

**South Dakota Chamber of Commerce  
And Industry**

**White Paper: Economic Development**

***There is no such thing as an economy that remains unchanged.***

**Introduction:**

The ever-changing nature of human needs and desires is most evident in the dynamic variety of the marketplace. Innovation has proven to be the driving force pushing enormous changes throughout entire economic systems and catalyzing countless additional new ideas. These new ideas spawn new jobs, while the forces classically known as “creative destruction” simultaneously bring to an end previous ideas and jobs.

Economic transformations can be painful but are often the most efficient way to make capital, resources and human ingenuity available for new ideas. It is this process that creates wealth and makes possible human advancement. Without this process we would still dwell in small villages doing manual labor and experiencing lives famously described as “dangerous, brutish, and short.”

Economic development is not a choice but rather a necessity. Economies that are advancing create jobs with higher pay, offer people amenities and necessities, and provide the tax base for schools, infrastructure, and law enforcement plus many of the intangibles known as “quality of life.” Declining economies provide no future at all. Instead, they suffer the stagnation of jobs with limited security and shrinking tax bases that require higher tax rates to provide fewer services until schools must close, roads fall to ruins, and there is no need for police because there is no one left to protect.

The question driving this paper is whether economic growth can be intentionally directed or whether the forces of the marketplace are inexorable. The South Dakota Chamber of Commerce and Industry believes in the marketplace and knows the forces of that marketplace will drive the vast majority of jobs and wealth created in South Dakota.

The Chamber asserts that conscious exertion and diligent efforts can have a dramatic affect on which direction the marketplace will move and whether future opportunities for South Dakota citizens will be nurtured at home or sought elsewhere.

Faced with the inevitability of economic transitions, the Chamber finds it is unacceptable to passively await the future or to let fate determine South Dakota’s role in that future. The Chamber is hereby dedicated to make every effort to ascertain prospective trends and opportunities and to make changes today that enable the state to enjoy the strongest possible economic future, one that dictates the course of the future rather than mimics it.

To that end, the South Dakota Chamber of Commerce and Industry offers the following thoughts about economic development from a statewide, private sector perspective and a unique understanding of public policy.

### **Section One. Understanding South Dakota's Current Economy.**

South Dakota's current economy is much more diversified than at any time in its history. It is incumbent on business and political leaders to embrace public policies that reflect this diversified economy, rather than ones more fitting to the past.

**Looking at Our State's Gross State Product.** The measure of goods and services produced in the state. *(See Appendix, Chart 1)*

In the year 2000 South Dakota's Gross State Product (GSP) was \$23,192,000,000 (\$23.2 billion). The largest industry sectors within GSP are:

*(See Appendix, Chart 2 and Table 1)*

Finance, Insurance and Real Estate (F.I.R.E) (20%)

Services (17.6%)

Manufacturing (12.6%)

Government (12.6%)

Retail (10%)

Rounding out the top ten are:

Transportation/Utilities (7.6%)

Agriculture (7.5%)

Wholesale Trade (6.5%)

Construction (4.2%)

*Travel & Healthcare (3%)\**

Mining at (.5%)

\* Note on Travel. These statistics were taken from the Standard Industrial Code (SIC) system that has recently been replaced. Under this system it is more difficult to determine the portion of GSP that should be attributable to the travel industry. Calculations about where visitors spend their money suggest they spend 25% of it in Retail stores. Combining SIC codes for Hotels/Lodging with Motion Pictures, Amusements would result in a total of just over \$414 million (1.8% or #9 above). To be comprehensive we would need to look at restaurant and the retail sales. The annual "Tourism Economic Impact Report" suggests total impact is closer to \$700 million, which would put it at 3% and again place it #9 on the list.

Note on Health Services. With all the current talk about health services, it should be noted they are \$700 million of the \$4 billion reported in Services. Taken alone, Health Services would be 3% of GSP and fit the # 9 rank.

**Looking at Personal Income.** The money received by individuals in the state includes wages, dividends, rent, interest and transfer payments (most of which are federal programs like Social Security, Medicare/Medicaid and other poverty relief). *(See Appendix, Table 2 and Chart 3)*

In 2001 (one year more recent than the date above on GSP), South Dakota has total personal income of \$20,173,940,000 (\$20.2 billion). To break this into categories:

Dividends, Interest and Rent total \$4.1 billion

Transfer Payments total \$2.8 billion

Wages and Salaries total \$10 billion

The largest segments of Personal Income are:

Government (12.9%)

Health Care (8.4%)

Manufacturing (7.2%)

Retail Trade (5.4%)

Finance, Insurance and Real Estate (4.9%)

Followed by:

Construction (4.3%)

Farms (4.2%)

Wholesale Trade (3.7%)

Accommodations and Food Service (2.6%)

Professional/Technical (2.5%)

Note on Tourism. The numbers for personal incomes are based on the new North American Industry Classification System (NAICS), which replaced the SIC system. This makes it easier to determine tourism in some respects. Combining Arts, Entertainment and Recreation with Accommodation and Foods produces a total percentage of personal income of 3.3%. This combined with the proper percentage of retail sales would place tourism close to the top five on this list.

### **Looking at Jobs. Where do people work.**

Using 2001 NAICS data, the employment picture in South Dakota shows total employment of 523,566, with 401,093 working for wages and 122,473 working as proprietors. Of the 122,473 proprietors, 33,103 were farm proprietors and 89,370 were non-farm. Looking at total employment (523,566), farm employment was 37,927 people (including the 33,103 proprietors) and non-farm employment was 485,639 (including 89,370 proprietors).

The following is a ranking of employers (those providing jobs) by industry groups, which does not include the proprietors. The ranking of non-farm proprietors and farm employment including proprietors is in *italics* and is noted below. Percentages listed are of total employment including proprietors.

The top five largest employers in the state (by industry group) are:

*(See Appendix, Chart 4)*

*Proprietors (17% in all industry groups)\*\**

Government (15.1%)

Retail (12.3%)

Health Care Services (10.8%)

Manufacturing (8.2%)

*Agriculture (7.2% including proprietors)\*\*\**

Accommodations and Food Service (7.1%)

The next five are:

Financial and Insurance (6.2%)

Construction (5.7%)

Services/non-public (5.2%)

Administrators and Waste services (3.4%)

Professional/Technical (3%)

\*\*Note on Proprietors. None of the other private sector numbers include proprietors, as they do business in virtually every one of the industry groups, but are listed in the data as a single group regardless of the type of business they conduct. If the 89,307 non-farm proprietors were placed on this list as a group, they would rank #1 with 17% of workers. It is also important to note that many of these proprietors are also working for wages in one of the categories listed above.

\*\*\*Note on Agriculture. Looking at wages and salary employment, farms employ 4,824 people, which would be .9%. The total number of people receiving compensation from working on farms would reasonably include the 33,103 farm proprietors. Including proprietors would place farm employment at 37,927 and would place it at 7.2% or about the number five position.

### **Looking at Wage Levels. How much do people make in various industries?**

Using information in the Annual Report on Workers and Pay Covered by Unemployment Insurance for 2000, the following categories have the highest wage levels. The average wage information is followed by the number of workers in each category.

Note - This information is for the year 2000 and does not include proprietors, making it different than employment levels above:

*(See Appendix, Charts 5 & 6)*

Mining - \$41,939 (1,178 jobs)

Manufacturing \$31,939 (50,199 jobs)

Transportation, Communications and Utilities \$31,890 (16,307 jobs)

Wholesale Trade \$31,113 (20,150 jobs)

Finance Insurance and Real Estate \$30,248 (26,027 jobs)

The next five are:

Construction \$28,016 (18,014 jobs)

Government \$27,459 (58,681 jobs)

Services \$22,805 (97,521 jobs)

Agriculture, Forestry and Fishing \$18,953 (4,008 jobs)

Retail \$14,271 (71,947 jobs)

Notes on Health Care and Government. Within services, the Health Services average pay is \$29,833 (36,504 jobs). Within the Government category, the Federal Government average pay is \$38,677 (11,341 jobs).

Note on Manufacturing. Average pay in manufacturing includes both production wages and white collar jobs. The Department of Labor keeps track of production wages and reports in September of 2002 (the most current information including effects of recession) that total manufacturing employment had fallen to 43,300, with 32,700 of those jobs being production jobs. The average hourly wage for production jobs was reported to be \$11.85 an hour. The average workweek was reported to be 42.5 hours. This would place average production salaries at \$26,781 (assuming 40 hours for 52 weeks, including paid vacation and 48 weeks of 2.5 hours overtime at time and ½). This places production workers at the #7 slot on the top 10 above.

### **How Does South Dakota Compare? Examining data and growth in surrounding states.**

A Continued Look at Wage Levels Factored for Cost of Living. Much is made of the low level of wages paid to South Dakota's workers as compared to other states. In straight dollar terms these comparisons are a bit misleading.

South Dakota has a higher than average percentage of citizens working as proprietors with 25%, which compares to a national average of 16.6%. This information is taken from the Governor's Wage Study Task Force Report, 1999, page 19. South Dakota's proprietor's income in 1997 was ranked 18<sup>th</sup> for all proprietors. For farm proprietors the ranking was 10<sup>th</sup>.

After making adjustments for taxes and cost of living, Dr. Ralph Brown demonstrated to the Governor's Wage Study Task Force in late 1999 that South Dakota was 28<sup>th</sup> in per capita personal income, rather than 37<sup>th</sup> when looking only at the listing. In average wage per worker, South Dakota ranked last at 50<sup>th</sup>, but was 46<sup>th</sup> after factoring for cost of living and taxes.

Looking at Gross State Product. Since 1996 South Dakota has experienced slower growth in GSP than most of the surrounding states and the nation as a whole. This trend has slowed over the past two years. In 1997 South Dakota had a mere 2% growth in GSP. This was well behind the average of surrounding states which was 3.5% and even further behind the growth of National Gross Domestic Product (GDP), which was 6.6%. Among surrounding states the only one to have less growth was North Dakota.

The picture improves significantly at the end of 2000. South Dakota GSP grew 6.8%, only slightly behind the average of surrounding states, which was 7.1%. National GDP growth was identical to the average of surrounding states at 7.1%. Nebraska (4.3%) and Iowa (5.2%) had less growth than South Dakota. Minnesota (7.5%), North Dakota (7.6%) and Wyoming (10.5%) grew more than South Dakota.

Looking at Personal Income – Wages and Salary Disbursements. South Dakota's growth in the portion of personal income that measures wages and salaries has been stronger than surrounding states over the past four years; however, these states have lagged behind national growth as a whole. South Dakota's strongest growth in wages and salaries was in 1999 when the state experienced 7.3% growth, leading surrounding states and growing nearly a half percent more than the national growth of 6.7%.

In 2000, South Dakota wages and salary disbursements grew 6.6%, slightly ahead of the average of surrounding states (6.1%) but well behind the national growth of 8.2%. Among surrounding states, Minnesota had the strongest gain at 8.0% and Iowa the slowest with 4.4%.

Looking at Per Capita Income. South Dakota continues to rank among the lower third of states in per capita personal income (and 35<sup>th</sup> in the nation). At \$26,664, South Dakota is the second from the bottom of surrounding states with only North Dakota ranked lower at \$25,902. Montana is the lowest in the nation at \$23,963. Minnesota is the leader among surrounding states with per capita personal income of \$33,101, Wyoming is next (\$29,416), followed by Nebraska (\$28,886) and Iowa (\$27,331).

## **Overview**

Combining the above economic measures shows the South Dakota economy is led by the industry groups of (in no specific order) Services, Manufacturing, Finance Insurance (and Real Estate) and Government Services.

These rankings reflect a combination of having numbers of employees, wage levels, and being a leading factor in Gross State Product and Personal Income. This combination does not truly show the value and importance of more than 100,000 proprietors, which would be the largest single employment category. Which of these industry groups offers the best chances for economic growth in the future is the subject of the next section.

It should be noted that dissecting the economy along industrial groups using statewide numbers ignores the interaction between various groups and does not allow for varying importance of specific industries in particular locations.

## **Notes on Agriculture**

The Role of Interaction. For example, while agriculture does not have significant employment or high wages, when it is combined with the manufacturing that is based on agricultural products, it has a larger impact than otherwise appears. Of the 43,300 manufacturing jobs listed today, more than 8,000 of them are involved in food processing.

To complicate this further, not all the animals and crops processed by these manufacturers come from South Dakota and, therefore, while South Dakota can claim all the value of the final products, it cannot credit all the production as South Dakota agriculture when evaluating the impact on the economy. For example, the single largest employer in the food group is Morrell's in Sioux Falls (employment of 3,000) but South Dakota supplies less than 20% of the hogs processed by that plant.

Varying Influence by Location. It would be easy to underestimate the importance of agriculture to many communities throughout South Dakota using statewide numbers because these numbers are so heavily influenced by the economic activities of the urban areas. Economic transformations have been particularly challenging for agriculture practices, as witnessed by the reduced number of farm units during the past several decades. It seems certain that this trend

will continue as agriculture works to become competitive in a global economy. These adjustments may challenge the traditional view of a cherished lifestyle but those leading these changes deserve encouragement if agriculture is to survive and continue as a significant economic force.

Amendment E Confounds the Future. Agriculture's ability to respond to the challenges of globalization and to achieve the highest levels of efficiency will most certainly require capital investments. These investments will be needed to purchase technology and modern methods of production. Amendment E has proven to be a significant impairment to the flow of capital to farms in South Dakota. Investors will never put entire holdings at risk to provide capital to agriculture and there is no other way to invest in agriculture while Amendment E is in effect.

South Dakota must allow family farms the advantages of using common tools of organizing a business such as limited liability partnerships, if there is any hope of attracting investment beyond the resources of willing family members. Using the same methods common to many small businesses will allow investors to risk only the money they put into the farm operation, rather than assume general financial liabilities that could cost them much of the rest of their net worth.

The message is as simple as it is inescapable, Amendment E must be altered or agriculture will continue to decline as an economic force in South Dakota. This will hasten the devastation of many small communities and add a drag on the overall economy of the state.

## **Section Two: Understanding Future Trends and New Paradigms. Are We Ready?**

There has been much talk of a "new economy" and some concern about whether South Dakota's economy will keep pace with new changes or will be a victim of advances elsewhere. With the recent decline in the intensity of those dealing exclusively in new technology it cannot be denied that the digital world of mass customization has brought, and will continue to bring, enormous change to business models.

A perfect example of the kind of damage these new paradigms can bring is the reduced number of farms brought about by the new technology of the last century which made "sod buster" farm units obsolete.

There is reason for alarm when one considers the assessment of South Dakota found in "Technology and New Economy Project – 2002 State New Economy Index," published by the Progressive Policy Institute.

In this report South Dakota ranks 43<sup>rd</sup> overall in the elements thought to be key to thriving in the future. They rank South Dakota dead last in categories such as:

- Export Focused Manufacturing (50<sup>th</sup>)
- Commercial Internet Domain Names (50<sup>th</sup>)
- Number of Patents (50<sup>th</sup>)
- Industry R&D Investment (50<sup>th</sup>)

The state ranks 48<sup>th</sup> in Venture Capital and Managerial/Professional Jobs.

The highest rankings for South Dakota in this report are:

- 2<sup>nd</sup> in technology in Schools
- 13<sup>th</sup> for online population
- 15<sup>th</sup> in “gazelle” jobs *\*See note below*
- 17<sup>th</sup> in digital government
- 19<sup>th</sup> in manufacturing workforce education

*\* Note on Gazelle Jobs.* These are jobs in companies that have experienced 20% growth in sales for each year for past four years.

So What. It is certain that the Progressive Policy Institute’s measures can be wrong, at least in part. However, the Chamber believes it would be a mistake to ignore the information and not have a strategy to address the factors driving the future.

Education. This information brings the Chamber to the conclusion that education will be more important than ever to the economic future of our state. This includes the need to make sure that the concept of an adequate education includes skills relevant to the future. It is obvious that an increased emphasis on math, reasoning and critical thinking skills will be of paramount importance. Education will need to be a lifelong habit for all successful citizens. This will mean changes in how education is delivered so that people can continue to be engaged in the workplace but still have access to training and education.

Business must reach out to education and the Chamber is ready to make sure the best business minds in the state are available to the classroom, especially in higher education where entrepreneurial skills are being honed.

Research. It is evident that areas achieving the strongest success in new economic environment have significant investments in research and development. These investments have been made by the public sector through universities and the investments of private industries.

The Chamber believes South Dakota must increase the amount of research being done in the state. While the universities have done an admirable job of finding grants and bringing resources to South Dakota for research, the future depends on finding more resources within the state to match or lead additional research opportunities.

Looking Across the Border at Minnesota. South Dakota has benefited from its close proximity to Minnesota and has close economic ties to its neighbor to the east. Many of the manufacturing jobs created in South Dakota over the past decade have resulted from expansions of businesses still headquartered in Minnesota.

The report from the Progressive Policy Institute that gives South Dakota low overall ranking for being ready for the future economy is more favorable to Minnesota. Minnesota ranks 13<sup>th</sup> overall and is 8<sup>th</sup> in patents, 14<sup>th</sup> in research and development, and 1<sup>st</sup> in online manufacturers.

South Dakota must continue to follow developments in the surrounding states that are home to the headquarters of facilities located here. The Chamber believes in doing all that is possible to show Minnesota and other states' industry leaders that they can fulfill their future needs by continuing to invest in South Dakota. In the past, this strategy has been focused on being a cost-effective location featuring low taxes. In the future, this will be a force pushing South Dakota to invest in education and research to be the strongest partner possible for implementing the future visions of these businesses.

### **Section Three: Growing South Dakota**

The South Dakota Chamber of Commerce and Industry believes that a conscious effort by business and political leaders can have a significant impact on, although not control of, the state's economic future. Proof is found in the success of local economic development efforts, along with statewide assistance through programs such as the REDI fund.

The traditional approach to economic development has focused on the following three areas:

1. Recruiting existing businesses to locate or expand into South Dakota;
2. Helping local businesses expand and encouraging them to expand in-state; and
3. Encouraging and nurturing new business start-ups in South Dakota.

The successes of the past have been primarily in the area of recruiting and expanding existing businesses. There are a significant number of organizations and efforts at the local level, and the South Dakota Chamber is eager to provide any assistance to these efforts that is deemed appropriate without trying to duplicate or recreate them.

The State Chamber believes it can be a conduit for helping its own members and future entrepreneurs find the assistance these groups deliver with such excellence. To further this goal, the South Dakota Chamber is looking forward to a partnership with the current programs and stands ready to provide its resources of leadership and business skills in a full partnership with the Governor's Office.

As the economy becomes more digital and more customized, the traditional barriers to entry for many enterprises will be reduced and business opportunities in services will continue to grow. The State Chamber suggests this new paradigm should cause future economic development efforts to place significant emphasis on encouraging and nurturing new business start-ups in South Dakota

This will require a review of the incentives, assistance, and other programs offered by the state and private development groups. The tools that have proven to be most successful in the past have been revolving loan funds and other arrangements that represent debt capital. The Chamber understands that efforts designed to encourage start-ups will need to feature public policies that encourage more equity capital.

**As we sow, so shall we reap. Finding Seeds to Plant in South Dakota Soil.**

There are two very high profile examples of the benefits a state can derive from successful ventures being established by hometown folks.

Daktronics began from the skills and vision of Dr. Aelred Kurtenbach, a SDSM&T and SDSU trained engineer. His company builds scoreboards and large video screens that have been used at such worldwide venues as the Olympic Games and nationally in many major league sporting arenas. His company is a world leader in this technology and employs over 1,000 people.

RESPEC was begun by a group of professors from SDSM&T and is now recognized worldwide as experts in geo technical evaluations. They employ over 80 top professionals with some of the highest wages in the state.

Using Daktronics and RESPEC as archetypal examples of the benefits of encouraging local entrepreneurs, the Chamber poses several questions and offers some tentative conclusions for debate and action.

- Is there any way to find the fledgling geniuses so they do not become discouraged or take their ideas elsewhere?
- With one venture capital firm and several “angel groups” either attempted or operating in the state, does South Dakota have a lack of venture capital, or of truly venture capital ready proposals?
- Since everyone that is nurturing an idea strongly believes they have the next “new thing,” how can we discern which ones will grow and find success in the marketplace?
- Is there a role for public funds in finding and helping fledging entrepreneurs, given the reality that these ideas represent significant risk?

To these questions the Chamber offers these suggestions.

***How do we find fledgling geniuses?*** The Chamber urges development of a high-level competition for fledgling entrepreneurs that would offer substantial cash rewards and give people an opportunity to share ideas and receive advice on developing those ideas into proposals ready for investment. Understanding several organizations have worked on similar ideas, the Chamber offers the thought that a high profile, very open process might result in finding more ideas. It might also bring out a number of ideas with very little promise at all. This seems to be a worthy tradeoff. Beyond urging the creation of this competition, the Chamber will work on finding and providing sponsorships for the event and, with appropriate public partnerships, underwriting for prizes.

It seems evident to the leadership of the Chamber that a close working relationship with higher education will be essential for any level of success in finding ideas that are worth review. We need to create a culture in this state that encourages and nurtures the entrepreneurial spirit. To

truly encourage this spirit it is essential that the definition of “success” includes the failed attempts of people brave enough to have tried new ideas only to gain “an enriched experience.” Often these initial stumbles serve as the best groundwork for a truly prosperous attempt.

It would be an ultimate goal to have the culture of valuing the entrepreneurial spirit, and embracing the element of risk so essential to that spirit, reaching down into the high school level.

***How can we discern which ones will grow and find success in the marketplace?*** The Chamber thinks a close tie between successful business leaders, especially ones that have developed successful businesses from scratch, need to be involved in this competition. The Chamber has sponsored the biennial Awards in Business Excellence (ABEX) for 17 years. The winners of several of these awards would make great judges and possible mentors for helping others over hurdles.

***Is there a role for public funds in finding and helping fledging entrepreneurs?*** Perhaps on a limited basis. The Chamber believes the state could use a portion of the Future Fund to award development grants to new ideas found each year through the competition discussed above, or another method to decide on the ones that warrant these awards. These grants should be substantial enough to allow potential new entrepreneurs to continue to develop ideas and prepare them for the tougher scrutiny of the marketplace. By offering these awards as grants with no expectation of return, the state could avoid complications of the “reasonable person” rule regarding the investment of state funds.

***Does South Dakota have a lack of venture capital, or of truly venture capital ready proposals?*** Most likely both. With several new venture funds being established (e.g. Genesis) and several having operated for years (e.g. Bluestem), it seems there is at least some supply of capital. The Chamber believes South Dakota should focus more on helping get the many ideas found in the minds of the citizens ready for the venture capital that is available.

The Chamber would like to develop programs assisting and encouraging those in the earliest development stages and those with the very new ideas to get ready for capital. With a firm belief in the marketplace, the Chamber asserts that with each successful investment, or even an investment-worthy proposal, the supply of capital will respond.

Getting new proposals ready will require offering ongoing help, which might take the form of incubators or accelerators being constructed in several cities. There might also be a call for “virtual incubators” which could take the form of professional talent ready to help. Specific skills such as accounting, legal, production engineering, and marketing could be offered on a delayed fee basis or pro-bono by skilled professionals willing to help.

It should be a goal of South Dakota’s economic development efforts that everyone with a good idea should have an incubator, either a facility or “virtual,” and qualified mentors available.

### **Encouraging the Accomplished Entrepreneurs to Keep Trying.**

Helping the neophyte in their first experience should not be the only way South Dakota spurs economic creativity. There is an unconventional aspect to the idea of an “emerging entrepreneur” that deserves attention. There are successful businesses with new ideas that may be extensions within their current industry or may represent a complete diversification. Traditional expansion incentives can be limited to helping businesses do more of what they do well by helping with building expansions or equipment purchases.

Businesses that see opportunities in new markets and are willing to venture into more diverse products and/or services face unique challenges, especially in slower economic times when debt financing is more difficult to obtain. Ironically, the very economic slowdowns that often make debt financing more difficult are the same conditions that make the need to seek new markets the most urgent. It is certainly arguable that ventures started by those with successful track records will be more likely to prosper than brand new start-ups.

As South Dakota develops tools and methods to encourage the entrepreneurial spirit, the State Chamber believes it is essential that those tools be used, in part, to help people with strong records of accomplishment to seek new markets.

**Note of Hope for Small Towns.** The Entrepreneurial spirit is not exclusive to any geography nor does it require an urban environment to flourish. The purpose of finding viable business start up ideas right here in South Dakota is to place the best hopes and resources in a direction that will bring benefit to the people of South Dakota. This principle is equally applicable to any city, town, or township within South Dakota.

**Emphasizing Research.** It is clear from studying recent growth in other states that often research has been the catalyst for innovative economic transformations and growing economic opportunities. The Chamber will soon initiate a discussion with the Board of Regents to learn what is needed for our universities to prepare for an expanded role in doing research that will be relevant to future economic needs. While a significant amount of the funds for additional research will be found in partnerships with federal programs and with private industry, the Chamber understands there may be a need to increase available resources for providing matching funds or seed money.

South Dakota needs a creative look at current resources and programs. One possibility would take advantage of the interest from unused REDI funds. This would provide a first step to increasing research investment by a modest amount. The Chamber anticipates that economic growth from this increased investment in research will create a demand for a substantial increase in future research. As a responsible advocate for economic advancement, the Chamber will be a full partner in the search for those resources. South Dakota has a proud record of finding resources to make significant investments in economic progress. This should be no less the case for an investment in research.

## **Section Four: Measuring Success**

How does any organization know if an economic development effort is successful?

Using the Number of Jobs. *(See Appendix, Charts 7 through 9 and Tables 3 and 4)*

The standard measure is to focus on the jobs created by the businesses that have been given assistance or are specifically newly created. This traditional approach has several limitations that render it more appropriate for local efforts, but hamper it as a statewide measure.

First, it will tend to ignore job shifts. If the purpose of an economic development program is to advance an entire economy, it cannot ignore the results of creative destruction that may be accelerated by new ventures.

Second is the difficulty of an accurate way to measure net job growth. This was pointed out in Section One in the variance between net job changes within an industry group, as opposed to the summary conclusion for the entire group. The variance will be even larger if job creation and loss numbers can be gathered at the level of each business.

Third is the quality issue. There is a valid argument that creating a large number of part-time jobs is not economic growth that creates more wealth and does not improve the lives of citizens, but rather lets them work longer hours to be less poor.

Fourth is the issue of proprietors. One of the most dramatic changes in the new economic paradigm is the increased opportunity for people to earn a living by doing work rather than working at a job. There are already 89,370 people identified as Non-farm Proprietors in the breakdown of the state's personal income.

However, the ability of people to participate in this economy and society, including providing for their own shelter, food, and other essentials, plus while being a taxpaying citizen, is entirely dependent on being employed or being a proprietor. This means the creation of new jobs, along with the loss of old ones, and the number of proprietorships cannot be ignored in any measure of economic advancement or success.

In summary, the number of jobs must be part of the measure of success for any economic development effort but should not be simply reported as a single statistic. The Chamber should analyze the development of jobs at various wage levels. Any goal using job creation should focus on private sector jobs that offer "above average" wages. Success in the area of job creation should be measured on the quality of jobs rather than simply the quantity.

Using Personal Income.

Another measure of success could be an increase in the state's Personal Income, either as a total or on a per-capita basis. As with job numbers, caution should be used here to avoid a simplistic goal that might be meaningless at best and be misleading at worst.

Transfer payments included in the statistics for Personal Income are predominately government payments made to individuals for programs such as Medicaid, Medicare, and other assistance. These totaled \$2.8 billion, or nearly 14% of the state's \$20.2 billion total. While this is certainly money that is part of the economy and supports many high paying jobs, it is not a result of economic development efforts, and its future is more dependant on public policy than entrepreneurial skills.

Dividends, Interest and Rent. The same criticism can be leveled at the \$4.7 billion (a whopping 23% of the total) of personal income that is in this category. Unearned income is money that is important to South Dakota but may be the result of economic success elsewhere and is not a good measure of the local economy.

South Dakota is a beneficiary and not a measure of the state's economy, much less the results of efforts to expand that economy.

Farm Incomes. About \$840,788,000 of South Dakota's personal income is derived from farms. This is also important to the economy but beyond the reach of economic development efforts, other than work that might be done to increase value-added agriculture processing. These advances would appear under Private Earnings in future personal income reports.

There are, however, measures with Personal Income that are important and could be valid measures of economic development efforts.

Wages and Salary Disbursements are about half the total personal income (\$10 billion) and only slightly less than the total of Non-farm earnings (\$12.9 billion) or simply private earnings (\$10.3 billion).

Summary. The Chamber should use a component of Personal Income as part of its measure for economic success. The component used should not include transfer payments, interest and rent, or farm income. The goal should be a significant increase in wages and proprietors income. Wages and salaries have grown by an average of \$532,736,000 over the past four years. (Last year's increase was lower at \$364,842,000. *(See Appendix, Chart 10)*). Total private income increased an average of \$502,201,000 over the past four years. (Last year it was \$178,556,000, which includes an actual decline in proprietor's income of \$165,939,000.)

A proposed goal of having wages and salaries increase by more than \$750 million a year would be an aggressive goal.

#### Using Gross State Product.

Gross State Product is a measure of the "value added" production in each state. It measures payments to workers using "compensation" rather than wages. This is more reflective of payments made by business to the workforce as it includes payroll taxes for social security payments and other public programs. These are not included in personal income measures until they are paid as benefits and are included in transfers (see above).

Gross State Product also measures value of property income, which includes proprietors' income, certain rents, inventory valuation adjustment, and non-corporate capital consumption allowance. GSP also calculates the value of taxes including non-personal property taxes, licenses, non-tax liabilities, and sales and gross-receipts taxes.

It is the broadest economic measure, which may mean that it includes many aspects of the economy well beyond the reach of deliberate development programs. There is an approximate \$3 billion difference in the measures of South Dakota's GSP and Personal Income. The value of rents and taxes on property (or the contributions of property and capital investment) cause most of this difference, along with corporate profits. Its value is predominately measuring the value-added activity of an economy rather than focusing on the gain to people. The final detriment of using GSP as the measure of success is the difficulty in communicating what it measures. Most people can relate to personal income, even though they most likely do not truly understand what it really measures.

Summary. The Chamber should track the growth in GSP as part of the measurement of success, especially in the employee compensation aspect. This should not, however, be used as part of the public reporting on the results of the efforts to grow the economy.

#### Using Average Wages – Rankings and Reports.

Much is made of the low level of wages paid to South Dakota's workers. In straight dollar terms these comparisons are a bit misleading.

First, they do not measure the income of significant earnings of the farm and non-farm proprietors of the state. Rural states have a significant number of citizens "self employed" in a manner not reportable as wages. South Dakota has a higher than average percentage of citizens working as proprietors, 25% compared to national average of 16.6% (Governor's Wage Study Task Force Report, 1999, page 19). South Dakota's proprietor's income in 1997 was ranked 18<sup>th</sup> for all proprietors. For farm proprietors the ranking was 10<sup>th</sup>.

Second, they do not take into account tax levels or other costs of living and, thereby, do not reflect the standard of living made possible to people earning the reported wages. It is possible to compensate for this by using some adjustments.

Dr. Ralph Brown did this for the Governor's Wage Study Task Force in late 1999. *Table 4 in the Appendix shows the result of a more comprehensive look at average salaries.* This review shows South Dakota ranked 37<sup>th</sup> in per capita Personal Income but when adjusted for cost of living and taxes placed 28<sup>th</sup>. In average wage per worker, South Dakota ranked last at 50<sup>th</sup>, but was 46<sup>th</sup> after factoring for cost of living and taxes.

The Chamber has studied this measure of the economy and is striving to complete its understanding of the interplay of various components. It is simply too early in this evaluation to be exact or to recommend a specific goal at this time.

Summary. If a measure of averages is to be used to evaluate the results of an economic development effort, it must use more than the ranking of wages compared to other states. There is value in these comparisons but they need to be in context. The Chamber should always be mindful of South Dakota's ranking in average wages after factoring for cost of living and taxes. Because this measure is part of the national dynamic and South Dakota cannot control the actions of other states, there should not be a stated goal regarding the ranking (e.g., to move from 46<sup>th</sup> to 40<sup>th</sup>). Rather, the goal should strive for an increase in wages that exceeds the rate of increase in taxes and is stronger than the growth of the overall economy.

The Chamber would also put forward another less technical way of expressing this element for economic progress. South Dakota has consistently been criticized for having wages that are below national averages in nearly every industry. While there are valid factors (tax levels and cost of living) that mitigate the impact of these comparatively lower wages, it remains a worthy goal to grow this economy so that it can afford to pay higher levels wages. The Chamber would choose to hold out the goal that "every child with a high quality, relevant education should expect to receive wages in South Dakota that are the same as the national average for that job."

### **Conclusion: Attaining and Continuing Synergy**

#### What, Where, When, and Why.

Economic analysis can tell leaders what needs to be done and where they find the starting point. Striving to understand economic transitions reveals when efforts need to be redefined or initiated. The Chamber salutes those involved in economic development and believes past efforts have been timely, and that enhanced efforts are now needed. But all of this does not reveal why the effort is so urgent.

Success in the pursuit of economic development, both the continuation of strong traditions and the work needed to survive the transitions ahead, is most urgently motivated by the pain of watching the youth of South Dakota seeking opportunities elsewhere. The efforts to retain young people who view South Dakota as home, and who strive to fortify the values of this culture because they are a product of those values, cannot succeed if it is based on limiting their options or clenching onto them as if they were in a trap. The best hope to keep the lifeblood of the future is to grow so many vibrant economic opportunities in state as to render the search elsewhere utterly unnecessary.

South Dakota has a remarkably diverse economy. Economic transitions of the past have proven to be both a hindrance to the state's future and a boon to its growth. Modern agricultural practices and technology have reduced the number of farms and, thereby, the number of families dependent on them for a livelihood. Conversely, national economic prosperity that allowed workers time off for vacations, combined with the spread of the automobile, created the travel industry that has produced significant wealth and countless opportunities.

The South Dakota Chamber of Commerce and Industry believes a conscious effort can help assure that future economic transitions do not threaten, but rather enhance the state's destiny.

Key to this result will be the continuation of successful economic development efforts at the community, regional, and statewide levels. The State Chamber is committed to helping its members and other businesses get in touch with the immense resources and talents these efforts have to offer.

Closer relationships between education and business will assure that young people are taught skills and abilities that will be relevant to future success. The Chamber will strive to make more business people available to the classroom, especially in higher education venues.

The delivery of education must be reshaped to facilitate the needs of a society needing life long education, while continuing employment and family obligations.

A broad based, high profile competition that would offer significant cash rewards for emerging entrepreneurs could help them strengthen their best ideas so they are ready to be presented to capital markets. These development incentives should come from a partnership of private sources through an evaluation of current loan programs and public funds, use of the Future Fund, or other similar devices.

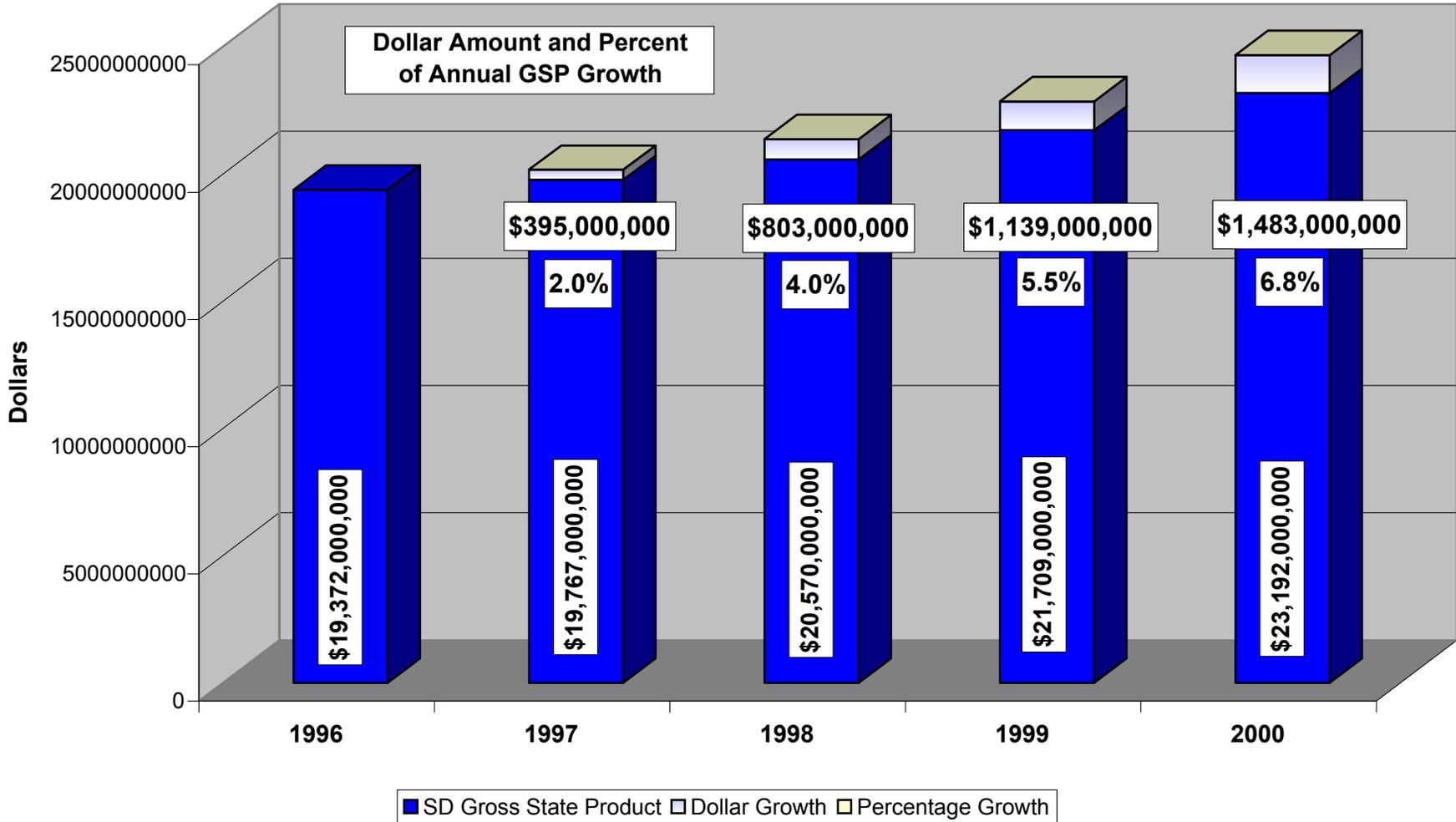
The Chamber encourages the development of incubators and accelerators to help new ideas survive infancy. If these facilities cannot be actual structures, virtual incubators should be formed from the willingness of professionals to help. Early entrepreneurs should also have access to mentors and to the lessons learned by the best of the successful business leaders of today. These doors must be open especially to those that have tasted the bitters of failed attempts and are willing to put those lessons to work.

South Dakota should increase its investment in basic research and development through the university system. Funds should be made available to match federal or corporate dollars. This funding is needed urgently enough that when specifics are fully developed, the Chamber is willing to assist in the effort to look at current programs and find creative answers for this funding.

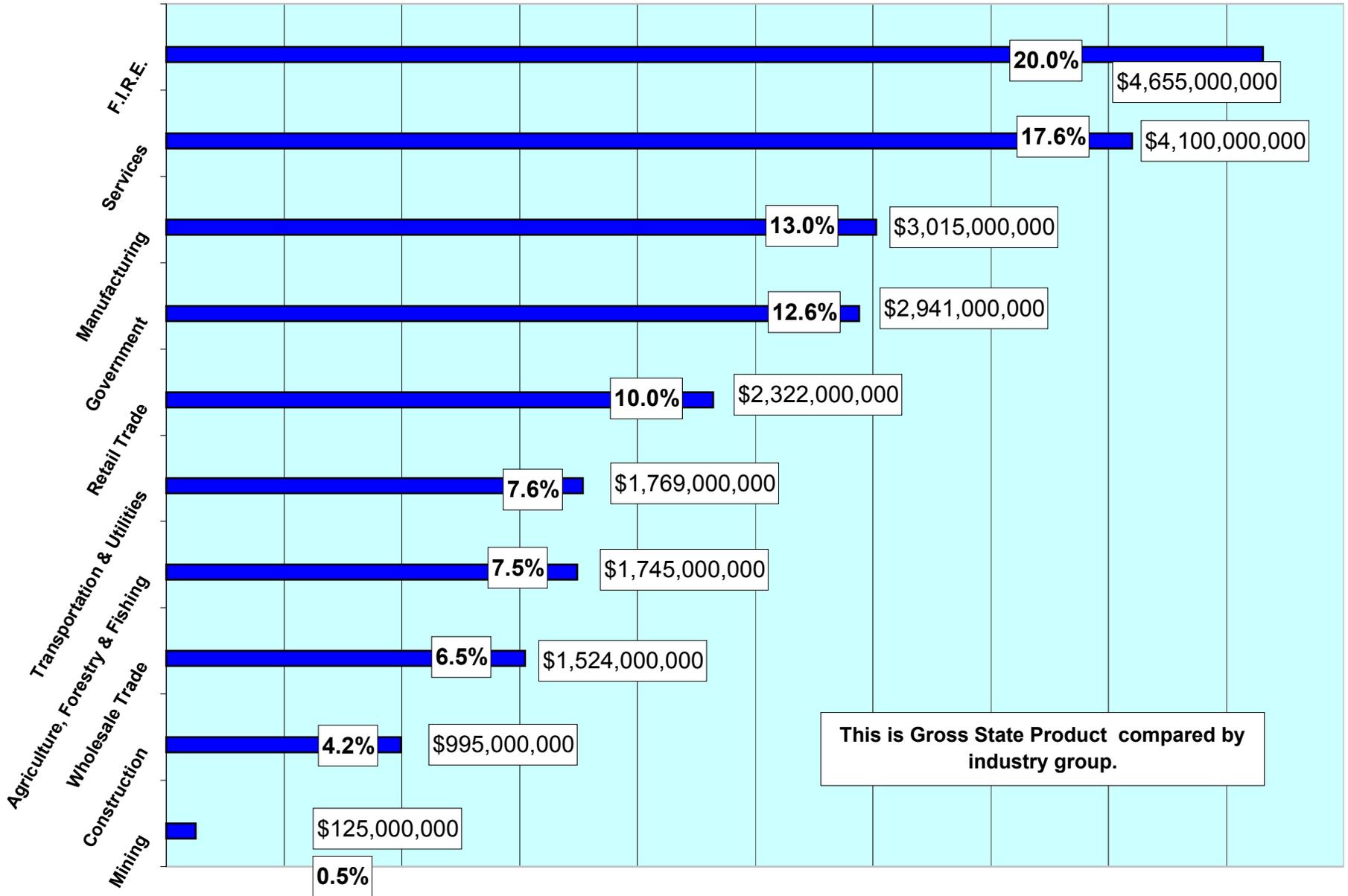
The Chamber is committed to measuring the future course of the economy and the results of economic development efforts by using economic data including reports on Gross State Product, Personal Income and Wages, and job creation/job losses and the level of pay. Specific goals should be articulated and measured based on data and not on conventional wisdom or anecdotal impressions. It must also be measured with a degree of patience. Success in economic development has never been measurable in quarterly reports and this will be even truer as we focus on growing the entrepreneurial spirit.

This vision of the economic future reaches across every industry category and is open to creating opportunities and nurturing the ideas of young and old, male and female, Native American, native born and immigrant, large city and township, farm based and urban bound. It is a vision the Chamber hopes will be greeted with a unifying spirit that will strengthen this remarkable state's long history of being much, much more than the sum of its parts.

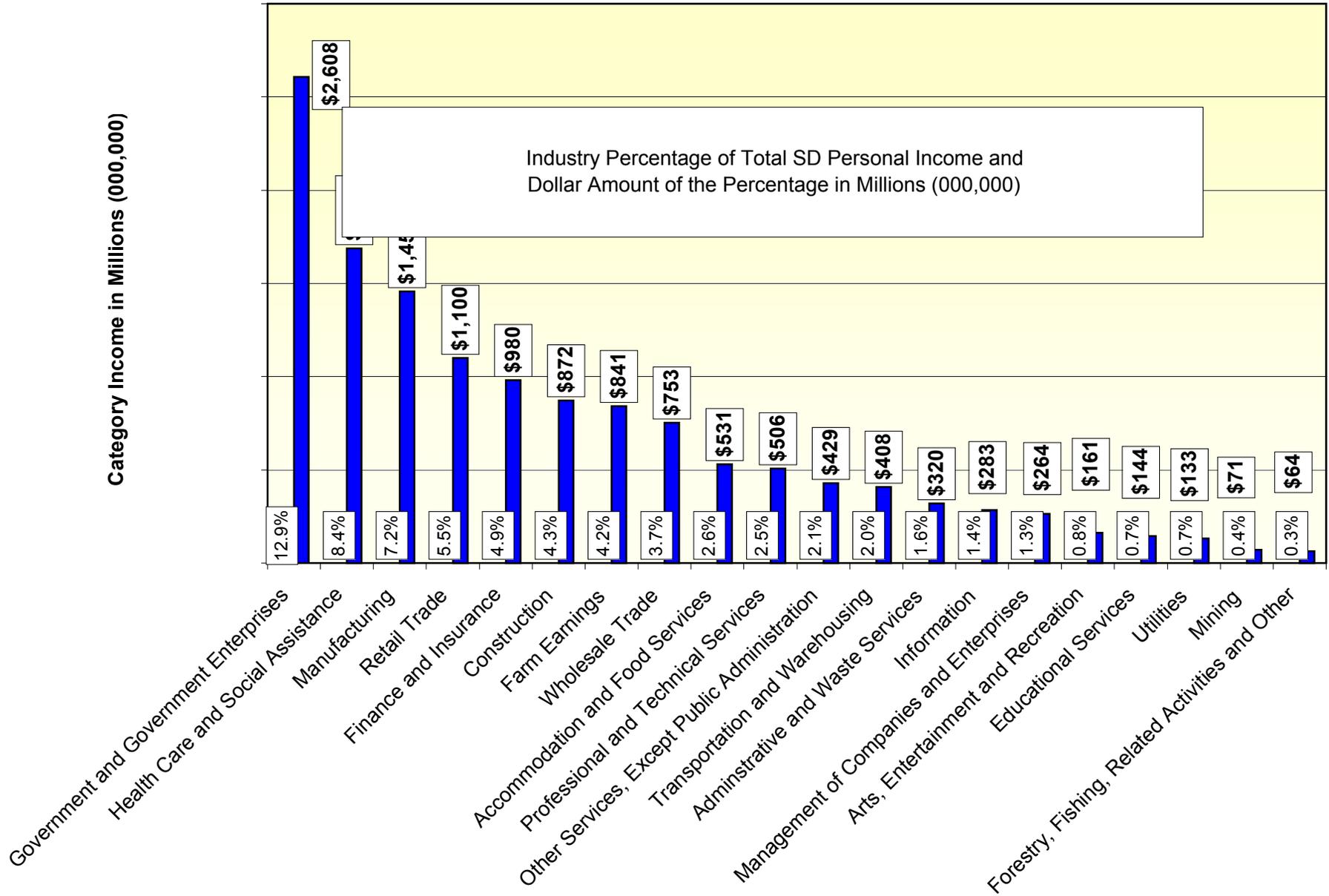
**SOUTH DAKOTA GROSS STATE PRODUCT  
YEAR TO YEAR GROWTH COMPARISONS FOR 1996 TO 2000**  
Source: Bureau of Economic Analysis, U.S. Department of Commerce



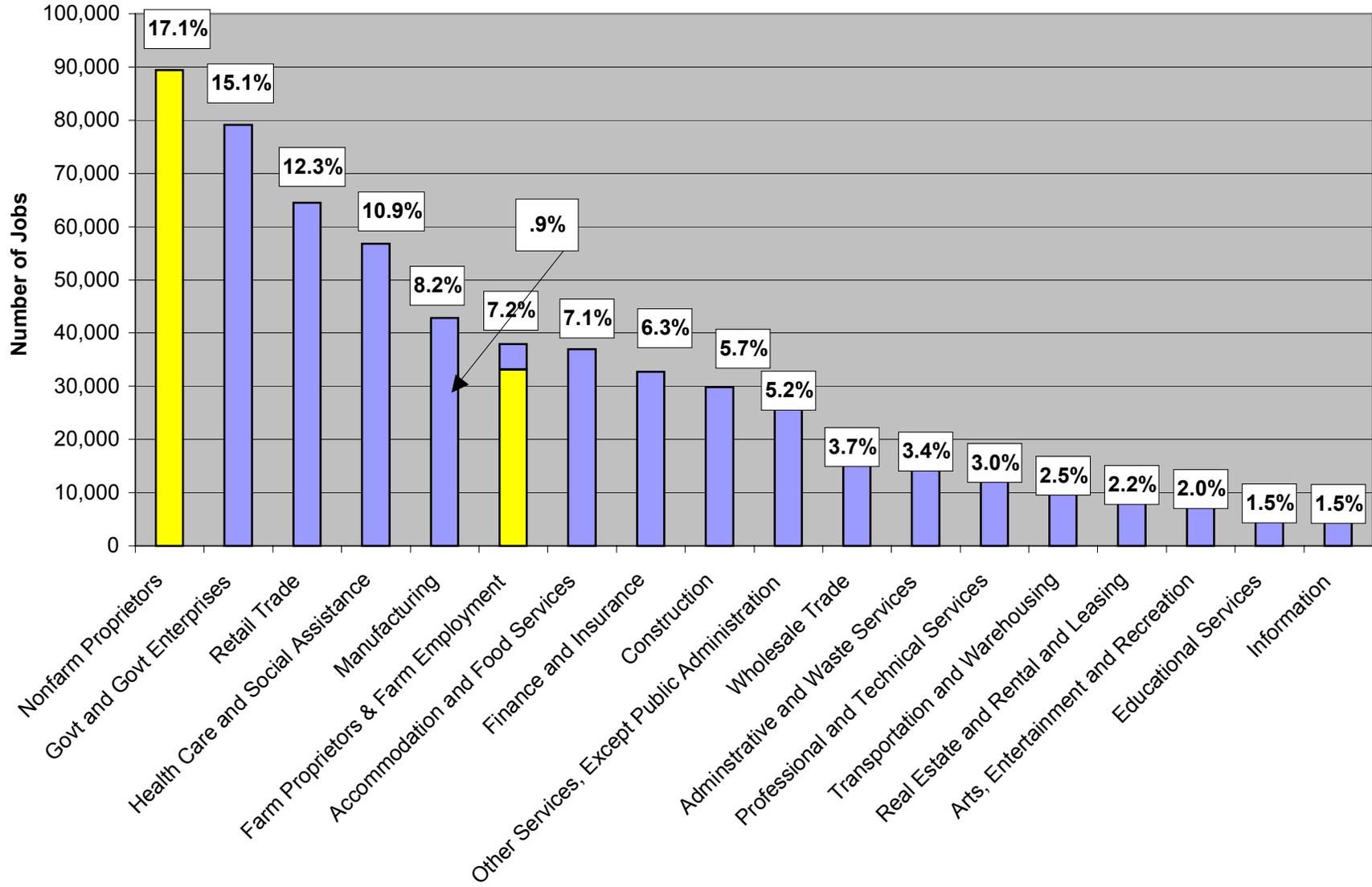
**2000 GROSS STATE PRODUCT INDUSTRY COMPARISONS (\$23,192,000,000)**  
Source: Bureau of Economic Analysis, US Department of Commerce



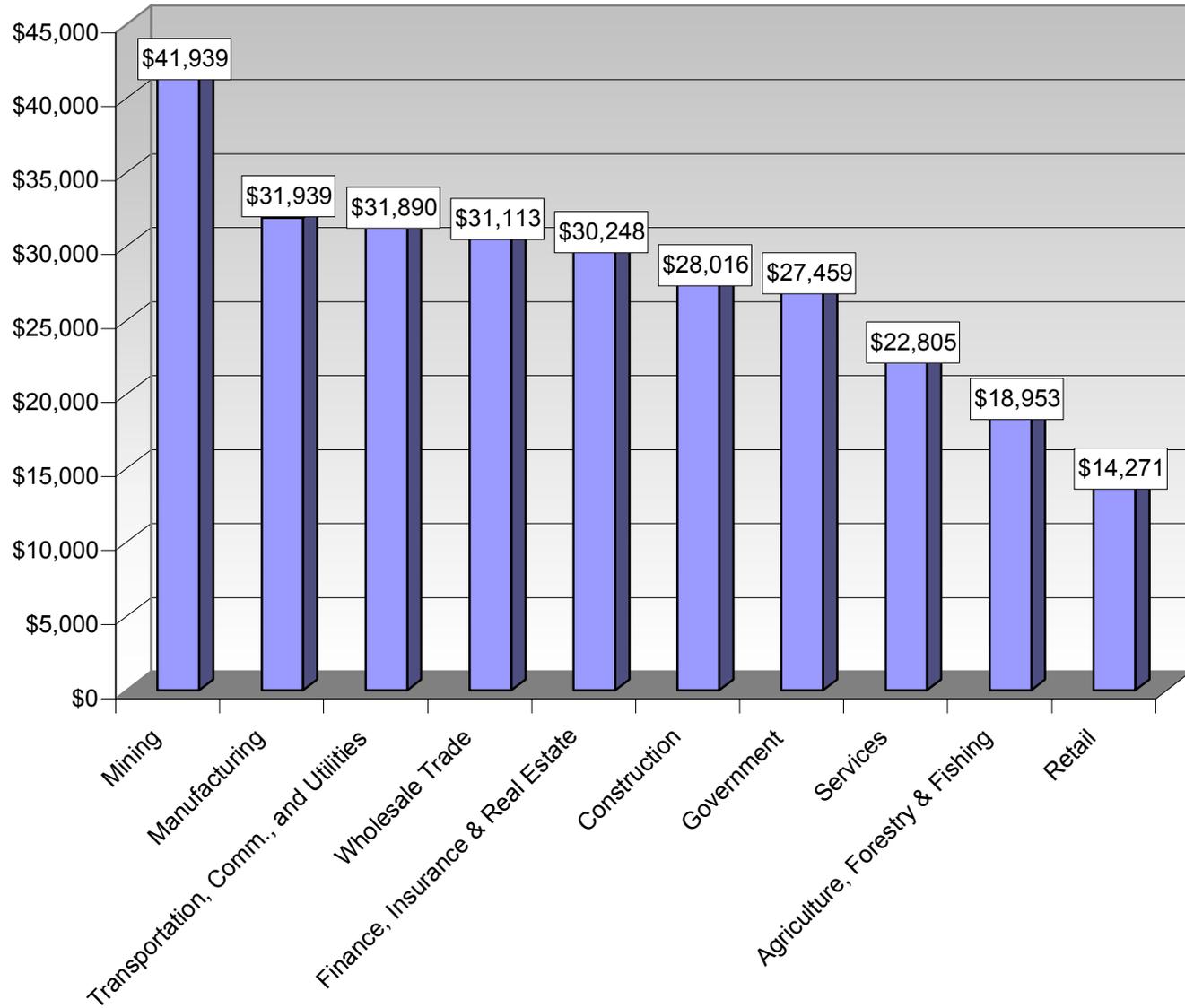
**SOUTH DAKOTA PERSONAL INCOME 2001 COMPARISON BY INDUSTRY GROUP**  
**(TOTAL SD PERSONAL INCOME: \$20,173,940,000)**  
 Source: Bureau of Economic Analysis, U.S. Department of Commerce



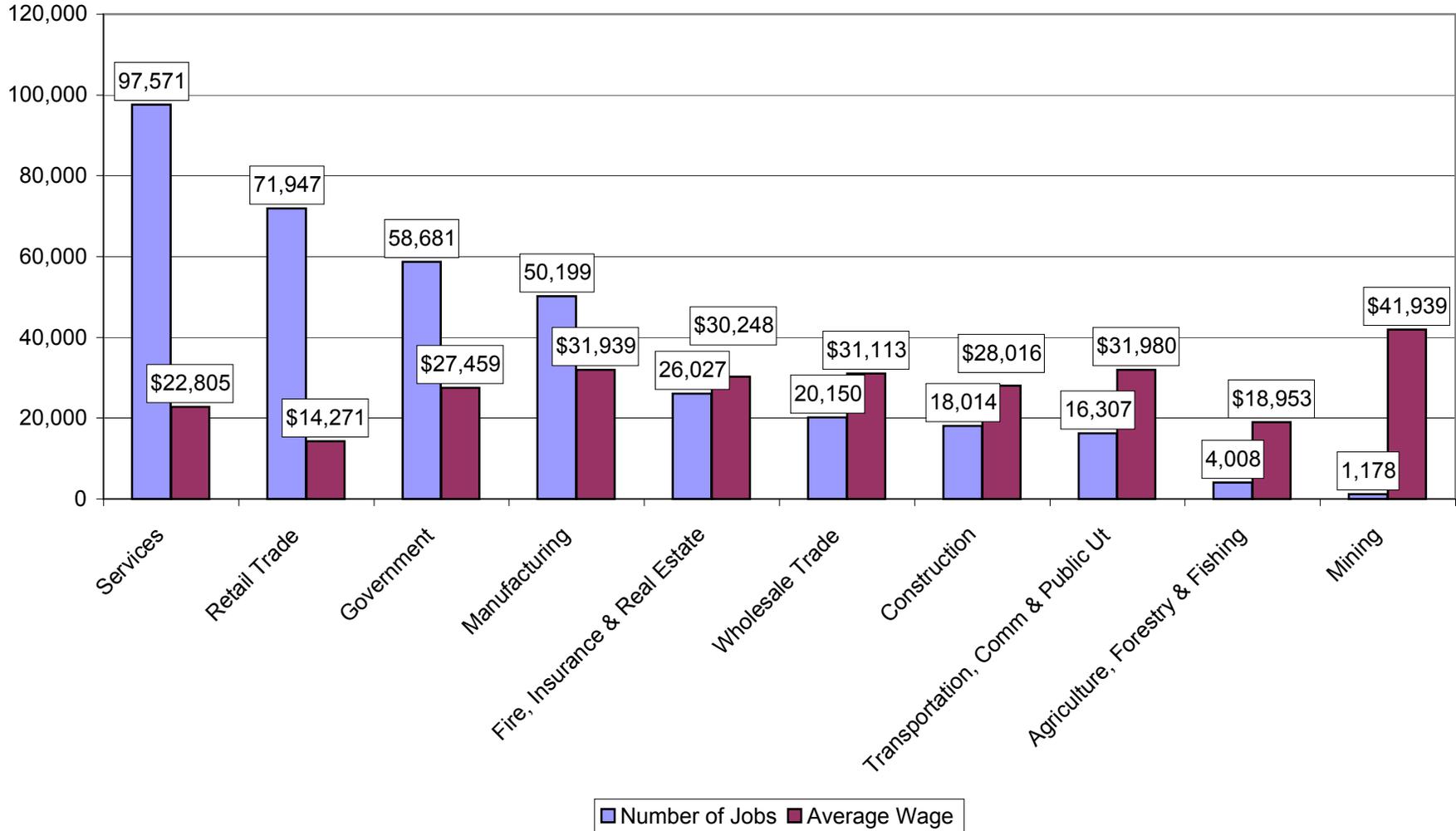
**2001 SOUTH DAKOTA FULL AND PART-TIME EMPLOYMENT  
COMPARISON BY INDUSTRY - TOTAL EMPLOYMENT EQUALS 523,566**  
Source: Bureau of Economic Analysis, U.S. Department of Commerce



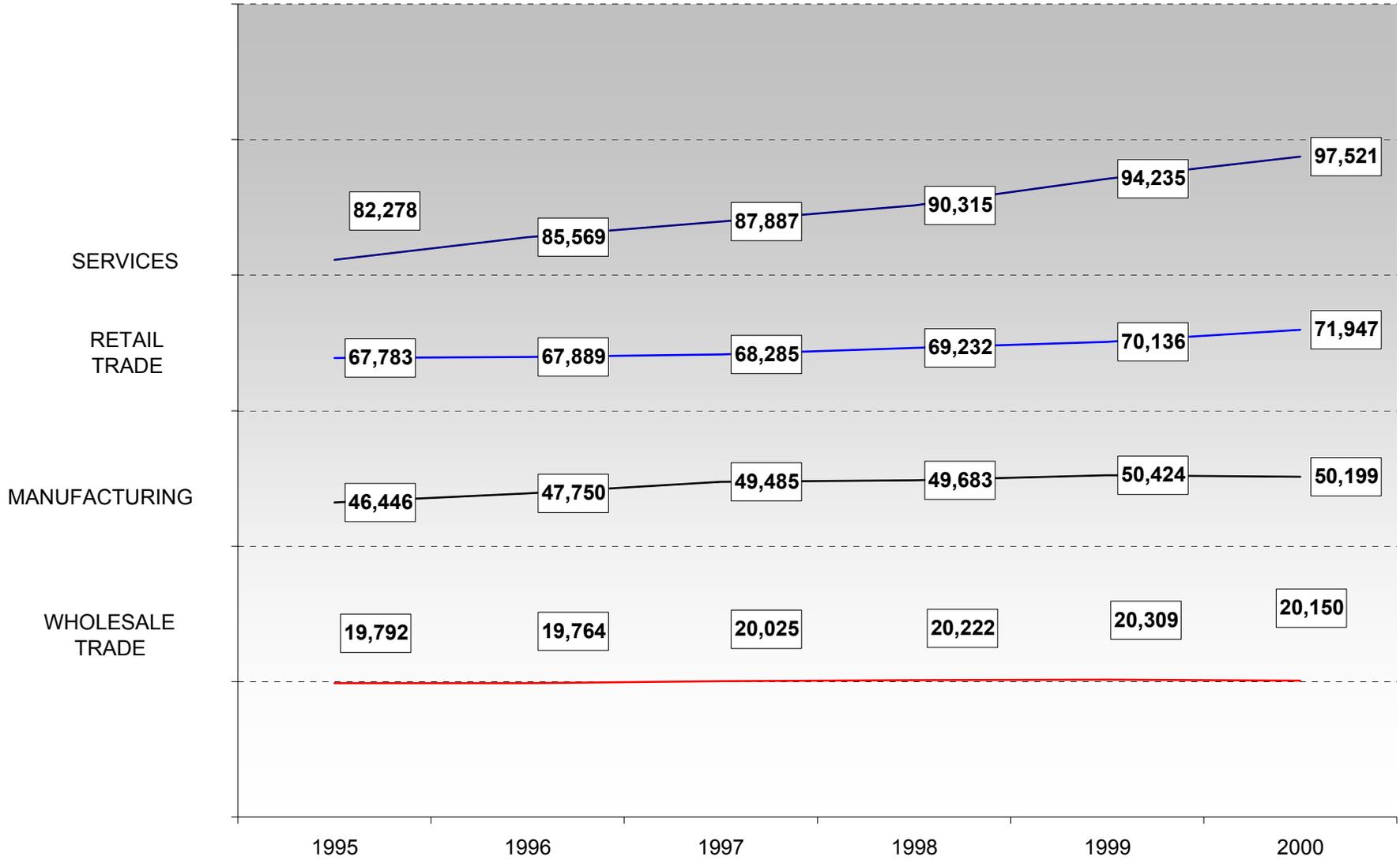
**2000 SOUTH DAKOTA AVERAGE WAGES BY INDUSTRY**  
Source: SD Department of Labor



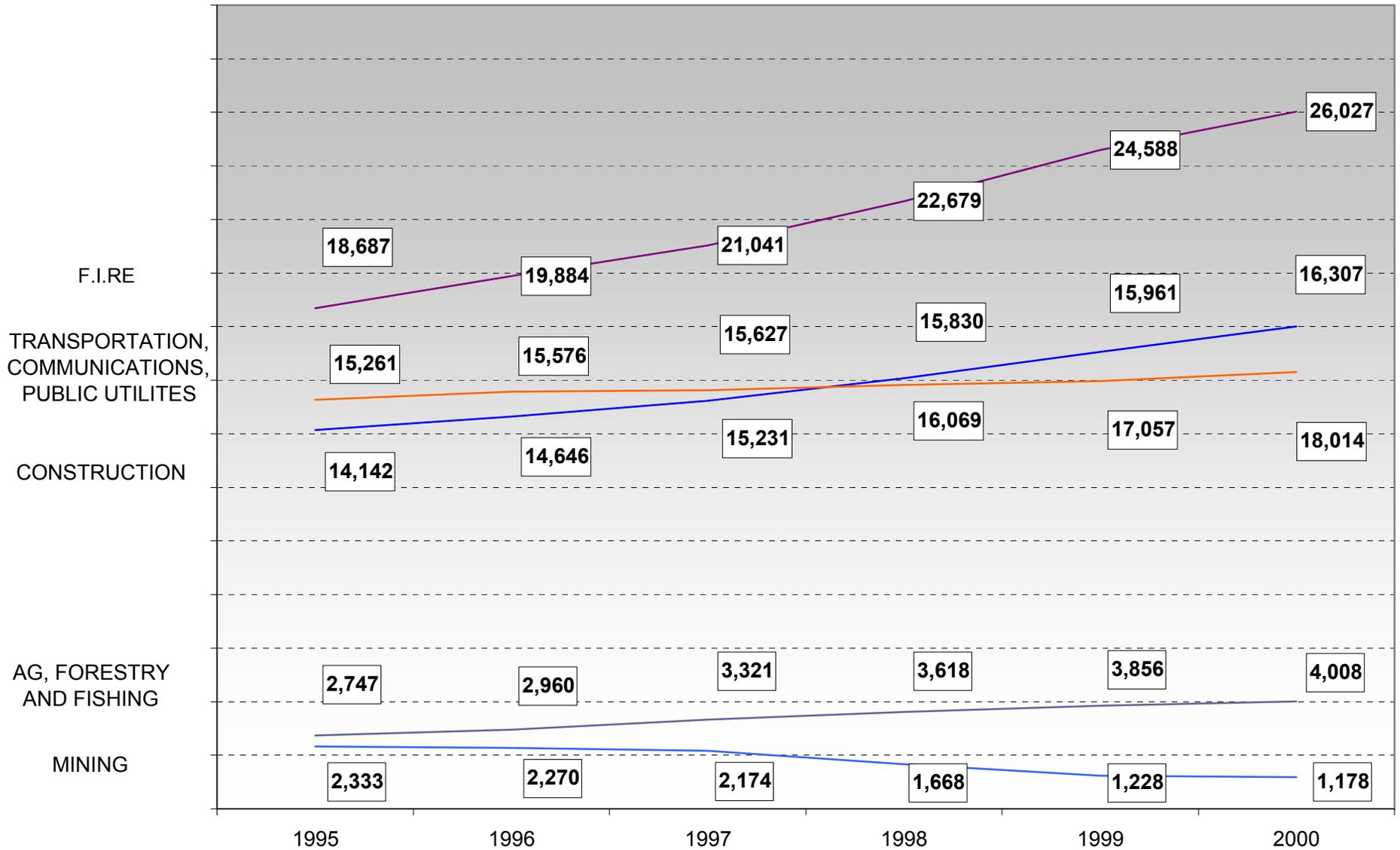
**2000 SOUTH DAKOTA AVERAGE WAGES AND EMPLOYMENT NUMBERS BY INDUSTRY**  
 Source: SD Department of Labor



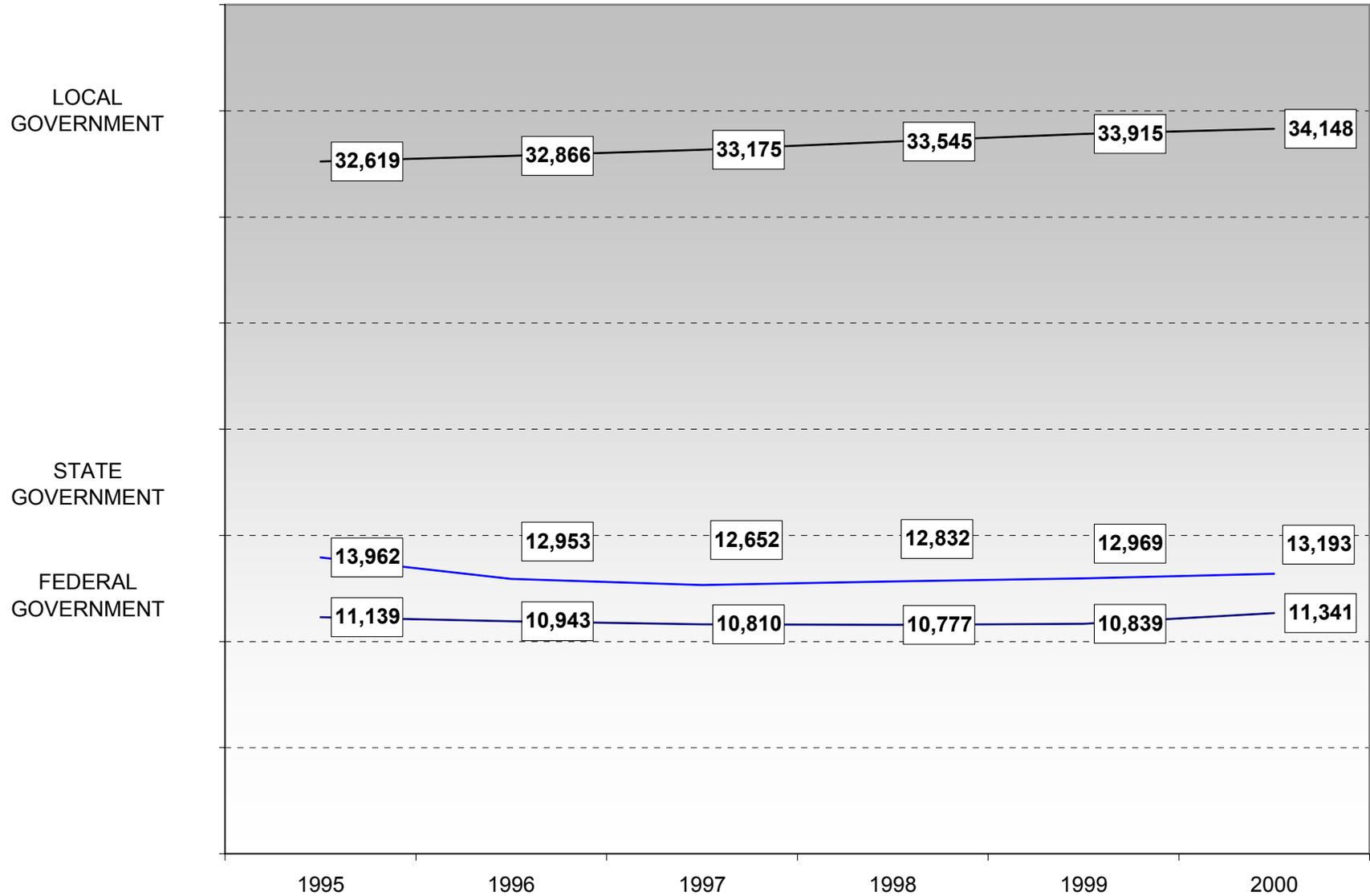
**1995 - 2000 SOUTH DAKOTA GROWTH IN NUMBER OF JOBS FOR TOP FIVE INDUSTRIES**  
Source: SD Department of Labor



**1995 - 2000 SOUTH DAKOTA GROWTH IN NUMBER OF JOBS BY SPECIFIC INDUSTRIES**  
Source: SD Department of Labor



**1995 - 2000 SOUTH DAKOTA GROWTH IN JOB NUMBERS FOR GOVERNMENT SECTOR**  
Source: SD Department of Labor



**1997 - 2001 ANNUAL SD PERSONAL INCOME GROWTH (Wage and Salary Disbursements)**  
 Source: Bureau of Economic Analysis, U.S. Department of Congress

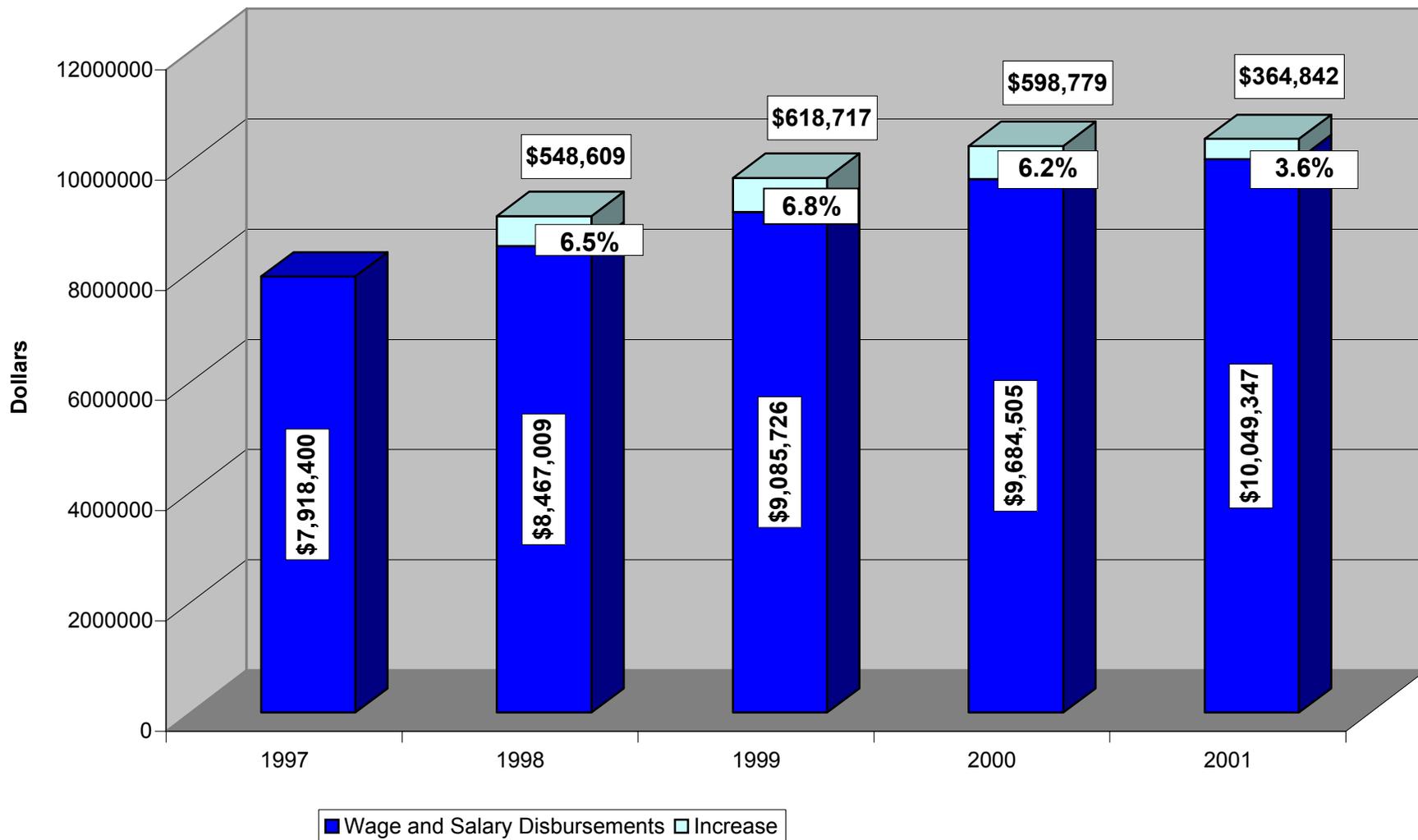


Table 1

<b>GROSS STATE PRODUCT COMPARISONS 1995-2000</b>											
<b>(\$000's - thousands of dollars)</b>											
	<b>1995</b>	<b>1996</b>	<b>1995 - 1996 Change</b>	<b>1997</b>	<b>1996 - 1997 Change</b>	<b>1998</b>	<b>1997 - 1998 Change</b>	<b>1999</b>	<b>1998 - 1999 Change</b>	<b>2000</b>	<b>1999 - 2000 Change</b>
Iowa	71,687	76,976	7.4%	81,695	6.1%	83,069	1.7%	85,158	2.5%	89,600	5.2%
Minnesota	131,841	141,540	7.4%	152,334	7.6%	163,009	7.0%	171,846	5.4%	184,766	7.5%
Montana	17,537	18,074	3.1%	18,907	4.6%	19,971	5.6%	20,564	3.0%	21,777	5.9%
Nebraska	44,084	47,772	8.4%	49,275	3.1%	51,349	4.2%	53,747	4.7%	56,072	4.3%
N. Dakota	14,529	15,855	9.1%	15,910	0.3%	17,053	7.2%	16,988	-0.4%	18,283	7.6%
S. Dakota	18,257	19,372	6.1%	19,767	2.0%	20,570	4.1%	21,709	5.5%	23,192	6.8%
Wyoming	14,920	15,879	6.4%	16,244	2.3%	16,420	1.1%	17,457	6.3%	19,294	10.5%
U.S.	7,309,516	7,715,901	5.6%	8,224,960	6.6%	8,750,174	6.4%	9,279,697	6.1%	9,941,552	7.1%

Table 2

South Dakota Chamber of Commerce & Industry							
<b>2001 Gross State Product &amp; Personal Income</b>							
<b>Surrounding States Comparison of Select Categories</b>							
ITEM	SD	IA	MN	NE	ND	WY	
Personal Income (in 000s)	20,173,940	79,893,017	164,588,791	49,489,022	16,433,657	14,544,084	
Farm Income	840,788 4.2%	1,420,957 1.8%	747,776 4.5%	1,164,616 2.4%	287,859 1.8%	134,186 .7%	
Dividends, Interest, Rent	4,697,903 23.3%	16,614,596 20.8%	33,762,537 20.5%	10,692,188 21.6%	3,489,353 21.2%	3,788,302 21.6%	
Transfer Payments	2,820,039 14.0%	11,229,642 14.0%	18,749,437 11.4%	6,422,927 13.0%	2,653,897 16.1%	1,728,981 9.9%	
Wages & Salary	10,049,347 49.8%	43,266,836 54.2%	99,764,171 60.6%	27,327,852 55.2%	8,856,466 53.9%	7,250,876 41.3%	
Manufacturing	1,457,001 7.2%	10,260,058 12.8%	18,393,417 11.2%	4,225,600 8.8%	957,752 5.8%	470,903 2.7%	
Per Capita Personal Income	\$26,664	\$27,331	\$33,101	\$28,886	\$25,902	\$29,416	

Table 3

<b>SOUTH DAKOTA JOB GAIN AND LOSS COMPARISONS</b>									
Source: SD Department of Labor									
<b>Industry Group</b>	<b>1995 Jobs</b>	<b>1996 Jobs</b>	<b>Gain</b>	<b>Loss</b>	<b>1996 Jobs</b>	<b>1997 Jobs</b>	<b>Gain</b>	<b>Loss</b>	
Agriculture, Forestry & Fishing	2,747	2,960	213		2,960	3,321	361		
Mining	2,333	2,270		-63	2,270	2,174		-96	
Construction	14,142	14,646	504		14,646	15,231	585		
Manufacturing	46,446	47,750	1,304		47,750	49,485	1,735		
Transportation	15,261	15,576	315		15,576	15,627	51		
Wholesale Trade	19,792	19,764		-28	19,764	20,025	261		
Retail Trade	67,783	67,889	106		67,889	68,285	396		
Finance, Insurance & Real Estate	18,687	19,884	1,197		19,884	21,041	1,157		
Services	82,278	85,569	3,291		85,569	87,887	2,318		
Federal Government	11,139	10,943		-196	10,943	10,810		-133	
State Government	13,962	12,953		-1,009	12,953	12,652		-301	
Local Government	32,619	32,866	247		32,866	33,175	309		
<b>Statewide Total</b>	<b>327,189</b>	<b>333,069</b>	<b>7,177</b>	<b>-1,296</b>	<b>333,069</b>	<b>339,713</b>	<b>7,173</b>	<b>-530</b>	
<b>NET</b>		<b>5,881</b>	<b>5,881</b>				<b>6,643</b>		
<b>Industry Group</b>	<b>1997 Jobs</b>	<b>1998 Jobs</b>	<b>Gain</b>	<b>Loss</b>	<b>1998 Jobs</b>	<b>1999 Jobs</b>	<b>Gain</b>	<b>Loss</b>	
Agriculture, Forestry & Fishing	3,332	3,618	286		3,618	3,856	238		
Mining	2,174	1,668		-506	1,668	1,228		-440	
Construction	15,233	16,069	836		16,069	17,057	988		
Manufacturing	47,470	49,683	213		49,683	50,424	741		
Transportation	15,632	15,830	198		15,830	15,961	131		
Wholesale Trade	20,026	20,222	196		20,222	20,309	87		
Retail Trade	68,291	69,232	941		69,232	70,136	904		
Finance, Insurance & Real Estate	21,045	22,679	1,634		22,679	24,588	1,909		
Services	87,779	90,315	2,536		90,315	94,235	3,920		
Federal Government	10,810	10,777		-33	10,777	10,839	62		
State Government	12,652	12,832	180		12,832	12,969	137		
Local Government	33,175	33,545	370		33,545	33,915	370		
<b>Statewide Total</b>	<b>339,618</b>	<b>346,469</b>	<b>7,390</b>	<b>-539</b>	<b>346,469</b>	<b>355,517</b>	<b>9,487</b>	<b>-440</b>	
<b>NET</b>			<b>6,851</b>				<b>9,047</b>		

Continued next page

<b>SOUTH DAKOTA JOB GAIN AND LOSS COMPARISONS</b>							
Source: SD Department of Labor							
<b>Industry Group</b>	<b>1999 Jobs</b>	<b>2000 Jobs</b>	<b>Gain</b>	<b>Loss</b>			
Agriculture, Forestry & Fishing	3,857	4,008	151				
Mining	1,228	1,178		-50			
Construction	17,062	18,014	952				
Manufacturing	50,391	50,199		-192			
Transportation	15,947	16,307	360				
Wholesale Trade	20,307	20,150		-157			
Retail Trade	70,435	71,947	1,512				
Finance, Insurance & Real Estate	24,601	26,027	1,426				
Services	94,356	97,521	3,165				
Federal Government	10,860	11,341	481				
State Government	12,969	13,193	224				
Local Government	33,915	34,148	236				
<b>Statewide Total</b>	<b>355,924</b>	<b>364,032</b>	<b>8,507</b>	<b>-399</b>			
<b>NET</b>			<b>8,108</b>				

Table 4

<b>JOB GAINS AND LOSSES BY INDUSTRY GROUP</b>								
<b>(Source: SD Department of Labor)</b>								
<b>INDUSTRY GROUP</b>	<b>1998</b>	<b>1999</b>	<b>Gain</b>	<b>Loss</b>	<b>1999</b>	<b>2000</b>	<b>Gain</b>	<b>Loss</b>
<b>AGRICULTURE, FORESTRY &amp; FISHING</b>	<b>3,618</b>	<b>3,856</b>	<b>242</b>	<b>-7</b>	<b>3,856</b>	<b>4,008</b>	<b>181</b>	<b>-28</b>
Crop Production	459	452		-7	452	472	20	
Livestock Production	1,347	1,461	114		1,461	1,616	155	
Agri Services	1,730	1,856	126		1,856	1,862	6	
Forestry, Fishing, Hunting & Trapping	84	86	2		86	58		-28
<b>MINING</b>	<b>1,668</b>	<b>1,228</b>	<b>0</b>	<b>-441</b>	<b>1,228</b>	<b>1,178</b>	<b>3</b>	<b>-53</b>
Metal Mining	839	580		-259	580	536		-44
Coal, Oil and Gas	75	64		-11	64	55		-9
Nonmetallic Mineral	755	584		-171	584	587	3	
<b>CONSTRUCTION</b>	<b>16,069</b>	<b>17,057</b>	<b>988</b>	<b>0</b>	<b>17,057</b>	<b>18,014</b>	<b>957</b>	<b>0</b>
Building	4,805	4,962	157		4,962	5,087	125	
Heavy Construction Other Than Building	2,886	3,354	468		3,354	3,688	334	
Special Trade Contractors	8,378	8,741	363		8,741	9,239	498	
<b>MANUFACTURING</b>	<b>49,683</b>	<b>50,424</b>	<b>1,467</b>	<b>-728</b>	<b>50,424</b>	<b>50,199</b>	<b>1,437</b>	<b>-1,659</b>
Food & Kindred Prod.	7,800	8,419	619		8,419	8,841	422	
Textile Mill Prod.	14	14			14	13		-1
Apparel & Other Finished Fabric Prod.	1,351	1,035		-316	1,035	931		-104
Lumber & Wood Prod.	3,076	3,190	114		3,190	3,356	166	
Furniture & Fixtures	690	772	82		772	934	162	
Paper & Allied Prod.	916	823		-93	823	825	2	
Printing, Publishing & Allied Ind.	3,297	3,368	71		3,368	3,342		-26
Chemicals & Allied Prod.	281	329	48		329	319		-10
Rubber & Misc. Plastic Prod.	1,745	1,808	63		1,808	1,743		-65
Leather & Leather Prod.	54	40		-14	40	39		-1
Stone, Clay, Glass & Concrete Prod.	1,245	1,251	6		1,251	1,245		-6
Primary Metal Industries	876	1,061	185		1,061	709		-352
Fabricated Metal Prod.	2,307	2,369	62		2,369	2,732	363	
Industrial Machinery & Computer Equip.	14,924	15,018	94		15,018	13,924		-1,094
Electronic & Electrical Equip.	4,305	4,080		-225	4,080	4,201	121	
Transportation Equip.	1,970	2,072	102		2,072	2,097	25	
Precision Instruments	1,929	1,849		-80	1,849	1,872	23	
Misc. Manufacturing Industries	2,905	2,926	21		2,926	3,079	153	
<b>TRANSPORTATION, COMMUNICATION &amp; PUBLIC UTILITIES</b>	<b>15,830</b>	<b>15,961</b>	<b>203</b>	<b>-72</b>	<b>15,961</b>	<b>16,307</b>	<b>348</b>	<b>-1</b>
Local Transportation	1,232	1,223		-9	1,223	1,312	89	
Motor Freight Transportation	6,098	6,247	149		6,247	6,318	71	
Water Transportation	37	34		-3	34	37	3	
Air Transportation	1,747	1,708		-39	1,708	1,777	69	
Pipelines	43	52	9		52	51		-1
Transportation Services	475	488	13		488	495	7	
Communications	3,880	3,859		-21	3,859	3,967	108	
Electric, Gas & Sanitary Services	2,318	2,350	32		2,350	2,351	1	
<b>WHOLESALE TRADE</b>	<b>20,222</b>	<b>20,309</b>	<b>98</b>	<b>-11</b>	<b>20,309</b>	<b>20,150</b>	<b>5</b>	<b>-165</b>
Durable Goods	9,630	9,619		-11	9,619	9,624	5	
Nondurable Goods	10,592	10,690	98		10,690	10,525		-165

Table 4

INDUSTRY GROUP	1998	1999	Gain	Loss	1999	2000	Gain	Loss
<b>RETAIL TRADE</b>	<b>69,232</b>	<b>70,136</b>	<b>1,435</b>	<b>-531</b>	<b>70,136</b>	<b>71,947</b>	<b>1,891</b>	<b>-79</b>
Building Materials	3,702	3,737	35		3,737	3,862	125	
General Merchandise Stores	8,133	8,265	132		8,265	8,292	27	
Food Stores	9,798	9,407		-391	9,407	9,745	338	
Automotive Dealers & Gas Service Stations	10,562	10,748	186		10,748	10,847	99	
Apparel & Accessory Stores	2,196	2,056		-140	2,056	1,977		-79
Home Furniture, Furnishings & Equip.	2,790	2,945	155		2,945	2,987	42	
Eating & Drinking Places	24,482	24,831	349		24,831	25,294	463	
Misc. Retail	7,569	8,147	578		8,147	8,944	797	
<b>FINANCE, INSURANCE &amp; REAL ESTATE</b>	<b>22,679</b>	<b>24,588</b>	<b>1,934</b>	<b>-26</b>	<b>24,588</b>	<b>26,027</b>	<b>1,440</b>	<b>0</b>
Depository Institutions	6,928	7,134	206		7,134	7,402	268	
Non-depository Credit Institutions	7,104	8,431	1,327		8,431	9,290	859	
Security & Commodity Brokers & Services	678	652		-26	652	668	16	
Insurance Carriers	2,175	2,192	17		2,192	2,350	158	
Insurance Agents & Services	2,616	2,836	220		2,836	2,852	16	
Real Estate	2,948	3,077	129		3,077	3,179	102	
Holding and Other Investment Offices	231	266	35		266	287	21	
<b>SERVICES</b>	<b>90,315</b>	<b>94,235</b>	<b>3,918</b>	<b>0</b>	<b>94,234</b>	<b>97,521</b>	<b>3,328</b>	<b>-38</b>
Hotels and Lodging Places	6,932	7,139	207		7,139	7,342	203	
Personal Services	2,768	2,826	58		2,826	2,876	50	
Business Services	11,545	12,573	1,028		12,573	13,678	1,105	
Automotive Repair and Services	2,748	2,906	158		2,906	2,898		-8
Misc. Repair Services	919	951	32		951	982	31	
Motion Pictures	985	1,074	89		1,074	1,065		-9
Amusement and Recreation Services	6,795	7,154	359		7,154	7,288	134	
Health Services	34,361	35,686	1,325		35,686	36,504	818	
Legal Services	1,506	1,525	19		1,525	1,529	4	
Education Services	3,505	3,589	84		3,589	3,760	171	
Social Services	8,966	9,180	214		9,180	9,508	328	
Museums, Galleries and Zoos	248	251	3		251	236		-15
Membership Organizations	5,245	5,350	105		5,350	5,483	133	
Professional Services	3,364	3,582	218		3,582	3,933	351	
Private Households	351	357	6		357	355		-2
Misc. Services	78	91	13		91	87		-4
<b>GOVERNMENT</b>	<b>57,154</b>	<b>57,723</b>	<b>569</b>	<b>0</b>	<b>57,723</b>	<b>58,681</b>	<b>1,071</b>	<b>-112</b>
Federal	10,777	10,839	62		10,839	11,341	502	
State Education	4,575	4,604	29		4,604	4,740	136	
State Non-Education	8,257	8,365	108		8,365	8,453	88	
Local Education	21,143	21,438	295		21,438	21,783	345	
Local Non-Education	12,402	12,477	75		12,477	12,365		-112
<b>TOTAL JOBS CREATED STATEWIDE</b>			<b>10,854</b>	<b>-1,816</b>			<b>10,661</b>	<b>-2,135</b>
<b>NET</b>			<b>9,038</b>				<b>8,526</b>	

Table 5

<b>1996-2001 Wage and Salary Disbursements by Place of Work (\$000-thousands of dollars)</b>											
<b>STATE</b>	<b>1996</b>	<b>1997</b>	<b>% Change</b>	<b>1998</b>	<b>% Change</b>	<b>1999</b>	<b>% Change</b>	<b>2000</b>	<b>% Change</b>	<b>2001</b>	<b>% Change</b>
S DAKOTA	7,478,490	7,918,400	5.9%	8,467,009	6.9%	9,085,726	7.3%	9,684,505	6.6%	10,049,347	3.8%
IOWA	33,670,275	35,795,614	6.3%	38,505,839	7.6%	40,503,946	5.2%	42,280,895	4.4%	43,266,836	2.3%
MINNESOTA	71,930,575	77,079,865	7.2%	83,781,180	8.7%	89,405,543	6.7%	96,588,376	8.0%	99,764,171	3.3%
NEBRASKA	20,867,569	22,316,716	6.9%	23,763,266	6.5%	25,151,571	5.8%	26,614,648	5.8%	27,327,852	2.7%
N DAKOTA	6,924,765	7,308,190	5.5%	7,711,427	5.5%	8,044,199	4.3%	8,433,987	4.8%	8,856,466	5.0%
WYOMING	5,391,541	5,687,865	5.5%	5,991,598	5.3%	6,332,027	5.7%	6,771,351	6.9%	7,250,876	7.1%
US	3,623,084,000	3,885,685,000	7.2%	4,189,579,000	7.8%	4,468,305,000	6.7%	4,834,179,000	8.2%	4,948,115,000	2.4%