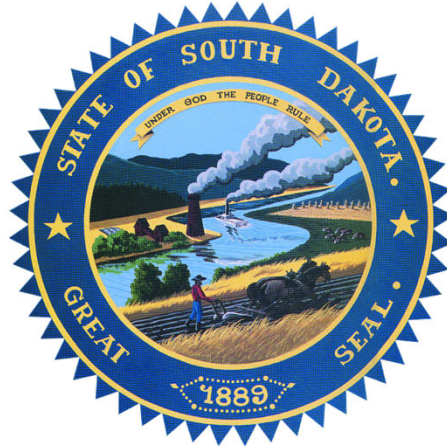


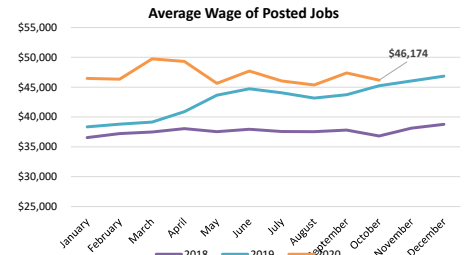
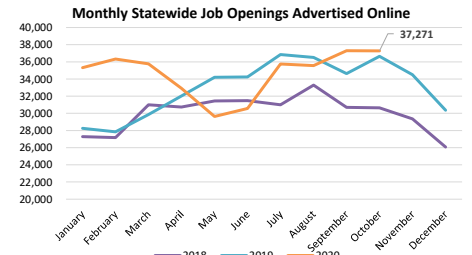
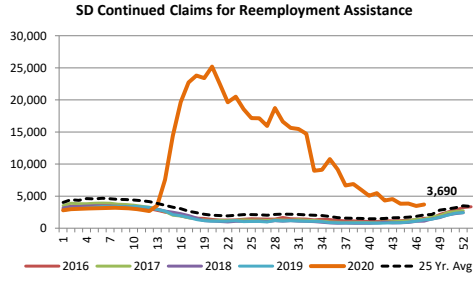
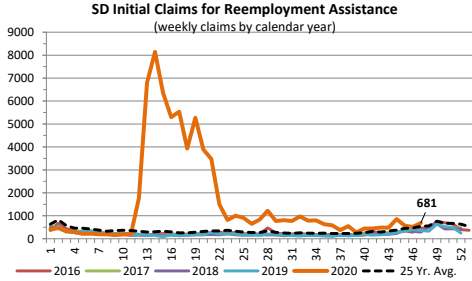
# FY2022 Revenue and Budget Update



South Dakota Bureau Of Finance and Management  
December 17, 2020

# **ECONOMIC PERFORMANCE**

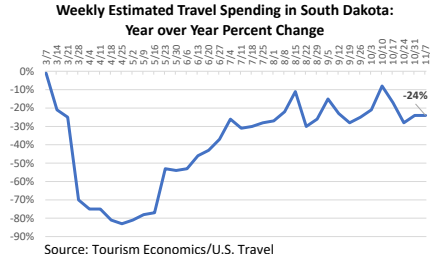
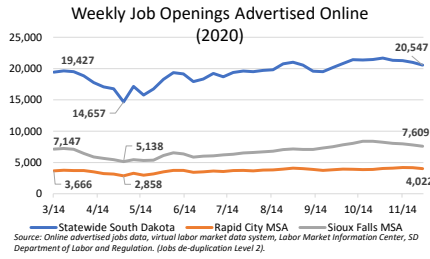
# Economic Performance



Source: Online advertised jobs data, virtual labor market data system, Labor Market Information Center, SD Department of Labor and Regulation. (Jobs de-duplication Level 2).

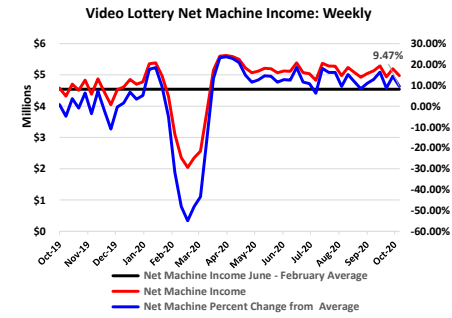
Source: Online advertised jobs data, virtual labor market data system, Labor Market Information Center, SD Department of Labor and Regulation. (Jobs de-duplication Level 2).

# Economic Performance

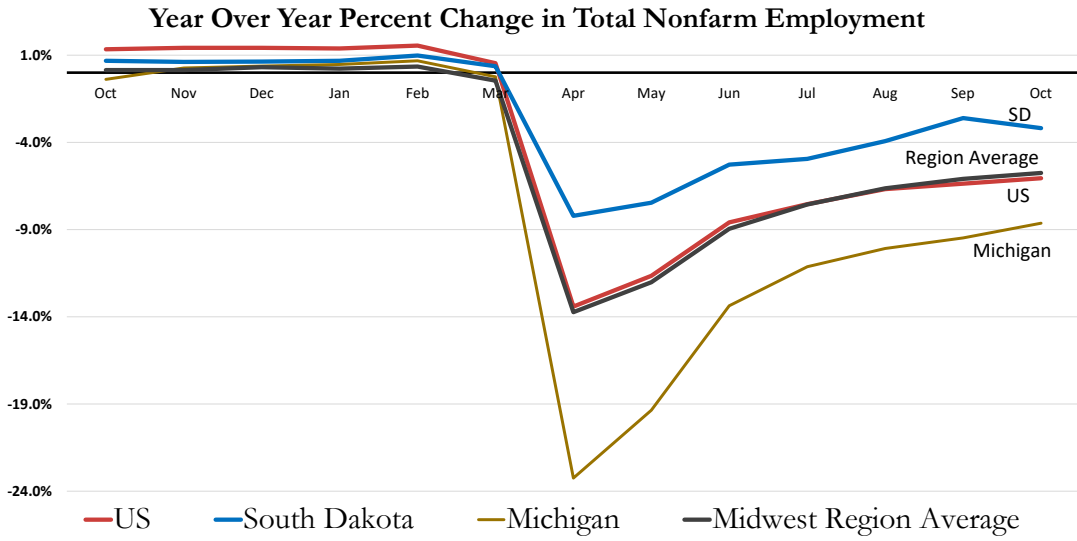


### South Dakota Traffic Trends

	Mar.	Apr.	May	June	Jul.	Aug.	Sep.	Oct.	Nov.
State Highways	-14%	-36%	-20%	-9%	-3%	-1%	-1%	-6%	-9%
Rural Interstate	-13%	-40%	-25%	-11%	-5%	-2%	0%	-8%	-9%
Rural Non Interstate	-11%	-33%	-12%	-6%	-2%	1%	4%	-4%	-4%
Urban	-15%	-34%	-19%	-8%	-2%	-2%	-3%	-6%	-9%



# Economic Performance

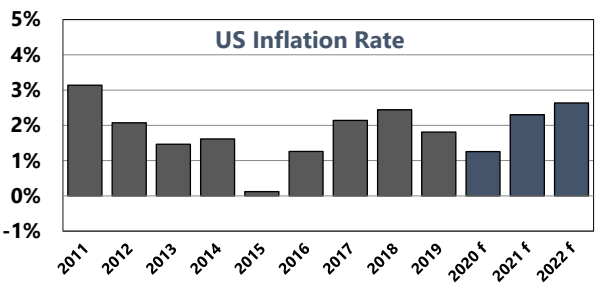
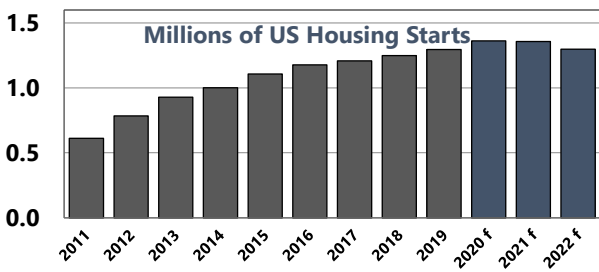
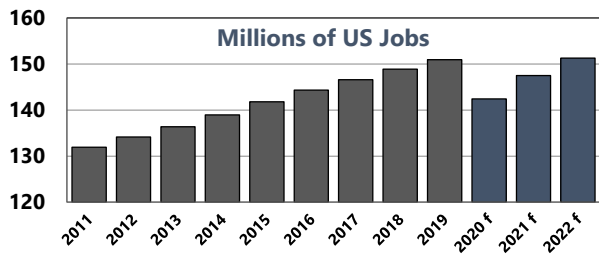
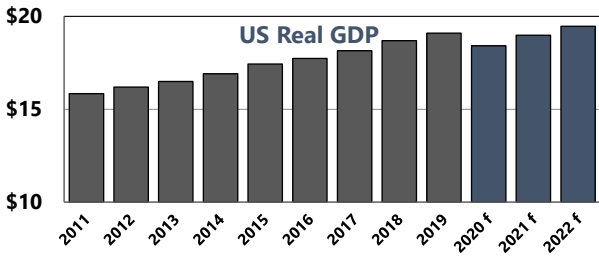


# **ECONOMIC OUTLOOK**

## Economic Assumptions

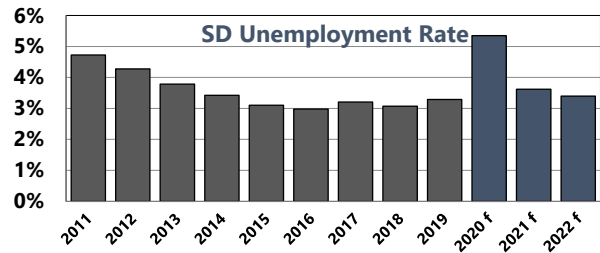
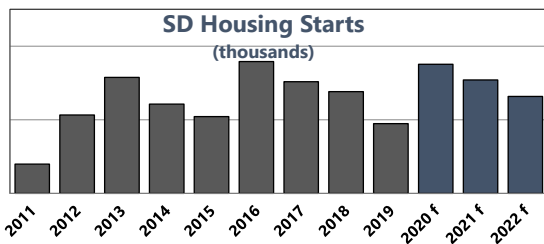
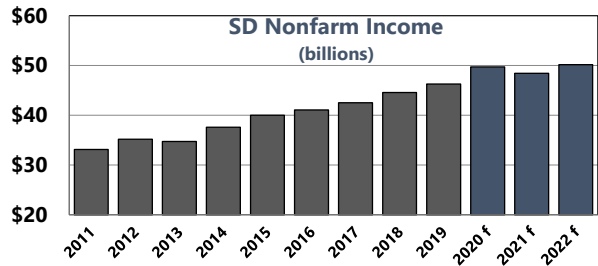
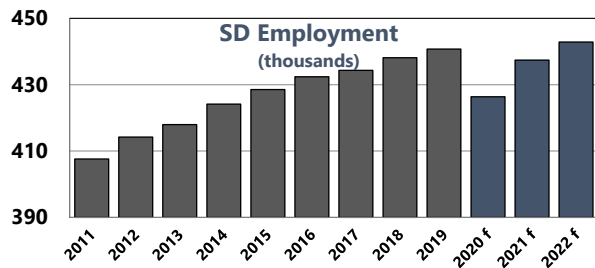
- **US real GDP growth forecast: -3.6% in 2020 and 3.1% in 2021**
- **SD forecast is less impacted in 2020 but slower growth in 2021 than the national forecast, which aligns with the Council of Economic Advisors**
- **No additional federal stimulus included**
- **Widespread COVID-19 vaccination utilization by mid-2021**

# IHS Markit US Economy Forecast

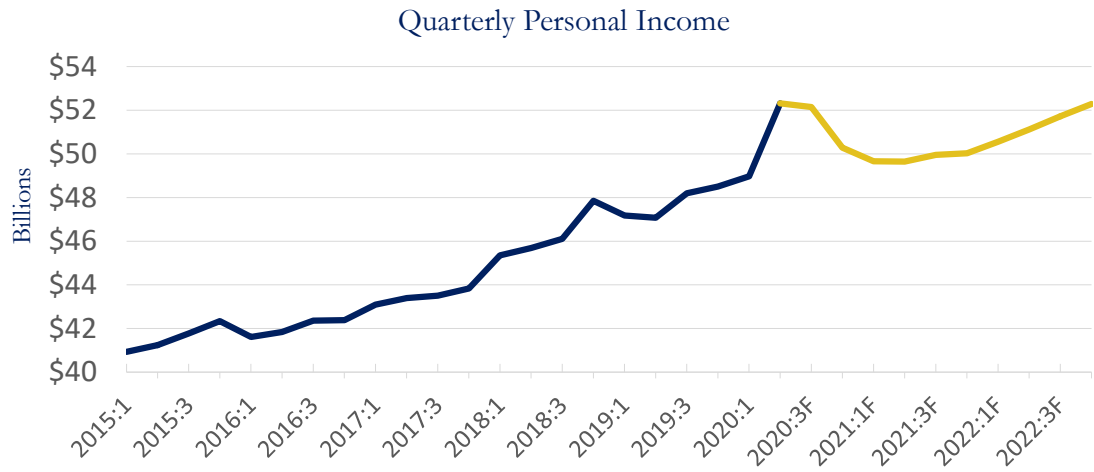




# SD Economy Forecast



# SD Economy Forecast

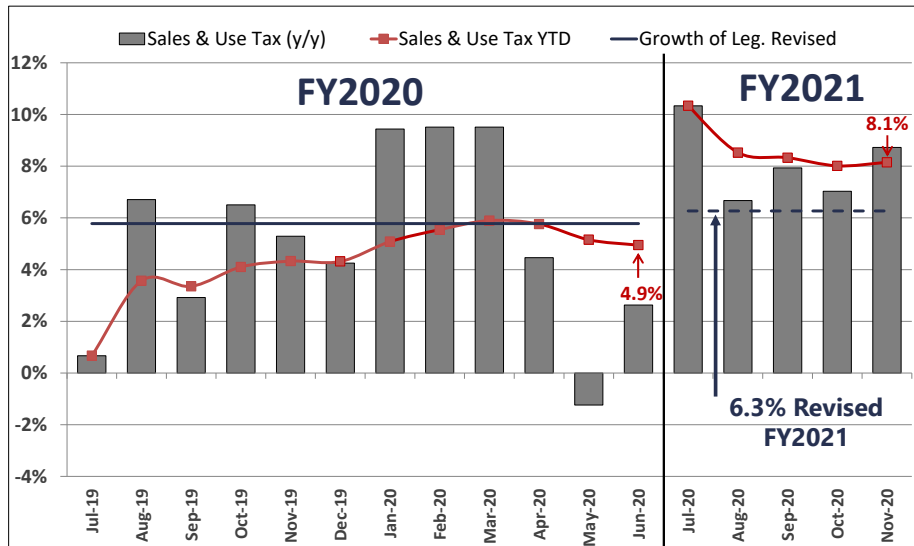


# **REVENUE PERFORMANCE**

# Year Over Year Revenue Growth

	Actual YTD FY2020	Actual YTD FY2021	DOLLAR CHANGE	YTD GROWTH OVER FY2020
<b>ONGOING RECEIPTS</b>				
Net Sales and Use Tax (excl. cost of admin)	458,781,158	517,625,388	58,844,230	12.8%
Lottery	48,514,566	56,147,135	7,632,569	15.7%
Net Contractor's Excise Tax	61,416,788	69,715,789	8,299,001	13.5%
Insurance Company Tax	40,112,389	43,610,728	3,498,339	8.7%
Unclaimed Property Receipts	55,574,119	72,556,991	16,982,872	30.6%
Licenses, Permits, and Fees	13,318,952	14,342,235	1,023,283	7.7%
Tobacco Taxes	23,748,542	25,228,151	1,479,609	6.2%
Trust Funds	26,854,666	28,223,883	1,369,217	5.1%
Net Transfers In (excluding one-time)	11,830,075	11,838,179	8,104	0.1%
Alcohol Beverage Tax	2,175,037	2,330,668	155,631	7.2%
Bank Franchise Tax	1,161,113	782,864	(378,249)	-32.6%
Charges for Goods and Services	6,908,990	7,081,829	172,839	2.5%
Telecommunications Tax	1,581,078	1,541,796	(39,282)	-2.5%
Severance Taxes	2,590,069	6,272,812	3,682,743	142.2%
Investment Income and Interest	10,876,219	18,326,673	7,450,454	68.5%
Alcohol Beverage 2% Wholesale Tax	962,888	1,139,768	176,879	18.4%
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$ 766,406,648</b>	<b>\$ 876,764,891</b>	<b>\$ 110,358,243</b>	<b>14.4%</b>
<b>ONE-TIME RECEIPTS</b>				
Closeout of SDRC Inc. Funds	0	3,381,726	3,381,726	N/A
Refinancing Gains	1,970,000	6,343,667	4,373,667	222.0%
One-Time Sales and Use Tax	0	13,486,289	13,486,289	N/A
Bank Franchise Tax Prior Year Revenue	0	9,720,271	9,720,271	N/A
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 1,970,000</b>	<b>\$ 32,931,953</b>	<b>\$ 30,961,953</b>	<b>1571.7%</b>
<b>GRAND TOTAL</b>	<b>\$ 768,376,648</b>	<b>\$ 909,696,844</b>	<b>\$ 141,320,195</b>	<b>18.4%</b>

# Recent Growth in Sales and Use Tax



## Wind Farm Activity

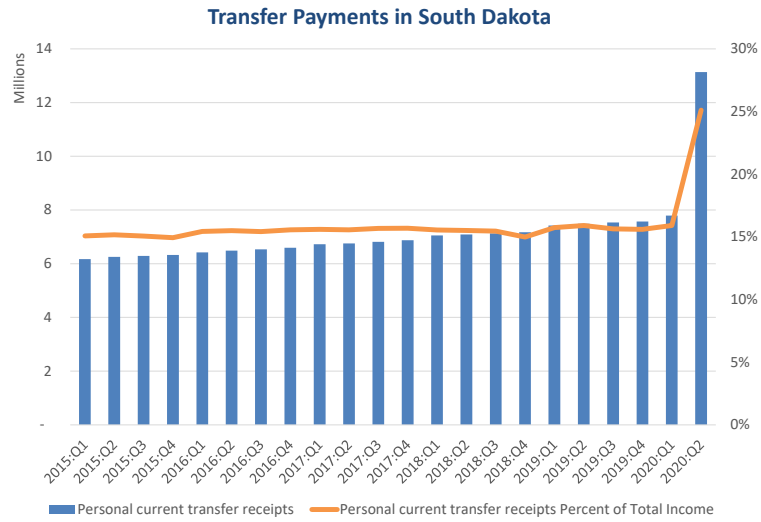
- 6 Wind Farms currently under construction in South Dakota
  - 2 Projects Finished in CY2020 (1 in FY2020, 1 in FY2021)

Year Completed	Total Investment (Millions)
2018	N/A
2019	572
2020	507
Ongoing	1,784

# Federal Stimulus

Summary of Federal Stimulus Programs in South Dakota	
Payroll Protection Program (PPP)	≈\$1,700,000,000
Coronavirus Food Assistance Program 1&2 (CFAP)	\$983,871,444
Economic Impact Payments (Stimulus Checks)	\$779,204,875
Additional Unemployment Compensation (All Programs)	≈\$313,300,000
Provider Relief Fund (PRF)	>\$144,129,089
<b>Total</b>	<b>\$3,920,505,408</b>
<b>South Dakota GDP (2019 Nominal)</b>	<b>\$54,940,900,000</b>

# Federal Stimulus





# Taxable Sales

<b>SIC Division</b>	<b>Fiscal YTD Taxable Sales</b>	<b>Fiscal YTD Percent Change</b>
Agriculture, Forestry, & Fishing	\$205,259,999	10.8%
Mining	35,296,661	-11.7%
Construction	13,415,604	1.9%
Manufacturing	1,030,271,915	75.0%
Transportation & Public Utilities	1,122,507,409	-8.6%
Wholesale Trade	1,057,227,292	33.4%
Retail Trade	6,008,591,241	10.7%
Finance, Insurance, & Real Estate	266,459,246	10.7%
Services	2,069,223,406	2.4%
Public Administration	1,490,426	0.4%
<b>Total</b>	<b>\$11,809,743,199</b>	<b>12.1%</b>

# Year Over Year Revenue Growth

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<b>ONGOING RECEIPTS</b>				
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<b>GRAND TOTAL</b>	<b>\$ 768,376,648</b>	<b>\$ 909,696,844</b>	<b>\$ 141,320,195</b>	<b>18.4%</b>

# **REVENUE FORECAST**

## FY2021 Adopted vs. Revised Ongoing Receipts (millions)

Source	Adopted FY2021	Revised FY2021	Change
Sales and Use Tax	\$1,102.0	\$1,140.1	+38.1
Lottery	132.2	134.8	+2.6
Contractor's Excise Tax	130.3	136.9	+6.6
Insurance Company Tax	94.0	96.0	+2.0
Unclaimed Property	41.5	40.0	(1.5)
Licenses, Permits, and Fees	70.0	68.7	(1.3)
Tobacco Taxes	45.8	50.9	+5.1
Other Ongoing Receipts	<u>126.8</u>	<u>137.2</u>	<u>+10.4</u>
<b>Total Ongoing Receipts</b>	<b>\$1,742.6</b>	<b>\$1,804.7</b>	<b>+62.1</b>

\*Totals may not sum due to rounding

## One-Time Revenue in FY2021

	<b>General Funds</b>
FY2021 Revised Ongoing Revenue	\$62,086,848
FY2021 One-time Revenue	<u>\$57,466,993</u>
<b>Total FY2021 Revenue Available</b>	<b>\$119,553,841</b>

## FY2021 & FY2022 Revenue Forecast (millions)

Source	Adopted FY2021	Revised FY2021	Recommended FY2022	Revised FY2021 vs. FY2022
Sales and Use Tax	\$1,102.0	\$1,140.1	\$1,145.3	+5.3
Lottery	132.2	134.8	135.8	+1.0
Contractor's Excise Tax	130.3	136.9	137.1	+0.2
Insurance Company Tax	94.0	96.0	97.9	+1.9
Unclaimed Property	41.5	40.0	40.0	0.0
Licenses, Permits, and Fees	70.0	68.7	68.9	+0.1
Tobacco Taxes	45.8	50.9	50.4	(0.6)
Other Ongoing Receipts	<u>126.8</u>	<u>137.2</u>	<u>128.0</u>	<u>(9.3)</u>
<b>Total Ongoing Receipts</b>	<b>\$1,742.6</b>	<b>\$1,804.7</b>	<b>\$1,803.3</b>	<b>(1.4)</b>

\*Totals may not sum due to rounding

# Ongoing Revenue Available

	<b>FY2022</b>
Current Year Revised Ongoing Revenue Growth	\$62.1M
Projected Ongoing Revenue Growth	<u>(\$1.4M)</u>
<b>Total Additional Ongoing Revenue</b>	<b>\$60.7M</b>

**FY2021  
MID-YEAR  
ADJUSTMENTS**



## FY2021 Recommendation Detail

	<b>General Funds</b>
FY2021 Revenue Available	\$119,553,841
FY2021 General Bill Reductions	\$134,189,765
FY2021 General Bill Increases	(\$30,201,398)
FY2021 Expenditure Transfers	(\$64,721,582)
FY2021 Emergency Special Appropriations	(\$158,611,534)
FY2021 Continuous Appropriation Adjustment	<u>(\$165,478)</u>
<b>Bottom Line</b>	<b>\$43,614</b>

# FY2021 General Bill Amendments

Increases	General Funds
Regional Crisis Diversion Centers	\$8,364,225
State Airplane Purchase	\$5,000,000
Technical Colleges Equipment	\$3,366,196
State Radio Coverage	\$3,200,000
Emergency Vehicle Operations Course	\$2,434,501
Educator Certification Website, Database, and Application System	\$1,531,755
Reemployment Assistance Indirect Costs Related to COVID-19	\$999,294
K-12 Civics/History Curriculum	\$900,000
Bureau Billings	\$873,856
Community Transition Program	\$455,885
SDSU Ag Experiment Station - Precision Ranching	\$453,200
Virtual Crisis Care Grant Extension and Expansion	\$360,000
USD Animal Resource Center Equipment	\$355,000
Miscellaneous Increases	\$1,907,486
<b>Total General Bill Amendment Increases</b>	<b>\$30,201,398</b>

# FY2021 General Bill Amendments

<b>Expenditure Transfers</b>	<b>General Funds</b>
Trust Fund	\$50,000,000
State IT Application Brittle Fund	\$10,000,000
Aeronautics Fund	\$4,000,000
State Fair Cash Shortfall	<u>\$721,582</u>
<b>Total</b>	<b>\$64,721,582</b>

## FY2021 Emergency Special Appropriations

Emergency Specials	General Funds
Broadband Expansion	\$100,000,000
Technical Colleges Bond Payoff	\$21,669,906
Livestock Complex	\$12,000,000
Meat Processing Grants	\$5,000,000
Dam Maintenance	\$5,000,000
Marijuana Implementation	\$4,161,502
Ellsworth Airforce Base Recreational Center	\$3,200,000
STAR Academy	\$1,740,000
Fire Suppression Fund	\$973,514

\*List continued on next slide

## FY2021 Emergency Special Appropriations

<b>Emergency Specials Continued</b>	<b>General Funds</b>
South Dakota Women's Prison Adjacent Property	\$910,000
Rural Recruitment Assistance Programs	\$811,967
SDDC Vacant Building Demolition	\$794,645
Sioux Falls Readiness Center	\$500,000
Custer State Park - Bison Visitor Center	\$500,000
Tax Refunds for the Elderly and Disabled	\$450,000
Extraordinary Litigation Fund	\$400,000
Veterans' Bonus Program	\$400,000
USS Pierre	\$100,000
<b>Total Emergency Special Appropriations</b>	<b>\$158,611,534</b>

# **FY2022 EXPENSES**

## Ongoing Expense Overview

- **2.4% increase for medical provider reimbursement rates, plus targeted rate increases**
- **2.4% increase to target teacher salaries and special education disability rates**
- **2.4% increase for technical colleges per student allocation**
- **2.4% increase in salaries for state employees, plus new benefit plan options**
- **Funding for maintenance and repair of state-owned buildings at 1.75% of replacement value**

# FY2022 Recommended Expense Summary

Major Increases/Decreases	General Funds
Medical Provider Inflation (2.4% + Targeted + Mandatory)	\$20,645,472
State Aid to K-12 Education (2.4%)	\$19,341,746
State Employee Salary Policy (2.4%)	\$9,572,887
Technical Colleges Formula (2.4%)	\$375,930
Maintenance & Repair (1.75% of Replacement Value)	\$6,302,784
Consumer Expansion	\$3,245,198
Bureau Billings and Captive Insurance	\$1,018,965
GOED Marketing	\$1,000,000
Department of Health FTE	\$525,654
Utilities and Food Service	(\$403,455)
Bond Payments	(\$460,284)
Federal Medical Assistance Percentage	(\$3,372,630)
Various Increases/Decreases	\$2,481,767
Fire Premium Refund Continuous Appropriation	\$403,273
<b>Total FY2022 General Fund Increases</b>	<b>\$60,677,307</b>



## Bottom Line

	FY2021	FY2022
Increased Ongoing Revenues vs. Adopted	\$62,086,848	\$60,677,307
Other One-Time Revenue	\$57,466,993	\$0
Mid-Year Expense Adjustments and Transfers	\$39,266,785	\$0
Emergency Special Appropriations	(\$158,611,534)	\$0
Ongoing Expense Adjustments	\$0	(\$60,274,034)
Continuous Appropriation Adjustments	<u>(\$165,478)</u>	<u>(\$403,273)</u>
<b>Bottom Line</b>	<b>\$43,614</b>	<b>\$0</b>