ADVANCING SOUTH DAKOTA’S ECONOMY
Aligning the State’s Economic Development & Higher Education Efforts
To
Advance the 2010 and 2010E Education Initiatives

To assist Governor Rounds in implementing his 2010 and 2010E initiatives, the South Dakota Board of Regents successfully competed for the opportunity to participate in a Ford Foundation funded project being conducted by the Western Interstate Commission for Higher Education (WICHE). The project—in partnership with the National Center for Higher Education Management Systems (NCHEMS) and the Council for Adult and Experiential Learning (CAEL)—examines how state economic development efforts and higher education could be most effectively aligned to advance the state’s overall public agenda. South Dakota was an ideal state to select for this project because the Governor’s 2010 and 2010E initiatives had already created a joint agenda that placed the state well ahead of most in the nexus between economic and workforce development and higher education within the state.

The WICHE project has been used to supplement other activities imbedded within the 2010 and 2010E initiatives. It did so by collecting data on the demographic and economic trends of the state and by interviewing key stakeholders throughout the state – individuals from business, education, local community leaders, and prominent state policy leaders. These interviews helped to gauge how well these critical actors understand and accept the Governor’s initiatives as the vision for the future of South Dakota and to identify unique challenges that the State may face in working to progress this agenda. We interviewed people from three South Dakota communities: Sioux Falls, Rapid City, and Pierre.

WICHE and its partners extend our sincere thanks to the many individuals who participated in these interviews, both for their valuable time and for their candid and insightful comments.

The Strengths of 2010 and 2010E

- Relatively few states have brought the higher education community as actively into the state’s workforce and economic development strategies as South Dakota has.
  - The Governor and his cabinet all recognize that higher education must be a critical partner if the state is to achieve the vision of becoming a leading high skill/high wage economy of the future.
  - The Regents have actively supported the Governor’s initiatives, and
  - The state universities have all actively engaged in planning to complement the initiatives.

- The strategy also aligns well with the needs and capabilities of the state.
  - **Demography.** The 2010 vision recognizes the demographic realities of South Dakota – an aging population, with fewer young adults to enter the workforce and with a
larger share of those young adults coming from populations previously often
disenfranchised.

- **Workforce.** The strategy involves moving from an agrarian and natural resource-based economy to a knowledge-based economy, recognizing that doing so will require higher levels of educational attainment and increasing amounts of workforce retraining.

- **Economy.** 2010 calls for a knowledge-based economy that will demand a highly skilled workforce; much more so than today.

- 2010/2010E provide an appropriate vision and set of challenges.

  - To achieve the vision, it is recognized that leakages in the educational pipeline need to be addressed, especially for previously disenfranchised populations such as Native Americans, and it will be necessary to entice adults to return to school to earn degrees or certificates and upgrade their work skills.

  - Achieving these outcomes will require
    - better elementary and secondary education,
    - better articulation between education providers at all levels, and
    - higher education in alignment with the workforce needs of a knowledge-based economy rich in research.

### Some General Observations About South Dakota

Through the interviews, it became clear that while South Dakotans from different regions of the state see many things similarly, they also see other things quite differently from each other.

- In Sioux Falls, most interviewees expressed satisfaction with the local communities’ “energy” toward defining a progressive new future. Although generally supportive of the Governor’s initiatives, a number of the interviewees in this portion of the state knew relatively little about 2010 and even less about 2010E when pressed to describe them. They also felt that “the state” remained too focused on “marketing the state on its past” and present image rather than on the re-envisioned future reflected in Goal 4 of 2010.

- In Rapid City and nearby communities, we found the interviewees enthusiastically supportive of 2010 and 2010E, without exception. They knew the vision well and were prepared to “change” for the new South Dakota of the future.

- Consistent with goals 4C&D of the 2010 initiative, everyone is concerned about how to incorporate rural South Dakota into the future knowledge-based economy of the state and committed to finding a way to do so, though some were also pessimistic about the prospects of doing so.

- These differences led to different perspectives about how the state should pursue the various goals of the 2010 initiative. Ideas called variously for the state to promote new business to expanding existing business to re-envisioning agriculture and natural resources, and to developing a robust research and development infrastructure.
• Even devotees of 2010 and 2010E tended to understand some components of the plan better than others.
• Most people understood and accepted the major drive toward developing a stronger research focus in South Dakota, but relatively few tied this back to the workforce needs of the future.
• Most accepted the vision within 2010 and 2010E for greater inclusion of previously disenfranchised populations, particularly Native Americans, but most saw this as an equity issue rather than as a critical component of building a viable high-skill workforce for South Dakota’s future. Indeed, some seemed to unwittingly relegate these populations to the low-skill sector of South Dakota’s future economy – to service worker jobs in the recreation industry, to low-skill work in food production, and to service sector positions (gardeners, cleaning staff, nannies, etc.) that support the professional class.

The Higher Education Connection

With respect to the 2010 initiative itself, the higher education connection is real and positive. More so than in many other states with whom we have worked, higher education is perceived to be actively engaged in South Dakota’s efforts to move from its historic agrarian and industrial economy to a high-skill/high-wage new world economy.

• People could identify, by name, key leaders within South Dakota higher education and within the Regents who were moving this agenda forward, and these individuals were held in high regard.
• There was general recognition that articulation efforts between the state universities and the postsecondary technical institutes had improved greatly. They identified some issues:
  ▪ The postsecondary technical institutes have not yet been engaged actively in fashioning an educational strategy for responding to the challenges of preparing the high-skill workforce of the future.
  ▪ Perhaps because of the local governance structure that ties these institutions to local K-12 systems, these institutions are often not even considered part of the postsecondary fabric of the state.
  ▪ Except in the allied health fields, technical institutes are not envisioned as key to the high-tech workforce of the future, even though future research-intensive efforts will require many technologists prepared at the sub-baccalaureate level.
• As a remnant of the past, non-educators do not see the various state universities as being on the same team but rather as competitors bent on beating the other. While it is clear that the Regents have worked hard to create a spirit of teamwork, the perception that this occurred has not yet permeated much of the outside community, rightly or wrongly.
• Awareness with regard to the need for research and development is very high and broadly supported. The people we interviewed:
  ▪ Knew this was the major point of the Governor’s 2010 initiative,
  ▪ Knew that South Dakota lagged the rest of the country in research and development, and
  ▪ Agreed that this should be a major piece of the vision for the future economic development of the state.
• Awareness with regard to the need for educational success was generally less well understood and the extent of the challenge was broadly underestimated.
• Many of the interviewees viewed the educational component of the research and development goals of 2010E was simply development of PhD programs. While PhD programs must be an integral component of such a strategy, success in this R&D domain will also require substantial change and expansion of specific curricula within secondary and higher education, particularly with respect to preparing students in science and math.

• Most respondents perceived the “pre-employment education and training” provided to traditional age late adolescents/young adults would be the dominant educational strategy.

• Few recognized that the best efforts with these prospective students would still leave the South Dakota workforce undersupplied, thus requiring the state to substantially ramp up its education to adults returning for additional workforce training. While this challenge is expressed clearly in 2010E (goals 3A&B), few interviewees could articulate how state universities or postsecondary technical institutes cooperate in the education of adults in South Dakota.

• Continuing professional education was more often recognized as an increasing need.
  - Interviewees agreed that continuing professional education for employed individuals would be necessary; South Dakota will need this to accomplish both 2010 Goals 2A, “Promote the creation and development of new businesses that will contribute $6 billion to the GSP,” and 2B, “Promote the growth/expansion of existing businesses that will contribute $4 billion to GSP.”
  - Interviewees noted that tuition payment plans are widely offered by employers. Their comments indicate that people utilizing these tuition payment plans tend to be from larger cities and do so for part-time enrollment.
  - Specific needs in health occupations, for clinical staff, and middle management in all areas of business were identified, but no specific occupations.
  - Several interviewees championed teacher education (particularly in math and science) as a field worthy of special attention in economic development. Teaching as a profession is today the largest high-skill area of employment in South Dakota’s workforce and will remain so in the future, and is critical to building all other high-skill sectors of employment.
  - Some people perceived the challenge facing South Dakota in this particular area to be a function of low teacher salaries (among the lowest in the U.S.) rather than the ability to produce enough teachers.
  - Interviewees also named the importance of Citibank and ADP and others in forming financial service clusters. These two companies require workers with various financial skills and are willing to train people for their jobs; these individuals then recycle back into the economy.

• Awareness of the size of the challenge facing the state, however, was generally absent. For example, the Governor’s 2010E initiative calls for an increase of 20 percent in the number of baccalaureate recipients, an ambitious goal but one derived from legitimate estimates of the numbers required to support the knowledge-based workforce envisioned in the 2010 initiative. This 20 percent increase will need to occur within the context of a state that, all else being equal, will see a nearly 10 percent decline in the number of high school graduates projected over the next decade.1 As a result South Dakota will need to:
  - graduate a larger share of students from high school;

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send a larger share of those high school graduates on to college;
graduate a larger share of those students who do go on to college, particularly in science, technology, engineering, and math (STEM) fields;
entice a larger share of those college graduates to remain in South Dakota after graduation;
convince a larger share of adults to return to postsecondary education for degrees or certificates; and
improve the success rates of historically disenfranchised populations, particularly Native Americans whose educational attainment levels substantially lag the rest of the population’s, at all stages of this educational pipeline.

Individually, each of these is a significant challenge; combined they represent a huge challenge but one that the state must meet if it is to achieve the Governor’s 2010 vision. Yet, our perception is that relatively few of the leaders in the state, particularly non-governmental leaders, fully appreciate both the size of the challenge or its gravity.

Next Stages for 2010—Challenges and Opportunities

Spreading the good word. While everyone we spoke with claimed to know about the 2010 initiative, with the exception of people in the Rapid City area and within the Governor’s cabinet, few could clearly articulate anything more about the initiative than its research and development piece and many were quite unaware of the components of 2010E.

Hopefully, spreading the good word will also broaden the base of “strong” support. While the Regents have demonstrated very strong support for the initiatives, the K-12 community, at least at the local levels, does not appear to have made the same level of commitment. While certainly not antithetical to the initiative, they have not yet embraced their critical role in the future success, particularly with regard to better preparing all students in math and science for success in the future knowledge-based economy. Likewise, the postsecondary technical institutes must become much more engaged, and recent efforts to develop articulation agreements between these institutions and the state universities will need to be expanded.

Organizing for success. The state has adopted a number of very forward thinking organizational activities that will help ensure success. The state’s research and commercialization council, which includes private and public sector participation and support, is a great example of the type of collaborative activity that will help secure future success of the initiative. The efforts of Forward Sioux Falls and similar efforts in Rapid City and Watertown to generate capital for ventures within their communities are further examples, though sustaining these kinds of support in the future will require a way of identifying the most successful strategies and a willingness to accept some failure. And as one interviewee mentioned to us, that is difficult for South Dakota’s culture, in which there are very strong taboos against failure.

Without doubt, many of the efforts within higher education to enhance the link between research and local economic development will contribute substantively to realizing the
2010 vision. The efforts of the Black Hills regional economic development center, the Sioux Falls center, the incubator on the School of Mines and Technology campus, and the potential of the Deep Underground Science Lab give considerable momentum to this direction for higher education.

Policy audit. A logical next step in this visioning process may be to consider auditing existing policies within South Dakota to determine whether they consistently support the 2010 vision or not. Such a policy audit could help determine which current state economic development, workforce, and higher education policies support the vision and which potentially create barriers to moving forward.

Enhance coordination. Despite these many efforts, however, there remains less coordination than might be necessary to maximize the impact of the Governor’s initiatives. Improved coordination would take two forms:

- **PK-20 coordination**, through which greater alignment between the public schools and postsecondary institutions has the potential to reduce leakage in the educational pipeline, and

- **Coordination between the technical institutes and the state universities**, which could ensure more proactive responses to workforce needs and for the responses required from higher education. For instance, projections indicate that the demand for nurses will continue to grow and higher education needs incentives to respond rather than pressures to limit growth in such programs.

A more coordinated effort would also help in the efforts to **spread the good word**. One way to establish such a coordinated effort would be to establish a group comprised of all the major stakeholders in this venture – a roundtable, of sorts – charged with advancing the Governor’s public agenda for linking economic development, workforce development, and higher education together. Today, Governor Rounds, through his leadership, has established the vision. Sustaining this into the future, however, will require new efforts to cement the collaboration that has recently been fashioned; a roundtable process would be one mechanism for doing so.

**Build on the basis of evidence.** Many states and local community economic development efforts in the past have failed because they based their vision on a presumption that “if we build it, they will come.” A much safer approach is to build on the basis of evidence. One of the strengths of the 2010 and 2010E initiatives is that they are built on a visionary, but appropriate and achievable future for the state. The plan factors in the demography, economics, culture, and assets (human and natural) of the state. Indeed, much has been predicated on the work of the Governor’s Office of Economic Development, and its needs analysis of existing and future workforce needs. These efforts need to be reconciled with the perceptions of local communities and business leaders.
Continue data use. Those areas identified as targets of opportunity and need for South Dakota’s near term future include: South Dakota is experiencing labor shortages in nearly all industries despite being consistently among the nation’s lowest unemployment rates; the decrease is particularly acute in health care and teaching due primarily to population decline. The labor shortage is less critical in the urban areas but is a major problem in rural areas. Interviewees perceived that the largest shortages occur in trades, mid-level technology jobs, and low-skill jobs such as call centers. Areas of strength and growth were biomedical/biodiversity, mail order pharmacy operations, and security.

Evaluate progress. In addition to maintaining a strong capacity to predict future workforce demands, it will be necessary to develop the capacity to evaluate in a non-judgmental way what has worked and what has not. This would allow the state and local communities to discontinue strategies that do not achieve expected outcomes and to replicate successful models from urban areas for adoption in rural areas and vice versa. It is not necessary to forge entirely new ground in this domain; Georgia, Kentucky, and North Dakota are states that have already developed such strategies.

Governor Rounds 2010 Vision for South Dakota – of a state bent on succeeding intentionally in the knowledge-based global economy of the future – provides an exciting prospective future for the state. It is already demonstrating promising results, both in terms of the “positive energy” throughout the state and with regard to fledgling economic development and expanded workforce opportunities. To assure that this vision is realized, however, and that it is realized for the citizens of South Dakota and not interlopers from elsewhere, will require smart, intentional, coordinated, and sustained action. Key to this success will be having state economic development, workforce development, and higher education development policy in sync. We hope the responses we have shared from our interviews and analysis will help move that vision for 2010 forward.