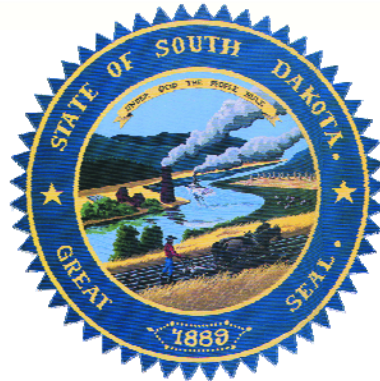


Governor's Council of Economic Advisors



August 24, 2017

Review of Fiscal Year 2017

FY2017	Total Revenue (millions)	Change From Previous	Total Expenses (millions)	Change From Previous
Original Adopted (Feb. 16)	\$1,598.1		\$1,598.1	
Governor's Revised (Dec. 16)	\$1,586.1	(\$12.0)	\$1,583.7	(\$14.4)
Revised Adopted (Feb. 17)	\$1,563.8	(\$22.3)	\$1,563.8	(\$19.9)
Actual Year-End (Jun. 17)	\$1,556.2	(\$7.6)	\$1,548.3	(\$15.5)

FY2017 Final Results	
Total Revenue	\$1,556.2
Total Expenses	<u>\$1,548.3</u>
FY2017 Ending Cash Surplus	\$7.9 M

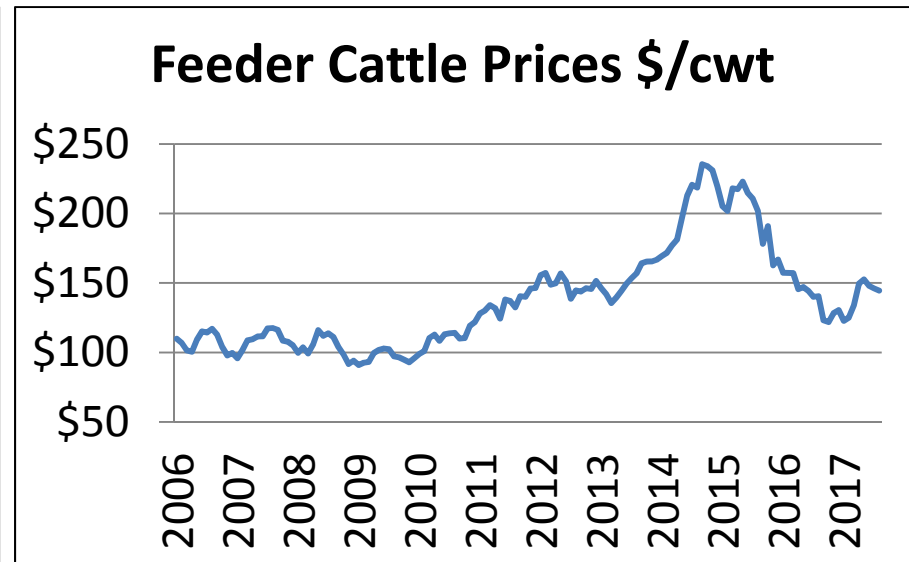
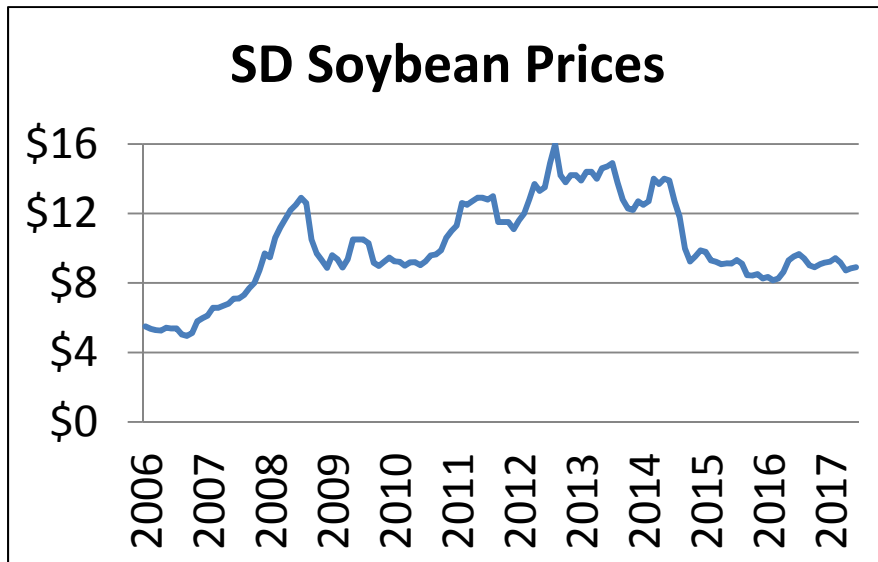
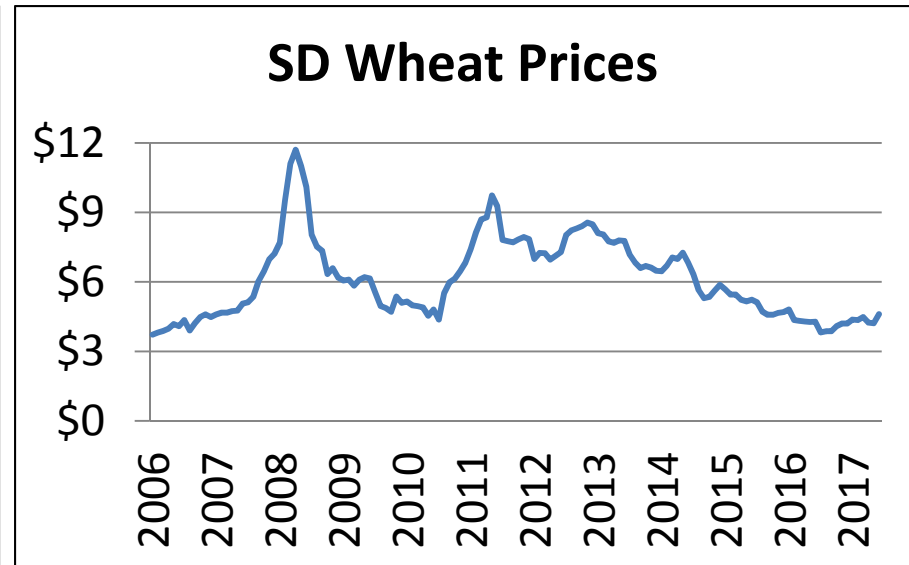
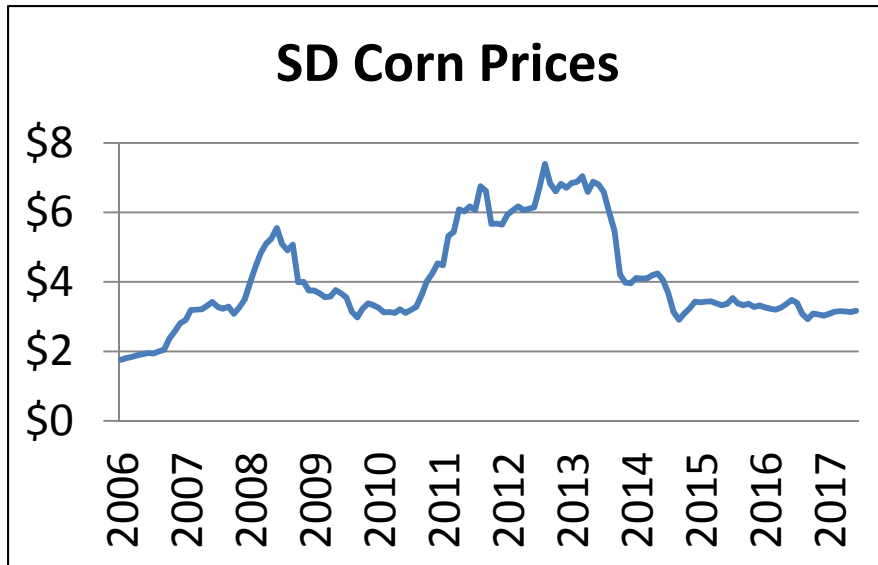
How the General Fund Ended FY2017

Source	(millions)
FY2017 Revised Bottom Line (Feb. 2017):	\$0.0
Changes to Revised budgeted levels:	
Bank Franchise Tax	\$4.0
Licenses, Permits, and Fees	\$2.1
Tobacco Taxes	\$1.5
Sales and Use Tax	\$0.2
Contractor's Excise Tax	(\$2.3)
Unclaimed Property	(\$4.4)
Insurance Company Tax	(\$7.4)
Remaining Sources:	<u>(\$1.3)</u>
Total Change to Revenue:	(\$7.6)
Budgeted GF Reversions (Lower Expenses):	<u>\$15.5</u>
Total Cash Surplus to Budget Reserve Fund:	\$7.9

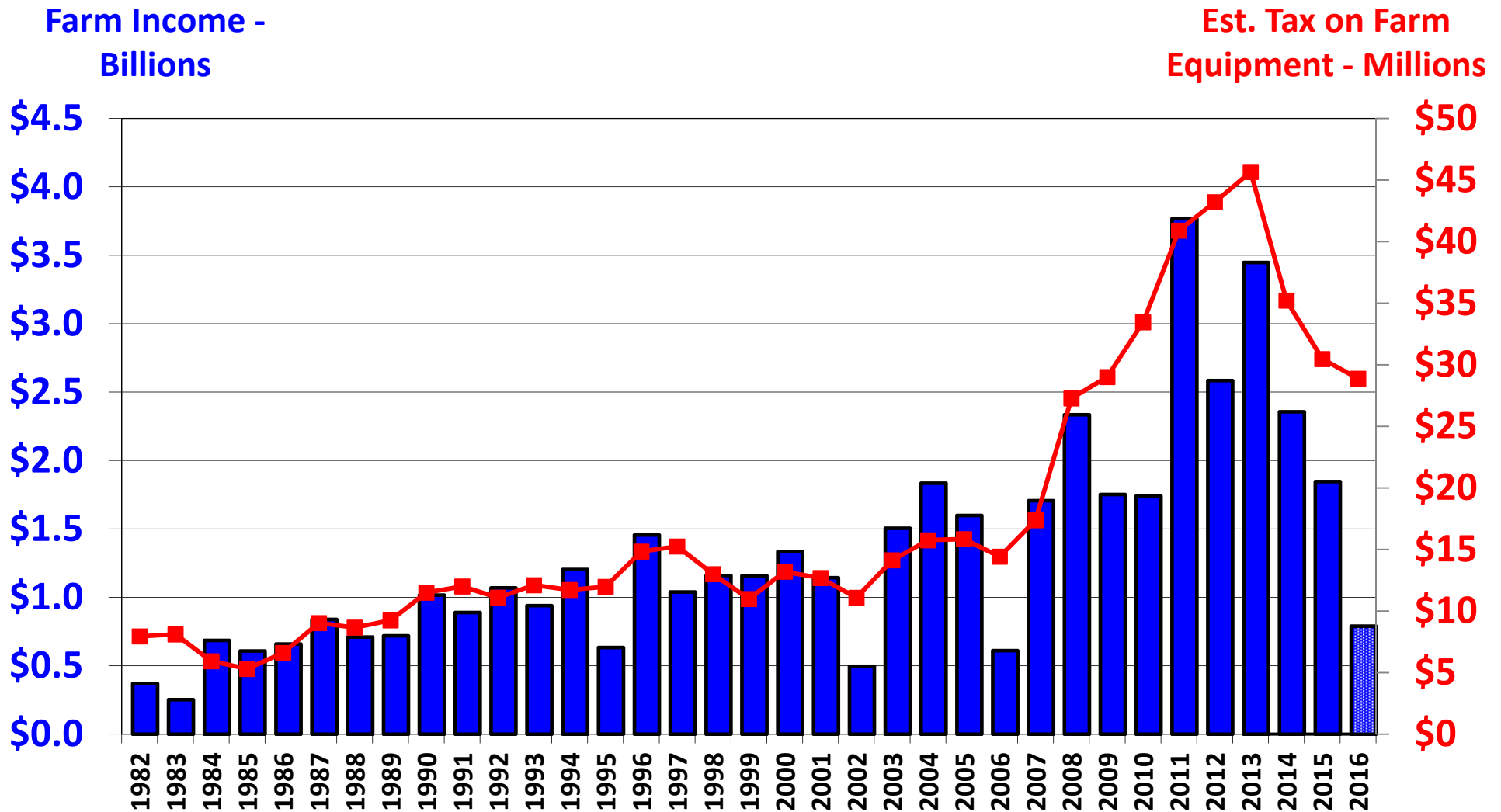
IHS Markit Baseline Economic Forecast for South Dakota Key Indicators (July '17)

	2015	2016	2017 f	2018 f	2019 f	'07-'16 avg.
SD Real GDP Growth	2.6%	1.7%	3.1%	4.0%	2.7%	2.2%
SD Nonfarm Employment	1.1%	1.1%	1.3%	1.1%	0.9%	0.8%
SD Nonfarm Income	6.5%	3.9%	3.7%	4.7%	5.2%	4.8%
SD Housing Starts	4,110	5,340	4,620	4,670	4,740	4,190
SD Unempl. Rate	3.1%	2.8%	2.9%	2.9%	3.0%	3.7%

Agriculture Sector Facing Challenges



Sharp Decline in Farm Income: Less Spending on Equipment



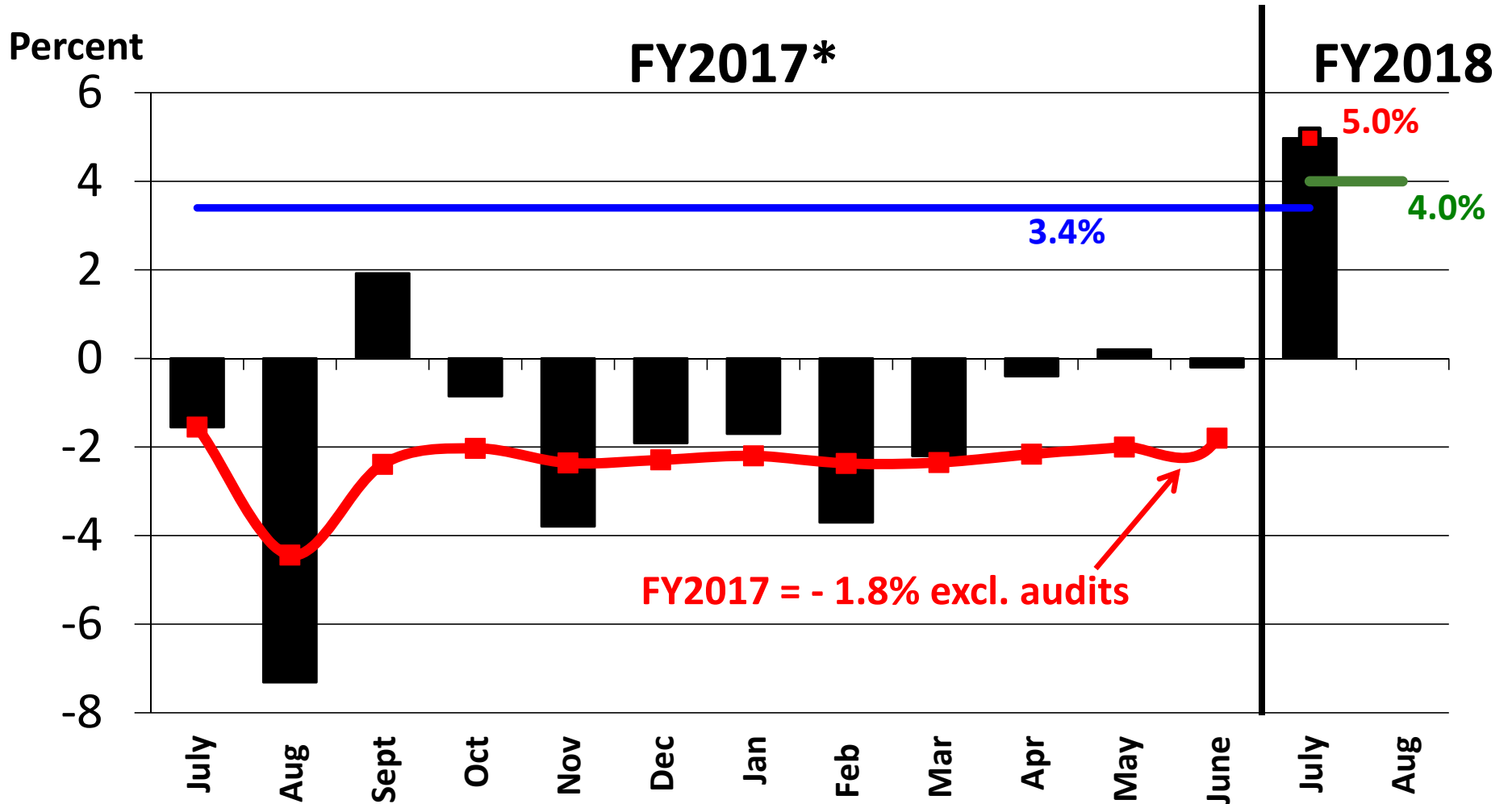
Source: BEA and SD Dept. of Revenue

Growth Rates of Key Revenue Sources



Recent Sales & Use Tax Growth Rates

Blue = FY09-FY17 Average Red = Running YTD FY17 Growth
 Black = Monthly Growth Rates Green = Growth of Adopted FY18 Est.



Source: SD Bureau of Finance and Management
 *Excludes Rate Increase

FY2016 vs. FY2017 Taxable Sales Growth

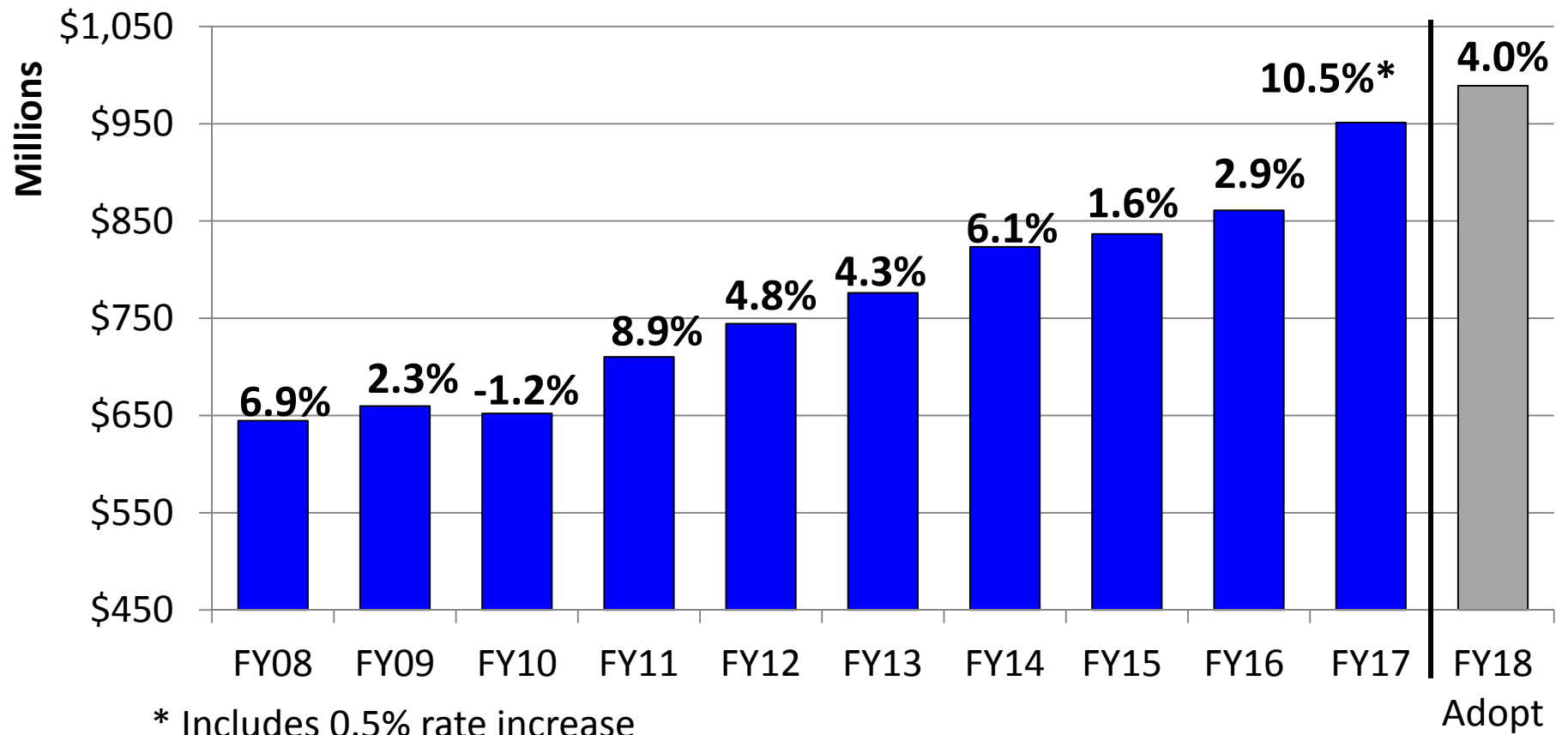
Taxable Sales by Major Group Comparison (in millions)				Average Growth from FY09-FY16
Top 15 Major Groups (82% of total)	FY16	FY17	% Chg	
Misc. Retail *	\$2,259.5	\$2,109.2	-6.7%	2.9%
General Merchandise Stores	\$2,280.1	\$2,305.5	1.1%	3.7%
Food Stores	\$1,562.8	\$1,530.5	-2.1%	2.7%
Building Materials & Garden Supplies	\$1,593.3	\$1,421.3	-10.8%	4.9%
Eating & Drinking Places	\$1,427.4	\$1,438.3	0.8%	4.0%
Electric, Gas, & Sanitary Services	\$1,359.6	\$1,423.6	4.7%	0.9%
Wholesale Trade - Durable Goods	\$1,304.6	\$1,131.7	-13.3%	2.8%
Auto Dealers/Service Stations	\$1,012.8	\$964.3	-4.8%	4.5%
Communications	\$1,201.3	\$1,201.7	0.0%	3.9%
Business Services	\$996.1	\$995.6	-0.1%	4.5%
Furniture & Homefurnishing Stores	\$619.1	\$628.1	1.5%	-1.1%
Auto Repair, Services, & Parking	\$513.9	\$509.0	-0.9%	5.1%
Engineering & Management Services	\$495.4	\$548.3	10.7%	3.9%
Apparel & Accessory Stores	\$378.9	\$395.6	4.4%	3.6%
Hotels & Other Lodging Places	\$596.8	\$592.3	-0.8%	5.6%
Total of Top 15 Major Groups	\$17,601.8	\$17,195.0	-2.3%	3.3%
Remaining Groups	\$3,546.0	\$3,597.5	1.5%	3.9%
Total Taxable Sales	\$21,147.8	\$20,792.5	-1.7%	3.4%

Source: SD Dept. of Revenue

Sales and Use Tax Receipts

*Adopted Forecast
February '17*

Sales and Use Tax Collections to General Fund

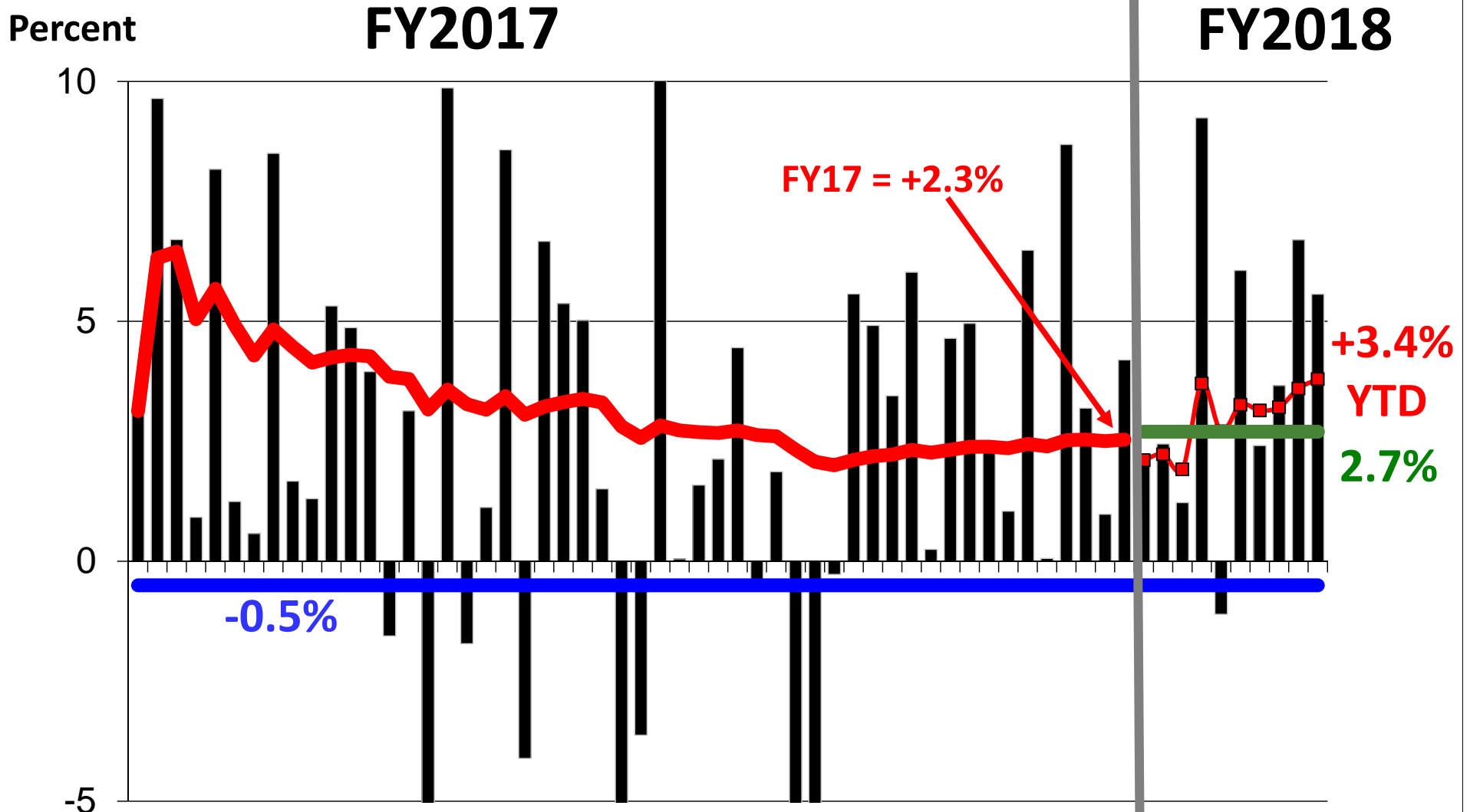


* Includes 0.5% rate increase

Growth Rate for Video Lottery

7% of Total

Blue = FY09-FY17 Avg. Red = FY17 YTD Growth/FY18 YTD Growth
Black = Weekly Growth Rates Green = Growth of Adopted FY18 Est.

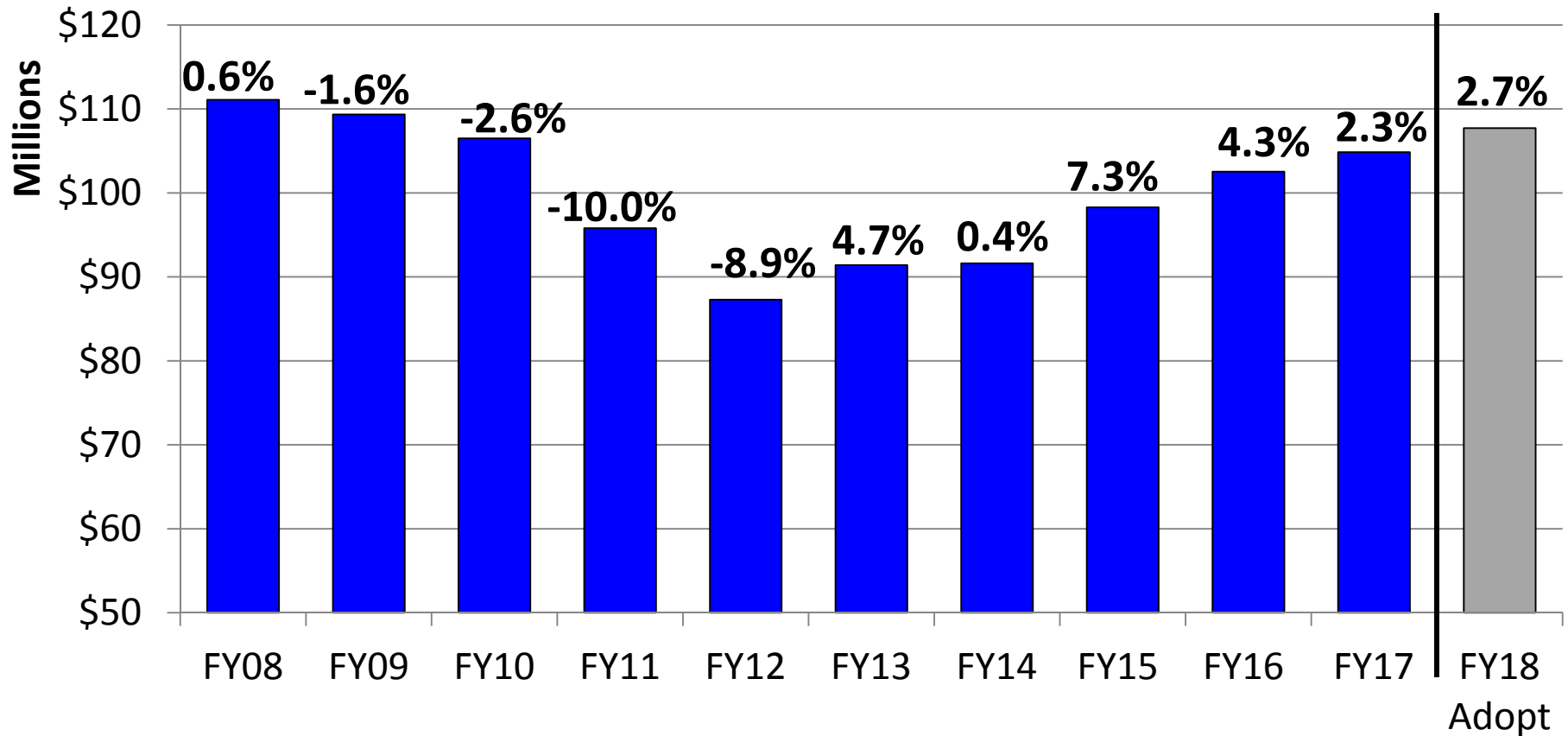


Source: SD Department of Revenue/Bureau of Finance and Management

Video Lottery Receipts

*Adopted Forecast
February 2017*

Video Lottery Collections to General Fund

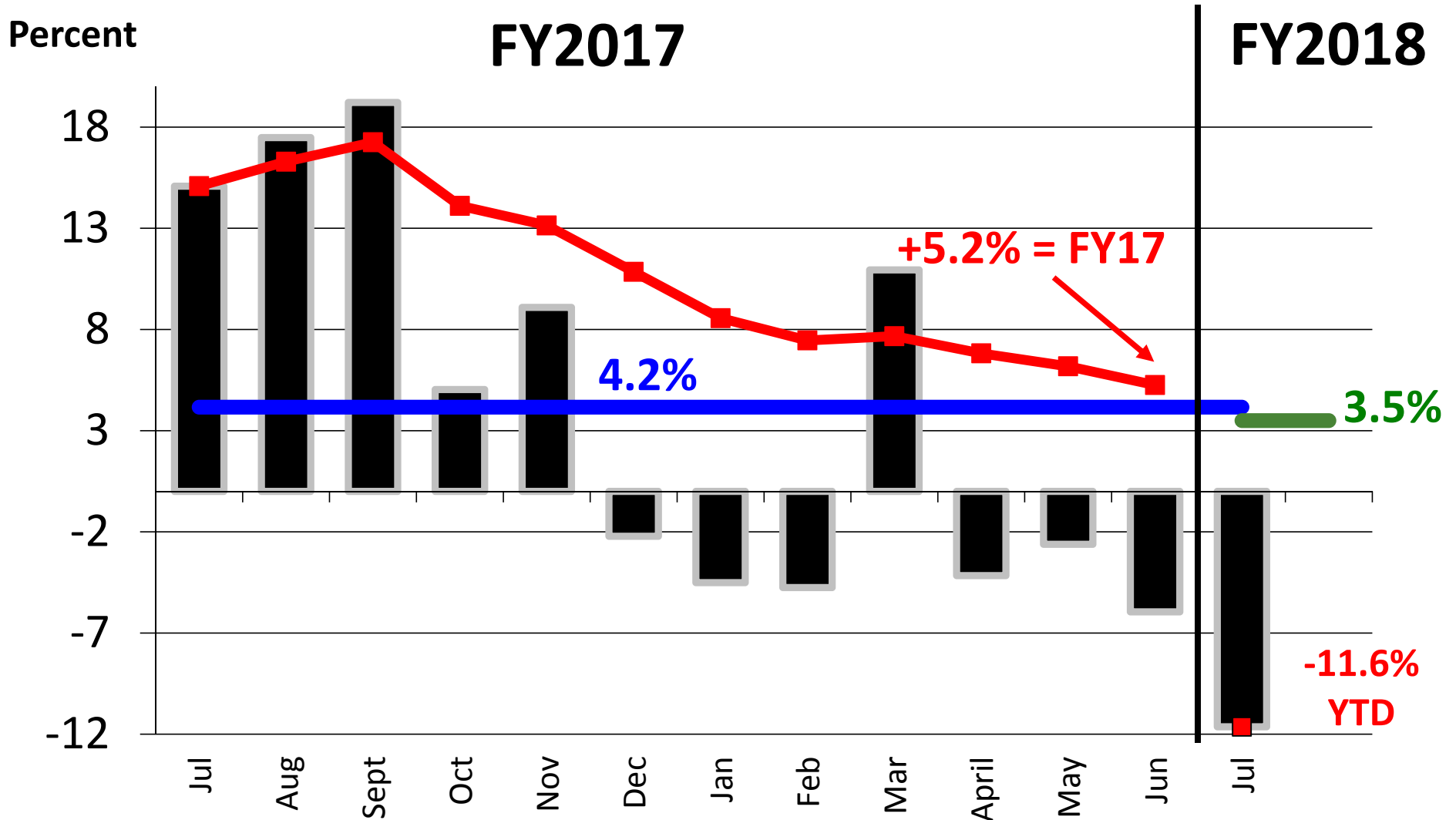


Recent Growth Rates for Net CET

7% of Total

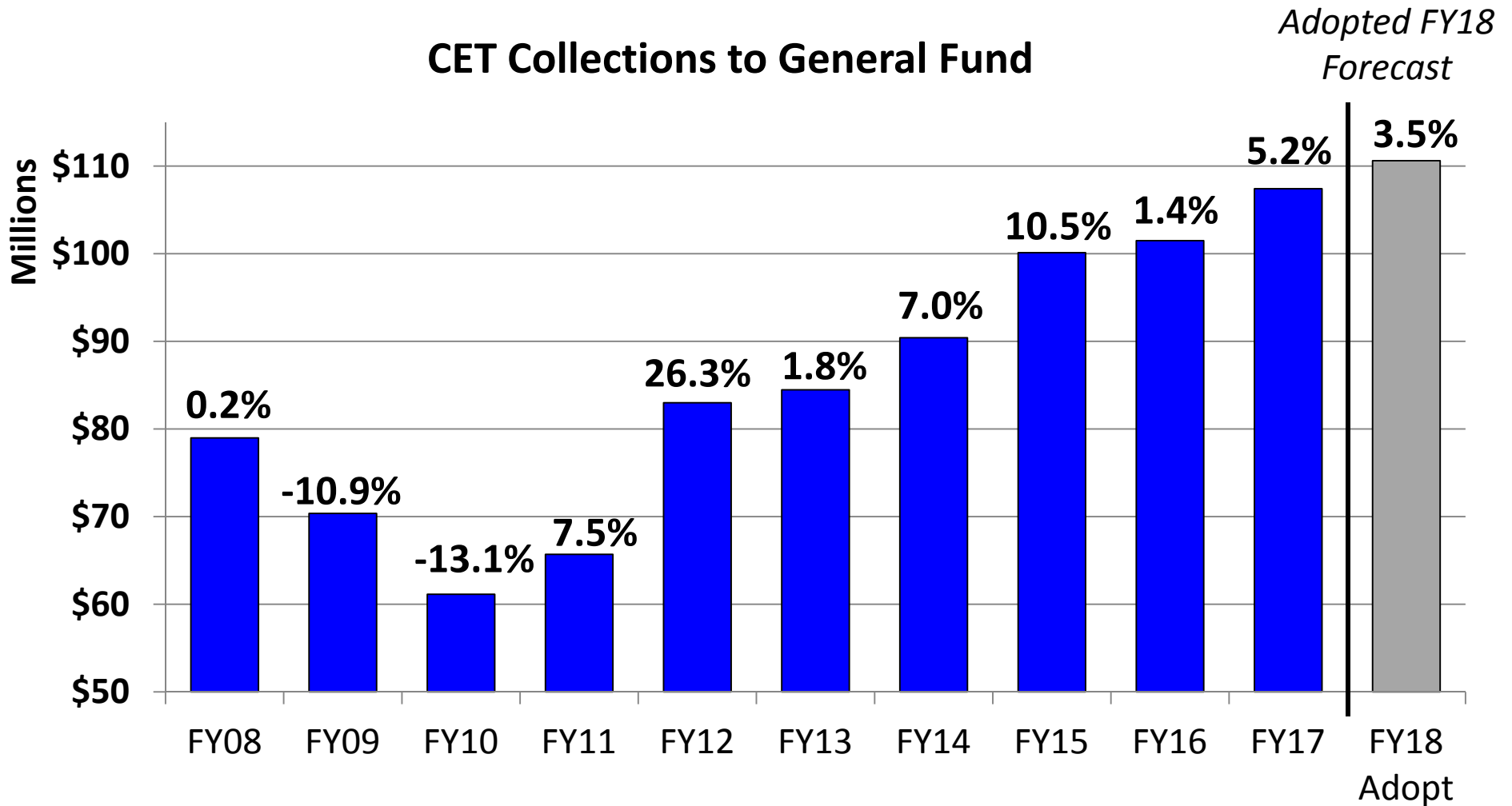
Blue = FY09-FY17 Average Red = FY17 YTD Growth

Black = Monthly Growth Rates Green = Growth of Adopted FY18 Est.



Source: SD Bureau of Finance and Management

Contractor's Excise Tax



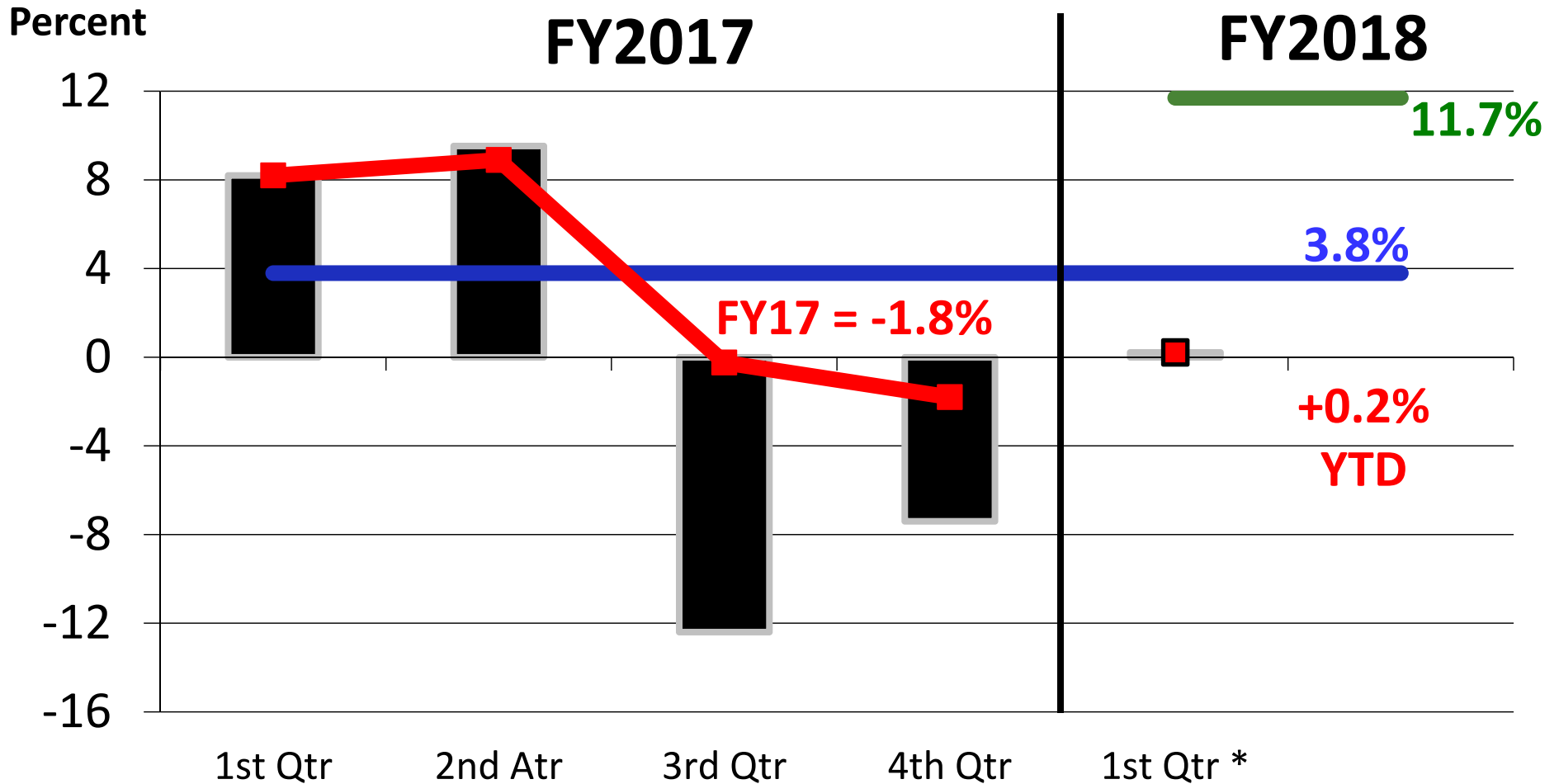
Source: SD Bureau of Finance and Management

Growth Rates for Insurance Company Tax

5% of Total

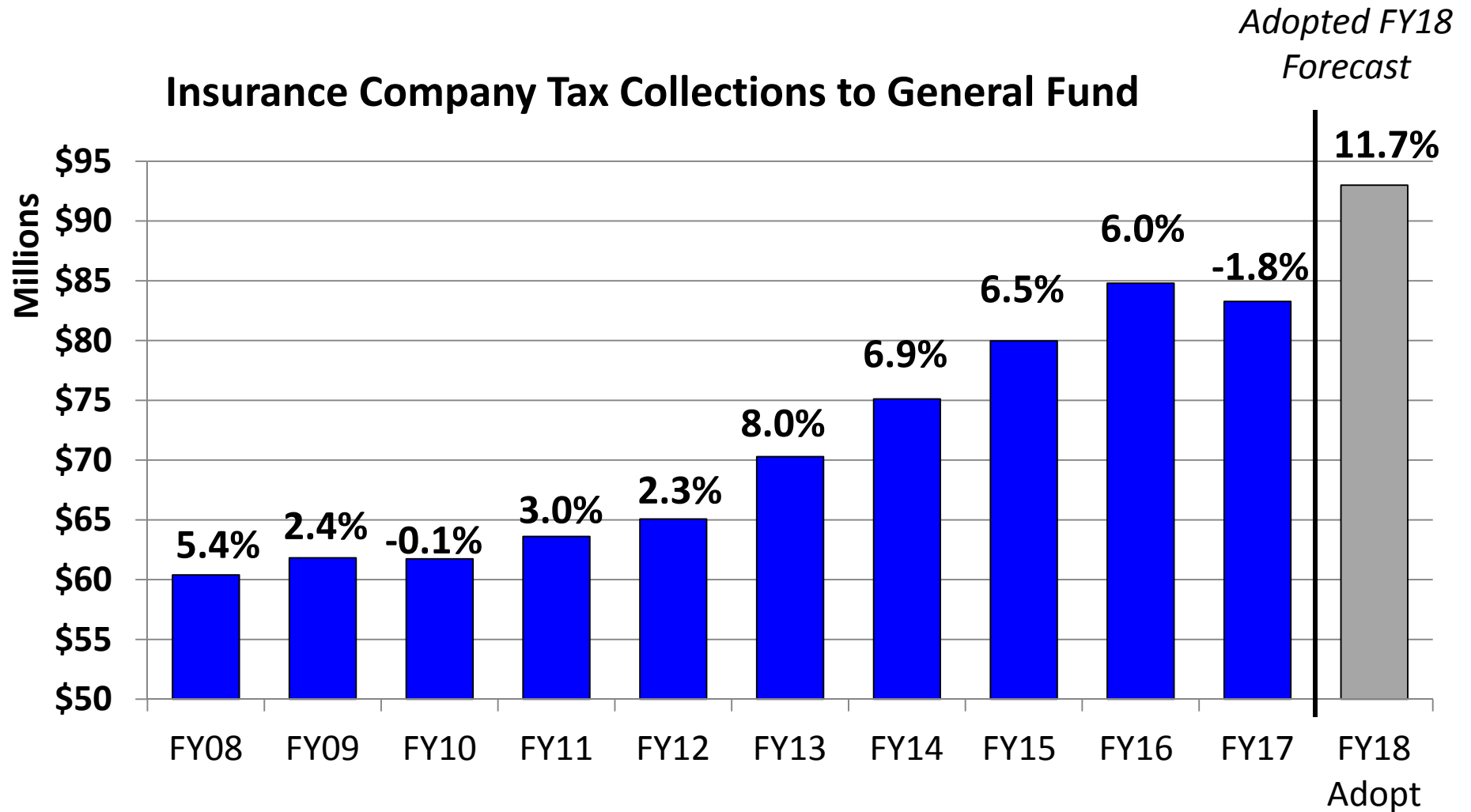
Blue = FY09-FY17 Average Red = FY17 YTD Growth

Black = Quarterly Growth Rates Green = Growth of Adopted FY18 Est.

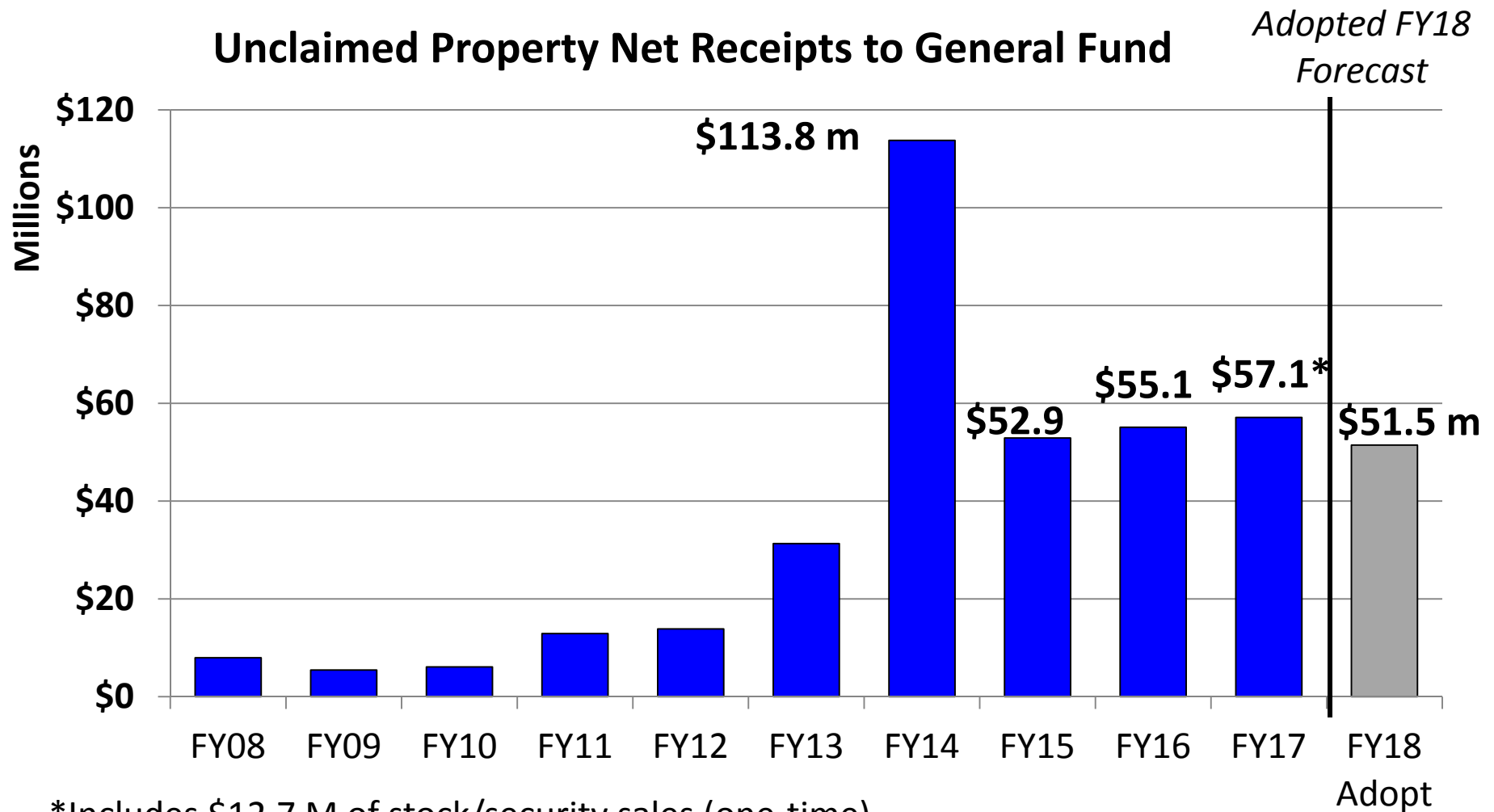


Source: SD Bureau of Finance and Management

Insurance Company Tax



Unclaimed Property Receipts



*Includes \$12.7 M of stock/security sales (one-time)

Other Discussion

- Agriculture
- Tourism
- Geographical Areas