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(S.D.)-State Unlikely To See As Much Revenue As Predicted



By: Roxie Graham-Marski Posted at: 03/11/2014 08:50 AM

By CHET BROKAW
Associated Press

PIERRE, S.D. (ASSOCIATED PRESS) - South Dakota likely won't see as much money come in next year as was projected when Gov. Dennis Daugaard proposed his state budget in early December, state economists told the Legislature's budget-writing committee Monday.

Even though a growing economy is expected to boost the collections of sales tax, the state's largest general revenue source, collections from the bank tax and unclaimed property are predicted to fall, the economists said.

Jim Terwilliger, an economist for the governor's budget office, predicted ongoing general state revenue will be about \$8.4 million below projections for the current year and about \$6 million lower than expected for the next budget year, which begins July 1. Aaron Olson, a financial analyst for the Legislature, also predicted revenue will fall short of the December projections - by about \$6 million this year and \$4 million next year.

Though the projected shortfalls are a tiny portion of the nearly \$1.4 billion general fund budget, Senate Appropriations chair Deb Peters, R-Hartford, said the estimates are a "little sobering."

The Joint Appropriations Committee planned to make a formal decision later Monday or early Tuesday on how much revenue to expect, which they'll use to determine the size of next year's budget.

The House and Senate plan to pass the budget by Friday, the final day of the main run of this year's legislative session.

"It's going to come down to making changes in the governor's proposed budget in order to fund the Legislature's priorities," Peters said.

School districts and facilities that provide health care to low-income people through Medicaid hope lawmakers will give them more money than Daugaard has proposed. Peters noted that those two areas are still legislative priorities.

Terwilliger said state sales tax collections are expected to total \$848.4 million next year, up more than 1.5 percent from December's projections.

However, the bank franchise tax will likely bring in \$8.7 million next year, far below the \$17.5 million the governor had projected in December. That's because Daugaard decided not to introduce a bill that would have increased collections of the bank income tax, Terwilliger said.

The Legislature is in the process of passing a different bill expected to stabilize the bank tax at about \$8 million or so a year.

South Dakota also saw this year a one-time windfall from unclaimed property, which comes from bank accounts and other financial holdings turned over to the state when owners cannot be found. Daugaard's proposed budget had predicted ongoing unclaimed property receipts would be \$67.5 million next year, but further analysis indicates that will fall to about \$60 million, Terwilliger said.

Terwilliger said IHS Global Insight, which helps the state predict national economic trends, expects the U.S. economy most likely will grow by 2.7 percent this year and 3.3 percent next year. That translates into a 1.5 percent growth in South Dakota's jobs this year and a 1.7 percent growth next year, he said. South Dakota's nonfarm income is predicted to grow by about 5 percent both this year and next.

South Dakota's economy benefited in recent years when farmers received high prices for crops, Terwilliger said. That trend has ended, but livestock prices are now high, he said.

Lawmakers asked whether the early October blizzard that killed tens of thousands of cattle in western South Dakota would hurt the state's economy, but Terwilliger said the loss of 25,000 to 30,000 head of cattle is a small part of the \$4 billion net farm income - just \$65 million.