



SIoux FALLS AREA
CHAMBER OF COMMERCE
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ISSUE BRIEF:

Building South Dakota Fund

December 2014

Background

During the 2013 South Dakota Legislative Session, the legislature enacted SB 235, Gov. Dennis Dauguaard's proposal to finance a new, comprehensive economic development program for the state. In 2014, the State Legislature passed two bills which continued and broadened support for Building South Dakota. SB 157 appropriated \$30 million in one-time dollars (over a three-year period), which was derived from the state's unclaimed property reserves. SB 158 built a mechanism for future funding of the program as long as state reserve requirements are met (at or above 10 percent). Building South Dakota took effect June 27, 2013. In total, 80 percent of the allocated 2014 Building South Dakota funds have been used. If money remains at the end of a fiscal year, these dollars are rolled over into the following year's fund. Though Building South Dakota takes money out of the state's tax base, its intent is to strengthen the state's budget over time. Building South Dakota is administered by the Bureau of Finance and Management.

Components of Building South Dakota

- *Reinvestment Payment Program*
 - Purpose: Project owners may receive a reinvestment payment to offset upfront costs associated with relocating or expanding operations and/or upgrading equipment in South Dakota. The reinvestment payment may not exceed the South Dakota sales and use tax paid on project costs.
 - Eligibility: Companies pursuing new or expanded facilities with a total project cost in excess of \$20 million or equipment upgrades with a total project cost in excess of \$2 million. A key criterion for payment under this program is a likelihood that the project would not have occurred without the payment.
- *South Dakota Jobs Grant Program*
 - Purpose: Project owners may receive grants to assist companies in offsetting the upfront costs associated with relocating or expanding operations and/or upgrading equipment in South Dakota.
 - Eligibility: Companies pursuing new or expanded facilities with a total project cost of less than \$20 million or equipment upgrades with a total project cost of less than \$2 million. A key criterion for program acceptance is a likelihood that the project would not have occurred without the payment.

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- *Economic Development Partnership Program*
 - Purpose: Project owners may receive matching grants to assist in funding equipment and training needs, new staff, or to elevate existing part-time staff, for the purpose of developing or expanding local and community economic development programs. This grant may also be used to commence or replenish local revolving loan funds for the purpose of developing or expanding housing, community development and economic development programs.
 - Eligibility: Any nonprofit development corporation or any municipality, county or other political subdivision of South Dakota.
- *Local Infrastructure Improvement Program*
 - Purpose: Project owners may receive grants to assist in funding the construction or reconstruction of infrastructure for the purpose of serving economic development projects.
 - Eligibility: Any local development corporation or political subdivision of South Dakota.

Sioux Falls MSA businesses who have utilized ‘Building South Dakota’ funding as of December 2014

South Dakota Jobs Grant Program

- Electronic Systems, Inc. / Sioux Falls, S.D. - \$23,502 - Addition of Surface Mount Technology (“SMT”) Line of Equipment / 50 FTE’s Projected
- Specialized Machine, LLC / Tea, S.D. - \$4,000 – Addition of a Mori Seiki CNC Machine / 2 FTE’s Projected

Reinvestment Payment Program

- Marmen Energy /Brandon, S.D. - \$600,000 - but not to exceed the State Sales and Use Tax paid on eligible equipment costs - Buying and installing all production equipment in order to start our wind tower production / 250 FTE’s Projected
- Hansen Manufacturing Corporation / Sioux Falls, S.D. - \$294,543. Used to offset upfront construction resulting from the state’s sales/use tax associated with the project, which resulted in an increased project scope and additional job creation. Fifty FTE’s Projected

Economic Development Partnership Program

- City of Canton, S.D. - \$2,092.50 – Training needs for the City Manager
- Southeastern Development Foundation, Sioux Falls, S.D. - \$250,000 to be used for revolving loan funds.

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Local Infrastructure Improvement Program

- City of Valley Springs, S.D. - \$75,000 grant to be used for the water/sewer extension.

Comprehensive list of South Dakota businesses who have utilized 'Building South Dakota' funding as of May 2014

Reinvestment Payment Program – Board of Economic Development (CY2014 Approvals)

B&H Wind LLC, Chokio, Minn. (project located near Tripp, S.D.) – approved for a reinvestment payment of up to \$2.9 million on March 11, 2014

- Estimated number of full-time jobs created by the project: 30.
- Estimated average wage of the full-time jobs created by the project: \$18.27/hr.
- Local government tax mechanisms and state economic development tools, loans, or grants

provided to the project as of CY2014 are as follows:

- +Approved for a reinvestment payment of up to \$2,900,000
- Estimated annual property taxes to be paid as a result of the project: \$275,000

“Alternative

annual wind tax SDCL 10-35-17 & SDCL 10-35-19”.

- The reinvestment payment was instrumental in offsetting the upfront costs resulting from the state’s sales/use tax associated with the project, greatly increasing the projects viability in comparison to other alternatives.

Polaris Sales Inc., Vermillion, S.D. – approved for a reinvestment payment of \$117,080 on April 8, 2014

- Estimated number of full-time jobs created by the project: 20
- Estimated average wage of the full-time jobs created by the project: \$14.71/hr.
- Local government tax mechanisms and state economic development tools, loans, or grants

provided to the project as of CY2014 are as follows:

- +Approved for a reinvestment payment of \$117,080
- +Matching Workforce Development Grant of up to \$14,000
- +City of Vermillion – 2 percent municipal sales tax refund on the project, up to \$200,000

- Estimated annual property taxes to be paid as a result of the project: No additional property tax.
- The reinvestment payment was instrumental in offsetting the upfront costs resulting from the state’s sales/use tax associated with the project, which resulted in an increased project scope and additional job creation.

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Consumers Supply Distributing, LLC, North Sioux City, S.D.– approved for a reinvestment payment of \$240,852 on May 13, 2014

- Estimated number of full-time jobs created by the project: 16.
- Estimated average wage of the full-time jobs created by the project: \$18.27/hr.
- Local government tax mechanisms and state economic development tools, loans, or grants

provided to the project as of CY2014 are as follows:

- +Approved for a reinvestment payment of \$240,852
- Estimated annual property taxes to be paid as a result of the project: Estimated property taxes unknown at this time.
- The reinvestment payment was instrumental in offsetting the upfront costs resulting from the state’s sales/use tax associated with the project, which resulted in an increased project scope and additional job creation.

Campbell County Wind Farm, LLC, Pollock, S.D. – approved for a reinvestment payment of up to \$3.88 million on May 13, 2014

- Estimated number of full-time jobs created by the project: 6
- Estimated average wage of the full-time jobs created by the project: \$33.00/hr.
- Local government tax mechanisms and state economic development tools, loans, or grants

provided to the project as of CY2014 are as follows:

- +Approved for a reinvestment payment of up to \$3,883,683
- Estimated annual property taxes to be paid as a result of the project: \$337,066
“Alternative annual wind tax SDCL 10-35-17 & SDCL 10-35-19”
- The reinvestment payment was instrumental in offsetting the upfront costs resulting from the state’s sales/use tax associated with the project, greatly increasing the projects viability in comparison to other alternatives.

Day County Wind II, LLC, Groton, S.D.- approved for a reinvestment payment of up to \$4.42 million on Aug. 12, 2014

- Estimated number of full-time jobs created by the project: 6
- Estimated average wage of the full-time jobs created by the project: \$28.12/hr.
- Local government tax mechanisms and state economic development tools, loans, or grants provided to the project as of CY2015 are as follows:

- o Approved for a reinvestment payment of up to \$4,419,600
- Estimated annual property taxes to be paid as a result of the project: \$750,680
“Alternative annual wind tax SDCL 10-35-17 & SDCL 10-35-19”

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- The reinvestment payment was instrumental in offsetting the upfront costs resulting from the state's sales/use tax associated with the project, greatly increasing the projects viability in comparison to other alternatives.

**South Dakota Jobs Grant Program - Board of Economic Development
CY2014 Approvals**

Applicant	Location	Approval Amount	Estimated Total Project Amount	Projected FTE'S	Month Approved
Specialized Machine, LLC	Tea	\$ 4,000.00	\$ 214,848.00	2.00	April
Sapa Extrusions, Inc.	Yankton	\$ 24,280.00	\$ 6,944,965.00	50.00	September
Total		\$ 28,280.00	\$ 7,159,813.00	52.00	

**Economic Development Partnership Program - Board of Economic Development
CY2014 Approvals**

Applicant	Location	Approval Amount	Month Approved
IEDC Basic Training	Statewide	\$ 25,000.00	January
Heart of the Hills Economic Development Corporation	Hill City	\$ 10,000.00	March
City of Wagner (Withdrawn 04/28/2014)	Wagner	\$ 40,000.00	March
City of Canton	Canton	\$ 2,092.50	June
Glacial Lakes Area Development (RLF)	Britton	\$ 200,000.00	June
Brookings Economic Development Corporation	Brookings	\$ 84,000.00	June
Mitchell Area Development Corporation	Mitchell	\$ 139,502.00	June
Heartland Consumers Power District	Madison	\$ 4,675.00	September
Areawide Business Council, Inc. (RLF)	Multi-County	\$ 100,000.00	September
GROW South Dakota (RLF)	Statewide	\$ 250,000.00	September
Onida Area Development Corporation (RLF)	Onida	\$ 60,000.00	September
South Eastern Development Foundation (RLF)	Multi-County	\$ 250,000.00	September
Wagner Area Growth, Inc. (RLF) (Withdrawn 12/15/2014)	Wagner	\$ 50,000.00	September
Wounded Knee Development Corporation Increase from CY2013	Manderson	\$ 55,800.00	November
Arlington Community Development Corporation Increase from CY2013	Arlington	\$ 33,310.00	December
Aberdeen Development Corporation	Aberdeen	\$ 150,542.00	December
City of Kimball	Kimball	\$ 40,000.00	December
Wagner Area Growth, Inc.	Wagner	\$ 78,000.00	December
Northeast Council of Governments Development Corporation (RLF)	Aberdeen	\$ 250,000.00	December
Total		\$ 1,732,921.50	

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**Local Infrastructure Improvement Program - Board of Economic Development
CY2014 Approvals**

Applicant	Location	Approval		Estimated Total	Month Approved
			Amount	Project Amount	
City of Parkston	Parkston	\$	143,000.00	\$ 5,779,044.80	March
City of Tyndall	Tyndall	\$	100,000.00	\$ 385,000.00	June
City of Gregory	Gregory	\$	150,000.00	\$ 264,000.00	June
Total		\$	393,000.00	\$ 6,428,044.80	

Research and Monitoring

As a new program, Building South Dakota will need to be monitored and evaluated in its effectiveness as it is implemented and executed. The \$30 million in “advance funding” of the program provides significant resources for the next three years of the program. An important question, and one only answered over time, is ‘What impact will Building South Dakota have in the Sioux Falls area and the state as a whole?’ Even some of the crafters of this program have noted in their comments that this is a great program for helping small town economic development efforts. However, it is not meant to exclude large communities either. This brief is meant to describe the program and begin to track its effect on our area.

Sources:

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