

South Dakota

From 2002 to 2008, South Dakota's spending increased the most in the salaries and wages (89%), administration (64%) and health (55%) categories. The increase in salaries and wages spending was the fourth-largest in the nation in terms of percentage. The spending categories that saw the least growth were natural resources (26%), debt service (13%) and highways (2%). The state's overall general spending increase of 33% was slightly below the state average, ranking 31st-highest.

South Dakota's total overall revenue growth of 16% ranked 48th for the period, and its total tax revenue growth of 35% ranked 41st. The state's total overall revenue and total tax revenue were the smallest per capita in the nation in 2008. Corporate income taxes were the fastest growing tax revenue category, increasing 72%, although that was less than the growth of the vast majority of states (ranking 38th-highest). By contrast, the 40% increase in general sales tax revenue ranked 19th-highest in the nation. South Dakota had no personal income tax.

Spending (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	74,880	41	110,268	32	+9	47%	10
Education	798,769	48	1,103,636	47	+1	38%	32
Government Administration	103,417	30	169,363	22	+8	64%	7
Health	81,294	36	126,093	28	+8	55%	12
Highways	420,346	4	429,629	7	-3	2%	40
Hospitals	44,001	35	60,769	34	+1	38%	26
Interest on Debt	120,082	12	136,008	20	-8	13%	37
Natural Resources	98,029	5	123,365	5	0	26%	22
Parks and Recreation	26,193	13	42,124	6	+7	61%	17
Police Protection	22,400	33	31,514	34	-1	41%	19
Public Welfare	592,754	37	811,709	41	-4	37%	31
Salaries and Wages	445,460	35	843,292	12	+23	89%	4
Direct Expenditures	2,047,865	28	2,720,277	29	-1	33%	33
General Expenditures	2,554,212	40	3,400,145	42	-2	33%	31
Total Expenditures	2,771,705	44	3,698,335	44	0	33%	29

Taxes (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax ¹	0	N/A	0	N/A	N/A	N/A	N/A
General Sales Tax ²	523,001	15	732,438	12	+3	40%	19
Corporate Income Tax ³	40,547	35	69,879	42	-7	72%	38
Total Taxes	976,596	50	1,321,368	50	0	35%	41
Total Revenue	2,500,028	40	2,910,381	50	-10	16%	48

¹ Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

² General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

³ Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

Comparison to Baseline Growth

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and South Dakota’s population increased by 6%. This yields a “baseline” growth of 26% for the period. The figure below compares the difference in South Dakota’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

