

Forty-five years ago, my father ran the South Dakota Fireworks stand just outside Mitchell. And I was his 10-year-old assistant. He ran it for several years and I looked forward to our 10-day stint in the firecracker stand each June/July the way a good Christian anticipates Heaven. And it wasn't just the love affair every small boy has with fireworks. In fact, I suspect I learned more about and from my Dad during those 10 days a year than at any other time in my life.

One such recollection involved checking out customers. To do so successfully, he had to memorize the prices of all of the fireworks, total them on an adding machine, calculate the sales tax in his head, and announce the total cost. As he was a math teacher, such calculating was easy. When he figured out the sales tax bite—4% at that time—he would always say, “And seventy-five cents for the Governor.” Back then I had this image of my dad personally delivering the sales tax receipts to the Governor, seated behind a huge mahogany desk beneath the capital cupola.

While I am probably over-simplifying things, it is that same sales tax, now at a higher level, that is giving the fiscal people in Pierre, the Governor, and 150 school superintendents fits. Governor Dugaard has announced that he will recommend no increase in school funding other than covering the payments for additional enrolled students. What this means is that, if agreed to by the legislature, there will be virtually no money for raises or higher costs for schools, even though state law calls for something like a 1.7% increase.

(Arguing, as some do, that the State will be breaking the law if it doesn't provide at least 1.7% is silly, though. The General Assembly makes the law and since newer law always holds precedence, the old law isn't violated; it's changed. Schools may not like it that the law has changed but I notice nobody made this argument two years ago when the State provided far more than was called for in the law to boost teacher salaries.)

A major component of the problem is that sales taxes just aren't coming in like they used to. They aren't, in great part, because South Dakotans are shopping more on-line and many on-line retailers are not charging sales taxes, which they are not required to do unless they have a physical presence in the State. (I should note at this point that the Governor proactively addressed this problem in part by persuading Amazon to start collecting sales tax.)

One of the negative consequences of more on-line purchasing is a slowing of the increase or even a decrease in sales tax revenues. But there is another huge negative in addition to this: inequity. Local retailers in Mitchell, for example, must collect sales tax and they must also pay the 'commercial' level, i.e. the highest level, of property taxes. Pile commercial property taxes on to the cost of the product and then add sales tax which your on-line competitor doesn't have to pay and it is no wonder on-line retailers are so often so competitive.

Fixing this inequity by being able to levy sales taxes on on-line purchases is the solution to both the sales tax slump and the non-level playing field in retail sales today.

Other solutions may exist but several already offered don't hold much water. It's not a solution to tell the State to borrow the money or take it from reserves. If I believed those were rational

solutions for the problem, then I wouldn't have to worry about the finance formula. I could just have the District wipe out its reserves or start borrowing money to pay for the new costs. Both would be disasters because borrowed money must be paid back eventually and reserves are necessary to cash flow district operations. It's also not a solution to tell the State that we don't care where they get the money as long as education gets its 1.7%. That's not a solution. That's a tantrum. Finally, it's not much of a solution to take money from other state operations—state employees, health care providers, etc.—because South Dakota proudly adopts a lean budget. You *can* take from Peter to pay Paul but Peter's pockets, frankly, don't have much in them to pick.

Giving no additional money to schools for the coming year is a bad outcome on many levels. One of these is that it may start the retrenchment from the well-deserved compensation boost teachers received two year ago. We can't have made that much progress, with that much political capital expended, only to surrender it one year at a time until we are back in that 51<sup>st</sup> spot from whence we started.

But let's find a way, if possible, to boost the finance formula the modest amount called for currently in law without jeopardizing the sound fiscal position South Dakota has maintained for so long. Getting there will require creative, sustainable solutions free of finger-pointing and demands without owning the methods of meeting those demands. It will require us to find genuine methods of restoring that extra bit 'for the Governor.'