

**Written Testimony
Of**

**J. Pat Costello
Commissioner, South Dakota Governor's Office of Economic Development**

Before the U.S. House of Representatives Committee on Small Business

July 10, 2013

Thank you for the opportunity to be here today. It's always a pleasure to talk about the State of South Dakota. My name is Pat Costello and I am the commissioner of the Governor's Office of Economic Development.

I've had the privilege of serving as the Commissioner for the last two and a half years, in addition to being a small business owner in South Dakota myself for more than 20 years.

I'd like to take the next few minutes to share with you a little bit about our state, why it's a great place to do business and what we – as public servants – are doing to ensure that we remain the top place to do business.

First and foremost, our tax climate is unmatched by any other state in the nation. Only in South Dakota do businesses enjoy the benefits of no corporate income tax, no personal income tax, no business inventory tax, no personal property tax and no inheritance tax.

This structure leaves the money where it belongs - in the pockets of our businesses, creating a more favorable environment for long-term business growth. As we like to say in South Dakota, "Profit is not a dirty word."

I was asked today to testify on why South Dakota is a great place to do business. Well, a big part of that is our fiscal responsibility and common sense.

When it comes to fiscal responsibility, you'd be hard pressed to find a state that would rank higher than South Dakota. For the last 123 years, we have

consistently balanced our budget.

Two years ago, like most of the country, we were faced with serious budget issues. We buckled down, made the cuts that needed to be made, and today, we are in a better financial situation than most other states in the country.

If we want serious, financially sound companies operating in South Dakota, we need to set the example at the state level.

I've already mentioned our favorable tax climate, but I also want to talk about our favorable regulations and the consistency of our business leaders.

When I started in our office, I read something in one of our promotional pieces that said, "In South Dakota, our business climate doesn't change with the political winds."

That statement was written back in the 1980s when Citibank moved some of its credit card operations to South Dakota when the state legislature allowed expansion in compliance with the old Federal Bank Holding Act.

Today, the financial services industry is still thriving in South Dakota.

As a matter of fact in 2012, South Dakota's total bank assets topped \$2.6 trillion, which totaled 18 percent of the country's bank assets and landed our state the #1 ranking according to the Federal Deposit Insurance Corp.

So forward-thinking leaders in the 1980s, followed by forward-thinking leaders for the next 30 years, have kept South Dakota a leader in economic development with reasonable regulation and low taxation.

When our Governor – Dennis Daugaard – was elected, one of the first things he did was direct all state agencies to identify any unnecessary laws and regulations and get rid of them.

In two years, executive agencies under Governor Daugaard have found 374 rules (72,990 words) and 919 sections of codified law (75,266 words) to be repealed, and the process is less than half done.

That's just good business. And corporate leaders quickly took note that this Midwest state was serious about maintaining the type of business climate needed for companies to grow and prosper.

Another way South Dakota is able to continue to attract national and international companies like Bel Brands and Marmen Energy, is by playing on our strengths.

With a population of 830,000, we are one of the least populated states in the country.

But in business, that can be a good thing.

Our small size affords businesses looking to expand in or relocate to South Dakota direct access to government leaders.

When Governor Daugaard was campaigning, he promised to be the state's #1 salesman for economic development. There is no question he has fulfilled that campaign promise and then some.

During the last three months alone, Governor Daugaard met with nearly 70 business leaders and site selectors from across the country to encourage them to continue to grow their businesses in or to locate them to South Dakota.

That kind of personal attention gets noticed.

Another thing that gets noticed is the collaborative efforts of the people of South Dakota.

Our business development team serves as the liaison with these business leaders and site selectors on a multitude of issues from financing to permitting.

As every business leader knows, navigating the permitting process can be time consuming and frustrating.

In South Dakota, we believe in working with the business to not only make it happen, but to make it happen faster. As an example, we recently had one company that was able to receive its air quality control permit from our Department of Environment and Natural Resources from start to finish in just 30 days.

And we did it without cutting any corners. We believe the state should be an advocate, not a road block, to doing business.

Another way we attract businesses is by keeping our cost of living down. Because in the business world a low cost of living equals a low cost of business.

According to a June 2013 study by the US Commerce Department, South Dakotans pay 87 percent of the national average for goods and services. Additionally, the US Commerce Department just re-evaluated its numbers for Real Personal Income, and South Dakota's growth was a whopping 10.4 percent – more than any other state in 2012.

Of course I would be remiss if I didn't take the opportunity to let others tell what they think South Dakota is doing right.

The Small Business and Entrepreneurship Council evaluated 46 different economic factors and ranked South Dakota number one for our business policies and entrepreneurial friendliness. We're also in their top spot for small business survival. (2012)

Our low debt and lack of unfunded pension liabilities and expensive state-funded programs lands us on the top of Barron's Best Run States in America. (2012)

Our state ranks in the top for lowest tax burdens (Tax Foundation, 2012), best business climate (US Chamber of Commerce, 2013) and one of the highest

average credit ranking (CardRating.com, 2012).

And of course, there is yesterday's CNBC ranking that put South Dakota as the Best State to do Business.

Thank you again for the opportunity to be here today and testify on this important topic. I look forward to your questions.