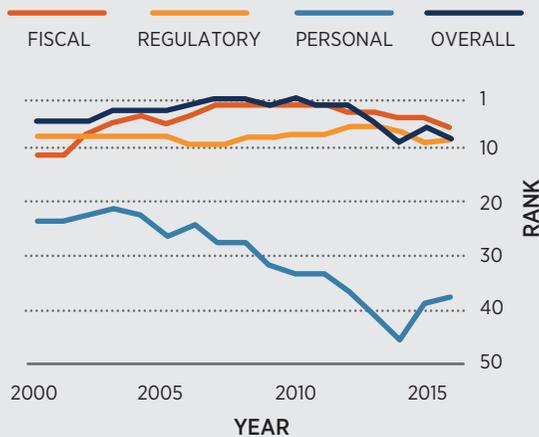


SOUTH DAKOTA

2016 RANK
8th



POLICY RECOMMENDATIONS

- Fiscal:** Trim spending on employment security administration, natural resources, and parks and recreation, areas far above national averages. Eliminate the business income tax.
- Regulatory:** Amend the constitution to require a supermajority (say, 60 percent) to pass any new regulatory infringement on the rights of private citizens through the initiative process. This could help with both labor-market and tobacco freedom.
- Personal:** Reform asset forfeiture to place the burden of proof on the government, not on innocent owner claimants, and direct funds to the treasury, not to the seizing departments. A Nebraska-style reform would have raised South Dakota a whopping 10 places on personal freedom in 2016.



Population, 2017
869,666

Net Migration Rate
2.5%



State Taxes, Percent of Personal Income, FY 2017
3.87%

Local Taxes, Percent of Personal Income, FY 2015
4.15%

Partisan Lean, 2016
R +17.3



Real Per Capita Personal Income, 2016, in 2009 \$
\$49,243

Real Personal Income Growth, CAGR, 2000-15
3.4%

ANALYSIS

South Dakota is a quintessential “deep red” state with a vast gulf between its economic freedom and its personal freedom. The state has been growing like gangbusters for at least 20 years, but lawmakers might also consider whether man can live by money alone.

South Dakota’s fiscal policy is excellent. The state has one of the lowest tax burdens in the country, although it has risen slightly at both state and local levels since 2012. It is also relatively fiscally decentralized, and South Dakotans do have some choice among local jurisdictions (1.2 effective ones per 100 square miles). State and local debt is well below the national average, but cash and security assets are not particularly strong. Public employment is just below the national average, at 12.8 percent of private employment, and the government GDP share of income is also low, at 10.3 percent. We register a fairly significant reduction in debt since FY 2009, but assets have also fallen over that time.

South Dakota’s regulatory policy is also well above average, but it has improved only a little, discounting the PPACA, since 2000. Land-use freedom is extensive, and housing supply is elastic, but there is no compensation for regulatory takings. Labor law is generally good because of right-to-work and other provisions, but a very high (for the local market) minimum wage was enacted by ballot initiative in 2014. South Dakota is one of the best states for health insurance freedom, with only a handful of the most costly mandates and few restrictions on the managed

care model. Telecommunications has been liberalized, but statewide video franchising has not been enacted. Multiple indicators suggest that occupational licensing grew in 2016, and the state is no longer better than average here. Nursing practice freedom is subpar. Insurance freedom is mediocre, as the state has held out against the Interstate Insurance Product Regulation Compact and has enacted a rate classification prohibition. However, the state is mercifully free of a variety of other cronyist entry and price regulations, including a certificate-of-need law. The state’s civil liability system is above average and has improved slightly over time.

South Dakota’s criminal justice policies are excessively strict from our point of view. For its crime rate, it imprisons more than it should. Drug and other victimless crime arrests are all above national norms, however measured. Asset forfeiture is virtually unreformed, though local law enforcement does not participate much in equitable sharing. Cannabis law is harsher than in most states, though not the harshest. The state takes DNA samples from nonviolent misdemeanor suspects without any judicial process. Gambling freedom is extensive unless you want to do it on the internet. Private school and homeschool regulations are not as burdensome as those of the neighbor to the north, and in 2016 the legislature enacted a limited private scholarship tax benefit. Smoking bans are extreme, and tobacco taxes are relatively high. South Dakota is one of the best states in the country for gun rights. Alcohol freedom is also fairly extensive, and in 2015 the ban on direct shipment of wine was repealed.