Trust and the amounts to be transferred from the Health Care Trust Fund and Education Enhancement Trust Fund pursuant to SDCL 4-5-29.1 and SDCL 4-5-29.2.

| | 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.



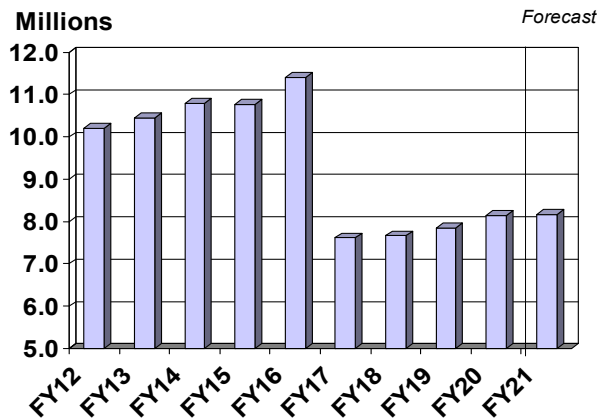
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

| | 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.



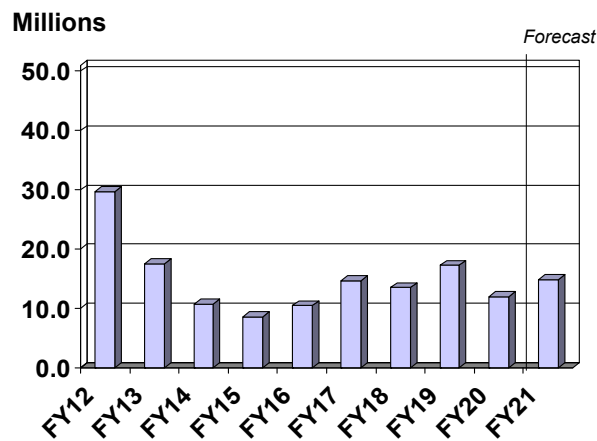
Estimate: The estimates are based on historical collections and current conditions.

| | 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.



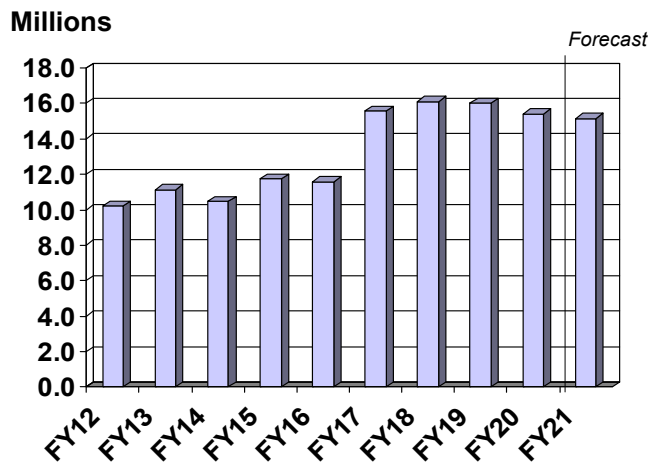
Estimate: Collections received from bank card taxpayers and other banks are estimated individually. The estimate is based on historical collections and current conditions.

| | 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.



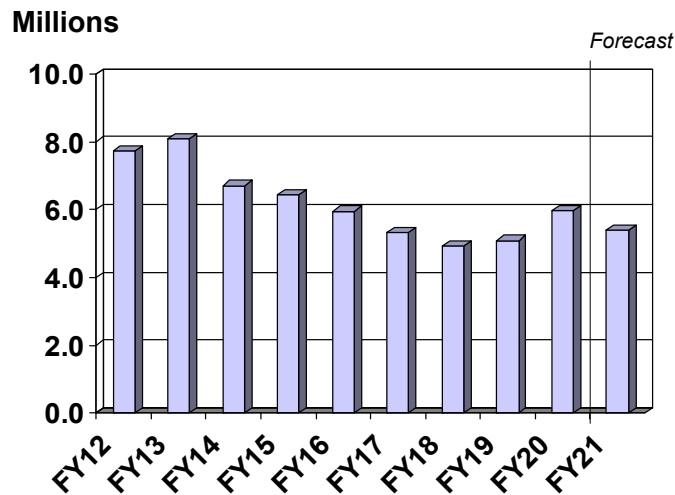
Estimate: The different sources of receipts included in this category are broken out and estimated individually based on historical collections and current conditions.

| | 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.



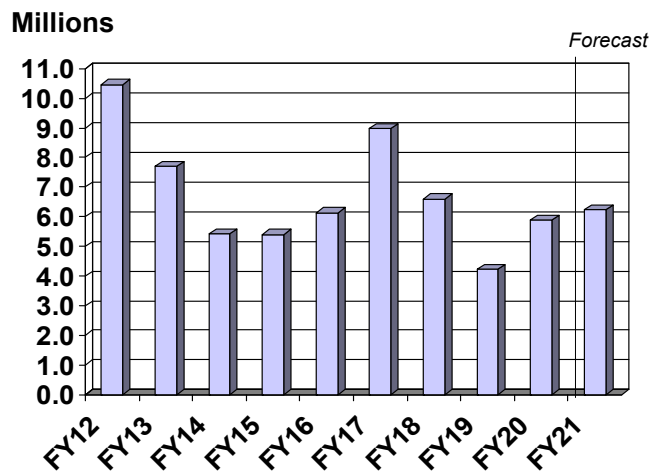
Estimate: Collections from the telecommunications tax is based on historical collections and current conditions.

| | 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.



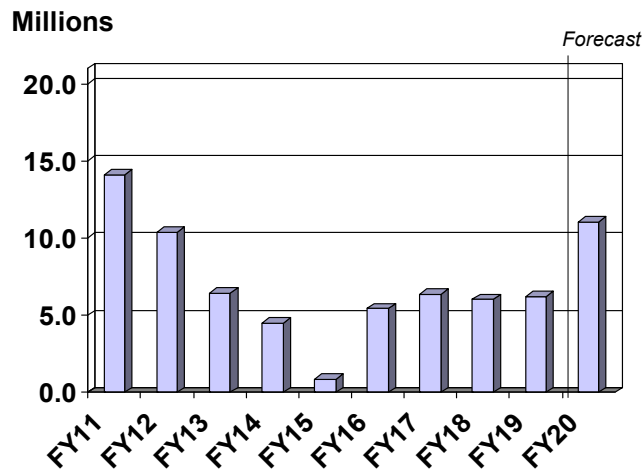
Estimate: Collections from taxes on precious metals and energy minerals are estimated separately. The estimates of collections from the severance taxes on gold and precious metals are based on history as well as gold prices. The estimates of collections from the tax on energy minerals are based on history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

| | Actual FY2019 | Actual FY2020 | Interim Estimate FY2021 |
|----------------|--------------------------|--------------------------|------------------------------------|
| 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.



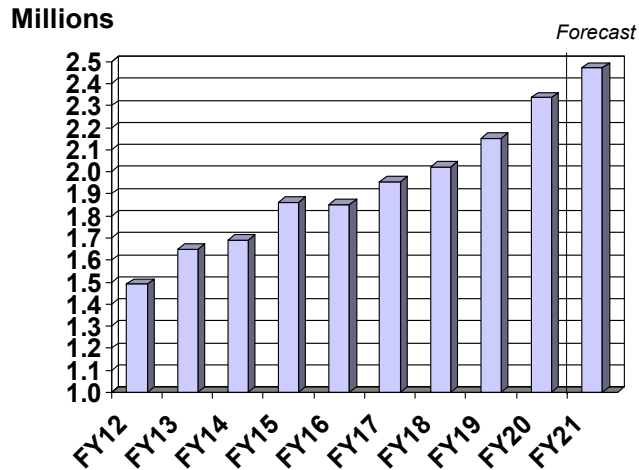
Estimate: The estimate is based on information provided by the South Dakota Investment Council and historical collections. The estimated yield of the cash flow fund for this past year was approximately 2.3%. In addition, \$1.25B in Coronavirus Relief Fund dollars were received in April of which the interest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

| | Actual FY2019 | Actual FY2020 | Interim Estimate FY2021 |
|----------------|--------------------------|--------------------------|------------------------------------|
| 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.

| | Actual FY2019 | Actual FY2020 | Interim Estimate FY2021 |
|----------------|--------------------------|--------------------------|------------------------------------|
| 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 |