
Regional Report: Plains States Exhibit Economic Strength and Resiliency

Cynthia Kincaid (July 2011)

While few states escaped the ravages of the economic downturn, the Plains region fared better than most. Perhaps the Plains States were more strategic in their economic approaches, or perhaps they had more robust reserves and less spending obligations. Whatever the myriad of reasons, the Plains States have recovered faster than most of their neighboring states and have been rewarded in kind.

Recently, Standard & Poor's gave South Dakota an upgraded issuer credit rating of AA+ from AA and its economic development revenue bonds were raised to A+. Moody's Investors Service and Fitch Ratings also praised the state's sound fiscal management, with Moody's stating that South Dakota maintained "general fund balances better than most states" during the downturn. "[The report] confirms that we are on a financial track that will help us out of the recession and lead to business expansion, more jobs, and improved revenues," said Governor Dennis Daugaard.

Kansas also has had nominal and real GDP growth over the past 10 years, according to the Bureau of Economic Analysis. And the U.S. Chamber of Commerce named North Dakota number one in the United States in economic growth for the same time period.

"While other states are forced to tackle budget shortfalls, job losses, and cuts to critical services, we are providing added tax relief, unprecedented improvements in infrastructure, the continued building of our reserves, and additional funding for education, health, human services, safety, and many other quality-of-life improvements," said North Dakota Governor Jack Dalrymple in his 2011 State of the State Address.

Employment and R&D as Economic Drivers

Most Plains States experienced far lower unemployment than the rest of the nation and are now experiencing stabilization and moderate employment expansion. Much of this is driven by an entrepreneurial focus and concentrations in industries such as health services, energy, education, and "green" technology.

As an example, 3.4 percent of Kansas' total employment is structured around green industry, with the largest concentration of jobs in the industries of specialty contractors and energy efficiency.

In South Dakota, sectors such as government, education and health services, retail trade, and leisure and hospitality employ the most people. A teaming of Sanford Health and Avera McKennan Hospital in Sioux Falls now accounts for more than 12,000 employees in the city.

Nebraska found, after a recent competitive advantage assessment, that the state needed "to be more strategic and comprehensive" in its economic development, particularly where research and development were concerned. To this end, the state has concentrated on R&D and engineering services, along with health services, hospitality, and tourism,

all of which are emerging as strengths and economic opportunities. The assessment states that Nebraska is "reaching critical mass in having a research and development base across industry and universities, with nearly \$900 million in annual total research and development activity." The state's industrial R&D rose by 60 percent from 2001 through 2007, well outpacing the national growth of 33 percent.

North Dakota's population has grown by more than 30,000 over the last decade, yet the state has one of the lowest unemployment rates in the nation at 3.2 percent. The state isn't focused on employment, as much as the factors that will keep the unemployment rate low, while still providing quality-of-life amenities to its residents. Additionally, North Dakota's governor has called for added investment in roadways, research and development in the private sector and university system, and the expansion of a global presence, linking the state with foreign buyers. North Dakota's merchandise exports have nearly doubled to \$2 billion in the last five years.

Diversification and Entrepreneurship

For the Plains States to continue on their successful path to economic recovery, each will have to offer the kinds of incentives and opportunities that will attract business and talent. They have already cast a critical eye to entrepreneurship.

For instance, the Small Business Survival Foundation has recognized South Dakota - a state considered to have a stable economy and attractive business climate - as a place that offers the best economic environment for entrepreneurship in the nation. Part of the reason for this may be the state's lack of income, personal, or corporate tax, along with its having one of the lowest unemployment insurance rates in the nation.

South Dakota has also expanded and diversified its economy to include agriculture, tourism, and finance and insurance, which accounts for more than 19 percent of the state's GDP. Rounding out its major industries are manufacturing, healthcare, retail trade, agriculture, forestry, and fishing, all of which account for more than 58 percent of the state's GDP.

North Dakota also has diversified its economy, particularly into the areas of energy, oil and gas (the state has 17 oil- and gas-producing counties), technology, and advanced manufacturing. The state has placed additional emphasis on higher education, and in 2009, the legislative assembly appropriated \$19 million for needs-based scholarships.

Nebraska weathered the recession better than most states. One of the reasons was the state's decision to focus on twelve industry clusters:

agricultural machinery; agricultural and food processing; biosciences; business management and administrative services; financial services; health services; hospitality and tourism; precision metals manufacturing; renewable energy, research, development, and engineering services; software and computer services; transportation; and warehousing and distribution logistics.

Kansas has focused on exporting, green technology and green products, food manufacturing (accounting for nearly \$4 billion in exports in 2009), and transportation (\$3.2 billion in sales in 2009) to drive its economy, and with an unemployment rate of just 6.3 percent, the move seems to be working. The state's top exports include transportation equipment, agricultural products, computer and electronic products, and chemical manufacturing (accounting for almost \$823.6 million in exports in 2009). Kansas is now looking to the global marketplace as the next frontier of opportunity with a variety of goods and services to offer, including food and aerospace products.

A continued emphasis on industrial diversification and entrepreneurship, while maintaining an attractive business climate, will help ensure that the Plains States stay healthy and competitive in the coming years.

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