



Accountable Development & Smart Growth for Working Families

Good Jobs First is the nation's leading resource for grass roots groups and public officials seeking to make economic development subsidies more accountable and effective.

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AccountableUSA – South Dakota



South Dakota is generally not a big giveaway state, but some programs still carry significant costs. The Revolving Economic Development Initiative Fund (REDI) costs \$16 million a year.

In 2005 the state legislature created a system of rebates of sales taxes and contractor excise taxes for large power plants and other major construction projects. After the cost of the program rose to more than \$10 million a year, the legislature approved a bill in 2010 that reduced the subsidies. The measure became law after legislators overrode a veto by Gov. Mike Rounds.

The state has not had many large subsidy deals, but there have been some controversial ones. For example, in 2005 a pork processing facility in Sioux Falls owned by John Morrell & Co. was awarded a \$4 million subsidy package in connection with a \$100 million expansion that was later scaled back drastically (see below). In 2006 Northern Beef Packers was approved for \$8.6 million in Tax Increment Financing (TIF) for a facility near Aberdeen whose construction has been repeatedly delayed (see below).

Recently, lack of disclosure in South Dakota has proven controversial. In 2009 a judge ordered the Revenue Department to make public sales-tax and contractor-tax subsidies after a reporter mounted a legal challenge. The documents that emerged revealed that dozens of companies, primarily agricultural, ethanol, utility and development groups, had received a total of more than \$180 million in tax subsidies.

Of the four programs we looked at only REDI was found to have online recipient disclosure, but after our *Show Us the Subsidies* report was published the state began putting recipient information online for the Pooled Bond Program, the APEX program and the Workforce Development Program.

- *Show Us the Subsidies* rank among the states: 32nd
- *Money for Something* rank among the states: 38th
- *Money Back Guarantees* rank among the states: 43th

Key Subsidy Programs

Subsidy Program	Recent Annual Cost	Online Recipient Disclosure	Recipient Disclosure Score	Job Creation Score	Money Back Guarantee Score
Pooled Bond Program low-cost loans to manufacturers (disclosure site created after our report was published)	\$7.6 million (2010)	Source Source	0/100	0/100	0/100
Revolving Economic Development and Initiative (REDI) Fund low-cost financing for up to 45 percent of corporate expansion or relocation costs	\$16.1 million (2010)	Source Source	51/100	40/100	50/100

[Has Tax Increment Financing](#)

[Fails to Regulate Site Location Consultants](#)

Other Resources

[Fiscal Transparency Website](#)

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<p>South Dakota Agricultural Processing and Export Loan Program (APEX)</p> <p>low-cost loans of up to 75 percent of project costs for agribusiness companies (disclosure site created after our report was published)</p>	<p>\$654,000 (2010)</p>	<p>Source Source</p>	<p>0/100</p>	<p>15/100</p>	<p>28/100</p>
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<p>Workforce Development Program</p> <p>grants to companies for up to 50 percent of training costs (disclosure site created after our report was published)</p>	<p>\$2 million (2011)</p>	<p>Source Source</p>	<p>0/100</p>	<p>55/100</p>	<p>58/100</p>
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* The score is derived from the Good Jobs First report [Money for the Jobless](#) (December 2010).
 ** The score is derived from the Good Jobs First report [Money for Joblessness](#) (December 2011).
 *** The score is derived from the Good Jobs First report [Money and Joblessness for Jobless](#) (January 2012).

Major Subsidy Deals

Northern Beef Packers (2006)

In 2006 a group of investors planning to build a beef processing plant in Brown County south of Aberdeen proposed that a tax increment financing district be used to finance \$8.6 million of the \$40 million cost. The project, which was projected to create 500 jobs, was approved by the county commission and put to the voters, who strongly approved the creation of the TIF in 2007. Despite the public assistance – which later included a \$5 million loan from the state – construction of the Northern Beef Packers plant has faced long delays. In 2009 it was reported that the operation was behind in its property tax payments, and by 2010 it was contending with mechanics’ liens for unpaid construction work. The company later made good on those obligations, but in November 2011 it admitted that the construction delays would continue. Nonetheless, Brown County began to make TIF payments to the company. [\(KEY SOURCES\)](#)

John Morrell & Co. (2005)

Officials in Sioux Falls were thrilled in September 2005 when meatpacker John Morrell announced plans for a \$100 million expansion of its pork processing plant in the city that was projected to add at least 200 jobs. Since this was said to be the largest investment ever made by a South Dakota firm, state officials were also pleased. They announced that the company, a subsidiary of Smithfield Foods, would receive a \$4 million subsidy package, including \$1.5 million in sales tax refunds on the purchase of new equipment, a \$1 million grant, and training funds. The excitement turned to frustration when the company put the project on hold in 2006. By 2007 there was speculation that the existing plant might be shut down as a result of consolidation in the wake of Smithfield’s acquisition of Premium Standard Farms. Such streamlining did occur, but the Sioux Falls plant was spared. The company announced a \$2 million expansion of the facility, but the \$100 million plan stayed shelved. In 2009 about 30 workers were laid off as the plant cut production. [\(KEY SOURCES\)](#)

Wal-Mart in South Dakota

- Good Jobs First found no instances of Wal-Mart subsidies in South Dakota, but given the absence of comprehensive centralized data, it is still possible that deals have quietly occurred.
- We found no instances of property tax assessment challenges by Wal-Mart in South Dakota, but given the absence of centralized data, it is still possible that appeals have occurred.
- Many Wal-Mart workers are ineligible for health coverage from their employer or choose not to purchase what is available, because it is too expensive or too limited in scope. These workers often turn to taxpayer-

funded health programs such as Medicaid. South Dakota among those states that have not disclosed data on the employers with the most workers or the r dependents enrolled in such programs.

For more information, see [Wal-Mart Subsidy Watch](#).

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