



July 24, 2019

SB 66 Summer Study Committee
South Dakota Legislature
Legislative Research Council

Dear Committee Members:

The purpose of this letter is to express concerns of the Board of Directors of Brookings Economic Development Corporation over potential revisions to laws regulating electric service district boundaries and practices that would further restrict or burden municipal electric utility systems.

Brookings Economic Development Corporation (BEDC) is opposed to the further regulation or restriction of municipal electric system service territories and compensation provided by municipal systems to rural electric systems. Additional regulation will negatively impact Brookings ability to:

1. grow and recruit new business and industry,
2. invest in “place-making” infrastructure and amenities crucial to workforce recruitment, and
3. create career opportunities supporting not just Brookings, but rural communities and residents located in our regional laborshed.

Although Brookings is South Dakota’s fourth largest community, in the overall scheme of things it is a small rural community with a population of just 24,000 people. If you remove our temporary SDSU student population we are a community of, at best, 15,000 people. Our future, not unlike the future of every other community in South Dakota, hinges upon our ability to retain our youth and recruit new families. Successfully recruiting new residents and families hinges upon a community’s ability to provide high quality career opportunities and a high quality living environment. Numerous studies identify these two factors as key considerations for potential movers.

Aside from moving closer to family, or simply moving into a new home, the number one reason why people move is for a job. The City of Brookings, due to its location on I-29, the presence of SDSU, and its proactive investment in economic development infrastructure has the ability to produce significant economic benefits for the county, the region and the state. This has been demonstrated time and time again, and can continue, **but only if our source of revenue for these proactive investments remains intact.** That source of revenue is the Brookings Municipal Utility (BMU) electrical utility fund transfer to the city.



Industrial recruitment projects clearly demonstrate the beneficial impact of these proactive investments. Following are a few examples:

Bel Brands - \$150+ million dollar investment in South Dakota, 265 jobs and the opportunity for another \$70 million expansion with 100 jobs. This recruitment project was grueling. South Dakota won that contest in large part because Brookings had a shovel ready site with all utilities in place, an adjacent electrical substation, redundant electrical capacity in place, and of course incentives. The proactive investments by the City and BMU made this success for South Dakota possible. These investments were supported financially by BMU and by the electrical utility transfer to the city. Had these investments not existed, Bel Brands would not be in South Dakota. The vacant land upon which this project was constructed, which was completely void of any Rural Electric Cooperative (REC) infrastructure, has resulted in over \$1.5 million paid to Sioux Valley Electric. Sioux Valley Electric is received a higher infrastructure related return-on-investment than any party involved in this project.

Prairie Aquatech – is an SDSU spinout company supported by a \$2 million+ facility (Agriculture Technology Center for Rural Enterprise – ATCRE) and equipment provided by BEDC on City industrial park land served with utilities by BMU. Had BMU not been supporting BEDC financially over the years we would not have been able to undertake this important project. This technology commercialization effort has now grown to a \$60 million investment in Volga, fulfilling the intended purpose of our investment in the ATCRE. We hope to spin additional companies out of this facility based upon SDSU research that will result in similar investments in our surrounding rural communities.

Value-adding Ag Processing - other large development projects have, and will continue to, spin out of the entrepreneurial culture we are creating in Brookings. These include large industrial facilities created by Brookings entrepreneurs. Two of the more recent outcomes of this process include the Valero (formerly VeraSun) and Novita plants located just outside of Aurora. These plants represent hundreds of millions of dollars in private investment. Sioux Valley Electric is a benefactor of this outcome created by Brookings' investment in a strong entrepreneurial culture, which again is supported by BMU electrical utility transfers to the City of Brookings.

Place-making has become a key strategy implemented by communities to attract a future workforce and future employers. The Brookings community places a great deal of emphasis on the creation and maintenance of a high quality place. This place-making effort is an essential investment in our ability to retain graduating students, lure future employees for our companies, recruit future businesses, and assist SDSU in recruiting and retaining its student population.



Earlier this year, while attending a precision agriculture conference in Seattle, BEDC’s Executive Director visited with a representative of an international business whose North American headquarters is located in Wisconsin. During introductions the initial comment from this individual was how much she loved Brookings. Her daughter chose SDSU as the university she wanted to attend. Both were thrilled with the “quality of place” that SDSU and Brookings provide and this played a big role in their decision on attending SDSU. That first impression resulted in:

- an SDSU student recruitment,
- who recently graduated and lives in Arlington with her husband, and
- an industry recruitment target with a high level employee who is an advocate for Brookings and for South Dakota.

This is just one of many examples depicting why people choose to move to the Brookings area, not just to Brookings. So, what does this have to do with SB 66?

The City of Brookings, through its general fund budgeting process, spends millions of dollars each year to create and maintain a high quality community. These proactive general fund expenditures are used to support parks, downtown redevelopment, gateway entrances and signage, the Performing Arts Center at SDSU, the Boys and Girls Club, Brookings School District, and a host of significant services that contribute to the community’s future. Brookings Municipal Utilities electrical service enterprise contributes over \$2 million every year to the city’s general fund. The opportunity to fund these important community assets will diminish greatly over time if BMU is not allowed to serve the city’s future growth areas.

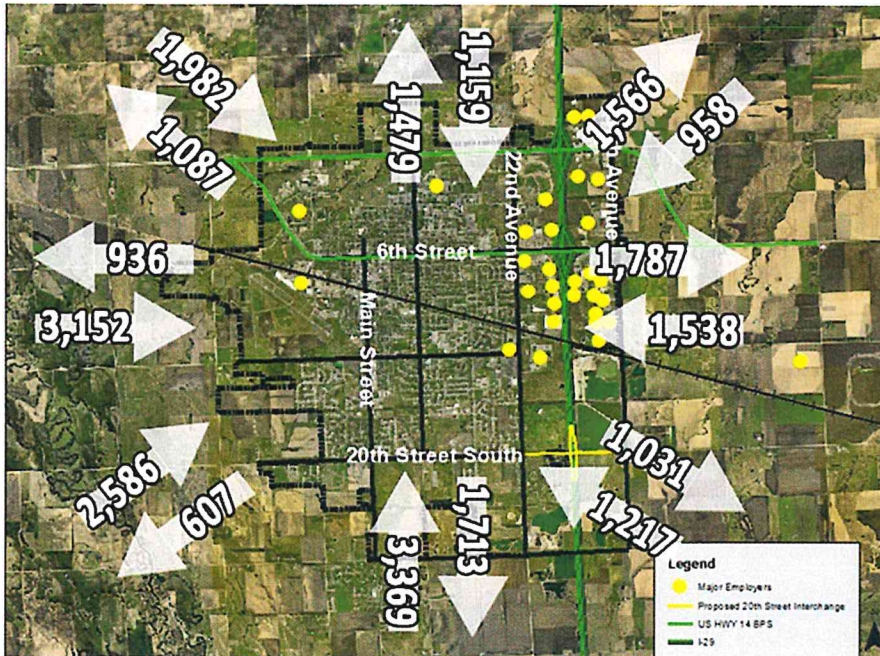
Career Opportunities created in Brookings benefit the surrounding region and REC served households, supporting businesses and communities.

Brookings is a regional employment center that supports, and relies upon, thousands of rural residents that commute to Brookings every day for employment. In fact, U.S. Census Bureau data indicate that over 9,000 people commute to Brookings for work. Furthermore, from 2005 to 2015 the job creating economic impacts of Brookings development efforts have resulted in an employment impact **seven (7) times greater** for the surrounding commute region than for Brookings City. This critically important economic development relationship between Brookings and the surrounding region must be allowed to continue.

Brookings Commute Patterns			
Year	Employed in Brookings - Live Outside	Employed & Live in Brookings	Employed Outside - Live in Brookings
2015	9,129	6,832	3,374
2005	7,148	6,546	2,480
Change	1,981	286	894
Source: https://onthemap.ces.census.gov			



Brookings Commuter Travel Directions



Our proactive investments in Brookings have greatly assisted communities like Aurora, Volga, Arlington, White and others with their efforts to maintain and grow their populations.

The successful development of regional commerce and employment centers is critical to South Dakota's economic future. Regional centers create the critical mass desperately needed to succeed at economic growth, and they are more able to gain recognition by third party evaluators creating awareness opportunities that could not otherwise be afforded. Brookings recently received national recognition in a study conducted by the Walton Family Foundation. The city was identified as one of the top 5 Micropolitan communities in the 19 Heartland States. This recognition is the result of public/private partnerships and investment that are creating a high quality, vibrant community - investments once again supported by the BMU electrical transfer to the City.

On behalf of the Brookings Economic Development Corporation Board of Directors I sincerely hope that the committee will make no recommendations that result in restricting the Brookings community's ability to create regional economic wealth and prosperity.

Sincerely,



Randy Hanson, President