



August 16, 2018

Hon. Shantel Krebs
Secretary of State
500 E. Capitol Avenue
Pierre, SD 57501

Dear Secretary Krebs,

Last week, your office contacted LRC requesting that we provide a new fiscal note for IM 25. The reason for this request was that one of the providers of South Dakota's ballot software was unable to accommodate the table of financial data contained within the fiscal note we had provided your office on July 2, 2018.

LRC frequently uses tables when producing both fiscal notes and prison and jail population cost estimates, because it is often the most transparent and easily understandable method of communicating financial information to the public. It is also often the most efficient way to convey financial information. This point is especially important for the fiscal notes LRC is required to produce for initiated measures. SDCL 2-9-30 limits the length of such fiscal notes to no more than 50 words, putting a premium on economy of explanation.

Specifically, in the case of LRC's fiscal note for IM 25, you requested that we provide a new note that conveys the same information contained in the July 2nd fiscal note, but in text form, without the use of any tables. Unfortunately, it would take 99 words to convey in text form the exact same information contained in the July 2nd fiscal note. This would be a violation of SCDL 2-9-30.

Therefore, in order to provide your office with a fiscal note that contains no tables, and stays within the statutory 50 word limit, LRC has prepared a new fiscal note that eliminates the contextual financial information on cigarette and tobacco tax revenues, both under current law and under the IM 25 proposal, that were contained in the first and second of the three tables in the July 2nd fiscal note. Instead, this new fiscal note contains only the financial information on the net change in revenues for each fund. I believe this meets the minimum requirement for fiscal notes laid out in SDCL 2-9-30, which requires LRC to produce a fiscal note that provides "*an estimate of the impact on revenues, expenditures, or fiscal liability of the state or its agencies and subdivisions*".

In the future, I would request that your office work with the appropriate software providers to ensure that future ballots be able to incorporate fiscal notes with financial tables of compact size. It is often the clearest, most transparent, and comprehensible medium for the public to understand financial information. It is certainly the most efficient. Thank you for your consideration.

Sincerely,


Jason Hancock
Director

Enclosures

CC: Mark Mickelson

RECEIVED
AUG 16 2018
S.D. SEC. OF STATE

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

FISCAL NOTE

INITIATED MEASURE

AN INITIATED MEASURE INCREASING THE STATE TOBACCO TAX AND CREATING
A POSTSECONDARY TECHNICAL INSTITUTE FUND FOR THE PURPOSES OF
LOWERING STUDENT TUITION AND PROVIDING FINANCIAL SUPPORT TO THE
STATE POSTSECONDARY TECHNICAL INSTITUTES.

Based on previous cigarette tax increases, a 65.4% increase in price should produce a smoking reduction of 16.4%. Based on the previous tobacco tax increase, a 57.1% tax increase is unlikely to affect demand.

The resulting revenue increases would be as follows:

General Fund: \$4,942,542
Tobacco Trust: \$0
Technical Institutes: \$20,000,000
Total: \$24,942,542

RECEIVED
AUG 16 2018
S.D. SEC. OF STATE

Approved:  Date: 8/16/18
Director, Legislative Research Council