

by House Majority Leader Will Mortenson (R-Fort Pierre) and Senate Majority Leader Casey Crabtree (R-Madison)

In November, South Dakotans will decide whether to adopt a measure that would have a massive impact on the state budget and all who rely on it. Initiated Measure 28 (IM28) would repeal taxes on tobacco, food, toothpaste, and everything else that humans consume. It would reduce state funding by at least \$176 Million with no replacement revenue, meaning it would require the state to cut at least \$176 Million.

Balancing the budget is something we take seriously in South Dakota – our constitution requires it. IM28 does not include any plan to pay for itself; it simply eliminates revenue. Less revenue coming in must be accounted for somewhere, that is simple math and common sense. In South Dakota, we don't use one-time money for ongoing expenses. Our budget must be truly balanced, with no gimmicks.

And we aren't going to raise taxes. We need to honor the will of the voters. If the voters approve IM28, it would be bizarre to say that the will of the voters is to raise another tax. If the people had wanted to switch one tax for another one, they would have proposed that. Instead, IM28 contains a large revenue reduction with no replacement.

So – if IM28 passes, we will need to reduce state spending by at least \$176 Million. Before going to vote, South Dakotans deserve to know what those cuts will mean. The state budget is comprised of four main buckets: Education, Medicaid, Public Safety, and Everything Else. Education accounts for approximately 45% of the general fund budget. Medicaid, which funds nursing homes, hospitals, and other care providers, is about 35%. Public Safety, which includes prisons, courts, and law enforcement, makes up 15% or so. Everything Else is about 5% of the state budget.

<b><u>Category</u></b>	<b><u>Approximate Expense</u></b>
Education	45% (\$1.05 Billion)
Medicaid	35% (\$800 Million)
Public Safety	15% (\$350 Million)
Everything Else	5% (\$150 Million)

Each 1% of the state budget costs about \$25 Million. Based on the size of the reduction proposed in IM28, we would need to cut at least 7% across-the-board. We are hopeful to have 2% or 3% growth in revenues this year, which would reduce the cuts to about 5%. So, if IM28 passes and the state has strong revenue growth, the minimum cut that South Dakotans should expect for schools and nursing homes would be about 5%. If revenues weaken, of course, the cuts could be larger.

We believe this is among the most irresponsible measures ever put before the voters. Every South Dakotan who runs a household, business, or organization knows that you don't just cut revenue with no plan. That is a recipe for disaster. Yet, that is what has been proposed in IM28. The

Democratic Party recently endorsed cutting schools and nursing homes through this plan, showing their party bosses stand for deficits and irresponsible budgeting. IM28 would be flat-out harmful to South Dakota. We strongly urge a 'No' vote.

However, if IM28 passes, we will respect the will of the voters. If they decide to cut revenues and expenses by passing IM28, we will honor their decision. We will not allow South Dakota to fall into deficits and debt. And we will not raise taxes. If IM28 passes, we will take our direction from the voters: reduce revenues and cut spending on schools, nursing homes, public safety, and everything else.