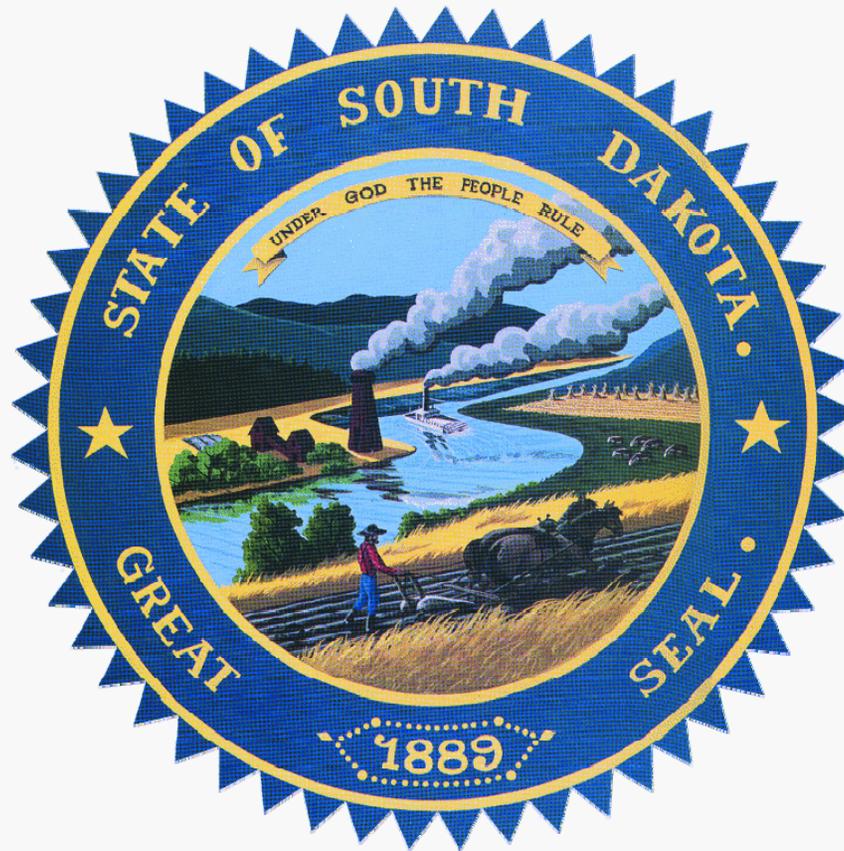


# Governor's Council of Economic Advisors



**January 21, 2016**

# IHS Economics Most Recent Baseline Forecast for US Economy (Jan. '16)

|           | 2012   | 2013   | 2014   | 2015 f | 2016 f | 2017 f | '05-'14<br>avg. |
|-----------|--------|--------|--------|--------|--------|--------|-----------------|
| Real GDP  | 2.2%   | 1.5%   | 2.4%   | 2.4%   | 2.7%   | 2.9%   | 1.5%            |
| NF Empl.  | 1.7%   | 1.7%   | 1.9%   | 2.1%   | 1.7%   | 1.3%   | 0.5%            |
| P. Income | 5.0%   | 1.1%   | 4.4%   | 4.5%   | 4.2%   | 5.2%   | 3.9%            |
| Housing   | 0.78 m | 0.93 m | 1.00 m | 1.11 m | 1.26 m | 1.42 m | 1.14 m          |
| CPI       | 2.1%   | 1.5%   | 1.6%   | 0.1%   | 1.2%   | 2.6%   | 2.3%            |
| U. Rate   | 8.1%   | 7.4%   | 6.2%   | 5.3%   | 4.9%   | 4.9%   | 6.8%            |

\* Baseline forecast = 65%, Optimistic = 15%, Pessimistic = 20%

# Wells Fargo Most Recent Forecast for US Economy (Jan. '16)

|           | 2012   | 2013   | 2014   | 2015 f | 2016 f | 2017 f | '05-'14<br>avg. |
|-----------|--------|--------|--------|--------|--------|--------|-----------------|
| Real GDP  | 2.2%   | 1.5%   | 2.4%   | 2.4%   | 2.0%   | 2.4%   | 1.5%            |
| NF Empl.  | 1.7%   | 1.7%   | 1.9%   | 2.1%   | 1.6%   | 1.4%   | 0.5%            |
| P. Income | 5.0%   | 1.1%   | 4.4%   | 4.6%   | 4.8%   | 4.5%   | 3.9%            |
| Housing   | 0.78 m | 0.93 m | 1.00 m | 1.11m  | 1.20m  | 1.25m  | 1.14 m          |
| CPI       | 2.1%   | 1.5%   | 1.6%   | 0.1%   | 1.3%   | 2.2%   | 2.3%            |
| U. Rate   | 8.1%   | 7.4%   | 6.2%   | 5.3%   | 4.7%   | 4.5%   | 6.8%            |

# IHS Economics Most Recent Forecast for SD (Oct. '15)

|                   | 2012  | 2013  | 2014  | 2015 f | 2016 f | 2017 f | '05-'14 avg. |
|-------------------|-------|-------|-------|--------|--------|--------|--------------|
| SD NF Employment  | 1.7%  | 0.8%  | 1.4%  | 1.8%   | 1.8%   | 1.6%   | 1.0%         |
| SD NF Income      | 6.4%  | -1.4% | 4.9%  | 4.3%   | 5.0%   | 5.8%   | 4.5%         |
| SD Housing Starts | 4,140 | 5,150 | 4,570 | 4,310  | 5,040  | 5,190  | 4,270        |
| SD Unempl. Rate   | 4.2%  | 3.8%  | 3.4%  | 3.6%   | 3.1%   | 3.0%   | 3.9%         |

# Forecast for FY2017 Recommended Revenue Forecasts (Dec. '15)

|                   | 2012  | 2013  | 2014  | 2015 f | 2016 f | 2017 f | '05-'14 avg. |
|-------------------|-------|-------|-------|--------|--------|--------|--------------|
| SD NF Employment  | 1.7%  | 0.8%  | 1.4%  | 1.6%   | 1.4%   | 1.4%   | 1.0%         |
| SD NF Income      | 6.4%  | -1.4% | 4.9%  | 4.2%   | 4.6%   | 4.8%   | 4.5%         |
| SD Housing Starts | 4,140 | 5,150 | 4,570 | 4,170  | 4,400  | 4,590  | 4,270        |
| SD Unempl. Rate   | 4.2%  | 3.8%  | 3.4%  | 3.6%   | 3.1%   | 3.0%   | 3.9%         |

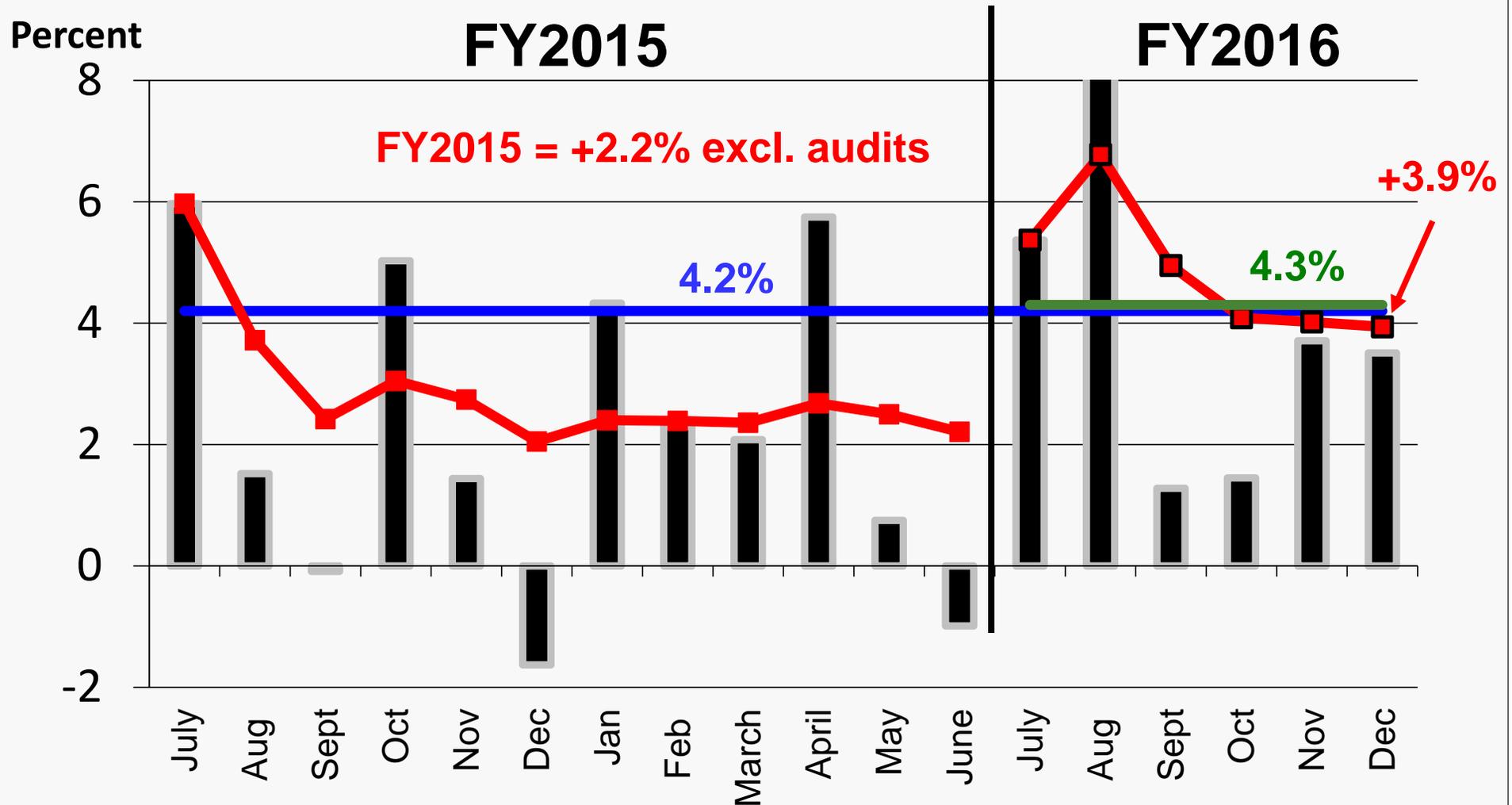
# Growth Rates of Key Revenue Sources



60% of Total

# Growth Rates for Sales Tax Collections

Blue = FY07-FY15 Average    Red = Running YTD FY15/FY16 Growth  
Black = Monthly Growth Rates    Green = Growth for Revised FY16 Est.



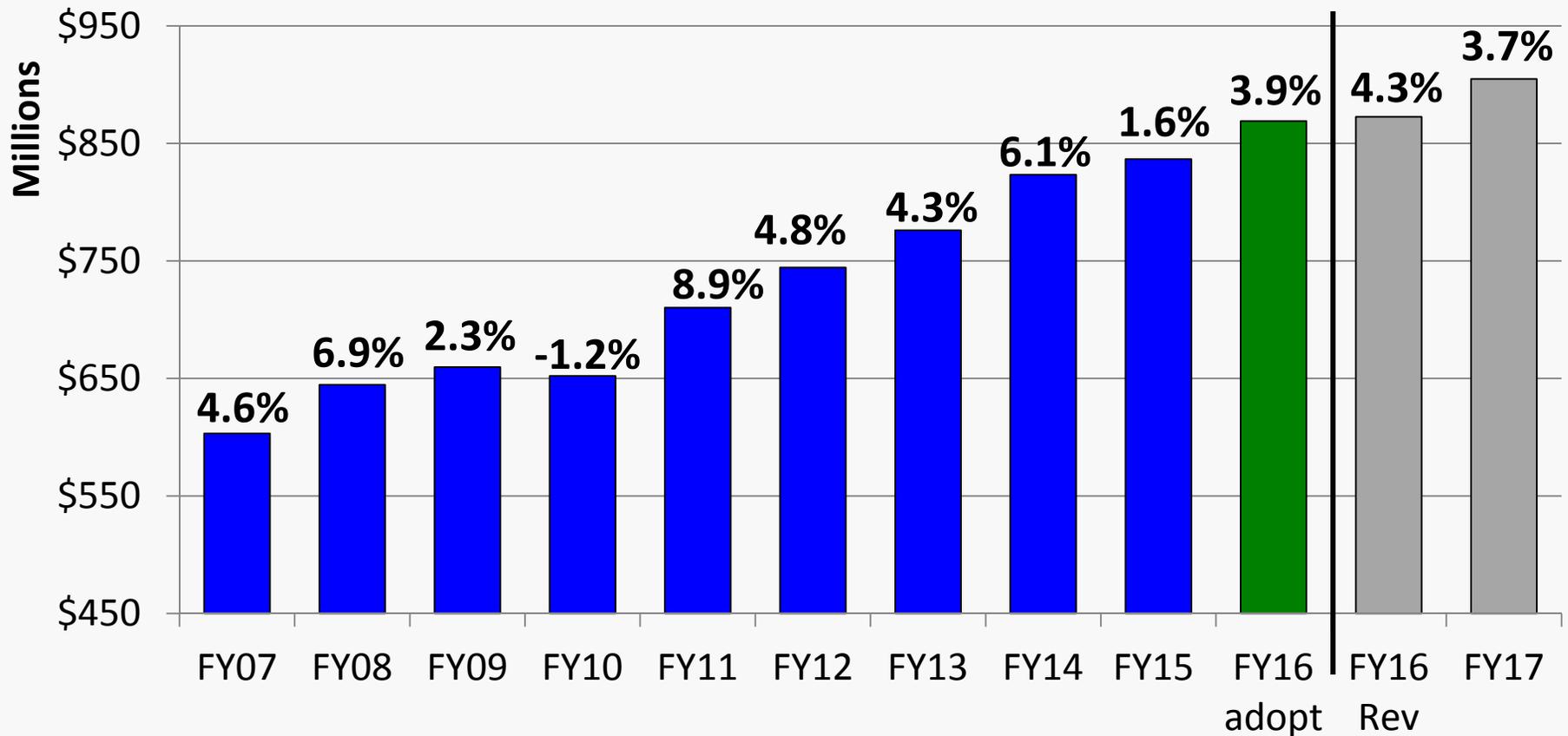
# FY2016 YTD Taxable Sales Growth through December

| Taxable Sales by Major Group Comparison       |                       |                       |              | Average<br>Growth from<br>FY05-FY15 |
|---|-----------------------|-----------------------|--------------|-------------------------------------|
| <u>Top 10 Major Groups (71% of total)</u>     | <u>FY15</u>           | <u>FY16</u>           | <u>% Chg</u> | <u>FY05-FY15</u>                    |
| Misc. Retail                                  | 1,206,222,131         | 1,188,692,228         | -1.5%        | 4.1%                                |
| General Merchandise Stores                    | 1,122,130,953         | 1,156,453,507         | 3.1%         | 4.5%                                |
| Food Stores                                   | 787,304,409           | 811,415,990           | 3.1%         | 2.6%                                |
| Building Materials & Garden Supplies          | 796,947,519           | 891,392,927           | 11.9%        | 4.0%                                |
| Eating & Drinking Places                      | 713,209,563           | 757,954,330           | 6.3%         | 4.3%                                |
| Electric, Gas, & Sanitary Services            | 663,286,530           | 657,107,621           | -0.9%        | 4.8%                                |
| Wholesale Trade - Durable Goods               | 677,675,069           | 726,397,445           | 7.2%         | 4.7%                                |
| Auto Dealers/Service Stations                 | 535,636,239           | 542,053,710           | 1.2%         | 4.9%                                |
| Communications                                | 576,533,611           | 607,985,750           | 5.5%         | 4.7%                                |
| Hotels&Lodging/Bus Services/Furnishings/Other | 488,235,623           | 529,285,286           | 8.4%         | 4.7%                                |
| <b>Total of Top 10 Major Groups</b>           | <b>7,567,181,647</b>  | <b>7,868,738,794</b>  | <b>4.0%</b>  | <b>4.3%</b>                         |
| Remaining Groups                              | 3,067,126,416         | 3,186,374,916         | 3.9%         | 4.5%                                |
| <b>Total Taxable Sales</b>                    | <b>10,634,308,063</b> | <b>11,055,113,710</b> | <b>4.0%</b>  | <b>4.3%</b>                         |

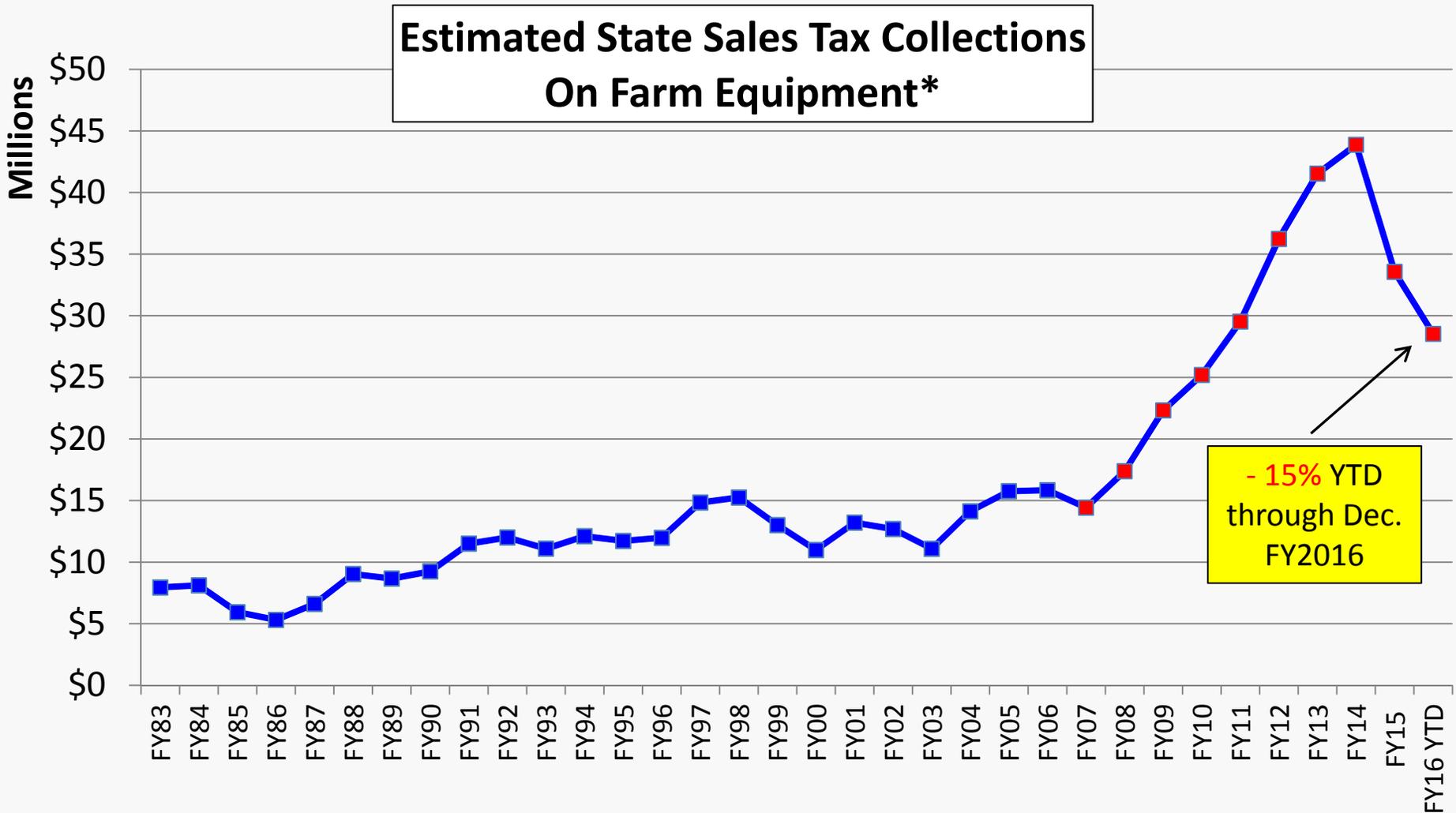
# Sales and Use Tax Receipts

Sales and Use Tax Collections to General Fund

*Revised Forecast  
Dec '15*

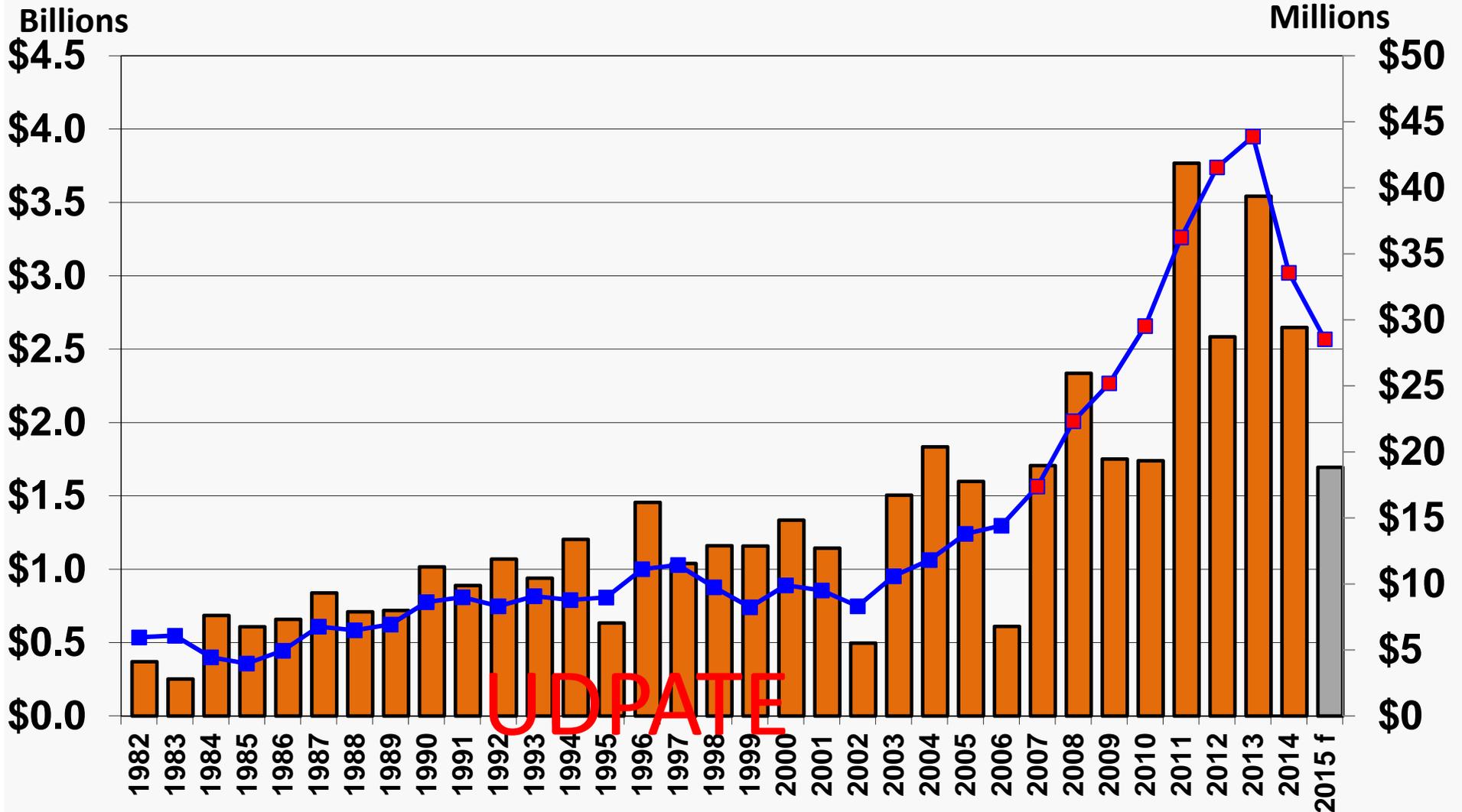


# Ag Economy Impact on the Sales Tax: Declines in FY2015 and YTD in FY2016



\* Prior to 1-1-06, the collections were converted to 4% rate as the rate changed from 3% to 4% on 1-1-06

# SD Farm Income and Equipment Tax Collections are highly correlated

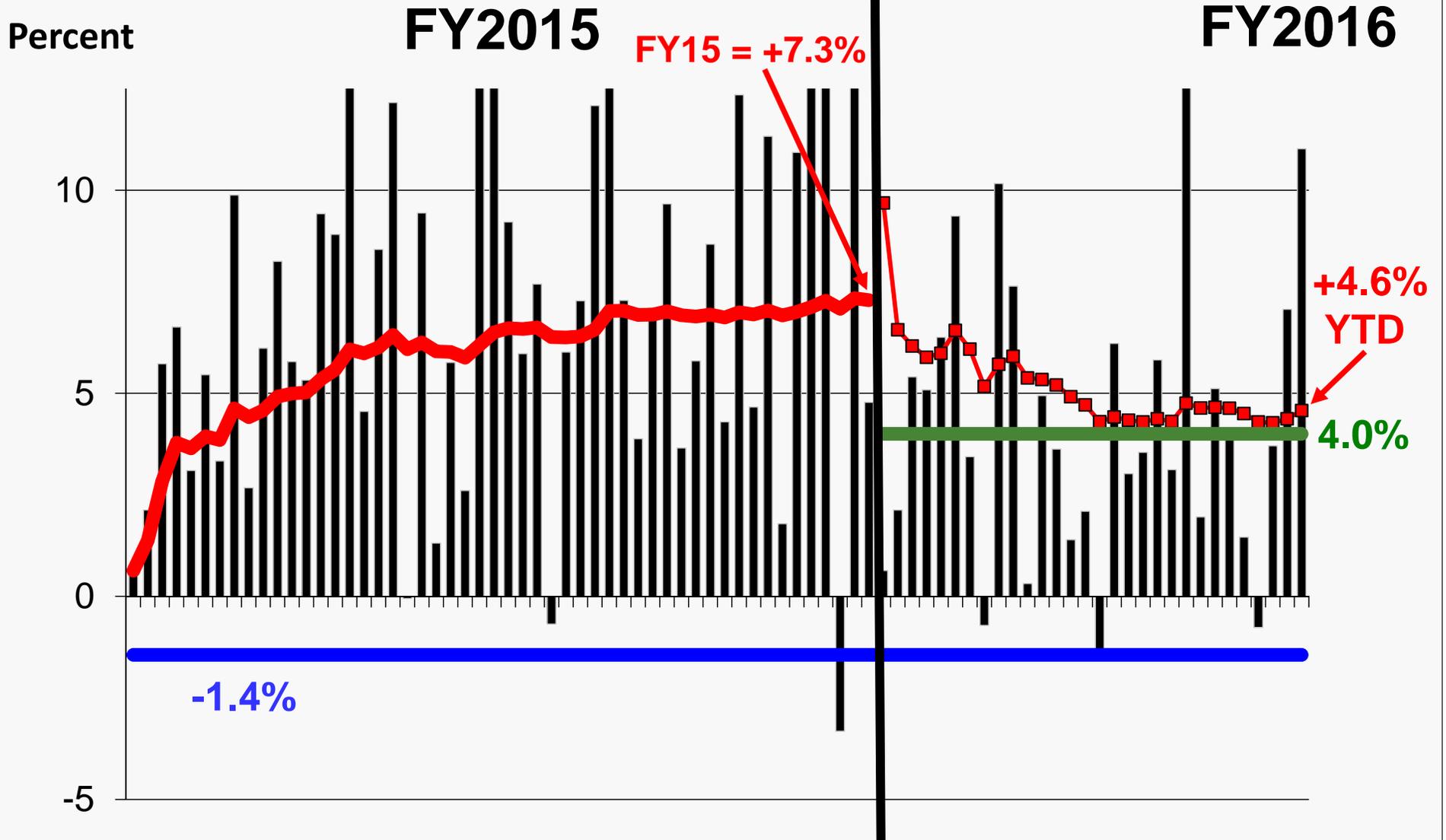


# Growth Rate for Video Lottery

7% of Total

Blue = FY08-FY15 Avg. Red = FY15 YTD Growth/FY16 YTD Growth

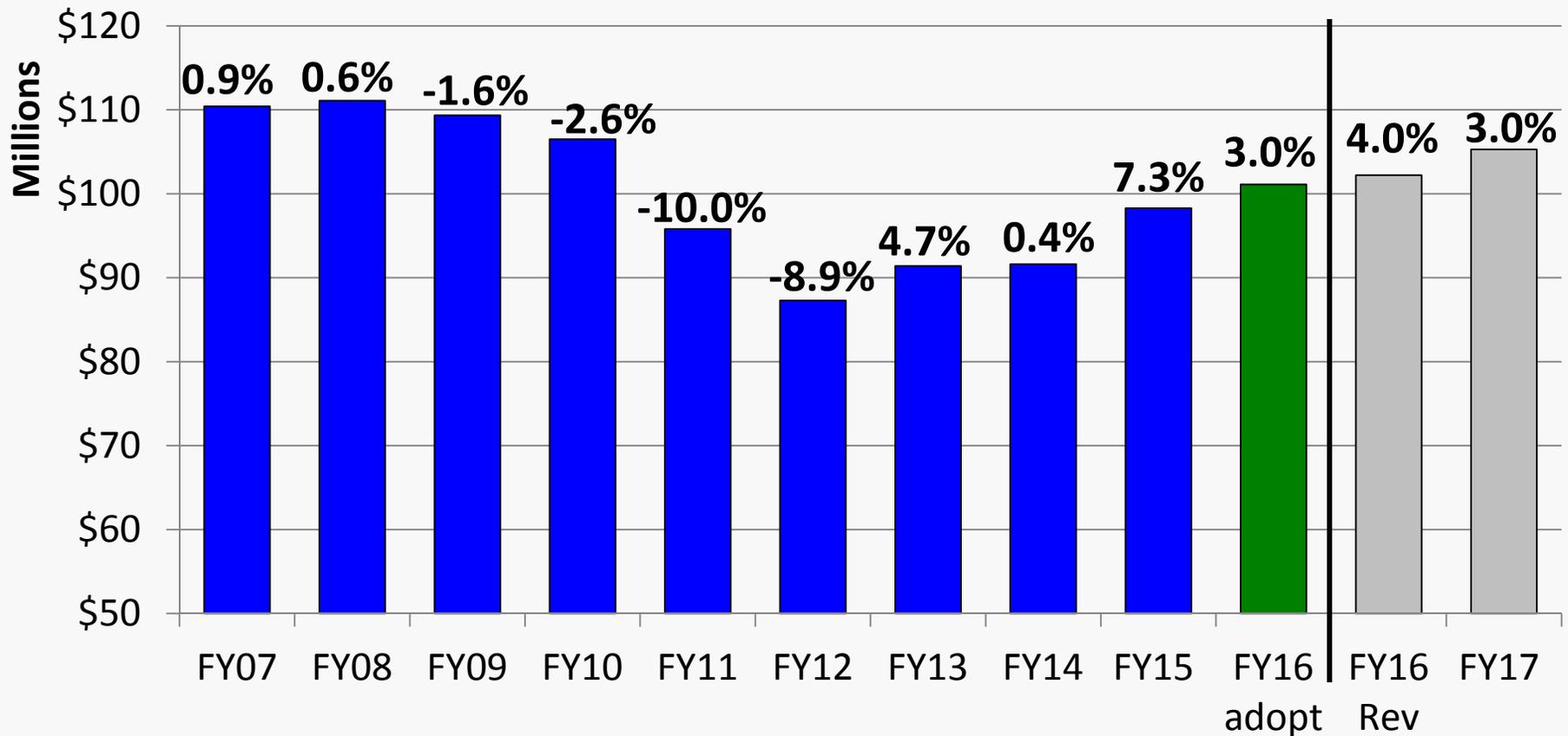
Black = Weekly Growth Rates Green = Growth of Revised FY16 Est.



# Video Lottery Receipts

*Revised Forecast  
Dec '15*

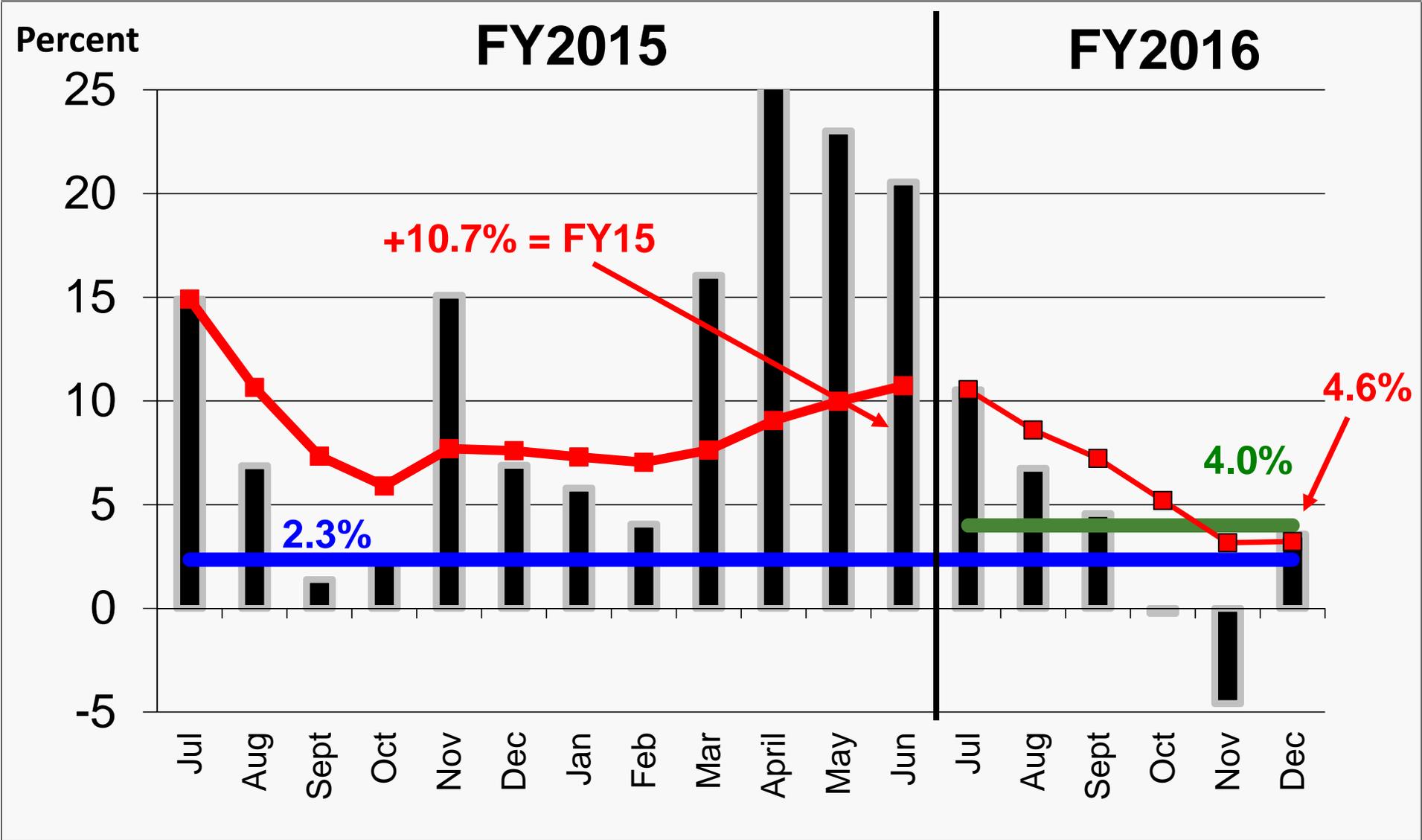
## Video Lottery Collections to General Fund



# Recent Growth Rates for Net CET

7% of Total

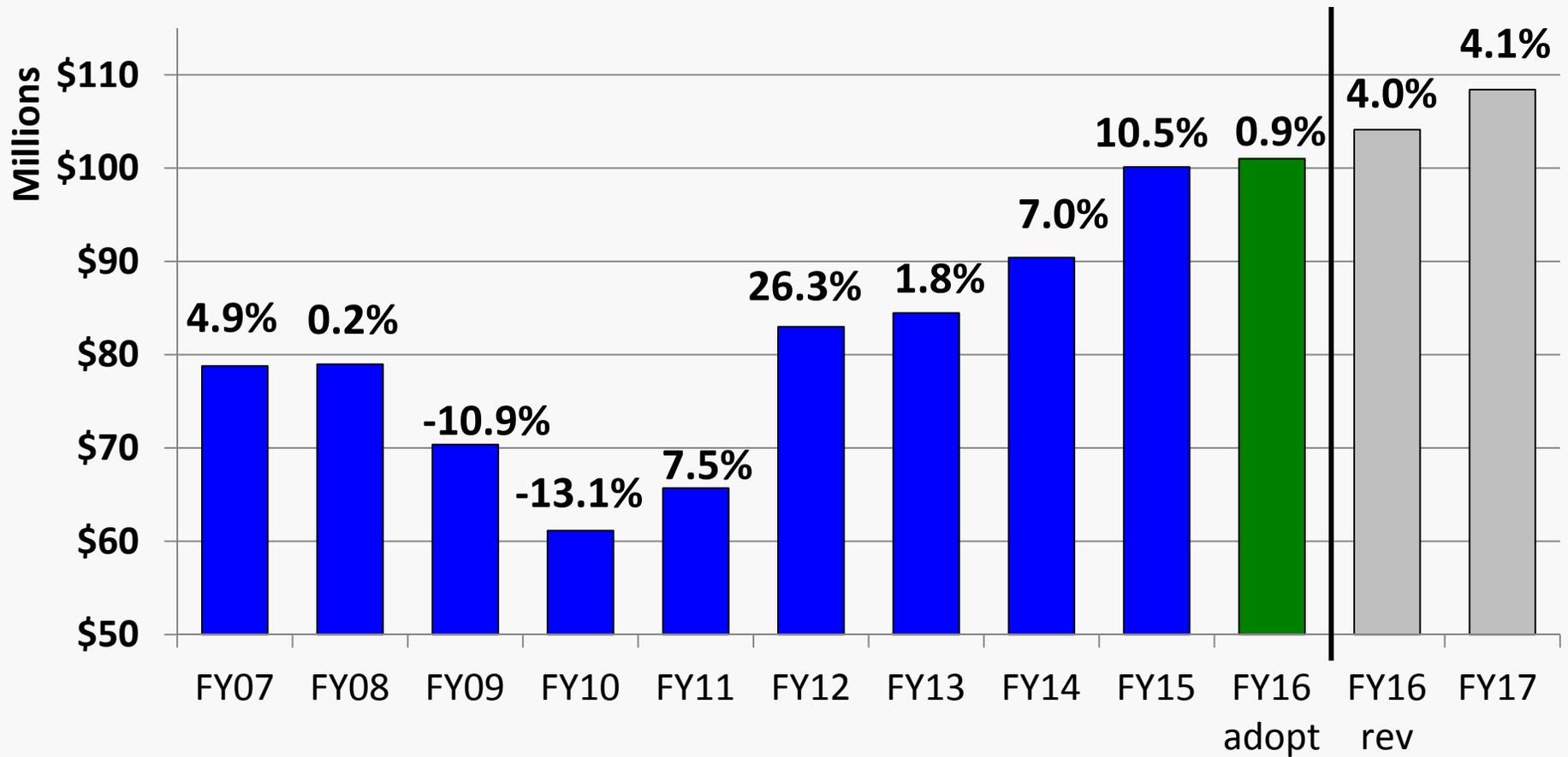
Blue = FY07-FY15 Average    Red = FY15 YTD Growth/FY16 YTD Growth  
 Black = Monthly Growth Rates    Green = Growth of Revised FY16 Est.



# Contractor's Excise Tax

CET Collections to General Fund

*Revised Forecast  
Dec '15*



# Growth Rates for Insurance Company Tax

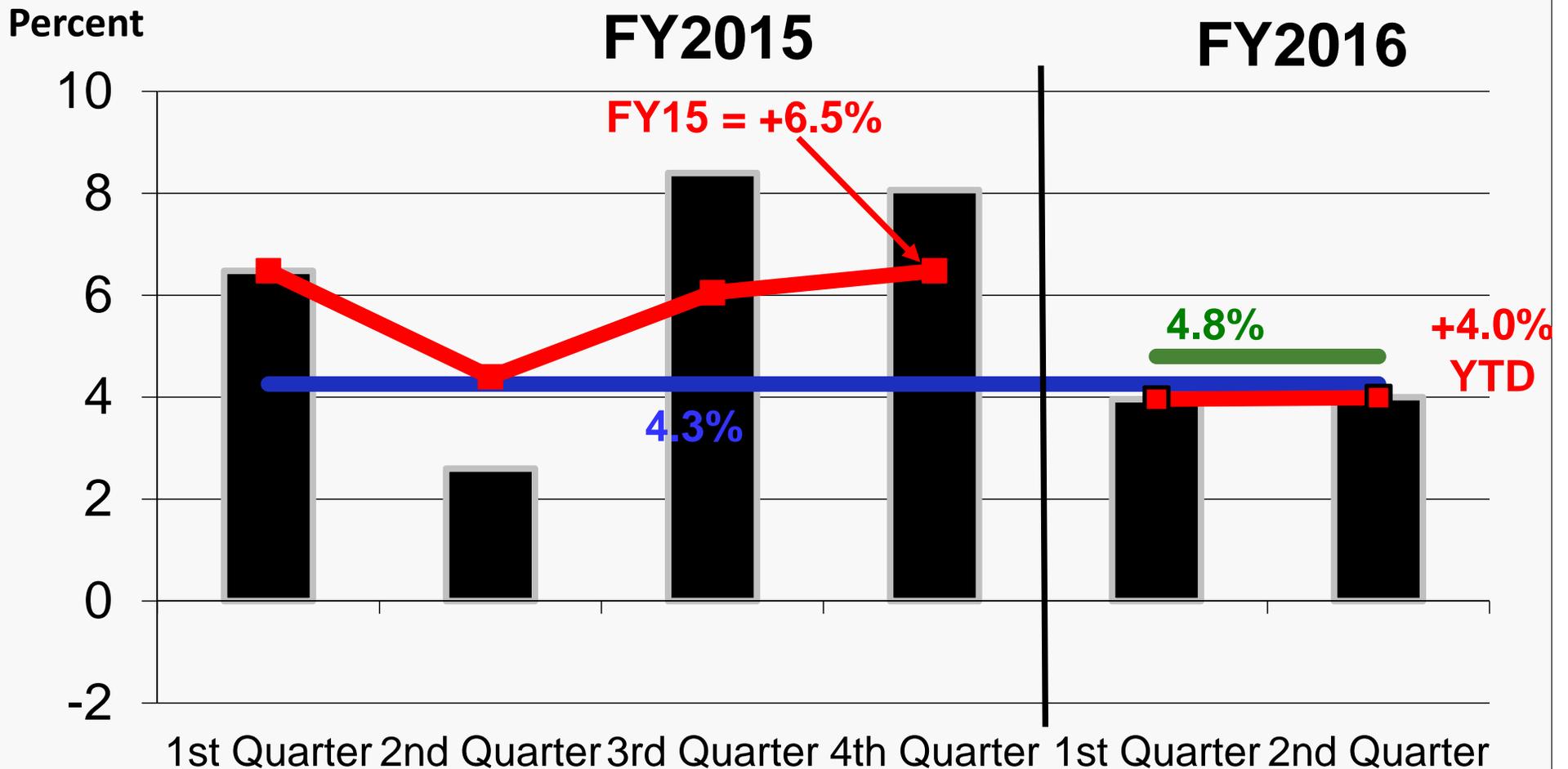
5% of Total

Blue = FY07-FY15 Average

Red = FY15 YTD Growth/FY16 YTD Growth

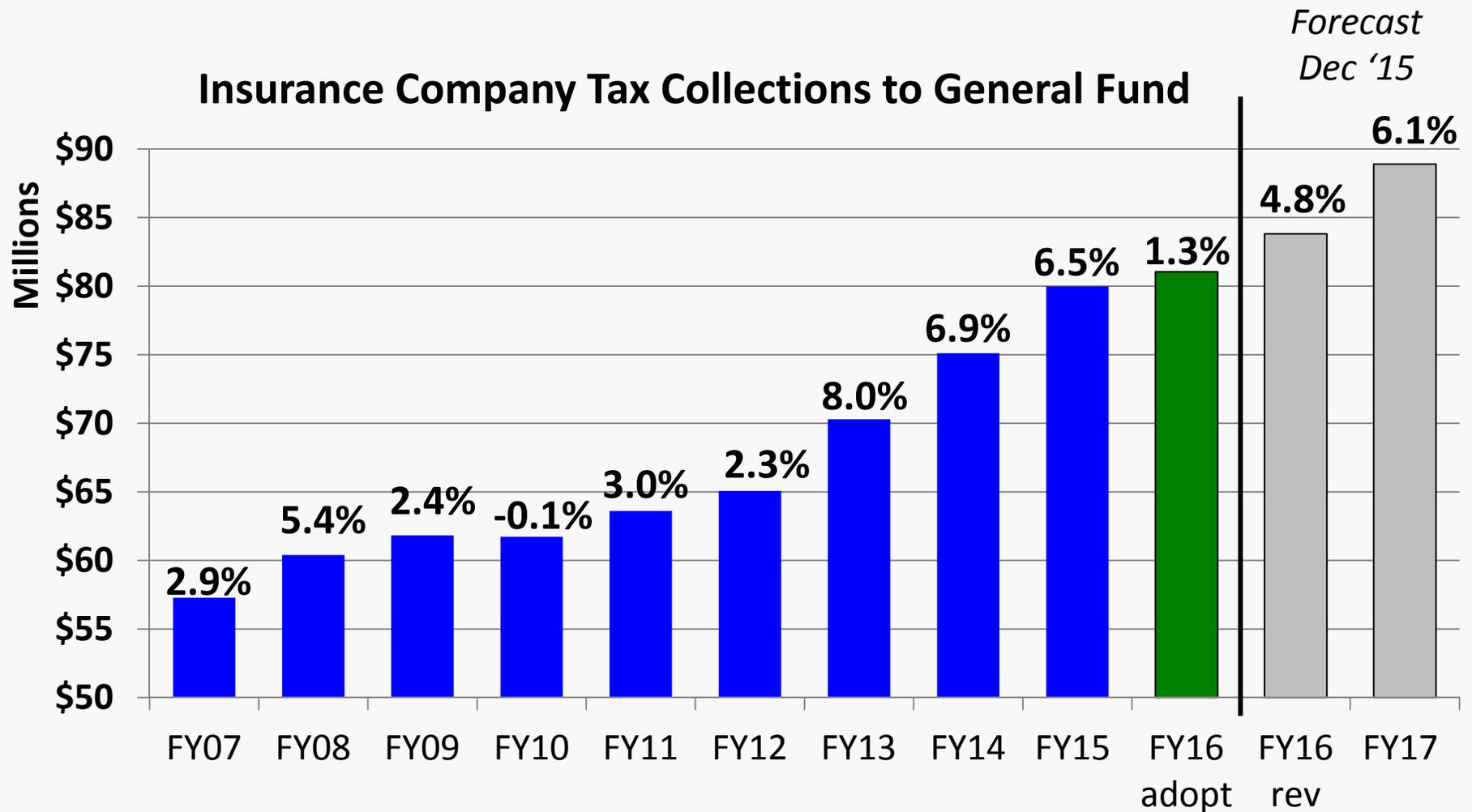
Black = Quarterly Growth Rates

Green = Growth of Revised FY16 Est.



\*First month

# Insurance Company Tax

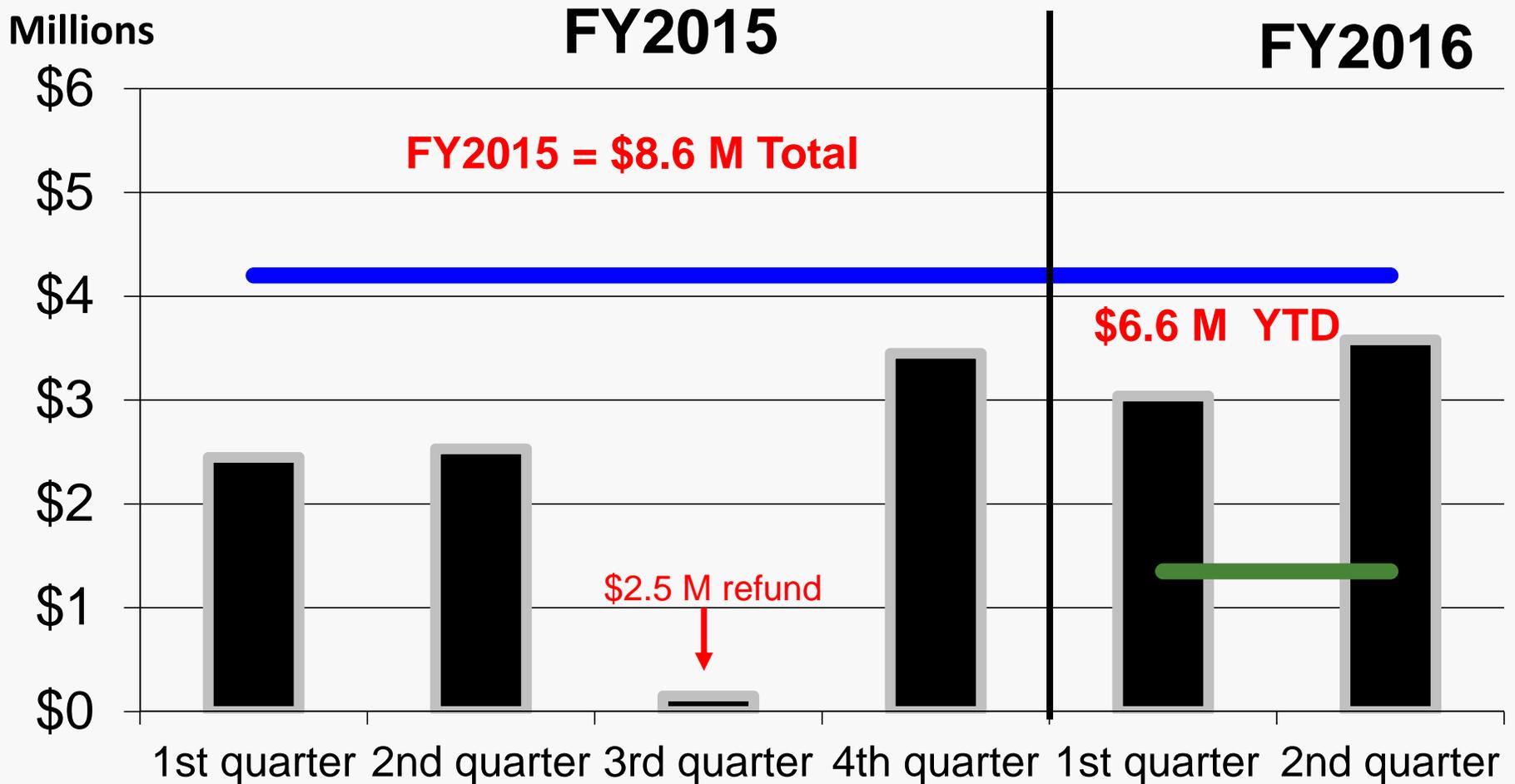


2% of Total

# Bank Franchise Tax Collections

\$4.2 M = average quarterly collections (past 8 yrs.)

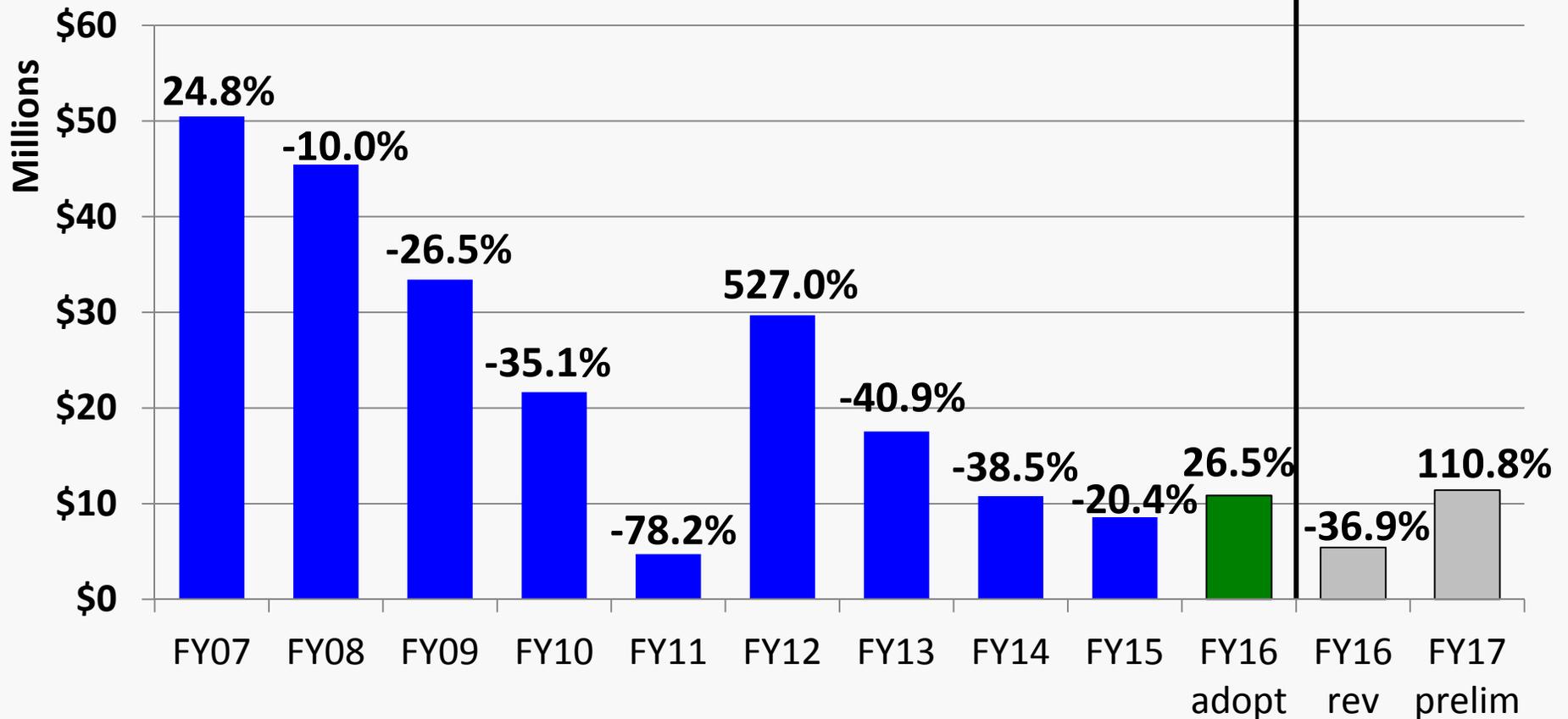
Black = Actual Quarterly Collections \$5.4 M = Total Revised FY16 Est.



# Bank Franchise Tax

*Revised Forecast  
Dec '15*

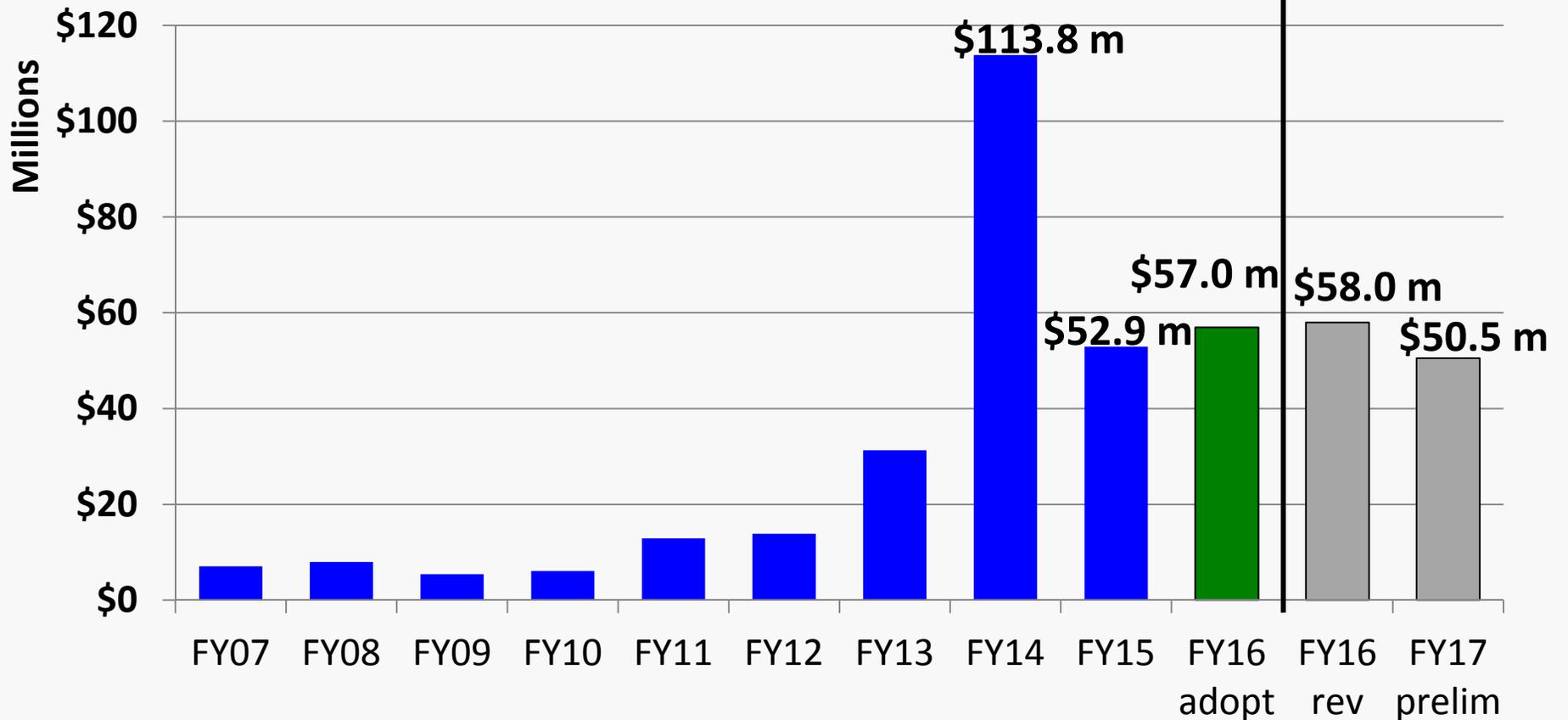
**Bank Franchise Tax Collections to General Fund**



# Unclaimed Property Receipts

*Revised Forecast  
Dec '15*

## Unclaimed Property Receipts to General Fund



# Other Discussion

- Tourism
- Agriculture
- Geographical Areas
- Other Discussion