



**Legislative  
Research  
Council**

# MINUTES

**Department of Tourism  
and  
State Development  
Agency Review**

---

---

**2008 Interim  
Second Meeting  
September 15 & 16, 2008**

**LCR 1 & 2  
State Capitol Building  
Pierre, South Dakota**

**Monday, September 15, 2008**

The Department of Tourism and State Development Agency Review Committee held concurrent subcommittee hearings throughout the state on Monday, September 15, 2008, to hear public testimony on the policies and performance of the Department of Tourism and State Development.

**Aberdeen**

Best Western Ramkota Hotel & Convention Center, 1400 8th Avenue NW, Northern Room

*Senator Kenneth Albers, Chair; Senator Jim Hundstad; Representative Russell Olson*

**Oacoma**

Cedar Shore Resort, 1500 Shoreline Drive, Glass Room

*Representative Thomas Deadrick, Chair, and Representative Quinten Burg. Senator Julie Bartling was excused.*

**Sioux Falls**

Sullivan Health Science Center, (STI), 2300 North Career Avenue, Room 257

*Representative Phyllis Heineman, Chair; Representative Richard Engels;  
Senator Jason Gant; Representative Roger Hunt*

**Rapid City**

Western Dakota Tech, 800 Mickelson Drive, CTCA Room

*Representative Charles Turbiville, Chair; Representative Brian Dreyer; Representative Larry Lucas*

**Tuesday, September 16, 2008**

The second meeting of the interim Department of Tourism and State Development Agency Review Committee was called to order by Chair Representative Phyllis Heineman at 8:30 a.m. (CT), September 16, 2008, in LCR 1 and 2 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Kenneth Albers (Vice Chair), Jason Gant, and Jim Hundstad; and Representatives Quinten Burg, Thomas Deadrick, Richard Engels, Phyllis Heineman (Chair), Roger Hunt, Larry Lucas, Russell Olson, and Charles Turbiville. Senator Julie Bartling and Representative Brian Dreyer were excused.

Staff members present included Jacque Storm, Principal Legislative Attorney; Terry Miller, Senior Fiscal Analyst; and Teri Retrum, Administrative Assistant.

**(Note):** For the purpose of continuity, these minutes are not necessarily in chronological order. Also, all material distributed at the meeting is attached to the original minutes on file in the Legislative Research Council (LRC). This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.state.sd.us> under "Interim Information – Minutes and Agendas."

### **Approval of Minutes**

**REPRESENTATIVE HUNT MOVED, SECONDED BY SENATOR GANT, THAT THE MINUTES OF THE FIRST MEETING (JULY 9 AND 10, 2008) BE APPROVED. The motion prevailed unanimously on a voice vote.**

### **Public Testimony**

**Chair Phyllis Heineman** asked for public testimony on the policies and performance of the Department of Tourism and State Development.

**Mr. Bill Walsh**, Deadwood, testified that he has spent time traveling the world promoting the Black Hills, Deadwood, and South Dakota. Mr. Walsh expressed appreciation for the Department of Tourism and State Development and stated that Deadwood has a great working relationship with the department.

Mr. Walsh commented that Deadwood works on marketing to adults with its gaming facilities. He said that the family vacation season is short. However, more baby boomers are retiring, and the state needs to anticipate how to market South Dakota vacations to those adults.

Mr. Walsh encouraged the continued use of tourism to bring income into the state and concluded his testimony with the following suggestions:

1. Work more with Native American networks;
2. Separate tourism from economic development;
3. Bring more Native Americans into the work force—80% unemployment on the reservations; and
4. Develop more co-ops and partnerships.

**Mr. Jim Schade**, Volga, stated that his winery business began tracking visitors as of July 1, 2008, and tallied 32 travelers from other states and 11 travelers from foreign countries. Mr. Schade said that there are 18 licensed wineries in South Dakota.

On another matter, on behalf of River City Boat Racers, Mr. Schade thanked tourism for the seed money that helped to make possible the successful River City Boat Races in Chamberlain.

Mr. Schade expressed appreciation to the Legislature for investing in tourism, which he said results in an economic boon to South Dakota.

**Ms. Donna Rae Peterson**, Cultural Program Administrator for the Cheyenne River Sioux Tribe, spoke from prepared remarks (**Document #1**). Ms. Peterson testified in support of marketing South Dakota and its reservations by a combination of tourism and economic development. She complimented the Department of Tourism and State Development for its efforts toward that goal. Ms. Peterson said that tourism is being recognized as economic development. She expressed her opinion that tourism rivals agriculture as an important industry in South Dakota. Ms. Peterson urged continued support of the million dollar challenge, which serves as a stimulus and promotes partnerships.

**Mr. Tom Ballachino**, Vice President of Eagle Creek Software, testified that the Governor's Office of Economic Development showed the company several communities in South Dakota, not just Rapid City and Sioux Falls. The office helped the company evaluate those communities. Mr. Ballachino said that all the communities sold the company on South Dakota. He said that all of the efforts were impressive, and Pierre was the ultimate location.

**Ms. Kate Milbrath**, Eagle Creek Software, said that it is her job to recruit 200 employees to Pierre. Ms. Milbrath said that most people have a limited or incorrect understanding and opinion of Pierre and South Dakota. She addressed some of the opportunities helpful to attract Generation Y individuals to the workforce. Ms. Milbrath said that Eagle Creek would not be able to offer the necessary employee training without the financial help it is receiving from the state. She said that the work ethic of South Dakota and a supportive community are also important to the company.

**Ms. Karen Lindbloom**, South Dakota Arts Council, explained the process by which the council awards grants to help provide important music and art projects to all parts of South Dakota. Ms. Lindbloom said that children who are exposed to music do better in school and throughout life.

**Ms. Mary Trautman Gates**, Pierre, shared her first experience visiting Pierre and how that experience made her want to live in the town. Ms. Gates said that it would be impossible to own and operate her small business without the Historical Preservation Office and expressed her appreciation for the Cultural Heritage Center. She suggested that money be spent more equitably across the state. Ms. Gates said that \$1 million spent on historic preservation creates more jobs as the same amount spent in building cars in Detroit or growing agricultural products in South Dakota.

**Ms. Linda Bartholomew**, South Dakota Arts Council, said that she strongly supports the South Dakota Arts Council and spoke about how the Artists in Schools Program helps provide valuable programs to her hometown of Faulkton and to other rural communities in South Dakota. Ms. Bartholomew said that currently the South Dakota Arts Council sponsors 225 such programs throughout South Dakota.

**Ms. Carla Sahr**, Pierre Historic Commission, testified that the commission is very grateful for the assistance provided by the Cultural Heritage Center.

**Ms. Kristie Maher**, South Dakota Discovery Center, distributed copies of a brochure outlining the Hands-On Partnership (HOP) for Science, Literature and Art in South Dakota (**Document #2**). Ms. Maher said that the Arts Council helps to support programs of the Discovery Center.

She said that everyone is appreciative of the efforts of the Arts Council to provide learning and enrichment programs to all of South Dakota, particularly in the rural areas.

**Ms. Karen Kern**, Great Lakes of South Dakota Tourism Association, testified that the Great Lakes of South Dakota Tourism Association is comprised of 16 counties along the Missouri River and that funding is very important for the region. Ms. Kern praised the work done by the tourism department to grow the economic base in South Dakota. She noted that the River City Boat Races in Chamberlain were funded by the million dollar challenge and was a very successful event.

**Ms. Julie Johnson**, Absolutely! Aberdeen and Prairie Vision, spoke of support for the Department of Tourism and State Development and noted some of the other state agencies that have important economic development tools.

Supportive written testimony from the following individuals was presented and entered into the record:

- Mr. Greg Henderson, Director, Planning and Development District III;
- Ms. Lynne Keller Forbes, Executive Director, South Eastern Council of Governments;
- Ms. Mary Kopco, Adams Museum and House in Deadwood (via e-mail); and
- Mr. Michael A. Trykoski, Chair, South Dakota Energy Infrastructure Authority.

**(The written testimony was compiled and labeled Document #3).**

The committee recessed at 10:25 a.m. and reconvened at 10:45 a.m.

### **Public Hearing Reports from Subcommittee Chairs**

At the request of Chair Heineman, **Ms. Jacque Storm**, LRC Principal Legislative Attorney, stated that about 425 notices were sent to interested parties inviting their participation in the subcommittee meetings in Aberdeen, Oacoma, Rapid City, Sioux Falls, and Pierre.

#### **Aberdeen**

**Subcommittee Chair, Senator Kenneth Albers**, reported that the subcommittee meeting was very successful. About 40 presenters and testifiers from Aberdeen and from the surrounding area spoke to the subcommittee regarding their support for the department and the Office of Arts/Arts Council. Noted by Senator Albers were four people who convinced him that arts programs are very valuable in the schools and that they provide economic development. Others testified in support of the combined Department of Tourism and State Development. Senator Albers said that a gentleman testified that the Akaska fishing tournament was a success; some funding for the tournament was provided by the million dollar challenge. The Aberdeen Convention Visitors Bureau and Development Corporation and Business Improvement District and Absolutely! Aberdeen suggested that the million dollar challenge be enhanced. Affordable housing is an issue. Support was expressed for the REDI Fund, the Future Fund, the Community Development Block Grant Program, and TIFS. Also, according to Senator Albers, the Aberdeen area expressed support for more migratory waterfowl licenses for the area, work recruitment programs, and the Dakota Roots Program.

Historic preservation was considered to be important. Aberdeen had a good tourist season, and historic preservation brings people to South Dakota. Testimony was heard advocating support for more movie production.

**Senator Jim Hundstad** said that the *Aberdeen American News* reported on the subcommittee meeting and noted that the South Dakota Film Festival will be held in Aberdeen this weekend. Senator Hundstad stated that all of the attendees testified that they really like what is going on regarding the department. He also said that the attendees thanked the subcommittee for traveling to Aberdeen for the public hearing. Senator Hundstad noted brochures that were distributed at the subcommittee meeting.

**Representative Russell Olson** said that comments were made that the person in tourism who works with the film industry changes too often, and the department should try for continuity in that regard. Representative Olson also said that everyone who came to the meeting expressed appreciation to the subcommittee for coming to the area.

## **Oacoma**

**Subcommittee Chair, Representative Thomas Deadrick**, reported that 16 people were in attendance at the subcommittee meeting in Oacoma. Representative Deadrick said that he was disappointed that no one from the area tribes attended the meeting. Also, Representative Deadrick mentioned that newspaper personnel did not attend and that few economic development personnel were there. That being said, Representative Deadrick stated that all who testified were pleased with the department and in favor of the decision to combine tourism and economic development. Representative Deadrick commented that there was a lot of testimony on the arts and historical preservation and all were of the opinion that more money should be provided for those activities. Testimony was heard that the quality of buildings being built today is not the same as those built before and that preserving those older and historic buildings is cheaper and leaves a greener footprint than building new structures. Representative Deadrick said that much testimony was heard in appreciation of the grant and advice given to the community for the River City Boat Races. Three thousand people were planned for, and closer to 10,000 people participated in the event. Motels were filled up in the surrounding area, including Pierre. Representative Deadrick said that a concern expressed during testimony was the interest for more involvement by the department in its relationship with rural communities. Even a few jobs can make a difference to the vitality and livelihood of a rural community.

**Representative Quinten Burg** stated that small towns are organized and focused to make a real effort in regard to development. Help from the department is very important to those towns and areas. Representative Burg said that all the comments were positive about what is being done by the department.

## **Rapid City**

**Subcommittee Chair, Representative Charles Turbiville**, told the committee that 30 people attended the meeting in Rapid City. Representative Turbiville said that there were no negative comments. Tremendous support was expressed for the South Dakota Housing Authority and for the Governor's House Program. Housing is very important to the area, and the Governor's

House Program is not in competition with local contractors and builders. Representative Turbiville said that renovating historic buildings is economic development. Suggestions expressed from testifiers noted by Representative Turbiville included:

- Increase tourism activity in the eastern part of South Dakota;
- Need for employees;
- More support for tribal tourism, marketing, and visitor tracking.

Representative Turbiville said that the subcommittee heard very supportive comments regarding the Arts Council and were told that matching fund grants are critical. He commented that there was not a lot of testimony regarding economic development, which is very strong in the Hills area, and that no one asked for separating tourism and economic development.

**Representative Larry Lucas** said that no one from the technical schools was at the subcommittee meeting. Support was stated for attracting customers from other countries. The Alliance of Tribal Tourism works hard to develop tribal tourism and asked for workshops on the reservations to that end. Representative Lucas said that grants to the Arts Council are very important to small schools.

## **Sioux Falls**

**Subcommittee Chair, Representative Phyllis Heineman**, reported that about 45 people from Sioux Falls and the surrounding area attended the subcommittee meeting and provided very positive remarks concerning the department. Department cooperation and collaboration were strong points noted by the testifiers. Representative Heineman said that timing is key to workforce recruitment and development. She said that lots of support to continue with the combination of tourism and economic development was expressed. Representative Heineman said that testimony was presented that it is important to keep scientists in South Dakota. Also, Representative Heineman stated that the South Dakota Housing Authority received high praise, particularly noted was the HEROES Program.

**Representative Roger Hunt** said that the most common testimony heard was that more money is needed for all types of tourism and economic development programs. All presenters expressed very sincere complimentary remarks about the Department of Tourism and Economic Development. Representative Hunt said that suggestions were made to expand promotion of South Dakota history for tourism and economic development.

**Senator Jason Gant** stated that testimony regarding economic development focused on an available workforce. Testifiers had questions on how much the state is spending on tourism and economic development and what are the returns on those investments. Senator Gant said that a lot of positive comments were heard regarding the Arts Council.

**Representative Richard Engels** agreed that the testimony heard in Sioux Falls was very complimentary to the department and that that he had nothing to add to the comments made by the other subcommittee members.

On behalf of Representative Quinten Burg, Ms. Storm distributed copies of a data sheet outlining Deadwood Gaming Revenue History (**Document #4**).

The committee recessed at 11:50 a.m. and reconvened at 1:00 p.m.

### **Department Responses to Requests of the First Meeting**

Personnel from the Department of Tourism and State Development reviewed the PowerPoint presentation (**Document #5**).

#### Tourism: History of Funding

**Ms. Melissa Bump**, Director of the South Dakota Office of Tourism, stated that visitor spending in South Dakota increased more than the national average, and was competitive with surrounding states. In 2007, South Dakota experienced \$941,057,935 in total visitor spending—an 8.8% increase from 2006—for a \$2.352 billion impact on the state's economy.

In 2007, the state's sales tax from visitor spending was \$23,966,800—a 5.5% increase from 2006; the state gasoline tax from visitor spending was \$24,369,400—an increase of 5.5% from 2006; and employment created by the visitor industry was 34,621—a 2.1% increase from 2006.

Responding to Chair Heineman, Ms. Bump said that co-op funds are awarded based on a city or county developing a plan that benefits both the requestor and the community and is done on a 50/50 match basis. Ms. Bump said that this has been done very successfully by the Deadwood Chamber of Commerce.

#### Governor's Office of Economic Development (GOED)

**Mr. Mike Youngberg**, Finance Manager, reviewed a number of loan programs under GOED. He began with the Revolving Economic Development and Initiative Fund (REDI Fund), the Value-Added Agriculture Sub Fund, and the Tourism Enhancement Program. He said that the Board of Economic Development administers each of these funds.

Mr. Youngberg cited the statutes and rules associated with the REDI Fund, the eligibility criteria, the loan loss ratio, and projected balance of the REDI Fund. Mr. Youngberg stated that the historical loan loss ratio of the REDI Fund loans is calculated based on the net charge-offs divided by the total funded loans. The interest rate for a REDI Fund loan has always been, and still is, three percent. Mr. Youngberg said that the REDI-Fund loan deals are getting bigger.

Mr. Youngberg continued by citing the statutes and rules associated with the Value-Added Ag Sub Fund and the Tourism Enhancement Program and providing eligibility criteria and statistics for each.

Mr. Youngberg said that the Economic Development Finance Authority (EDFA) administers the EDFA pooled-loan bond program and the Ag Processing and Exporting Fund (APEX), which is funded via loans from the United States Department of Agriculture Rural Development. Mr. Youngberg cited the rules underlying the pooled-loan bond program, the eligibility criteria, and bonding capacity of the program. With regard to the APEX program, he cited the underlying rules, the eligibility criteria, and the loan loss ratio.

Mr. Youngberg stated the South Dakota Development Corporation administers the SBA 504 loan program and the MicroLoan program and provided the history and criteria for each program.

### Energy

**Mr. Hunter Roberts**, Energy Policy Director, distributed a folder with graphs denoting a forecast of South Dakota electricity and South Dakota demand growth projection and an energy relationship flow chart (**Documents #6, #7, and #8, respectively**).

### Rural Community and Economic Development Website

**Ms. Mary Cerny**, Department of Tourism and State Development, discussed the new Rural Community and Economic Development Website (**Document #9**). Ms. Cerny said that the site makes available profiles of every county and many towns. The department asks the counties and towns to continue to update their profiles so that they are represented to parties interested in locating to that area.

### Mission and Goals of the Department

**Mr. Richard Benda**, Secretary of the Department of Tourism and State Development, stated that personnel continue to work diligently toward the department's 2010 Initiatives. Mr. Benda said that one of the foremost issues is attracting an expanding workforce to the state.

Responding to Chair Heineman, Mr. Benda said that the Dakota Roots Program has attracted about 650 employees to the state. The Dakota Seeds Program also has shown promise as a recruitment tool.

Also in response to the committee's requests of the first meeting, the Department of Tourism and Economic Development distributed the following:

- Arts and Economic Prosperity—The Impact of Nonprofit Arts and Culture Organizations and their Audiences in the Black Hills Region (**Document #10**);
- Research and Commercialization: per capita funding, Goal of 30<sup>th</sup>; Science and Technology: lease arrangements with Homestake Mine (**Document #11**);
- Housing: certification numbers and/or recidivism numbers of inmates in the program (**Document #12**); and
- Science and Technology: lease arrangements with Homestake Mine conversion. (**Document #13**).

### **Staff Directives**

Chair Heineman asked committee members to compile and provide to staff any recommendations they may have from the public hearings. She said that the committee and

the department will discuss these recommendations at the committee's third meeting. Also, the committee will formulate its final report at the third meeting.

Representative Lucas asked if it is appropriate for the committee to send a letter to the Governor to express support for arts and tourism programs in South Dakota.

Ms. Storm commented that a letter could be addressed to the Joint Appropriations Committee to outline the committee's support for those programs.

Representative Burg commented on the beautiful stone buildings in Yankton and advocated preserving and using that stone in other building projects or in other types of projects.

### **Next Meeting Date**

The Committee's next meeting date is Friday, October 17, 2008.

### **Adjournment**

**REPRESENTATIVE DEADRICK MOVED, SECONDED BY REPRESENTATIVE OLSON, THAT THE COMMITTEE BE ADJOURNED. The motion prevailed on a voice vote.**

The committee adjourned at 3:20 p.m.

