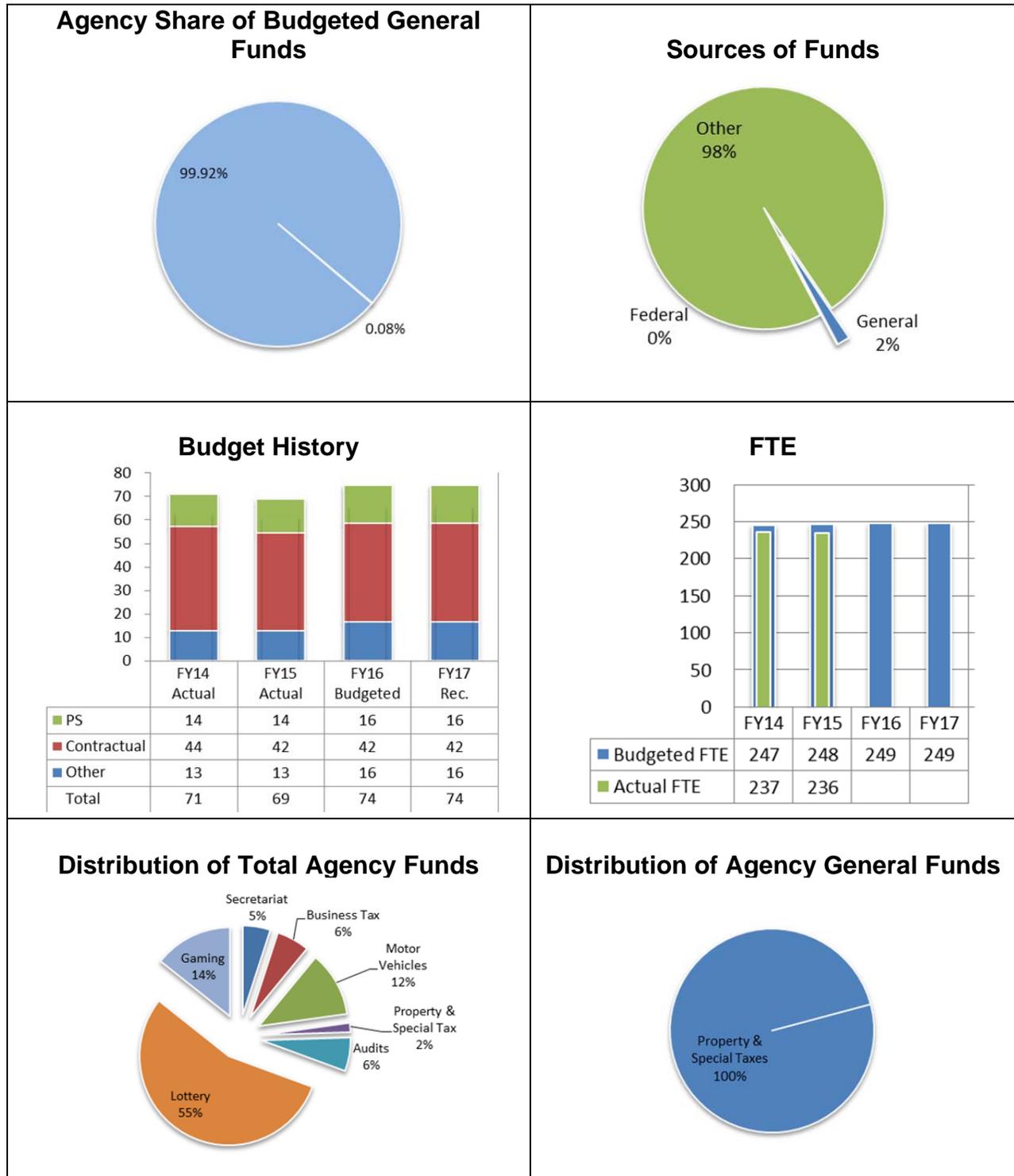


FY17 Budget Briefing

Department of Revenue

Information contained in this document is based on the Governor's original FY17 recommended budget.
This document may not correspond with the final FY17 budget adopted by the Legislature.



Key Personnel

- Andy Gerlach, Secretary
- Toni Richardson, Administrative Services
- Lisa Weyer, Motor Vehicles
- Rachel Hearn, Audits
- Norm Lingle, Lottery
- David Wiest, Deputy Secretary
- Michael Houdyshell, Property & Special Taxes
- Doug Schinkel, Business Tax
- Larry Eliason, Gaming
- Andrew Fergel, Chief Legal

Department Total

To provide the revenue necessary for the support of state and local government programs through the fair and consistent application of the tax laws and through a comprehensive program of education that explains the responsibilities and rights of taxpayers; to operate the state lottery established in SDCL 42-7A in a secure, efficient, and profitable manner; to provide for the safety and well-being of consumers and the general public by regulating the gaming, and racing industries.

LEGAL CITATION: SDCL 10-1; SDCL 32; SDCL 42-7A; SDCL 47-7B.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	10,455,043	10,963,638	12,185,620	12,185,620	12,185,620	0	0.0%
Employee Benefits	3,611,247	3,510,651	3,865,373	3,865,373	3,865,373	0	0.0%
FTE	237.3	235.6	248.5	248.5	248.5	0.0	0.0%
Funding Types							
General	881,738	887,757	999,420	999,420	999,420	0	0.0%
Federal	48	0	0	0	0	0	0.0%
Other	13,184,504	13,586,532	15,051,573	15,051,573	15,051,573	0	0.0%
Total PS	14,066,290	14,474,290	16,050,993	16,050,993	16,050,993	0	0.0%
Operating Expenses							
Travel	733,139	704,057	834,624	864,375	834,624	0	0.0%
Contractual Services	44,134,098	41,641,570	41,982,878	41,982,878	41,982,878	0	0.0%
Supplies & Materials	2,342,963	2,064,633	5,681,933	5,681,933	5,681,933	0	0.0%
Grants And Subsidies	9,029,343	8,929,480	9,175,000	9,175,000	9,175,000	0	0.0%
Capital Outlay	365,023	580,167	341,735	341,735	341,735	0	0.0%
Other	220,837	270,359	293,000	293,000	293,000	0	0.0%
Funding Types							
General	281,624	261,546	264,033	265,238	264,033	0	0.0%
Federal	153,095	0	0	0	0	0	0.0%
Other	56,390,685	53,928,719	58,045,137	58,073,683	58,045,137	0	0.0%
Total OE	56,825,404	54,190,265	58,309,170	58,338,921	58,309,170	0	0.0%
Totals							
Funding Types							
General	1,163,362	1,149,303	1,263,453	1,264,658	1,263,453	0	0.0%
Federal	153,142	0	0	0	0	0	0.0%
Other	69,575,189	67,515,252	73,096,710	73,125,256	73,096,710	0	0.0%
Total	70,891,693	68,664,555	74,360,163	74,389,914	74,360,163	0	0.0%

Department Object Detail

Item	Actual FY2014	Actual FY2015	Budgeted FY2016	Governor	Inc/Dec FY2016	% Change FY2016
				Rec FY2017		
PERSONAL SERVICES						
General	881,738	887,757	999,420	999,420	0	0.0%
Federal	48	0	0	0	0	0.0%
Other Funds	13,184,504	13,586,532	15,051,573	15,051,573	0	0.0%
Total Personal Services	14,066,290	14,474,289	16,050,993	16,050,993	0	0.0%
FTE	237.3	235.6	248.5	248.5	0.0	0.0%
TRAVEL						
General	16,214	26,623	32,303	32,303	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	716,925	677,434	802,321	802,321	0	0.0%
Total Travel	733,139	704,057	834,624	834,624	0	0.0%
CONTRACTUAL SERVICES						
General	235,345	187,903	184,083	184,083	0	0.0%
Federal	153,095	0	0	0	0	0.0%
Other Funds	43,745,659	41,453,667	41,798,795	41,798,795	0	0.0%
Total Contractual Services	44,134,099	41,641,570	41,982,878	41,982,878	0	0.0%
SUPPLIES AND MATERIALS						
General	25,864	21,072	42,187	42,187	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	2,317,099	2,043,561	5,639,746	5,639,746	0	0.0%
Total Supplies and Materials	2,342,963	2,064,633	5,681,933	5,681,933	0	0.0%
GRANTS AND SUBSIDIES						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	9,029,343	8,929,480	9,175,000	9,175,000	0	0.0%
Total Grants and Subsidies	9,029,343	8,929,480	9,175,000	9,175,000	0	0.0%
CAPITAL OUTLAY						
General	4,201	25,948	5,460	5,460	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	360,822	554,219	336,275	336,275	0	0.0%
Total Capital Outlay	365,023	580,167	341,735	341,735	0	0.0%
OTHER						
General	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0.0%
Other Funds	220,837	270,359	293,000	293,000	0	0.0%
Total Other	220,837	270,359	293,000	293,000	0	0.0%
TOTAL						
General	1,163,362	1,149,303	1,263,453	1,263,453	0	0.0%
Federal	153,143	0	0	0	0	0.0%
Other Funds	69,575,189	67,515,252	73,096,710	73,096,710	0	0.0%
Total All Funds	70,891,693	68,664,554	74,360,163	74,360,163	0	0.0%

Major Expansions and Reductions

Budget Item	Governor's Recommendation				FTE
	General Funds	Federal Funds	Other Funds	Total Funds	
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Total	-	-	-	-	-

Governor's Recommended Employee Compensation and Billings Pool
(from page 21 of the Governor's FY17 budget book)

For FY17, the Governor recommended the funding for the state employee compensation plan and bureau billings be placed in a pool in BFM to be distributed to each agency. Therefore, individual agency personal services and contractual services budgets do not reflect budget increases for the compensation plan, bureau billings, or the decrease for health insurance.

- Below are the estimated distributions for employee compensation for FY17. BFM will distribute dollars from the Pool after calculating the increase for salary policy and the decrease for employee health insurance. The distributed amount to the agency will be in addition to the agency's appropriated personal services budget.

FY17 Salary Policy Component	Object	General	Federal	Other	Total
Health Insurance	PS	(\$4,161)	\$0	(\$62,664)	(\$66,825)
Market Adjustment	PS	\$21,796	\$0	\$261,026	\$282,823
Movement Towards Market Value	PS	\$20,512	\$0	\$272,911	\$293,423
Health Insurance	OE	(\$134)	\$0	(\$6,576)	(\$6,710)
Market Adjustment	OE	\$208	\$0	\$8,346	\$8,554
Movement Towards Market Value	OE	\$202	\$0	\$23,442	\$23,644
	Total	\$38,423	\$0	\$496,486	\$534,909

- Recommended FY17 - 2.7% market adjustment for all permanent employees (except Career Bands); 0%-2.7% market adjustments for Career Bands; 2.5% movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; decrease of \$275 per benefitted employee for the employer-paid portion of the health insurance plan.
- Recommended FY16 – 2% market adjustment for all permanent employees (except Career Bands); 0%-6.6% market adjustments for Career Bands; 2.5%

movement toward market value for General Pay Structure and PACE; 0% to 4.5% pay for performance for Career Bands; 0% health insurance.

- FY15 – 3% across-the-board/market adjustment for all permanent employees (including Career Bands); 3% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; targeted compensation adjustments for a small number of hard-to-fill, below market vocational jobs; 18.6% health insurance.
- FY14 – 3% across-the-board for all permanent employees (except Career Bands); 3.5% to 4% market adjustment for Career Bands; 3.5% adjustment toward job worth for PACE; 0%-4.5% pay for performance for Career Bands; 14.7% health insurance.

2. Below are the estimated increases to the bureau billings for FY17. The amount distributed from the BFM pool to the agency will be in addition to the agency's appropriated contractual services budget.

Estimated FY17	General	Federal	Other	Total
Bureau Billing Adjustments	83	-	4,096	4,179

Interagency Billings

Below are the sources of funds this agency used in FY15 to pay for services provided by central governmental bureaus (Bureau of Finance and Management, Bureau of Information and Telecommunications, Bureau of Administration, and the Bureau of Human Resources).

Bureau Name	General	Federal	Other	Total
Bureau of Finance and Management	10,189	-	223,521	233,709
Bureau of Administration	30,100	-	1,532,932	1,563,032
Bureau of Information and Telecommunication	35,998	-	1,981,176	2,017,174
Bureau of Human Resources	5,664	-	123,225	128,889
Total FY15 Interagency Payments	81,950	-	3,860,854	3,942,804

Other Fund Balances

Company and Fund Name	Blue Book Page	Ending Cash and Investment Balance June 30		60-Month Average Cash Balance	Lowest Monthly Cash Balance in Past Five Years	
		FY2014	FY2015		Amount	Month
Company 3033 - Property Tax Reduction Fund	71	44,000,048	44,000,048	47,708,364	44,000,048	August 2014
Company 3037 - South Dakota Gaming Commission Fund	72	865,432	803,173	1,773,707	642,859	January 2012
Company 3038 - Tax Relief Fund	74	-	0	1,051,435	0	July 2013
Company 3076 - License Plate Revolving Fund	76	810,915	3,313,047	1,220,032	28,187	June 2011
Company 3076 - Sales and Use Tax Collection Fund	77	0	0	(23,669)	(811,253)	August 2012
Company 3078 - Cigarette Stamp Purchasing Fund	78	38,451	13,964	34,969	1,976	April 2011
Company 3078 - Ethanol Fuel Fund	79	100,000	100,000	931,184	100,000	June 2011
Company 3078 - Wind Energy Tax Fund	80	0	0	772,117	0	July 2010
Company 3177 - State Motor Vehicle Fund - Revenue	81	2,480,686	2,098,147	2,438,187	883,195	August 2014
Company 3185 - South Dakota-Bred Racing Fund	82	86,730	72,363	118,705	(142,989)	April 2015
Company 3185 - Special Racing Revolving Fund	83	231,933	182,297	373,073	143,902	April 2014
Company 6516 - Lottery Operating Fund	84	4,904,929	4,937,049	11,358,446	4,904,929	June 2014
Company 6516 - Video Lottery Operating Fund	85	3,501,554	3,654,333	3,391,936	2,292,626	June 2011
Company 8000 - Agency Fund	86	87,700,501	91,769,086	N/A	N/A	N/A

* The 60 month average balance in company 3177 includes cash balances in both Department of Revenue and Public Safety.

Refer to the **Supplemental Information** Section for more information on these and other funds.

SECRETARIAT

To provide the revenue necessary for the support of state and local government programs through the fair and consistent application of the tax laws and through a comprehensive program of education that explains the responsibilities and rights of the taxpayers; to establish and implement policy decisions that affect the management of the department; to ensure the department's fiscal responsibility by utilizing all appropriate monies in an efficient and accountable manner; to account for and distribute revenues according to SDCL; to maximize automated systems, while minimizing administrative costs; to provide research and technology assistance; to provide legal assistance to the department; to actively investigate and prosecute violations of the criminal statutes of the revenue code.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	1,319,969	1,430,526	1,596,765	1,596,765	1,596,765	0	0.0%
Employee Benefits	436,155	422,422	483,973	483,973	483,973	0	0.0%
FTE	27.0	26.5	28.0	28.0	28.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	1,756,124	1,852,948	2,080,738	2,080,738	2,080,738	0	0.0%
Total PS	1,756,124	1,852,948	2,080,738	2,080,738	2,080,738	0	0.0%
Operating Expenses							
Travel	56,353	37,034	55,525	57,624	55,525	0	0.0%
Contractual Services	1,291,607	1,395,273	1,482,589	1,482,589	1,482,589	0	0.0%
Supplies & Materials	74,668	91,084	81,625	81,625	81,625	0	0.0%
Capital Outlay	28,496	21,995	13,850	13,850	13,850	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	1,451,124	1,545,386	1,633,589	1,635,688	1,633,589	0	0.0%
Total OE	1,451,124	1,545,386	1,633,589	1,635,688	1,633,589	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	3,207,248	3,398,335	3,714,327	3,716,426	3,714,327	0	0.0%
Total	3,207,248	3,398,335	3,714,327	3,716,426	3,714,327	0	0.0%

Budget Notes

REVENUES	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Sales, Use and CET Electronic Filing Collections	980,705,071	1,105,211,010	1,125,000,000	1,150,000,000
Motor Fuel Electronic Filing Collections	164,307,978	169,326,609	174,000,000	179,000,000
Remittance Center Collections				
Collections-Department of Revenue	477,784,768	410,689,824	410,500,000	400,000,000
Collections-Other State Agencies	195,580,444	197,629,662	198,000,000	200,000,000
Total	1,818,378,261	1,882,857,105	1,907,500,000	1,929,000,000

PERFORMANCE INDICATORS	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Legal Staff:				
Department Cases Opened	405	389	400	400
ISB Investigations	230	211	220	230
Remittance Center:				
Documents Processed-Revenue	364,212	293,725	295,000	295,000
Documents Processed-Other Agencies	46,701	46,289	46,500	46,500
E-Newsletters Audience	59,607	60,683	65,000	65,000
Business Education (Held/Attended):				
Contractor's Excise Tax Seminar	11/118	11/109	11/120	11/120
Sales Tax Seminar	12/144	15/224	15/200	15/200
Border States CET Seminar	4/52	3/33	4/50	4/50
Border States Sales Tax Seminar	4/92	4/72	4/80	4/80
Special Interest Group Presentation	23/742	26/786	25/700	25/700

BUSINESS TAX

To process sales, use, and contractors' excise tax payments; to ensure compliance with sales and use tax and contractor's excise tax laws through the efficient utilization of personnel; to administer municipal and special jurisdiction sales and use taxes, along with municipal excise tax enacted pursuant to SDCL 10-52; to maintain an efficient and reconcilable sales and excise tax accounts receivable system; to provide collection services on taxpayer accounts; and, to promote sales tax equity on a national basis through simplification of sales tax laws and administration.

	<u>Actual</u> <u>FY2014</u>	<u>Actual</u> <u>FY2015</u>	<u>Budgeted</u> <u>FY2016</u>	<u>Agency</u> <u>Request</u> <u>FY2017</u>	<u>Gov Rec</u> <u>FY2017</u>	<u>Gov Rec</u> <u>Inc/Dec</u> <u>FY2017</u>	<u>% Change</u> <u>From</u> <u>FY2016</u>
Personal Services							
Employee Salaries	2,291,904	2,413,677	2,685,306	2,685,306	2,685,306	0	0.0%
Employee Benefits	813,844	806,587	873,443	873,443	873,443	0	0.0%
FTE	54.3	55.5	57.5	57.5	57.5	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	3,105,749	3,220,263	3,558,749	3,558,749	3,558,749	0	0.0%
Total PS	3,105,749	3,220,263	3,558,749	3,558,749	3,558,749	0	0.0%
Operating Expenses							
Travel	60,821	73,790	112,925	116,272	112,925	0	0.0%
Contractual Services	278,864	304,113	314,848	314,848	314,848	0	0.0%
Supplies & Materials	367,082	330,878	442,570	442,570	442,570	0	0.0%
Capital Outlay	127,566	165,168	18,000	18,000	18,000	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	834,333	873,949	888,343	891,690	888,343	0	0.0%
Total OE	834,333	873,949	888,343	891,690	888,343	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	3,940,082	4,094,212	4,447,092	4,450,439	4,447,092	0	0.0%
Total	3,940,082	4,094,212	4,447,092	4,450,439	4,447,092	0	0.0%

Budget Notes

REVENUES	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Collections - Other State Agencies	26,958,693	27,765,081	28,500,000	29,070,000
Collections - Department of Revenue				
State Sales/Use Tax	828,248,625	835,132,390	871,043,083	903,271,677
Streamlined Sales Tax Collections (1)	2,125,764	2,721,985	2,700,000	2,750,000
Contractors' Excise Tax	90,409,495	100,116,439	104,126,810	108,420,550
Telecom Excise Tax	11,161,595	10,726,035	11,000,000	11,000,000
Municipal/Tribal Taxes	342,275,149	362,807,535	370,000,000	377,400,000
Total	1,301,179,321	1,339,269,465	1,387,369,893	1,431,912,227

(1) Revenues from Streamlined Sales Tax Collections (voluntary sellers) are no longer deposited into the tax relief fund, as the fund was repealed. Effective 07/01/2015, these tax collections will be deposited directly into the state's general fund.

PERFORMANCE INDICATORS	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Total Taxing Entities	263	264	266	266
Total Active Licenses	80,236	80,779	81,000	81,000
Delinquent/Out-of-Balance Notices	150,536	145,565	150,000	150,000
Licensee Reviews *	150	237	200	200
Balance of Active Accounts Receivable (July 1)	\$5,665,193	\$5,724,458	\$5,600,000	\$5,600,000
Returns Processed - Paper	326,725	259,588	255,000	255,000
Returns Processed - Electronic	216,631	271,485	277,000	277,000
Returns Reviewed/Violated	28,687	27,204	26,500	26,000
Phone Bank Calls (1-800)	34,745	28693	32,000	32,000
Collection Allowance Deductions**	\$1,934,732	\$4,372,805	\$4,400,000	\$4,400,000

* Licensee reviews are an informational meeting between a Revenue Agent and a licensee during which the agents explain how tax applies to the specific business and transactions. The review is not an official audit of the business. Businesses are targeted for review if they would not normally receive an audit and it appears that the business may have issues that cannot be corrected with a compliance contact.

** First collection allowance deductions were taken on the returns filed in January 2014.

10-1-44. Establishment of sales and use tax collection fund. There shall be established within the state treasury the sales and use tax collection fund for the purpose of administering the sales, use, municipal non-ad valorem, and contractors' excise taxes. Charges for the administration and collection of taxes collected pursuant to chapter 10-52 shall be deposited into the sales and use tax collection fund. In addition, the secretary of the Department of Revenue shall, on a monthly basis, deposit revenue collected as a result of taxes imposed in chapters 10-45, 10-46, and 10-58 in the sales and use tax collection fund. The total amount deposited in the sales and use tax collection fund may not exceed the amount budgeted for such purposes. All money in the fund created by this section shall be budgeted and expended in accordance with the provisions of Title 4 on warrants drawn by the state auditor on vouchers approved by the secretary of the Department of Revenue.

At the end of each fiscal year any cash balance left in the sales and use tax collection fund shall be transferred to the general fund.

Source: SL 1994, ch 95, § 1; SL 2003, ch 272 (Ex. Ord. 03-1), § 82; SL 2011, ch 1 (Ex. Ord. 11-1), § 161, eff. Apr. 12, 2011.

MOTOR VEHICLES

To assess, collect and distribute motor fuel, special fuel and interstate fuel taxes according to SDCL 10-47B; to collect excise tax on vehicles titled in South Dakota according to SDCL 32-3A or 32-5B; to title vehicles and maintain record of all vehicle ownership transactions in South Dakota; to provide oversight for the assessment and collection of licensing and registration fees for vehicles titled in South Dakota; to license and collect licensing fees on prorate, commercial, non-commercial vehicles operating in South Dakota; and, to ensure all motor vehicle dealers operating in South Dakota are licensed and in compliance with laws and regulations.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	1,543,493	1,620,084	1,710,964	1,710,964	1,710,964	0	0.0%
Employee Benefits	617,024	579,479	641,883	641,883	641,883	0	0.0%
FTE	44.2	41.7	46.0	46.0	46.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	48	0	0	0	0	0	0.0%
Other	2,160,469	2,199,562	2,352,847	2,352,847	2,352,847	0	0.0%
Total PS	2,160,517	2,199,562	2,352,847	2,352,847	2,352,847	0	0.0%
Operating Expenses							
Travel	45,054	35,388	48,150	49,610	48,150	0	0.0%
Contractual Services	1,865,280	1,942,981	2,043,760	2,043,760	2,043,760	0	0.0%
Supplies & Materials	1,152,967	1,041,163	4,295,699	4,295,699	4,295,699	0	0.0%
Capital Outlay	125,859	172,837	52,059	52,059	52,059	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	153,095	0	0	0	0	0	0.0%
Other	3,036,065	3,192,369	6,439,668	6,441,128	6,439,668	0	0.0%
Total OE	3,189,159	3,192,369	6,439,668	6,441,128	6,439,668	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	153,142	0	0	0	0	0	0.0%
Other	5,196,534	5,391,931	8,792,515	8,793,975	8,792,515	0	0.0%
Total	5,349,676	5,391,931	8,792,515	8,793,975	8,792,515	0	0.0%

Budget Notes

REVENUES	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Collections:				
Motor Vehicle Fees	136,038,589	148,550,093	178,000,000	178,000,000
Motor Vehicle Commercial Fees	19,432,938	20,592,745	20,000,000	20,000,000
Motor Fuel Taxes	156,739,412	166,513,065	196,000,000	196,000,000
Total	312,210,939	335,655,903	394,000,000	394,000,000

PERFORMANCE INDICATORS	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Certificates of Title Issued	389,165	391,759	400,000	404,000
Specialty Plates Issued and Renewed	45,551	43,768	45,000	47,000
Vehicles Registered - Total	1,258,147	1,425,379	1,450,000	1,500,000
Internet/Self-Service Terminal	63,162/44,087	71,163/63,580	80,000/70,000	90,000/80,000
Licensed Vehicle Dealers	1,298	1,286	1,300	1,300
IFTA Licenses	2,977	2,841	2,850	2,875
Prorate Power Units/Trailers Licensed	11,742	11,817	12,000	12,050
Fuel Suppliers	74	75	75	75
Fuel Importer/Exporter	318	324	325	325
Fuel Blender	139	132	140	145
Highway Contractors License	577	561	570	570
Highway Marketers License	1,352	1,353	1,360	1,370
Biodiesel Producers	2	1	2	2
Ethanol Producers	16	16	16	16
Ethanol Brokers	13	11	12	12

PROPERTY AND SPECIAL TAXES

To provide supervision and guidance on all matters pertaining to the issuance of licenses, stamps, and permits, and the collection and disposition of alcohol and malt beverage taxes, cigarette excise tax, franchise tax, mineral tax, severance tax, alcohol beverage brand registration fees, coin-operated washer-dryer permit fees, trading stamps, conservation tax, amusement machine registration fees, bingo license fee and tax; to provide guidance and information to all eligible persons throughout the state who may qualify under the provisions of the Sales Tax Refund (SDCL 10-45A) or Property Tax Refund (SDCL 10-18A) for the elderly and disabled; and, to audit claims and issue proper tax refund payments to those qualifying within the time prescribed by law.

To exercise general supervision over the administration of the property assessment and tax laws of the state and all assessing officers in the performance of their duties. Provide documental assessment to sales ratios as indications of the level of assessment in each county for use in equalizing assessments, distribution of state aid to education and determination of county compliance with assessment standards. Provide technical assistance and guidance in the assessment of all classes of property and assist agricultural land evaluation using modern detailed soil surveys. Determine the market value of the companies required to be centrally assessed, calculate gross receipts and taxes payable on certain telephone and commercial wind energy companies, and rural electric associations.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	665,417	680,131	763,624	763,624	763,624	0	0.0%
Employee Benefits	216,321	207,626	235,796	235,796	235,796	0	0.0%
FTE	13.9	13.8	15.0	15.0	15.0	0.0	0.0%
Funding Types							
General	881,738	887,757	999,420	999,420	999,420	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0	0.0%
Total PS	881,738	887,757	999,420	999,420	999,420	0	0.0%
Operating Expenses							
Travel	16,214	26,623	32,303	33,508	32,303	0	0.0%
Contractual Services	235,345	187,903	184,083	184,083	184,083	0	0.0%
Supplies & Materials	25,864	21,072	42,187	42,187	42,187	0	0.0%
Capital Outlay	4,201	25,948	5,460	5,460	5,460	0	0.0%
Funding Types							
General	281,624	261,546	264,033	265,238	264,033	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0	0.0%
Total OE	281,624	261,546	264,033	265,238	264,033	0	0.0%
Totals							
Funding Types							
General	1,163,362	1,149,303	1,263,453	1,264,658	1,263,453	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0	0.0%
Total	1,163,362	1,149,303	1,263,453	1,264,658	1,263,453	0	0.0%

Budget Notes

REVENUES	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Collections:				
Special Taxes - State Funds	78,808,039	47,886,379	65,000,000	65,000,000
Special Taxes - Local Governments	33,530,126	35,487,880	35,000,000	35,000,000
Total	112,338,165	83,374,259	100,000,000	100,000,000

PERFORMANCE INDICATORS	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Tax Refund Applications Received	2,095	2,119	2,100	2,100
Applications Refunded/Amount Refunded	1,973/\$426,371	1,964/\$429,761	2,050/\$450,000	2,050/\$450,000
Bank Franchise Returns/Qtr Reports Filed	731/603	737/456	735/580	735/580
Cigarette Wholesaler and Distributor Licenses	78	86	90	90
Cigarette Retailers Registered	2,145	2,136	2,150	2,150
Cigarette Stamps	35,758,580	34,730,144	35,000,000	35,000,000
Other Tobacco Products Reports Filed	899	829	850	850
Retail Compliance Checks/Cigarette Seizures	780/44	841/242	800/600	800/60
Liquor and Beer Licenses	5,294	5,142	5,700	5,700
Levies Approved	3,656	3,800	4,000	4,000
Tax Increment Finance Districts	157	150	160	160
Assessors Certified/Attendance Annual School	174/133	174/114	175/135	175/135
Centrally Assessed Companies	142	140	141	145
Property Transfers Analyzed	43,485	39,470	40,000	45,000

AUDITS

To detect and resolve reporting errors and omissions made by taxpayers and correct reporting habits for future returns.

The Audit Division is responsible for selecting and performing audits on behalf of the Department of Revenue. The primary purpose of the audit function is to verify the gross receipts, deductions, and use tax reported on tax returns, ensure required record-keeping is in place, and work with auditees to ensure understanding of the tax laws.

The Audit Division conducts audits for the following taxes administered by the department:

- * Sales and Use Tax
- * Contractors Excise Tax
- * Motor Fuel Tax
- * International Fuel Tax Agreement (IFTA)
- * International Registration Plan (IRP)

Audits are conducted all over the United States with a major emphasis placed on auditing companies headquartered outside of South Dakota. Auditors provide on-site education as part of the audit process to increase future compliance with the tax requirements.

	<u>Actual FY2014</u>	<u>Actual FY2015</u>	<u>Budgeted FY2016</u>	<u>Agency Request FY2017</u>	<u>Gov Rec FY2017</u>	<u>Gov Rec Inc/Dec FY2017</u>	<u>% Change From FY2016</u>
Personal Services							
Employee Salaries	2,688,925	2,799,520	3,053,639	3,053,639	3,053,639	0	0.0%
Employee Benefits	864,050	841,375	888,313	888,313	888,313	0	0.0%
FTE	54.3	53.9	55.0	55.0	55.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	3,552,975	3,640,895	3,941,952	3,941,952	3,941,952	0	0.0%
Total PS	3,552,975	3,640,895	3,941,952	3,941,952	3,941,952	0	0.0%
Operating Expenses							
Travel	349,522	333,413	353,296	369,549	353,296	0	0.0%
Contractual Services	163,795	169,517	192,999	192,999	192,999	0	0.0%
Supplies & Materials	19,130	19,140	25,236	25,236	25,236	0	0.0%
Capital Outlay	30,639	44,693	25,730	25,730	25,730	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	563,087	566,763	597,261	613,514	597,261	0	0.0%
Total OE	563,087	566,763	597,261	613,514	597,261	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	4,116,061	4,207,658	4,539,213	4,555,466	4,539,213	0	0.0%
Total	4,116,061	4,207,658	4,539,213	4,555,466	4,539,213	0	0.0%

Budget Notes

PERFORMANCE INDICATORS	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Assessments/Audits: *				
Sales & Use/Excise Audits	1,853	2,016	1,925	2,000
Sales & Use/Excise Assessments	\$20,551,954	\$14,264,837	\$22,500,000	\$22,850,000
IFTA, Motor Fuel, Prorate Audits	267	256	260	275
IFTA, Motor Fuel, Prorate Assessments	\$398,372	(\$128,550)	\$250,000	\$350,000
Total Audits	2,120	2,272	2,185	2,275
Total Assessments	\$20,950,326	\$14,264,837	\$22,550,000	\$22,850,000

* Number of audits completed and audit assessments are based on the level of experience of the audit staff. The audit staff consists of 40 Sales, Use & Excise Tax auditors, 5 Fuel Tax auditors and 4 audit managers. Currently 71% of the audit staff have over 4 years of experience. The level of experience has a direct affect on the number and types of audits which can be completed. Auditors with over 4 years of experience are capable of completing large complex audits with the potential for larger assessments.

INSTANT AND ON-LINE OPERATIONS - INFORMATIONAL

The Lottery's mission is to work cooperatively with our partner licensees to promote and ensure the integrity, fairness, security and honesty of lottery games to maximize revenues for state programs and initiatives and to ensure the Lottery remains a viable and sustainable source of revenue and entertainment for the State of South Dakota.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	899,844	874,756	1,081,611	1,081,611	1,081,611	0	0.0%
Employee Benefits	307,812	287,988	329,889	329,889	329,889	0	0.0%
FTE	20.3	19.7	21.0	21.0	21.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	1,207,655	1,162,744	1,411,500	1,411,500	1,411,500	0	0.0%
Total PS	1,207,655	1,162,744	1,411,500	1,411,500	1,411,500	0	0.0%
Operating Expenses							
Travel	123,776	119,011	146,684	149,578	146,684	0	0.0%
Contractual Services	38,840,518	36,119,620	35,941,618	35,941,618	35,941,618	0	0.0%
Supplies & Materials	661,432	496,165	729,000	729,000	729,000	0	0.0%
Capital Outlay	35,288	57,399	40,000	40,000	40,000	0	0.0%
Other	68,184	65,143	79,000	79,000	79,000	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	39,729,197	36,857,338	36,936,302	36,939,196	36,936,302	0	0.0%
Total OE	39,729,197	36,857,338	36,936,302	36,939,196	36,936,302	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	40,936,852	38,020,082	38,347,802	38,350,696	38,347,802	0	0.0%
Total	40,936,852	38,020,082	38,347,802	38,350,696	38,347,802	0	0.0%

Budget Notes

- All of the net proceeds from the sale of instant lottery tickets are deposited in the general fund. Instant lottery tickets are scratch tickets sold by retailers.
- The first \$1.4 million of the net proceeds from the sale of on-line lottery tickets are deposited into the general fund. The remaining net proceeds from the sale of on-line lottery tickets are deposited in the Capital Construction Fund. On-line games include Powerball, Mega Millions, Hot Lotto, Dakota Cash, and Wild Card 2.

	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
REVENUES				
Instant Proceeds--General Fund	4,821,600	5,362,306	5,525,000	5,700,000
On-Line Proceeds--General Fund	1,400,000	1,400,000	1,400,000	1,400,000
On-Line Proceeds--Capital Construction Fund	8,487,780	7,517,262	7,750,000	8,000,000
Total	14,709,380	14,279,568	14,675,000	15,100,000

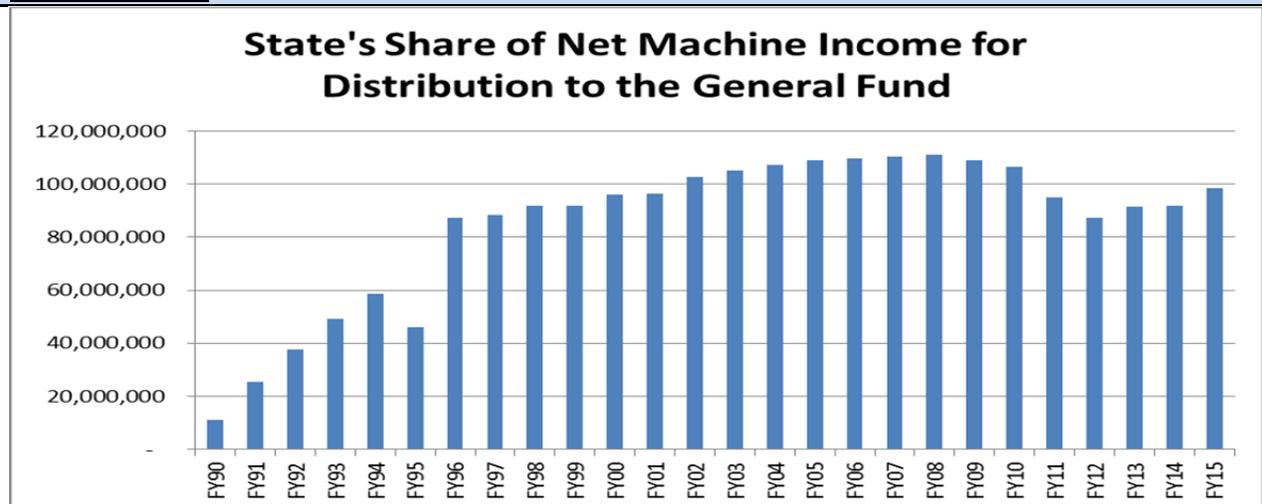
	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
PERFORMANCE INDICATORS				
Instant Games Introduced	33	27	26	28
On-Line Games Offered	5	6	5	5
Licensed Lottery Retailers--On-Line	600	608	616	616
Licensed Lottery Retailers--Instant Only	12	12	13	13
Prizes Paid to Players	31,971,732	29,341,037	29,680,000	30,576,000
Retailer Commissions Paid	3,001,556	2,820,399	2,872,600	2,959,320
Total Sales - Instant Games	25,587,633	26,408,032	26,900,000	27,700,000
Total Sales - On-Line Games	29,031,566	25,275,932	26,100,000	26,900,000
Total Sales (Instant + Online)	54,619,199	51,383,964	53,000,000	54,600,000

VIDEO LOTTERY

The Lottery's mission is to work cooperatively with our partner licensees to promote and ensure the integrity, fairness, security and honesty of lottery games to maximize revenues for state programs and initiatives and to ensure the Lottery remains a viable and sustainable source of revenue and entertainment for the State of South Dakota.

	Actual FY2014	Actual FY2015	Budgeted FY2016	Agency Request FY2017	Gov Rec FY2017	Gov Rec Inc/Dec FY2017	% Change From FY2016
Personal Services							
Employee Salaries	428,655	491,475	513,681	513,681	513,681	0	0.0%
Employee Benefits	154,056	163,041	158,677	158,677	158,677	0	0.0%
FTE	10.2	11.0	10.0	10.0	10.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	582,711	654,515	672,358	672,358	672,358	0	0.0%
Total PS	582,711	654,515	672,358	672,358	672,358	0	0.0%
Operating Expenses							
Travel	11,883	9,564	15,618	15,998	15,618	0	0.0%
Contractual Services	1,124,396	1,222,630	1,500,867	1,500,867	1,500,867	0	0.0%
Supplies & Materials	15,942	27,399	29,616	29,616	29,616	0	0.0%
Capital Outlay	7,738	85,512	180,000	180,000	180,000	0	0.0%
Other	152,653	205,047	214,000	214,000	214,000	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	1,312,612	1,550,153	1,940,101	1,940,481	1,940,101	0	0.0%
Total OE	1,312,612	1,550,153	1,940,101	1,940,481	1,940,101	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	1,895,323	2,204,669	2,612,459	2,612,839	2,612,459	0	0.0%
Total	1,895,323	2,204,669	2,612,459	2,612,839	2,612,459	0	0.0%

Budget Notes



REVENUES	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
License Fees to VL Operating Fund	1,310,110	1,300,175	1,300,000	1,300,000
Additional MFG. License Fee--General Fund	75,000	90,000	75,000	75,000
Video Lottery Proceeds	91,612,448	98,289,782	102,200,000	104,300,000
Video Lottery Proceeds--VL Operating Fund	925,378	992,826	1,062,324	1,136,686
Miscellaneous Revenue	53,244	2,625	50,000	50,000
Total	93,976,180	100,675,408	104,687,324	106,861,686

PERFORMANCE INDICATORS	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Machines Placed (12-Month Avg.)	8,977	8,928	8,950	8,950
Licensed Establishments (12-Month Avg.)	1,384	1,372	1,350	1,350
Licensed Operators	128	12	120	120
Licensed Distributors	8	6	7	7
Licensed Manufacturers	5	5	5	5

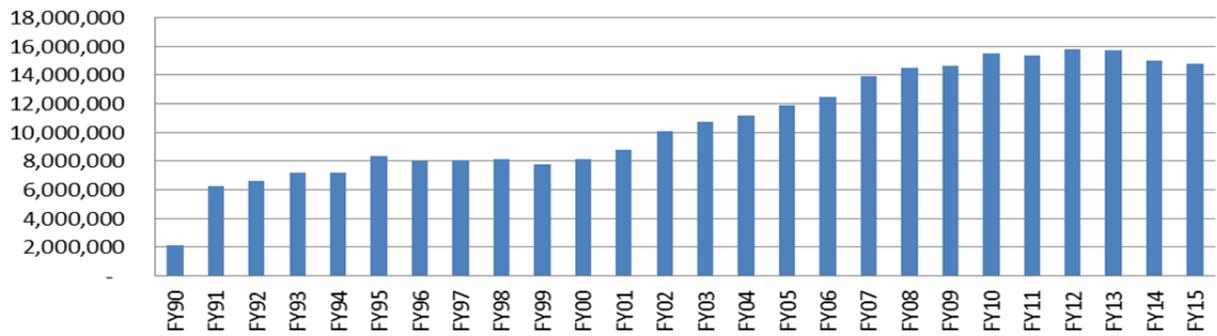
COMMISSION ON GAMING – INFORMATIONAL

To provide the revenue necessary for the support of state and local government programs through the fair and consistent application of the tax laws and through a comprehensive program of education that explains the responsibilities and rights of taxpayers; to operate the state lottery established in SDCL 42-7A in a secure, efficient, and profitable manner; to provide for the safety and well-being of consumers and the general public by regulating the gaming, and racing industries. LEGAL CITATION: SDCL 10-1; SDCL 32; SDCL 42-7A; SDCL 47-7B.

	<u>Actual</u> <u>FY2014</u>	<u>Actual</u> <u>FY2015</u>	<u>Budgeted</u> <u>FY2016</u>	<u>Agency</u> <u>Request</u> <u>FY2017</u>	<u>Gov Rec</u> <u>FY2017</u>	<u>Gov Rec</u> <u>Inc/Dec</u> <u>FY2017</u>	<u>% Change</u> <u>From</u> <u>FY2016</u>
Personal Services							
Employee Salaries	616,837	653,469	780,030	780,030	780,030	0	0.0%
Employee Benefits	201,985	202,134	253,399	253,399	253,399	0	0.0%
FTE	13.2	13.6	16.0	16.0	16.0	0.0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	818,822	855,604	1,033,429	1,033,429	1,033,429	0	0.0%
Total PS	818,822	855,604	1,033,429	1,033,429	1,033,429	0	0.0%
Operating Expenses							
Travel	69,515	69,233	70,123	72,236	70,123	0	0.0%
Contractual Services	334,294	299,532	322,114	322,114	322,114	0	0.0%
Supplies & Materials	25,877	37,731	36,000	36,000	36,000	0	0.0%
Grants And Subsidies	9,029,343	8,929,480	9,175,000	9,175,000	9,175,000	0	0.0%
Capital Outlay	5,236	6,615	6,636	6,636	6,636	0	0.0%
Other	0	169	0	0	0	0	0.0%
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	9,464,267	9,342,761	9,609,873	9,611,986	9,609,873	0	0.0%
Total OE	9,464,267	9,342,761	9,609,873	9,611,986	9,609,873	0	0.0%
Totals							
Funding Types							
General	0	0	0	0	0	0	0.0%
Federal	0	0	0	0	0	0	0.0%
Other	10,283,089	10,198,364	10,643,302	10,645,415	10,643,302	0	0.0%
Total	10,283,089	10,198,364	10,643,302	10,645,415	10,643,302	0	0.0%

Budget Notes

Gaming Distributions to State and Local Governments



REVENUES	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Gaming Fund:				
Device Fees	6,812,000	6,540,000	6,540,000	6,540,000
Gross Revenue Tax	8,885,345	8,993,841	9,000,000	9,000,000
City Slot Tax	257,648	295,352	401,500	401,500
Application Fees	73,840	74,735	70,000	70,000
License Fee	94,410	95,005	100,000	100,000
Device Testing Fees	24,255	13,419	15,000	15,000
Penalties	3,000	26,078	6,000	6,000
Interest	28,849	17,923	18,000	18,000
Racing Revenues:				
Dogs:				
Commission	14,006	11,407	9,290	7,566
Licenses and Fines	3,630	3,610	3,590	3,570
Revolving Fund	69,106	61,345	54,456	48,340
Bred Fund	27,781	23,891	20,546	17,669
Horses:				
Commission	45,053	37,708	31,560	26,415
Licenses and Fines	52,610	47,500	42,886	38,721
Revolving Fund	168,967	133,908	106,123	84,104
Bred Fund	80,265	66,485	55,071	45,616
Interest	8,183	4,854	2,879	1,708
Total	16,648,948	16,447,061	16,476,901	16,424,209

PERFORMANCE INDICATORS	Actual FY 2014	Actual FY 2015	Estimated FY 2016	Estimated FY 2017
Licenses Issued:				
Manufacturers/Distributors	15	15	14	14
Operators/Retailers	21/152	20/146	19/142	19/142
Support/Key Employees	1,390	1,367	1,400	1,400
Device Licenses	3,406	3,206	3,206	3,206
Gaming Distributions	\$ 14,964,885	\$ 14,803,918	\$ 14,800,000	\$ 14,800,000