

Q: How much revenue would be raised?

A: An additional \$182 million per year

Q: How would the extra revenue be spent?

A: 50% on education and 50% on Medicaid health care costs

**Increased annual revenue for SD
from Initiated Measure 15**

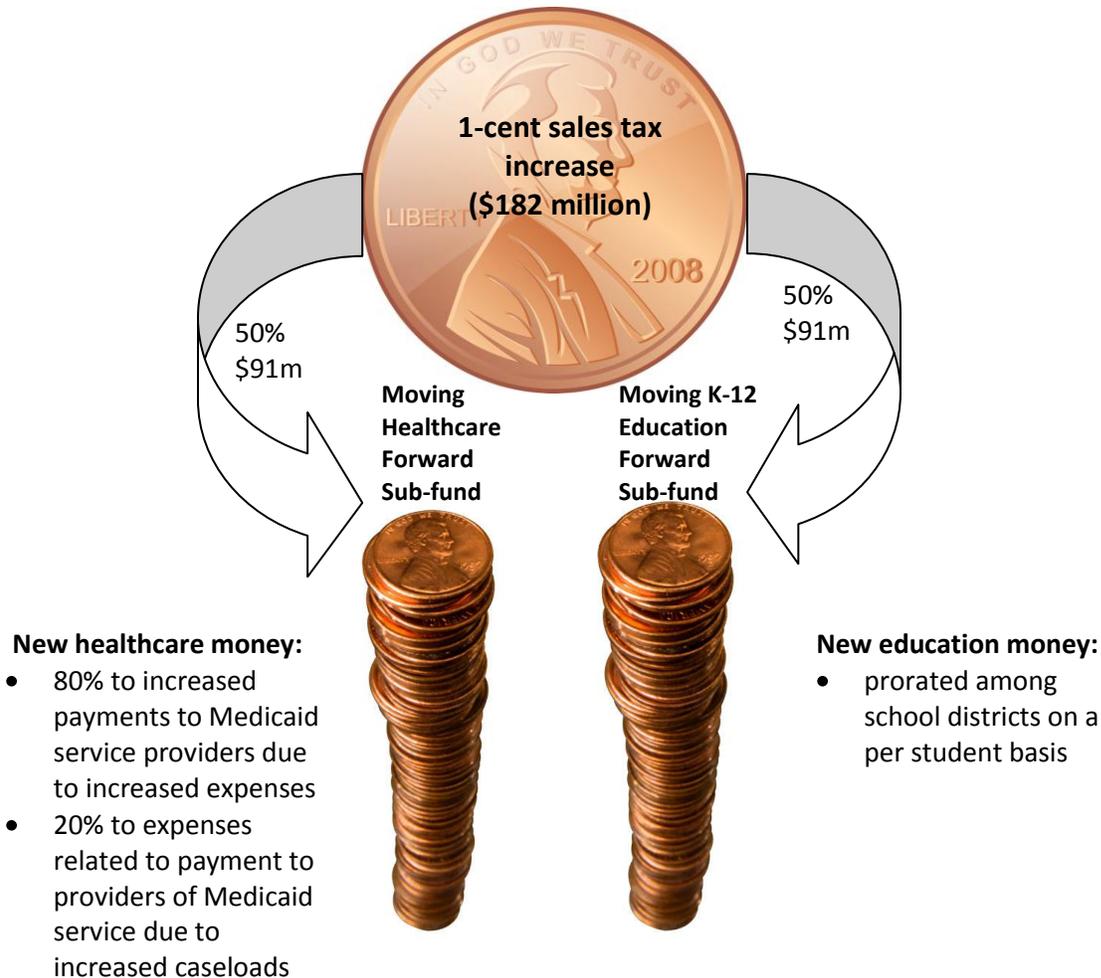


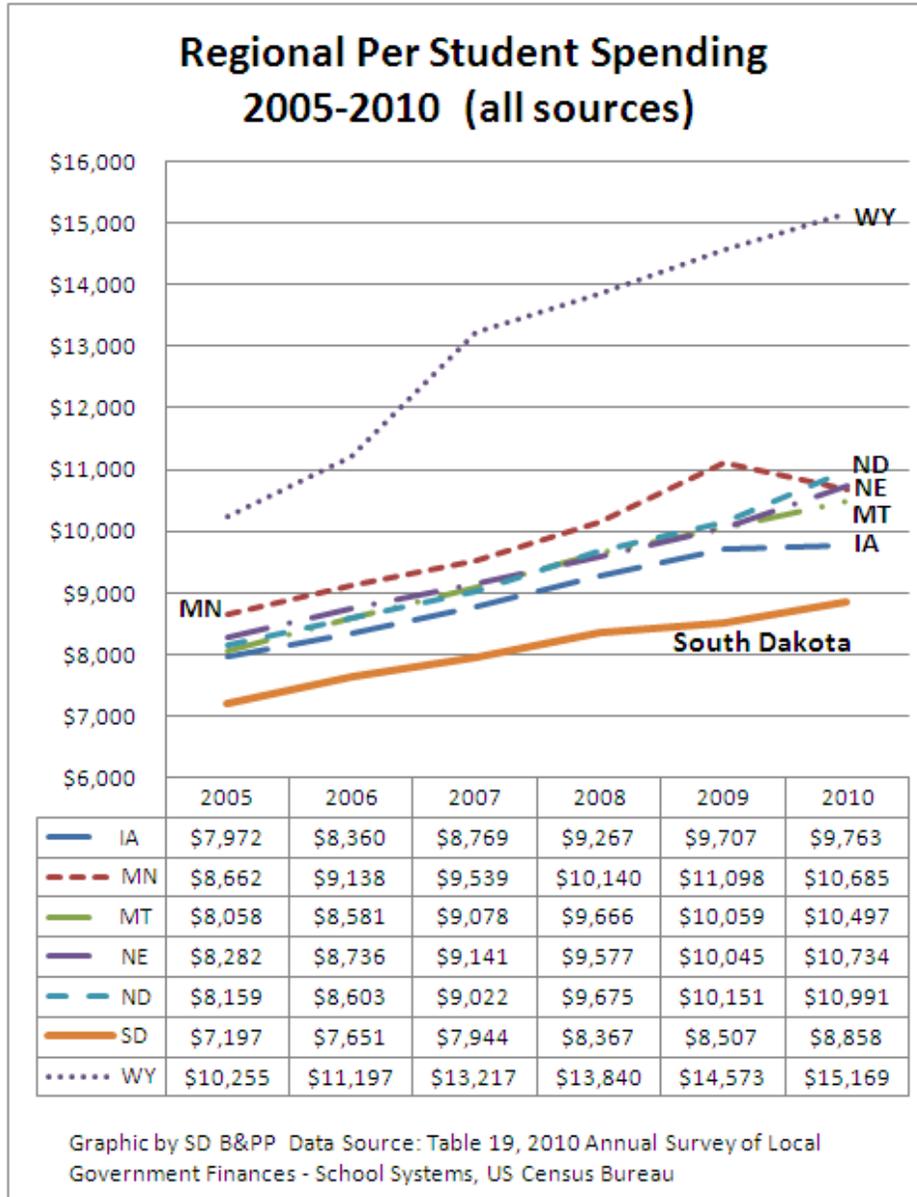
Chart by SD Budget & Policy Project

All material in this report may be replicated with acknowledgement of source [pdf](http://www.sdbpp.org) available for download at [sdbpp.org](http://www.sdbpp.org)

Q: How much would this raise per student?

A: \$730 per k-12 student¹

An additional \$730 per student would bring total educational spending per South Dakota k-12 student closer to, but not above, total per student spending in neighboring states.



Q: How will this impact Medicaid?

A: An additional \$91 million for Medicaid represents a 30% increase over the actual FY12 general funds expenditures for Medicaid services.² See "[Why are Medicaid Costs Increasing](#)"³ for an explanation of SD Medicaid cost drivers.

¹ Calculation by SDBPP based on SD Department of Education 2011 Fall 2011 Enrollment report <http://doe.sd.gov/ofm/fallenroll.aspx>

² DSS confirmed FY12 total state general fund spending on Medicaid was \$300 million. 9-13-12

³ SDBPP, Why are Medicaid costs increasing in SD? <http://www.sdbudgetandpolicyproject.org/why-are-medicaid-costs-increasing-in-south-dakota> 12-2010

Q: How would an increase in sales tax impact households at various income levels?

A: A 1-cent tax increase collects the greatest number of dollars from the top 1% of households by income, but collects the greatest percentage of available household income from the bottom 20% of households.

The table below shows the effect of increasing the sales tax from 4 cents to 5 cents based on 2011 income and expenditure data. This Institute on Taxation and Economic Policy (ITEP) analysis highlights the “fairness” of an increase in state sales tax—comparing the additional taxes paid by various income groups both in nominal dollars and as a percentage of total income. Households are grouped by income—lowest income 20%, second lowest 20%, middle 20%, fourth 20% and, for the highest 20%, further subdivided to next 15%, next 4% and top 1%.

WHO PAYS?

Distributional Impact of Increasing Sales Tax Rate on Current Base

All South Dakota Households, 2011 income levels

Income Group (2011)	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	State Tax Change (\$1,000's)
Income Range	Less Than \$19,000	\$19,000–\$36,000	\$36,000–\$55,000	\$55,000–\$86,000	\$86,000–\$155,000	\$155,000–\$430,000	\$430,000–Or More	
Ave Income in Group	\$ 11,000	\$ 27,000	\$ 46,000	\$ 70,000	\$ 109,000	\$ 227,000	\$ 1,152,000	
Increase State Sales Tax Rate by 1% on Existing Base								
Tax Change as % of Income	1.1%	1.0%	0.8%	0.7%	0.5%	0.3%	0.1%	\$ +182,000
Average Tax Change	+122	+260	+371	+462	+521	+661	+1,606	

SOURCE: Institute on Taxation and Economic Policy Microsimulation Tax Model September 2012

Q: Would this really mean more money for education and health care?

A: Sections 3 and 4 of the Initiated Measure specify that these new “monies may not be spent in any way, either directly or indirectly, to reduce, supplant or replace appropriations for any state [k-12 education or Medicaid] program in existence for state fiscal year 2012.” Unlike the video lottery money which can go into the general fund, these monies are directed to newly established sub funds dedicated to health care and education. Any growth in the money generated by the 1 penny in future years would provide additional funding for k-12 education and Medicaid. Growth in the existing 4 pennies would be allocated among all state programs funded from the general fund.

LINKS:

- [Initiated Measure 15 wording](#)⁴
- [attorney general’s explanation of IM 15](#)⁵
- [SDBPP research describing SD’s “Ballot Questions” requirements](#)⁶
- [SDBPP research on education cuts compared to neighboring states](#)⁷
- [SDBPP research on Medicaid costs drivers](#)⁸

⁴ <http://sdsos.gov/content/html/elections/electvoterpdfs/2011/Sales%20Tax%20Increase%20Attorney%20Generals%20Explanation.pdf>

⁵ [http://sdsos.gov/content/html/elections/electvoterpdfs/2012/B-Ballot%20Expl%202012--Initiated%20Measure%2015%20\(FINAL\).pdf](http://sdsos.gov/content/html/elections/electvoterpdfs/2012/B-Ballot%20Expl%202012--Initiated%20Measure%2015%20(FINAL).pdf)

⁶ <http://www.sdbudgetandpolicyproject.org/what-are-ballot-questions>

⁷ <http://www.sdbudgetandpolicyproject.org/study-reports-sd-school-funding-cuts-deepest-among-neighboring-states>

⁸ <http://www.sdbudgetandpolicyproject.org/why-are-medicaid-costs-increasing-in-south-dakota>

ATTORNEY GENERAL 2012 BALLOT EXPLANATION⁹ INITIATED MEASURE 15

Title: An initiated measure to increase state general sales and use taxes for additional K-12 public education and Medicaid funding.

Explanation:

The initiated measure increases the state general sales and use tax rate from 4% to 5%. The additional tax revenue will be split evenly between K-12 public education and Medicaid. The education funds will be provided to school districts based on enrollment, to be spent on improving education as school boards determine. The Medicaid funds will be spent only on payments to Medicaid providers and related state expenses.

The additional funds cannot replace or reduce state funding levels set for fiscal year 2012 relating to existing Medicaid and K-12 public education programs, including state aid to education. Currently, state aid is to be adjusted annually by 3% or the rate of inflation, whichever is less. Under the measure, this annual adjustment cannot exceed the growth rate in state general fund revenues. Any resulting shortfall in state aid will be made up in subsequent years.

A vote "Yes" is for the proposed law.

A vote "No" is against the proposed law.

Initiated Measure 15 petition wording¹⁰

Draft of Initiated Measure

1. Commencing January 1, 2013, twenty percent of the monies collected pursuant to the South Dakota sales and use taxes imposed by SDCL chapters 10-45 and 10-46 shall be placed in a special fund known as the Moving South Dakota Forward fund. The monies in the Moving South Dakota Forward fund shall be allocated into the following two subfunds within the Moving South Dakota Forward fund: (1) fifty percent shall be allocated to the Moving K-12 Education Forward subfund; and (2) fifty percent shall be allocated to the Moving Healthcare Forward subfund.
2. Monies allocated in Section 1 of this initiated measure shall be disbursed as follows:
 - (1) Monies in the Moving K-12 Education Forward sub-fund are continuously appropriated to the public school districts of South Dakota, to be distributed pro rata based upon each school district's relative share of fall enrollment as defined in SDCL chapter 13-13, compared to the fall enrollment of all school districts. Funds deposited in the Moving K-12 Education Forward subfund in the preceding calendar quarter shall be distributed, as provided above, to the public school districts of South Dakota by the first business day of February, May, August, and November of each year, commencing May 1, 2013. Funds received by a school district from the Moving K-12 Education Forward subfund shall be used at the sole discretion of the public school district's governing board for the purpose of improving public education;
 - (2) Eighty percent of the monies in the Moving Healthcare Forward subfund shall be spent only for the purpose of funding payments to providers to the South Dakota Medicaid program, which are incurred due to increases in expenses related to the reimbursement rates paid to service providers per unit of service in excess of such reimbursement rates in effect as of July 1, 2011; and
 - (3) Twenty percent of the monies in the Moving Health Care Forward subfund shall be spent only for the purpose of funding expenses related to payments to providers to the South Dakota Medicaid program, which are incurred due to increases in the case load volume experienced by the South Dakota Medicaid program from the case levels as of July 1, 2011.
3. No monies deposited in the Moving K-12 Education Forward subfund may be spent in any way, either directly or indirectly, to reduce, supplant, or replace appropriations for any state K-12 education program in existence for state fiscal year 2012, including specifically the state aid to education and special education programs established in SDCL chapters 13-13 and 13-37. The per student allocation in SDCL chapter 13-13 and the per student allocation for each specified disability in SDCL chapter 13-37 shall be adjusted by the annual application of their respective index factors, as set forth in SDCL subdivisions 13-13-10.1(3) and 13-37-35.1(6), as in effect on July 1, 2011. However, the index factor adjustment shall, in no case, exceed the actual percentage growth in state general fund revenues for the most recently completed fiscal year. If the percentage growth in state general fund revenues is less than the index factors in any year, the difference shall be made up in the immediately following years to the extent the percentage growth in state general fund revenues exceeds the index factors.
4. No monies deposited in the Moving Health Care Forward subfund may be spent in any way, either directly or indirectly, to reduce, supplant, or replace state appropriations for any state Medicaid program in existence for state fiscal year 2012.
5. Effective January 1, 2013, any sales or use tax imposed at a rate of four percent by the provisions of SDCL chapters 10-45 or 10-46 are hereby increased by one percent each to a total rate of five percent each.

⁹ [http://sdsos.gov/content/html/elections/electvoterpdfs/2012/B-Ballot%20Exp%202012--Initiated%20Measure%2015%20\(FINAL\).pdf](http://sdsos.gov/content/html/elections/electvoterpdfs/2012/B-Ballot%20Exp%202012--Initiated%20Measure%2015%20(FINAL).pdf)

¹⁰ <http://sdsos.gov/content/html/elections/electvoterpdfs/2011/Sales%20Tax%20Increase%20Initiative%20Petition.pdf>