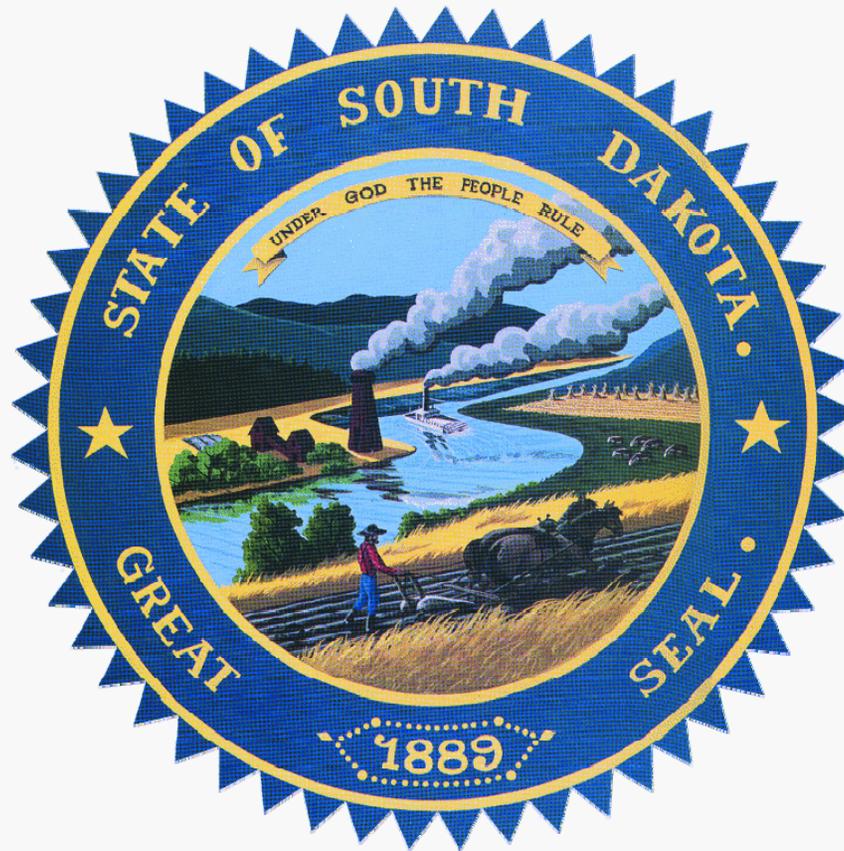


Governor's Council of Economic Advisors



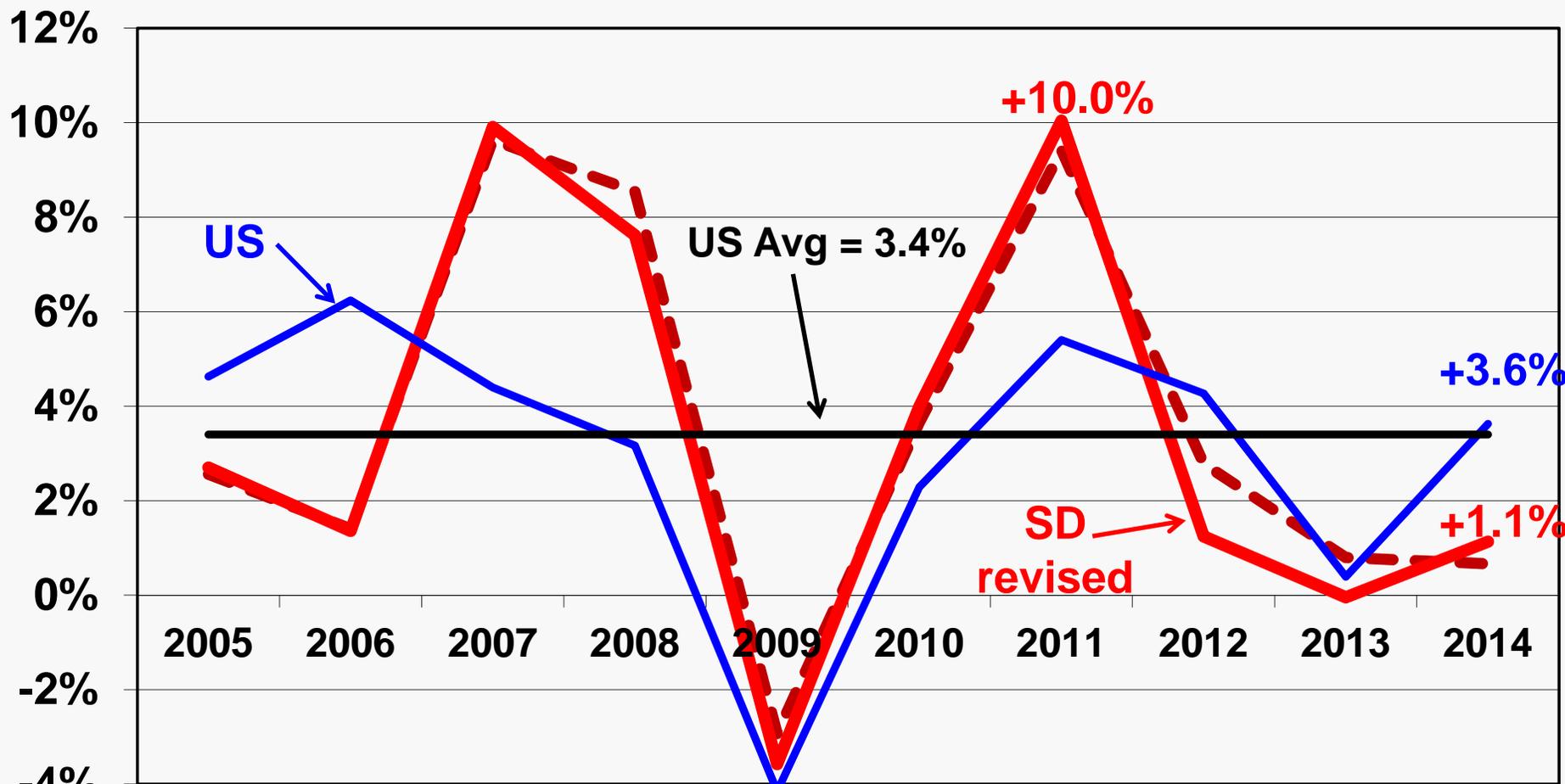
October 28, 2015

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

	2012	2013	2014	2015 f	2016 f	2017 f	'05-'14 avg.
SD real GDP	-0.9%	0.9%	0.6%	3.8%	3.2%	3.0%	1.9%
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%

Per Capita Personal Income Growth Revisions

Annual Percent Change in Per Capita Personal Income

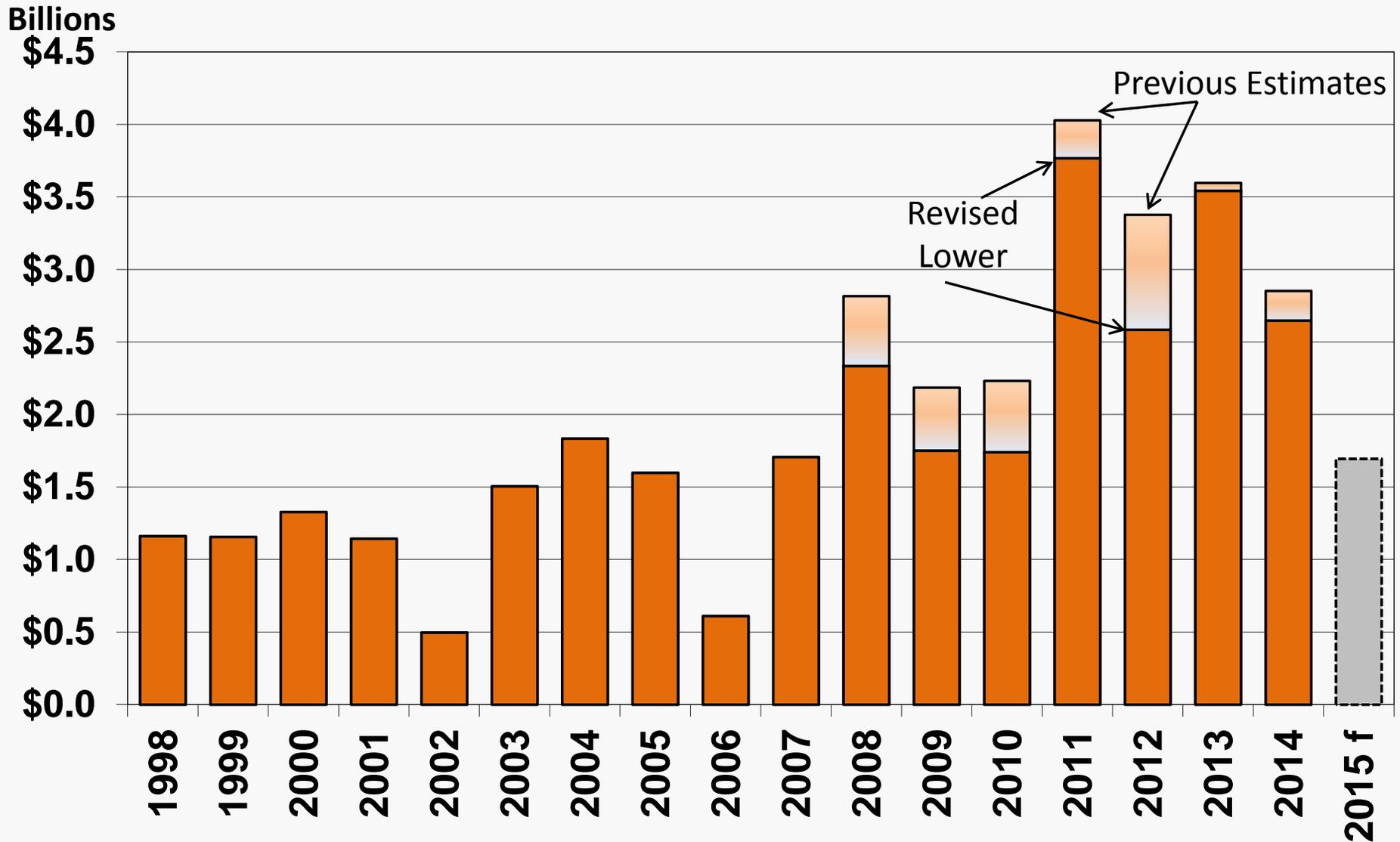


SD's PCPI as % of US:

93.1%	88.9%	93.6%	97.6%	98.2%	99.8%	104.2%	101.2%	100.8%	98.3%
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SD Farm Income Estimates

Revised Lower



Growth Rates of Key Revenue Sources



60% of Total

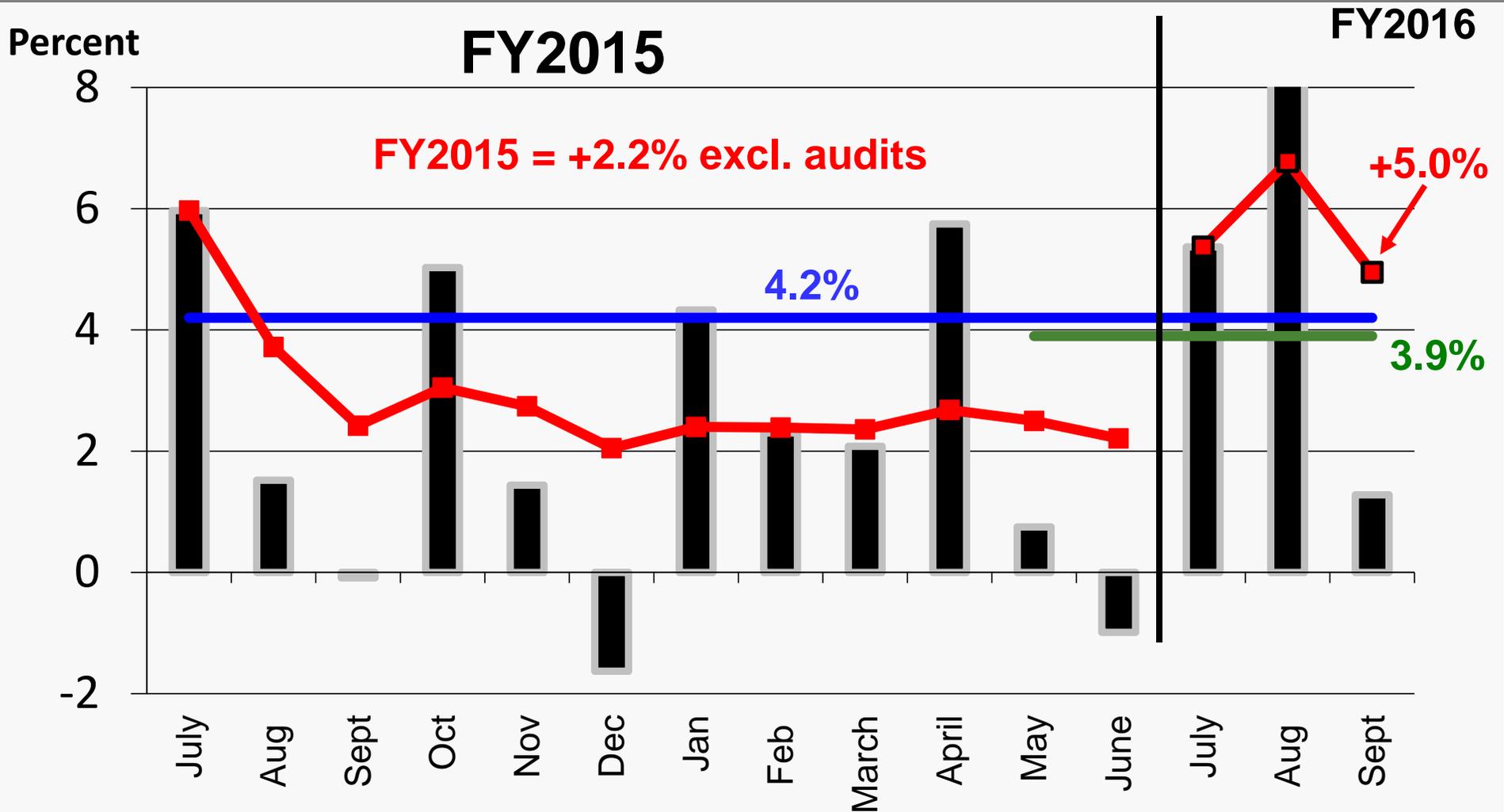
Growth Rates for Sales Tax Collections

Blue = FY07-FY15 Average

Red = Running YTD FY15/FY16 Growth

Black = Monthly Growth Rates

Green = Growth for Leg. Adopted FY16 Est.



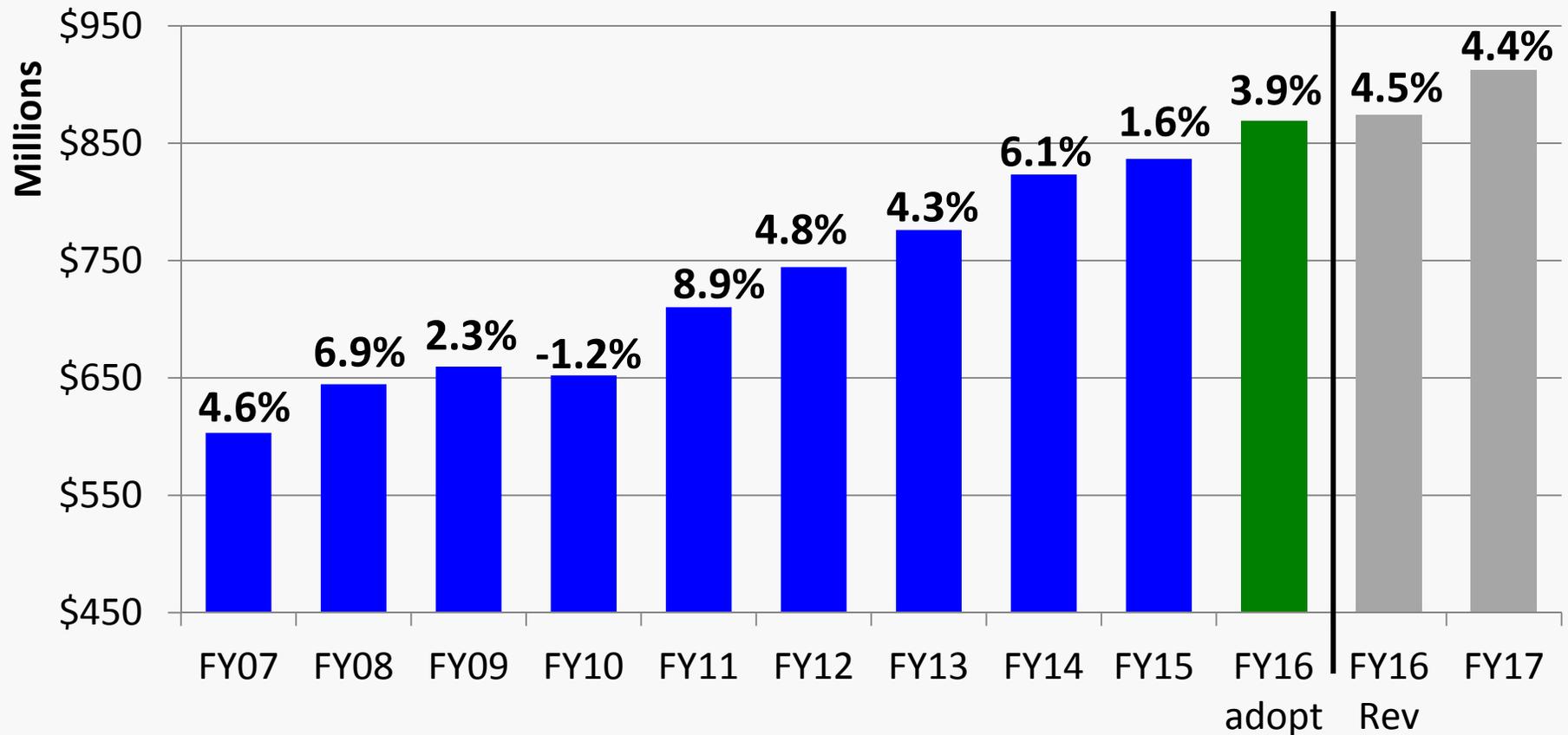
FY2016 YTD Taxable Sales Growth by Major Group

Taxable Sales by Major Group Comparison				Average Growth from 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	628,532,746	640,580,038	1.9%	4.1%
General Merchandise Stores	561,555,759	584,202,288	4.0%	4.5%
Food Stores	399,755,041	412,769,298	3.3%	2.6%
Building Materials & Garden Supplies	416,664,546	462,819,388	11.1%	4.0%
Eating & Drinking Places	376,721,248	405,987,597	7.8%	4.3%
Electric, Gas, & Sanitary Services	329,447,505	339,898,261	3.2%	4.8%
Wholesale Trade - Durable Goods	317,968,098	336,857,076	5.9%	4.7%
Auto Dealers/Service Stations	278,953,216	289,856,316	3.9%	4.9%
Communications	282,094,441	296,924,828	5.3%	4.7%
Hotels&Lodging/Bus Services/Furnishings/Other	260,565,514	282,730,970	8.5%	4.7%
Total of Top 10 Major Groups	3,852,258,114	4,052,626,060	5.2%	4.3%
Remaining Groups	1,618,930,855	1,710,785,624	5.7%	4.5%
Total Taxable Sales	5,471,188,969	5,763,411,684	5.3%	4.3%

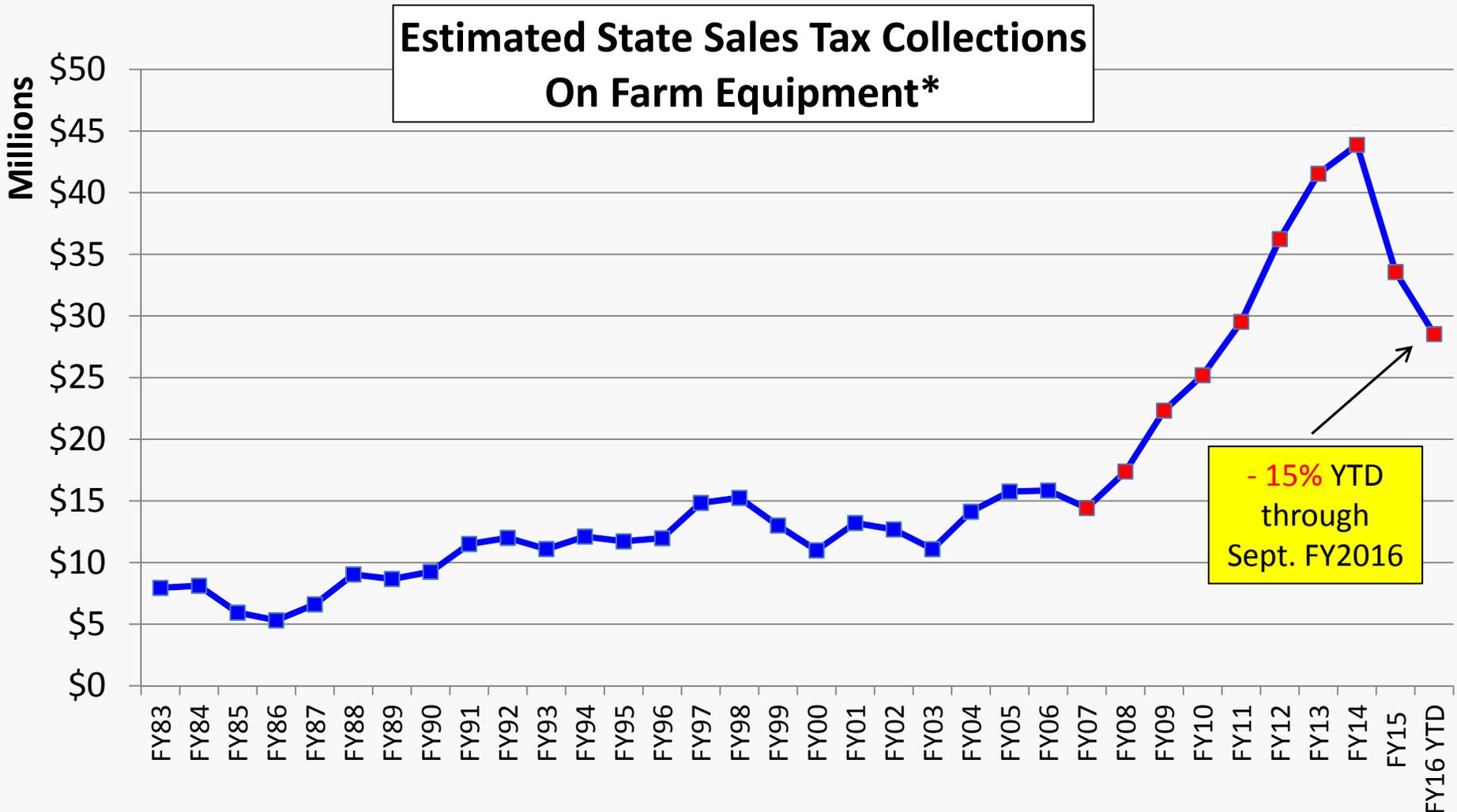
Sales and Use Tax Receipts

Sales and Use Tax Collections to General Fund

Sept '15
Prelim. Forecast

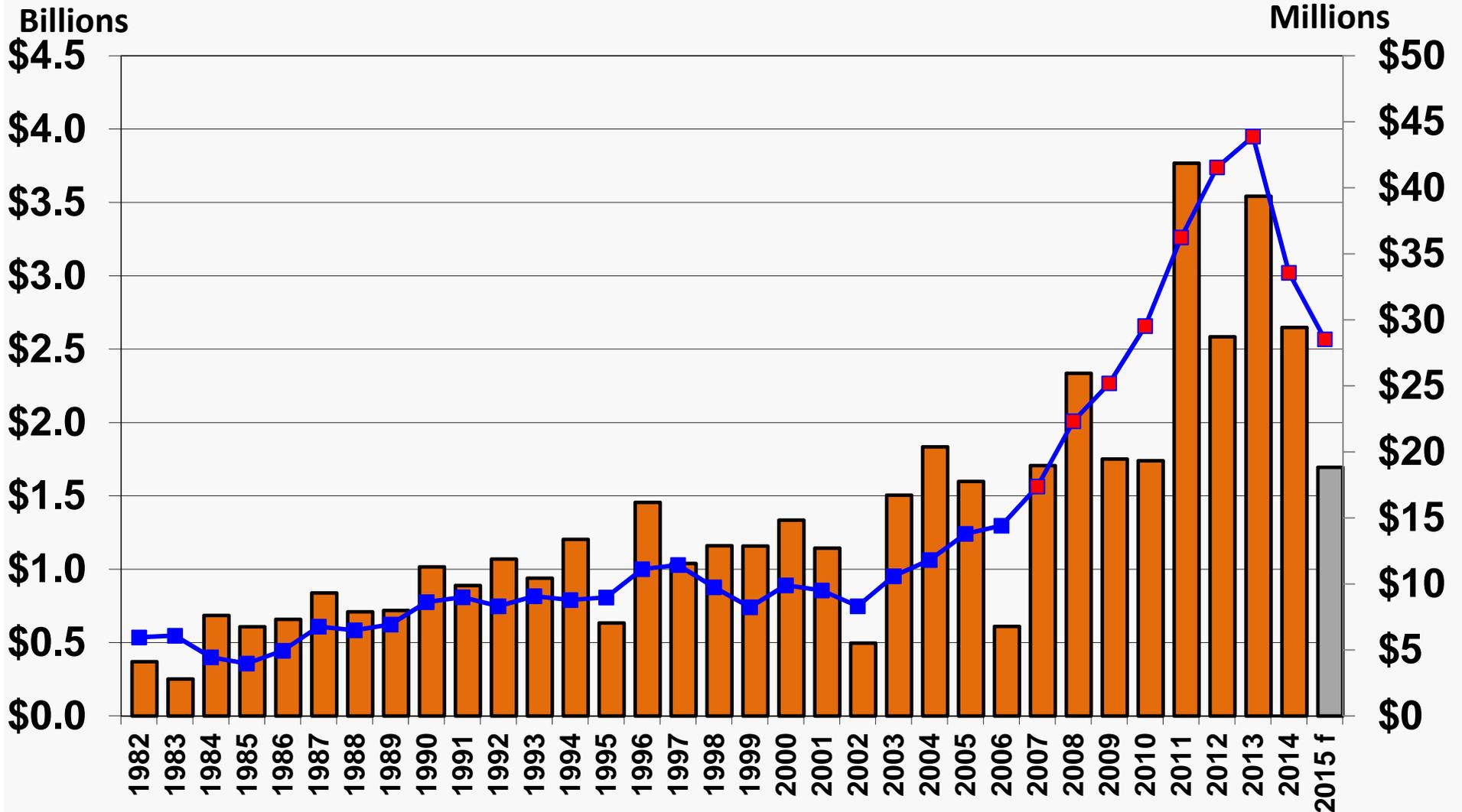


Ag Economy Impact on the Sales Tax: Declines in FY2015 and YTD in FY2016



* 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

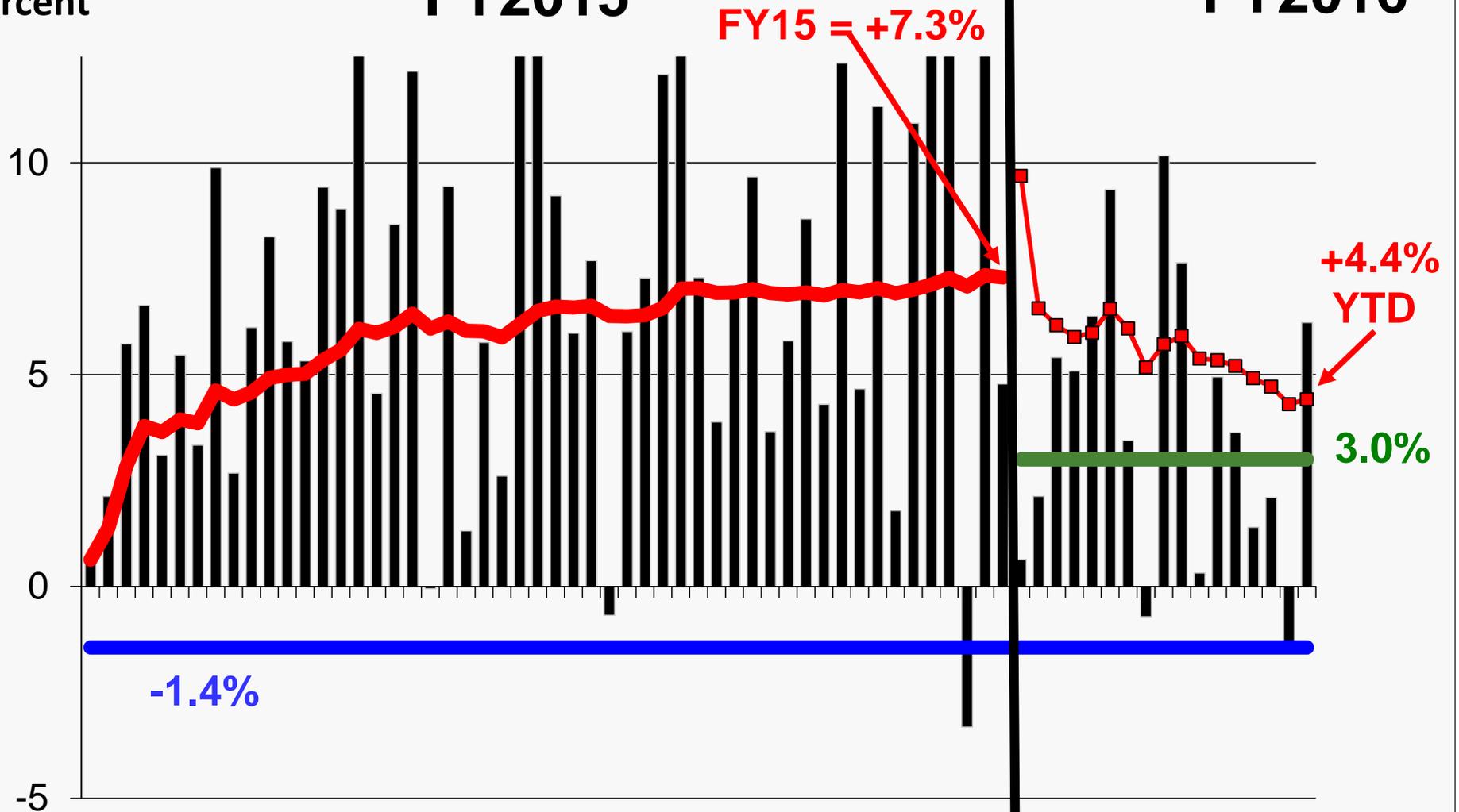
Blue = FY08-FY15 Avg. Red = FY15 YTD Growth/FY16 YTD Growth

Black = Weekly Growth Rates Green = Growth of Leg. Adopt FY16 Est.

Percent

FY2015

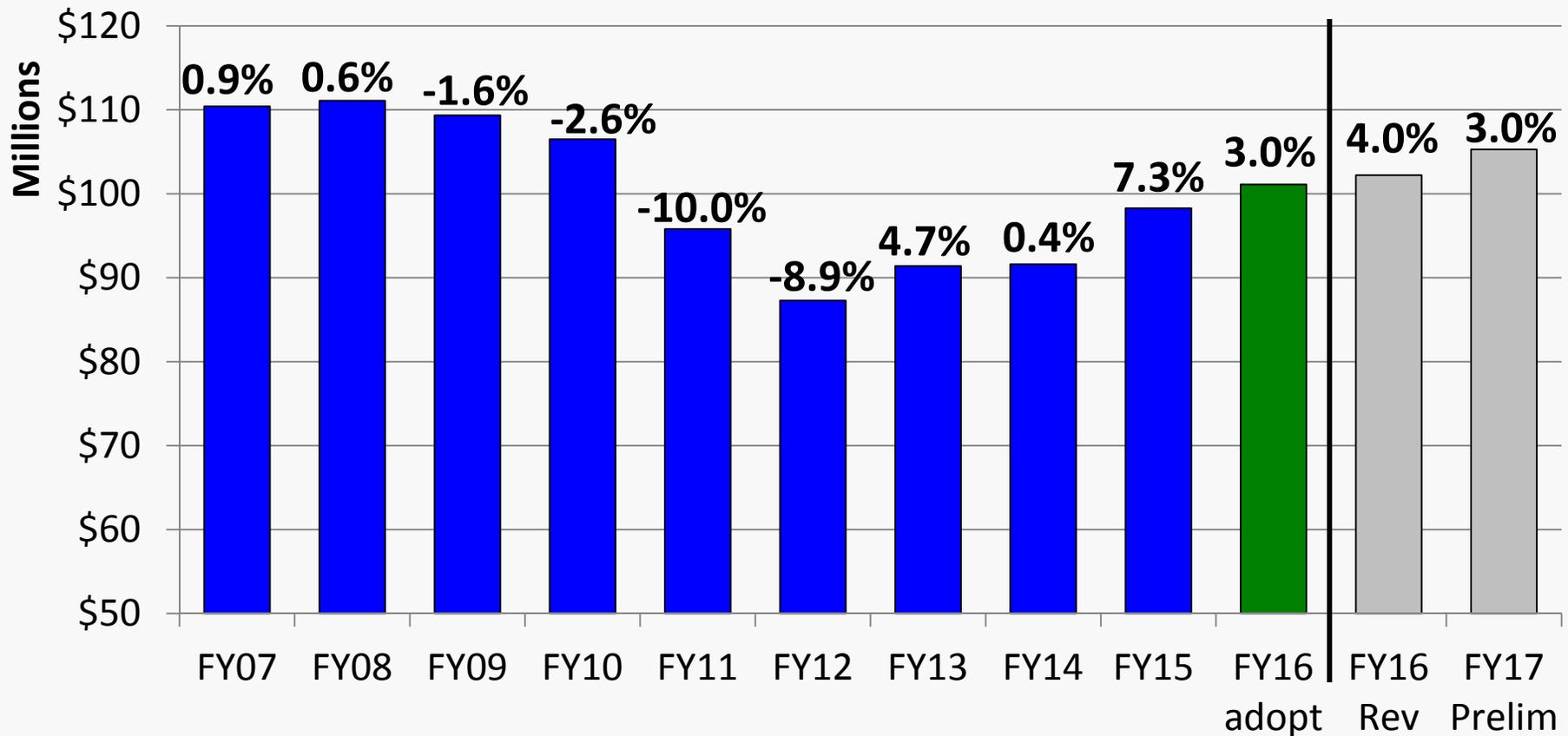
FY2016



Video Lottery Receipts

Video Lottery Collections to General Fund

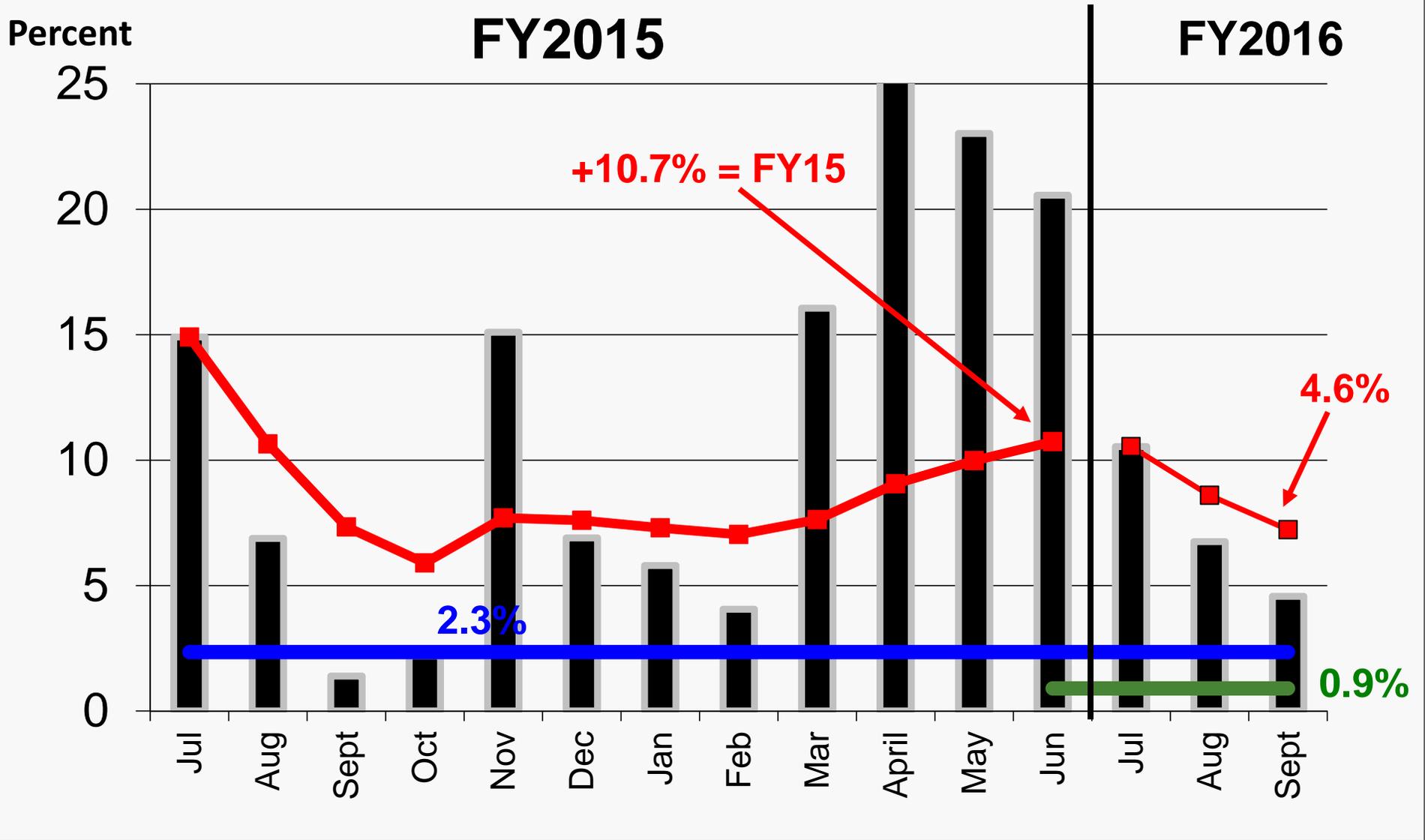
Sept '15
Prelim. Forecast



Recent Growth Rates for Net CET

7% of Total

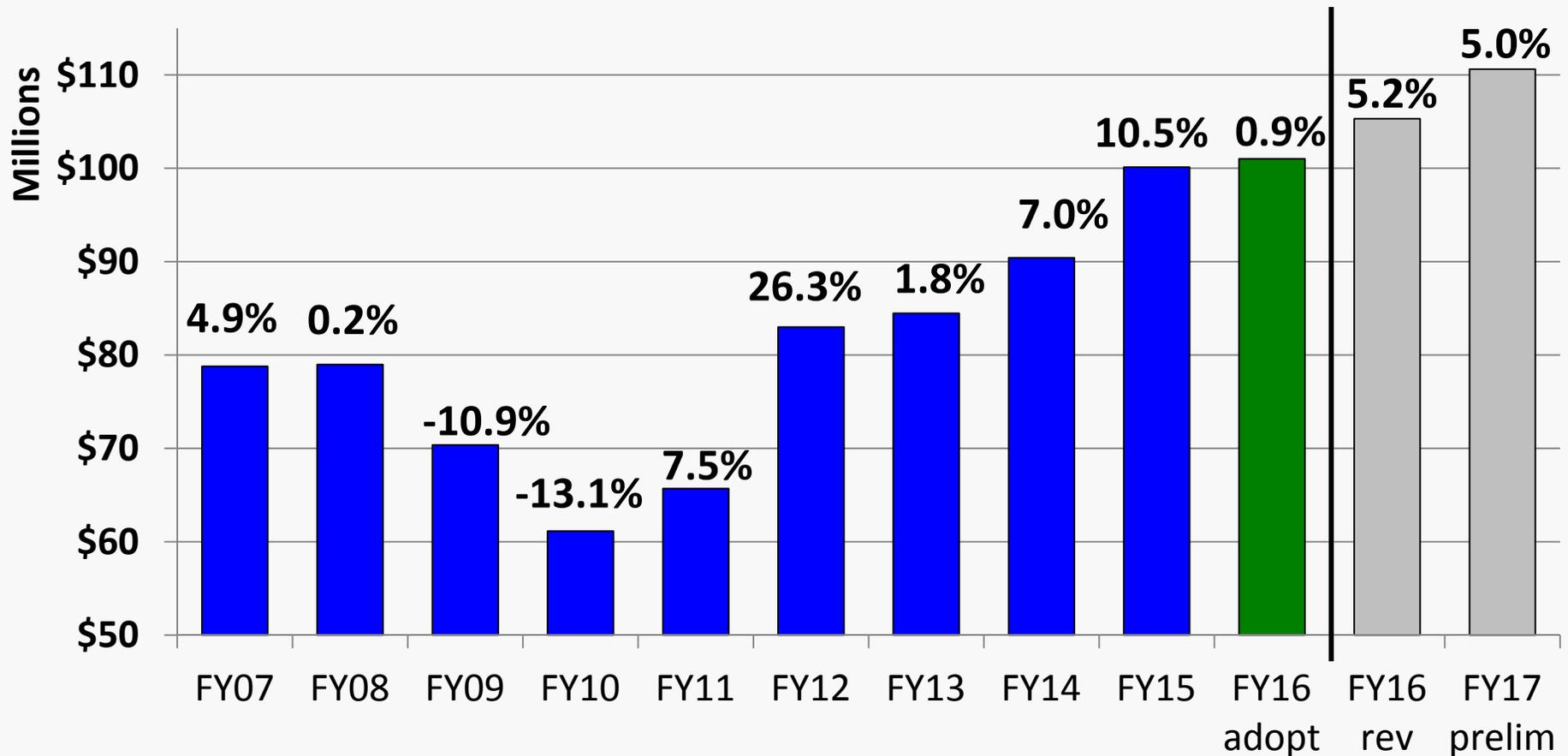
Blue = FY07-FY15 Average Red = FY15 YTD Growth/FY16 YTD Growth
 Black = Monthly Growth Rates Green = Growth of Leg. Adopt FY16 Est.



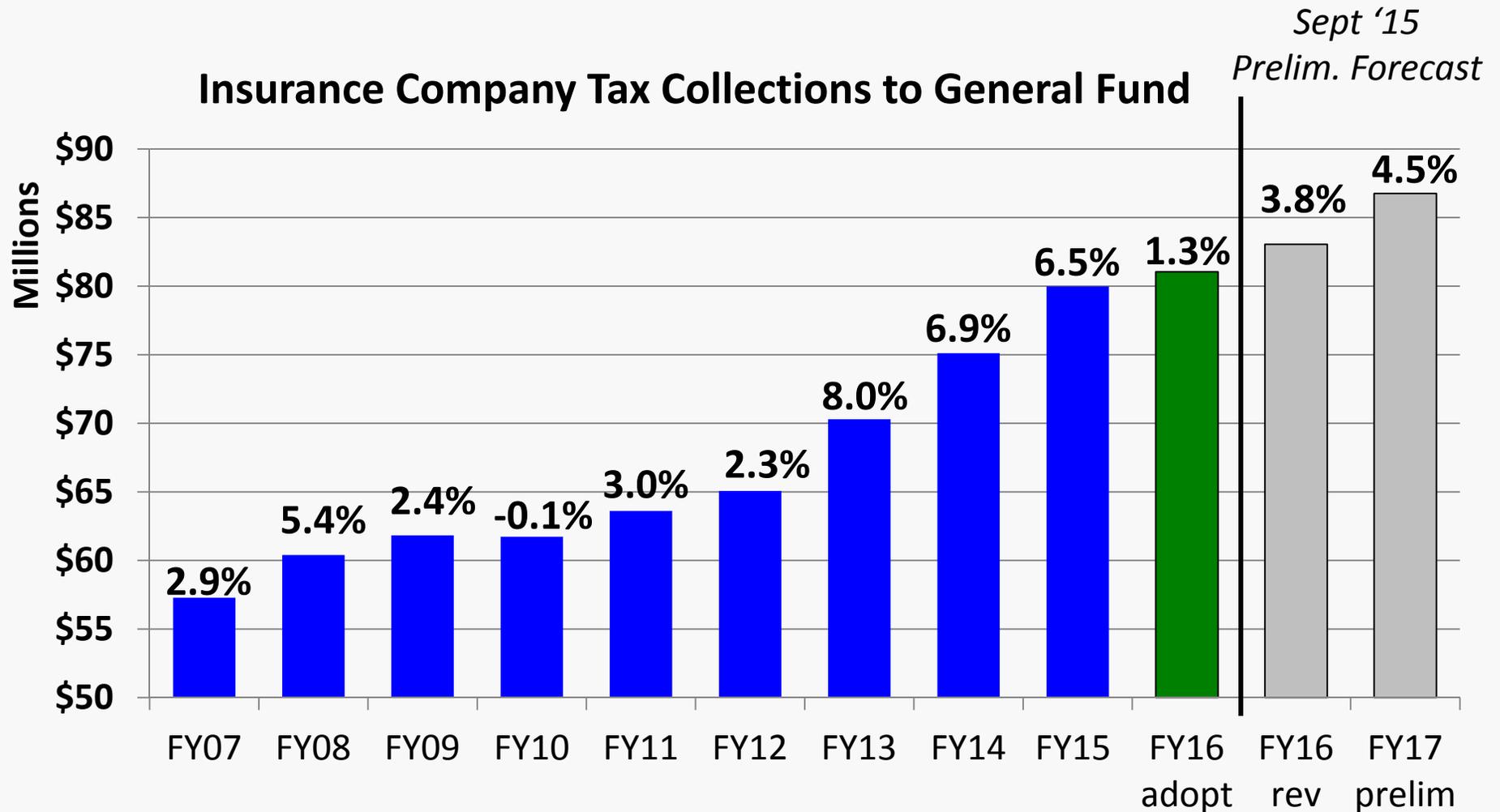
Contractor's Excise Tax

CET Collections to General Fund

Sept '15
Prelim. Forecast



Insurance Company Tax

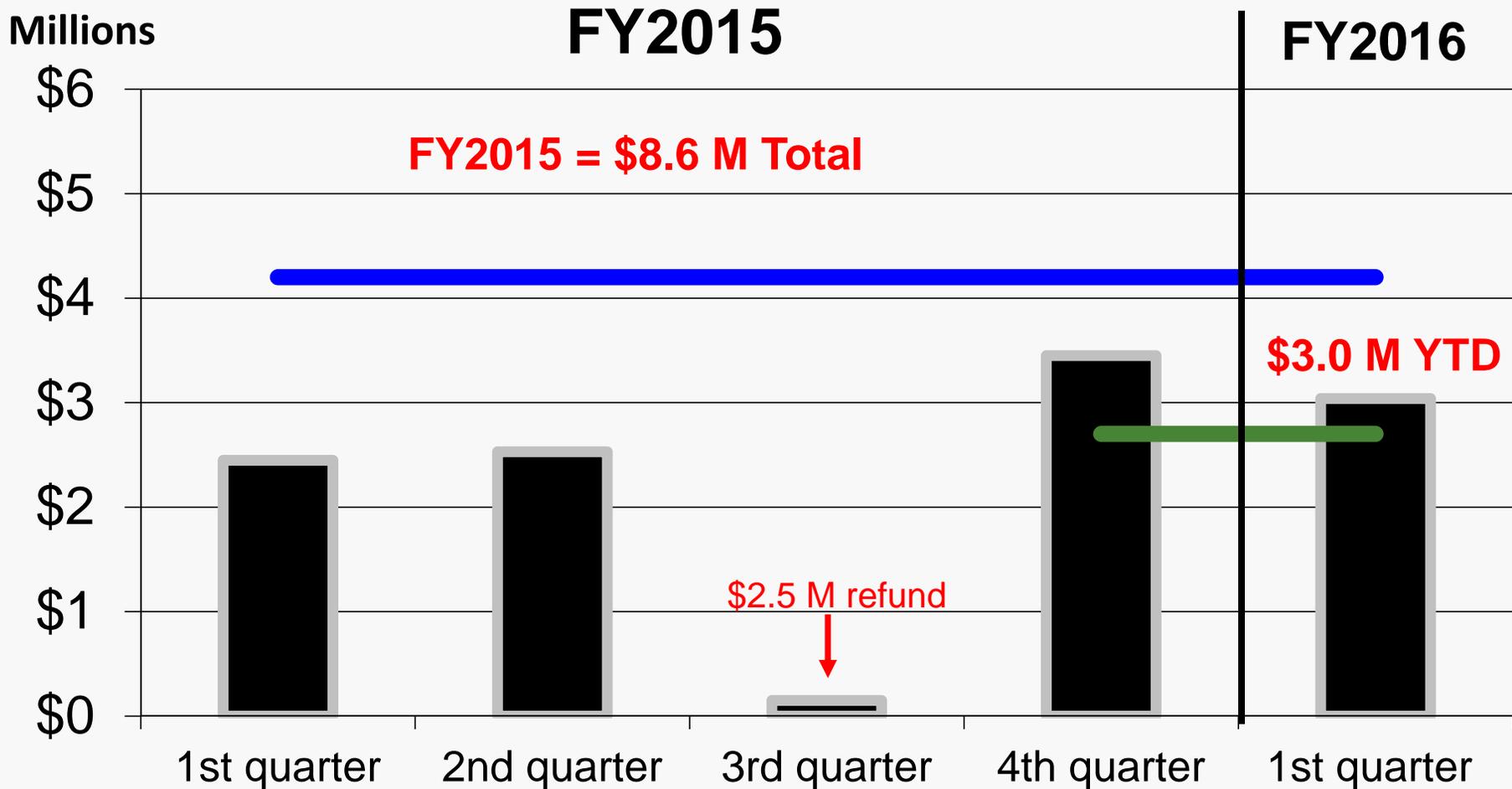


2% of Total

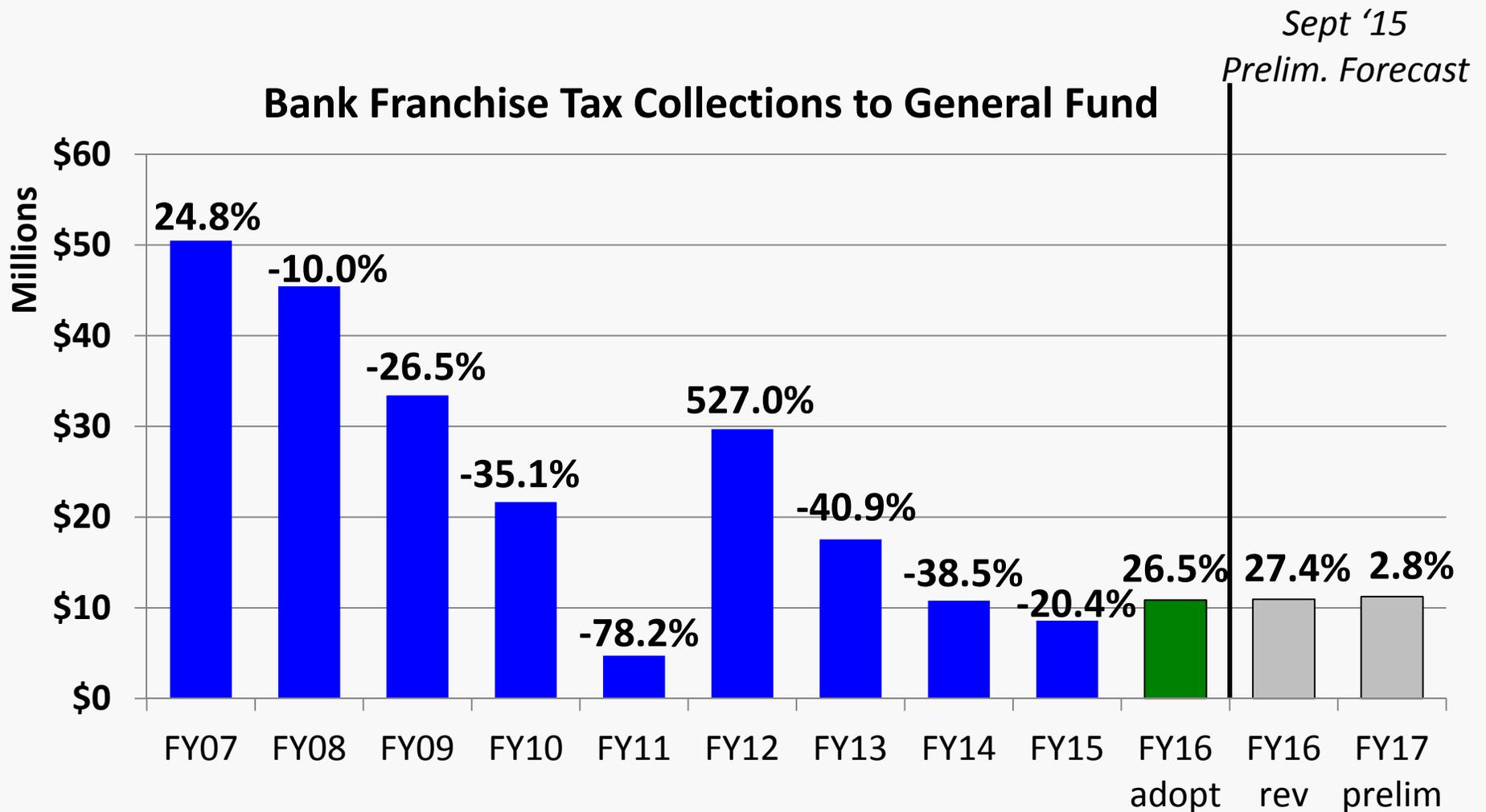
Bank Franchise Tax Collections

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

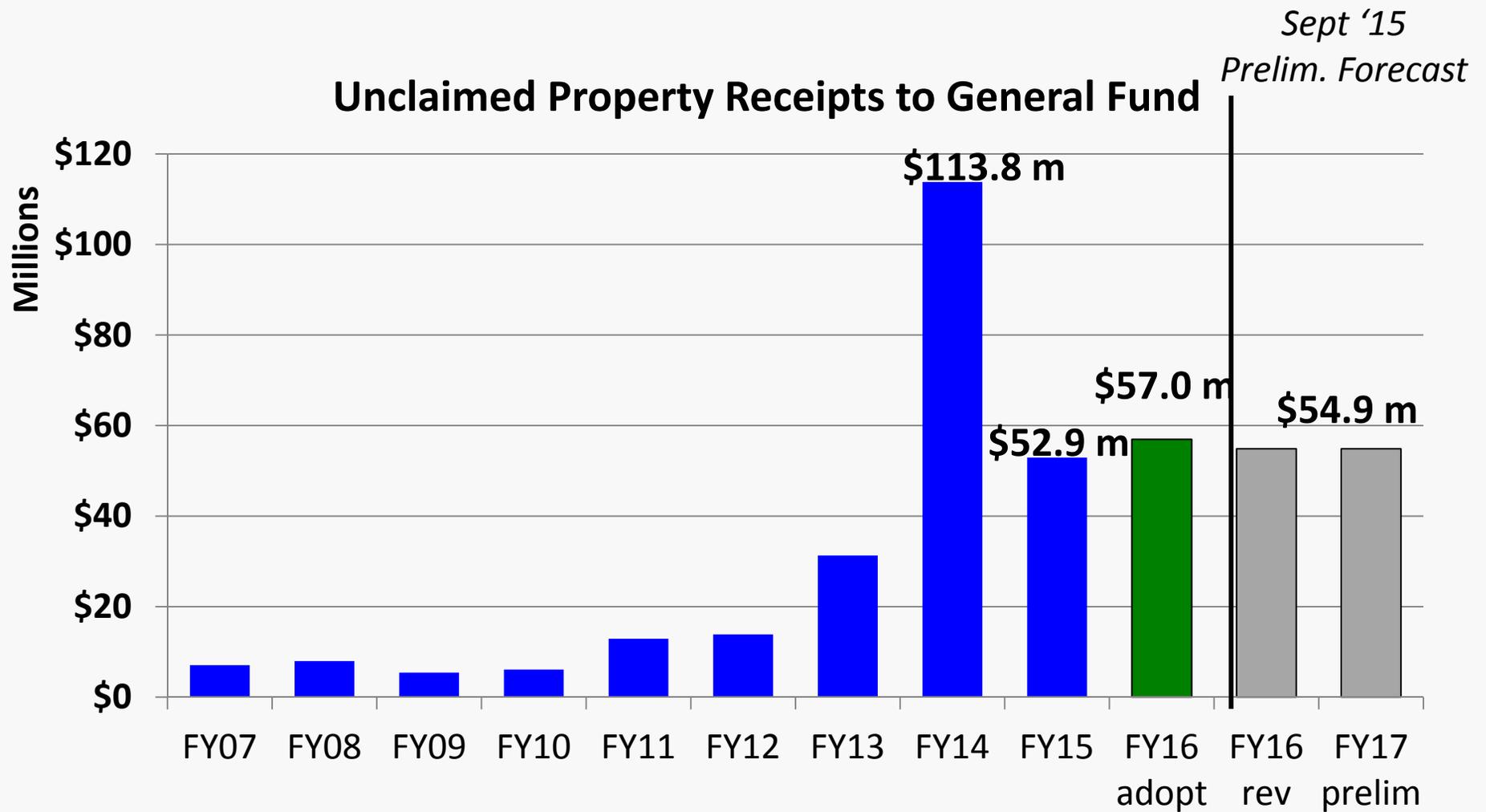
Black = Actual Quarterly Collections \$2.7 M/Qtr. = Leg. Adopt FY16 Est.



Bank Franchise Tax



Unclaimed Property Receipts



FY2017

A first look at next year

FY2017 Preliminary Outlook

- Low inflation suggests 0.3%-2.1% growth rates in key entitlement areas
- Low inflation also will reduce Sales tax growth projections
- Economy continues to grow at a positive trend, but the SD economy is growing slower than the US (PCPI)
- Low crop prices and escalating property taxes are a concern in the Agriculture sector
- IHS/Medicaid conversation may be budget boost
- Blue Ribbon conversation also may bring new revenue sources to the table

FY2017 Budget Request Overview

Major Areas of Cost Increases:	
State Aid (0.3% + enrollments + special ed)	\$20,200,000
XIX and XXI Eligible and Utilization Growth	\$14,600,000
State Work Force Salary Policy	\$13,300,000
Health Provider Inflation (2.1%)	\$12,600,000
Maintenance and Repair	\$10,300,000
Tuition Buy-Down for Regents and Technical Institutes	\$5,300,000
Juvenile Justice Reinvestment Initiative	\$3,700,000
Individual Rate Adjustments for Providers	\$3,600,000
Correctional Healthcare	\$2,000,000
State Work Force Position Reclassifications	\$1,000,000
All Other General Fund	\$33,400,000
FMAP from 48.38% to 45.89% (Decrease of 2.49%)	<u>(\$21,100,000)</u>
Total	<u>\$98,900,000</u>

FY2017 Structural Deficit Picture (based on budget requests)

Total Revenue	\$1,499.4 million
Total Expense	<u>\$1,532.0 million</u>
Structural Deficit	<u>(\$ 32.6 million)</u>

Other Discussion

- Tourism
- Agriculture
- Geographical Areas
- Other Discussion