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Positive Trends but Difficult Political Questions

Issue Preview | Jared McEntaffer

This quarter's Dakota Outlook examines three critical forces reshaping South Dakota's economy: who's moving here and what they bring with them, how property taxes are shifting in response to dramatic housing market changes, and whether the state's economic foundation can sustain momentum as federal support fades.

The bottom line on migration: recent IRS data show that South Dakota is attracting higher-income households, which is contributing to household income growth in the state. Inmigrants bring roughly \$20,000 more per household than outmigrants, creating a net income gain of over half a billion dollars in a single year. It isn't just about income, either, as Census data shows that South Dakota not only attracts higher earners, inmigrants to the state are well-educated and have strong labor force participation.

The property tax reality: South Dakota's property tax landscape is experiencing dramatic shifts driven by regional housing market variations, with owner-occupied property values surging 14.8% above inflation in 2024 while agricultural property declined 1.7%. This divergence means homeowners in hot housing markets—particularly the Black Hills, Rapid City metro, and Sioux Falls metro areas—are shouldering an increasingly larger share of school district funding. School districts are also facing new problems on the horizon. Federal ESSER grants, which provided roughly 22% of Other Local Efforts during the pandemic (nearly 2% of total school funding), have now ended. Combined with potential reductions in federal Title grants, schools will need to rely more heavily on property taxes and state aid.

The economic trajectory: South Dakota's economy demonstrated remarkable volatility in early 2025, contracting 3.1% in Q1 before rebounding with 5.2% growth in Q2—one of the strongest rebounds in recent years. The recent swings show how the state's economy is exposed to forces beyond local control, commodity markets, trade policy, and federal intervention all play outsized roles. The \$418 million in Emergency Commodity Assistance Program payments that stabilized farm incomes during Q1's downturn won't be repeated indefinitely. As that support fades, the critical question is whether the state's diversified base—where finance, healthcare, and real estate now exceed agriculture's contribution—can maintain growth if agricultural markets remain weak.

What to watch: The convergence of these trends creates both opportunity and risk. Strong immigration and income flows provide demographic momentum. Housing market strength in key regions generates wealth, even as it strains affordability and puts pressure on the political system. Economic diversification offers resilience beyond agriculture. But federal support is temporary, property tax pressures are mounting, and consumer spending—the economy's most reliable constant—depends on income stability that may be harder to sustain in the months ahead. The next six months will reveal whether South Dakota's recent strength marks a sustainable trajectory or if it requires continued external support to maintain.

Migration and Income Flows in South Dakota

Population Dynamics | David Sorenson

Migration is a key component of population change. It is typically more volatile than natural increase and can be a significant indicator of the relative economic strength and attractiveness of places. Income changes due to migration flows can also be a substantial component of overall changes in the state.

Prior columns have detailed trends in South Dakota’s migration, both domestic and international, as they reflect movement among states and among counties in South Dakota. This study has a somewhat different focus, asking about the characteristics of households and individuals moving into and out of South Dakota. The initial view utilizes Internal Revenue Service (IRS) migration data based on matched returns from consecutive years to examine a couple of measures of differences among the inflow and outflow groups. Data from the American Community Survey (ACS) are also examined to provide a more detailed profile of the groups moving to and from South Dakota.

IRS Migration Findings

The IRS data provide extensive coverage by including all tax returns, and its numbers are essential in the larger Census Bureau annual population estimation program. While little detail is included in the data, the information on returns, exemptions, and aggregate adjusted gross income (AGI) allows for creating measures of household size and income exchanges. The 2021–22 South Dakota data are the most recent available and are summarized in Table 1.

2021–22 was not only a strong year for migration; it was also an exceptional year in terms of income differences. The net flow of income was more than \$583 million. This is about 1% of total personal income in the 2021–22 period and is equal to 18% of the change in personal income between 2021 and 2022.

Table 1: 2021–22 IRS Filing Data and Migration

	Inflow			Outflow			Net	
	Returns	Exemptions	Aggregate AGI (000s)	Returns	Exemptions	Aggregate AGI (000s)	Migration	AGI
Domestic & Foreign	16,959	30,577	1,483,965	13,354	23,499	894,909	7,078	589,056
Domestic	16,777	30,200	1,472,100	13,229	23,263	868,607	6,947	583,293
Foreign	182	377	11,865	125	246	6,102	131	5,763
Within Same State	14,336	24,729	904,805	14,336	24,729	904,805	0	0
Non-migrants	342,710	710,284	33,432,238	342,710	710,284	33,432,238	0	0

Source: Internal Revenue Service & Authors Calculations

Exemptions per return (Table 2) varied among different migration flows, with lower values for domestic interstate and within-state migration and higher values for foreign migration and non-migrants. The patterns held for both in-migrants and out-migrants, with little difference between the in-migrant and out-migrant values for any particular group. The value for all interstate migrants in the U.S. was 1.72—very close to South Dakota’s values.

Income per return, on the other hand, showed great variation both among flow types and between immigrants and outmigrants (Table 2). Of greatest interest is the large difference of about \$20,000 between the immigrant and outmigrant flows. A similar gap exists between the interstate and within-state flows. Non-migrants averaged about \$10,000 higher than the immigrant group. The average AGI per return was still higher by about \$2,000 than the non-migrants.

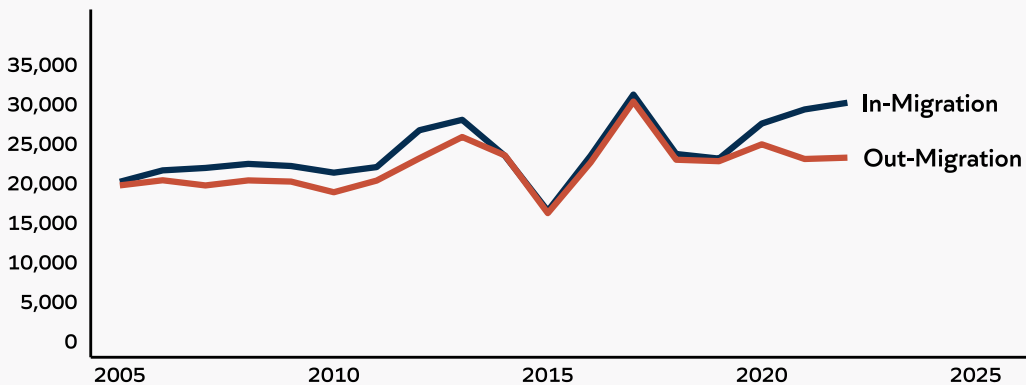
	In		Out	
	Exmptions per Return	AGI per Return	Exmptions per Return	AGI per Return
Domestic and Foreign	1.80	\$87,500	1.76	\$67,010
Domestic	1.80	\$87,750	1.76	\$67,190
Foreign	2.07	\$65,190	1.97	\$48,820
Within Same State	1.72	\$63,110	1.72	\$63,110
Non-migrants	2.07	\$97,550	2.07	\$97,550

Source: Internal Revenue Service & Authors Calculations

Comparisons Over Time

Trends over time in migration and aggregate income are shown in Figures 1 and 2. The positive net immigration period of 2004–05 to 2013–14 was followed by largely offsetting in- and outflows until 2019, when even larger positive net migration returned. Income differences, in nominal dollars, largely follow the migration trend until 2014, when roughly zero net migration still led to net income inflow. Growing net migration has led to even larger net income flows, somewhat exaggerated on the graphs due to the use of nominal dollars.

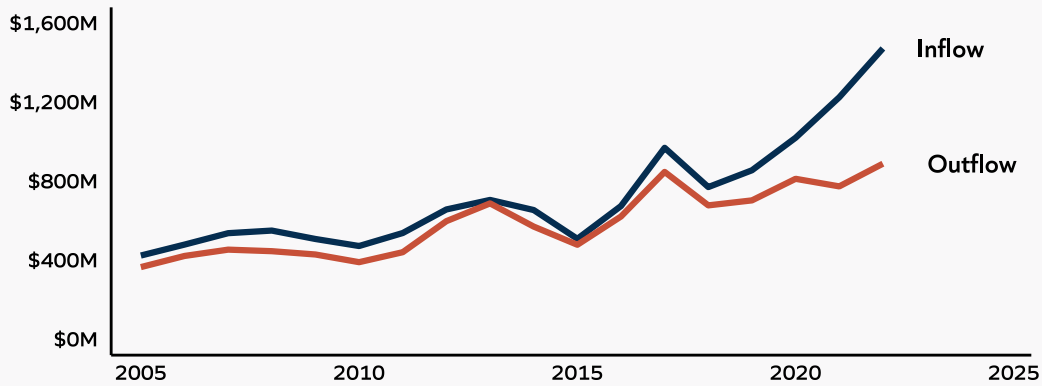
Figure 1: South Dakota In- and Out-Migration from 2004 to 2022



Source: Dakota Institute. IRS

Figure 2: Income Flows Into and Out of South Dakota

Adjusted Gross Income Flows Due to Migration from 2004 to 2022

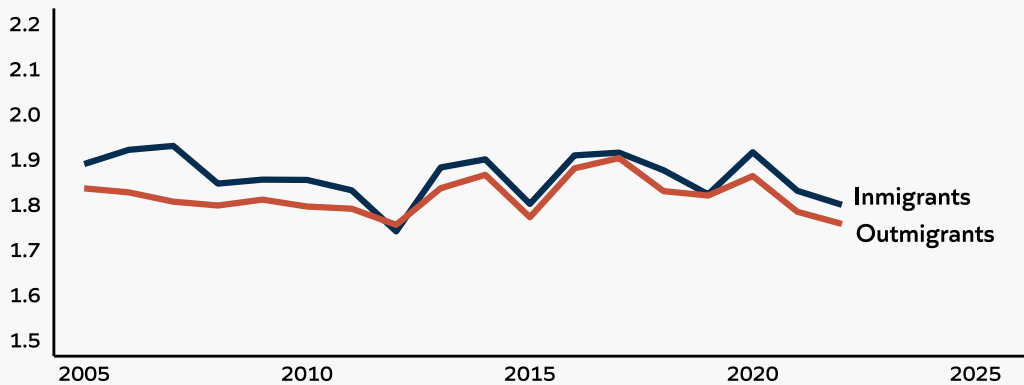


Source: Dakota Institute. IRS

Exemptions per return have stayed roughly between 1.75 and 1.95 over time (Figure 3). There have been numerous movements up and down over the years with no perceptible trend upward or downward. It has been slightly higher for inmigrants in almost every year, tending toward about 0.05 higher among inmigrants in recent years.

Figure 3: Exemptions per Return in South Dakota

2004 to 2022

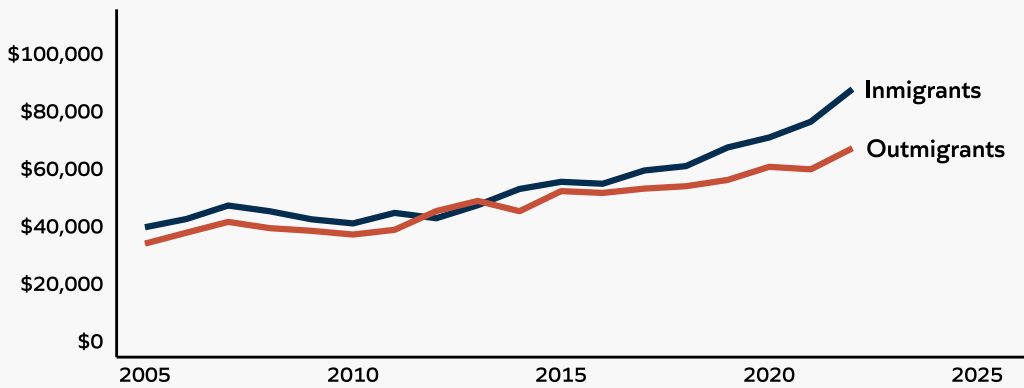


Source: Dakota Institute. IRS

Adjusted Gross Income per return, measured in nominal terms, shows the expected upward trend consistent with price increases (Figure 4). With the exception of 2011–12 and 2012–13, AGI per return has been higher for inmigrants. A growing gap between inmigrant and outmigrant AGI per return is clear in recent years.

Figure 4: AGI per Return in South Dakota from 2004 to 2022

Inmigrants and Outmigrants Compared.



Source: Dakota Institute. IRS

Migrant Characteristics from the American Community Survey

The American Community Survey (ACS) is conducted annually. As a survey, it collects data on only a small sample from the population. The Census Bureau reports that coverage is about one percent of the population, so it provides information with significant margins of error. In fact, the 2023 ACS estimates of migration flows between states show numerous examples of margins of error that are nearly the size of the estimated flow. For example, the estimated flow from Montana to South Dakota in 2023 is 680 with a margin of error of 539.

While the individual between-state flow sizes leave significant uncertainty, the overall estimates in and out of South Dakota are similar to IRS estimates, and it is still reasonable to examine the characteristics of individuals reflected in the Public Use Microdata Sample (PUMS) provided by the Census Bureau. The numbers reported below use the weights assigned by the Census Bureau to capture how many individuals each of the observations represents. Since outmigrants to other countries are not included in the survey, only domestic inmigrants were examined to assure comparability among groups.

The 2023 ACS estimated 30,055 inmigrants to South Dakota from other states, 29,464 outmigrants from South Dakota to other states, and 874,969 people who remained in South Dakota. The PUMS data provided 335 outmigrant records, 235 inmigrant records, and 9,214 nonmovers. Although there were many more outmigrants than inmigrants, the weights identified for the observations indicate that approximately equal numbers were represented by the sample.

Table 3: Age Distribution by Migration Status

	Outmigrants	Stayers	Inmigrants
Age under 5	5.8%	7.2%	6.5%
Age 5 to 17	13.7%	16.7%	12.6%
Age 18 to 24	24.2%	8.5%	25.2%
Age 25 to 64	43.4%	48.8%	46.3%
Age 65 plus	12.8%	18.7%	9.3%
Average Age	33.0	39.4	33.0

Source: 2023 5-Year ACS & Authors Calculations

The three groups had some notable differences in racial composition (Table 4). The percentages White were fairly similar although several percentage points higher among immigrants than outmigrants. More striking are the differences in the Black and Native American percentages. More than eleven percent of the outmigrants were Black, while the nonmover and immigrant percentages were both around three percent. The Native American percentages were both over ten percent among the nonmovers and immigrants but only about six percent among the outmigrants. The Hispanic percentage, while never exceeding eight percent, is notably higher among outmigrants than immigrants.

Table 4: Sex, Race, Ethnicity, and Marital Status			
	Outmigrants	Stayers	Immigrants
White	83.2%	86.3%	89.3%
Black	11.4%	3.2%	2.7%
Asian	2.0%	2.1%	4.8%
Native American	5.9%	10.3%	11.0%
Hispanic	7.6%	5.2%	2.0%
Female	46.6%	48.9%	45.7%
Married	42.2%	41.3%	21.6%

Source: 2023 5-Year ACS & Authors Calculations

Educational attainment (Table 5) was fairly similar among the three groups, with 5–10% of each group over the age of 24 having less than a high school education, 50–60% being high school graduates (possibly with some college or an Associate’s degree), 21–26% having a Bachelor’s degree, 5–8% with a Master’s degree, and 3–8% with more advanced degrees.

Table 5: Current Education and Educational Attainment			
	Outmigrants	Stayers	Immigrants
Current Education			
Currently Enrolled	24.4%	23.6%	32.9%
K-12	12.9%	18.8%	14.5%
Undergraduate	9.8%	3.8%	14.1%
Grad School	1.7%	1.0%	4.3%
Educational Attainment			
Less than HS	9.9%	6.4%	9.8%
HS Graduate	53.5%	60.6%	53.2%
Bachelors	25.7%	22.2%	21.6%
Masters	5.4%	7.0%	7.4%
Doctorate/Professional	5.7%	3.7%	7.9%

Source: 2023 5-Year ACS & Authors Calculations

Comparisons of the places of birth and citizenship (Table 6) provide additional insight into migration patterns. More than 95% of the nonmovers and immigrants were born in the United States, while only 91% of the outmigrants were U.S. natives. Virtually none of the immigrants and only 2% of nonmovers were noncitizens, while 6.1% of the outmigrants were noncitizens.

Table 6: Nativity by Migration Status			
	Outmigrants	Stayers	Immigrants
US Native	91.0%	95.4%	95.5%
Foreign Born	6.1%	2.0%	0.6%
Born in South Dakota	29.3%	63.2%	31.5%

Source: 2023 5-Year ACS & Authors Calculations

The ACS provides a number of economic measures (Table 7). Labor force participation rates are similar among the three groups, all with unemployment under 2%. Income and earnings levels are slightly higher among immigrants than outmigrants, while nonmovers have the highest total income and earnings.

Table 7: Employment and Income Characteristics

	Outmigrants	Stayers	Immigrants
Unemployed	1.9%	1.2%	1.4%
Not in Labor Force	29.3%	26.3%	26.8%
Wage/Salary Income	\$35,644	\$35,293	\$40,257
Usual Weekly Hours	38	38	36
Weeks Worked/Year	43	46	41
Earnings	\$37,556	\$39,979	\$43,710
Income	\$45,343	\$49,939	\$47,451
Public Health Insurance	31.0%	33.4%	29.2%
Disability	16.2%	13.1%	19.5%

Source: 2023 5-Year ACS & Authors Calculations

Comparison to 2021 and 2019

To assess change over time, the single-year PUMS files for 2018–19 and 2020–21 were examined. Table 8 summarizes comparable metrics for 2019 and 2021. Patterns indicate COVID-related shifts, rising native-born immigrants, and declining noncitizen migration.

Conclusion

The limited IRS data indicate that South Dakota is benefiting economically from migration exchanges when measured by adjusted gross income. There is no clear pattern of significant differences in family sizes as proxied by exemptions per return.

The richer ACS data reveal intriguing demographic contrasts among migrant groups. While not all differences have immediate economic implications, they could influence long-term trends. The findings support the IRS evidence of migration’s beneficial effect but should be interpreted with caution due to small sample sizes. The exchange of college students remains a particularly important factor driving net immigration.

Table 8: Demographic and Economic Comparison (2019 vs 2021)

	2019			2021		
	Outmigrants	Stayers	Inmigrants	Outmigrants	Stayers	Inmigrants
Observations	267	8,875	231	268	8,550	248
Housing Unit %	90.9%	96.6%	82.5%	92.7%	96.7%	90.3%
Age						
Age under 5	5.0%	7.9%	4.4%	4.8%	7.5%	4.8%
Age 5 to 17	12.1%	16.5%	14.9%	10.2%	17.1%	15.3%
Age 18 to 24	21.7%	8.7%	28.8%	24.8%	9.1%	28.1%
Age 25 to 64	51.1%	48.9%	49.1%	46.6%	48.4%	46.1%
Age 65 plus	10.2%	18.0%	2.8%	13.7%	17.9%	5.7%
Average Age	33.3	39.1	28.6	35.2	38.9	30.5
Nativity						
US Native	96.7%	96.5%	87.8%	94.5%	97.2%	94.6%
Noncitizen	2.2%	1.5%	10.7%	3.0%	1.6%	3.0%
Born in South Dakota	21.5%	64.4%	21.6%	24.2%	63.2%	29.1%
Economic						
Unemployed	5.4%	1.7%	3.9%	3.3%	1.4%	2.1%
Not in Labor Force	24.3%	25.4%	21.4%	26.1%	26.7%	18.7%
Wage/Salary Income	\$31,333	\$27,337	\$24,002	\$27,919	\$31,556	\$24,070
Usual Weekly Hours	37	40	37	40	39	36
Weeks Worked/Year	39	46	41	41	45	40
Earnings	\$32,832	\$30,846	\$25,174	\$31,284	\$35,329	\$28,264
Income	\$39,189	\$39,466	\$27,481	\$38,276	\$44,136	\$32,494
Public Health Insurance	25.1%	31.7%	15.7%	24.8%	32.1%	17.8%
Disability	9.2%	13.0%	9.5%	19.6%	13.6%	8.2%
Education and Educational Attainment						
Current Education						
Currently in School	31.3%	24.0%	37.5%	29.7%	24.6%	37.8%
K-12	16.4%	18.9%	14.4%	15.9%	19.7%	17.3%
Undergraduate	12.7%	4.2%	20.3%	10.9%	4.0%	18.3%
Grad School	2.2%	1.0%	2.8%	3.0%	0.9%	2.3%
Educational Attainment						
Less than HS	2.2%	7.3%	19.0%	4.4%	6.4%	11.6%
HS Graduate	51.5%	63.1%	38.4%	53.5%	62.7%	48.3%
Bachelors	19.5%	21.0%	24.9%	29.1%	20.8%	21.2%
Masters	10.9%	6.1%	10.0%	8.2%	7.1%	8.8%
Doctorate/Professional	10.8%	2.5%	7.8%	4.8%	3.1%	10.1%
Sex, Race, Ethnicity, and Marital Status						
White	88.3%	87.2%	77.1%	85.1%	86.7%	79.8%
Black	8.7%	2.4%	11.4%	9.6%	2.8%	4.0%
Asian	3.6%	1.5%	2.2%	1.0%	2.2%	6.7%
Native American	5.3%	11.0%	5.8%	2.8%	10.5%	12.1%
Hispanic	3.0%	3.5%	9.7%	8.5%	4.0%	7.3%
Female	51.2%	49.2%	46.4%	48.5%	48.9%	56.4%
Married	37.9%	42.6%	29.0%	32.3%	41.1%	24.1%

Source: 2023 5-Year ACS & Authors Calculations

Beyond Assessed Values: South Dakota Schools Face a Funding Crossroads

Property Taxes | Kyle Kopplin

Property taxes in South Dakota, especially assessment valuation growth, continue to be topics of discussion for homeowners, school officials, and state legislators. This article highlights differences in school district assessment growth (and ultimately tax revenue growth) and changes in school district funding needs over the last few years. While assessment growth has been a major talking point, changes in federal funding that impact South Dakota schools may mean more reliance on property taxes, local funding efforts, and sales taxes vis-à-vis the state aid formula than in previous years. South Dakota regularly employs rate caps, revenue caps, and assessment growth caps on property tax revenues in different contexts.

School district property taxes are unique in South Dakota for a few reasons. Foremost, unlike other tax districts (e.g. cities and counties), school districts do not have a revenue cap. Secondly, school district general fund levies use statewide levy caps that are determined using statewide assessed value growth rates. Finally, the statewide caps are different for the three main property types (agricultural (AG), owner-occupied (OO), and other (OTH)). 'Other' property often means commercial, but it is more generally non-agricultural and non-owner-occupied, so second homes, speculative property, and vacation property fall into this category. For completeness, there are additional property types that consistently make up around 3% of assessed value in addition to the main three.

Why Assessed Values Matter to School District Property Tax Payments

Property tax payments from homeowners are determined in two parts – the assessed value of property times the property tax millage (measured in \$1 per \$1,000). Overlapping taxing districts (e.g. cities and counties) use the same assessed value but have different millage rates that add together for the total. Each taxing districts' levies (plus 'other' levies and 'excess' levies, if applicable) appear on the homeowner's annual property tax bill. Then, household-specific abatements, exemptions, and other allowances can reduce the 'nominal total levy' to the 'effective total levy', the rate that is actually used to determine tax payments.

Assessed values are typically equalized to 85% of market value, so local housing market fluctuations proportionally determine assessed value growth. Related, the assessment ratio is the fraction of assessed value to market value at a particular point in time, which usually is close to 85% in weighted averages of all property in a district but can fluctuate with market conditions. When the county assessor does a reassessment of a property for tax purposes (often not every year), the assessment ratio is equal to the equalization rate for that property.

Revenue caps for cities, counties, and most other taxing districts mean that rising assessed values will be offset by lower millage rates, keeping property tax revenue constant over time (plus an adjustment for inflation). School districts, however, do not have a revenue cap. Instead, the maximum millage rate for each property type is capped based on statewide assessment growth, but assessment growth itself is allowed to fluctuate within school districts. Importantly, the proportional rate caps across property type applies only to the "general fund", the primary account for most expenses (e.g. teacher

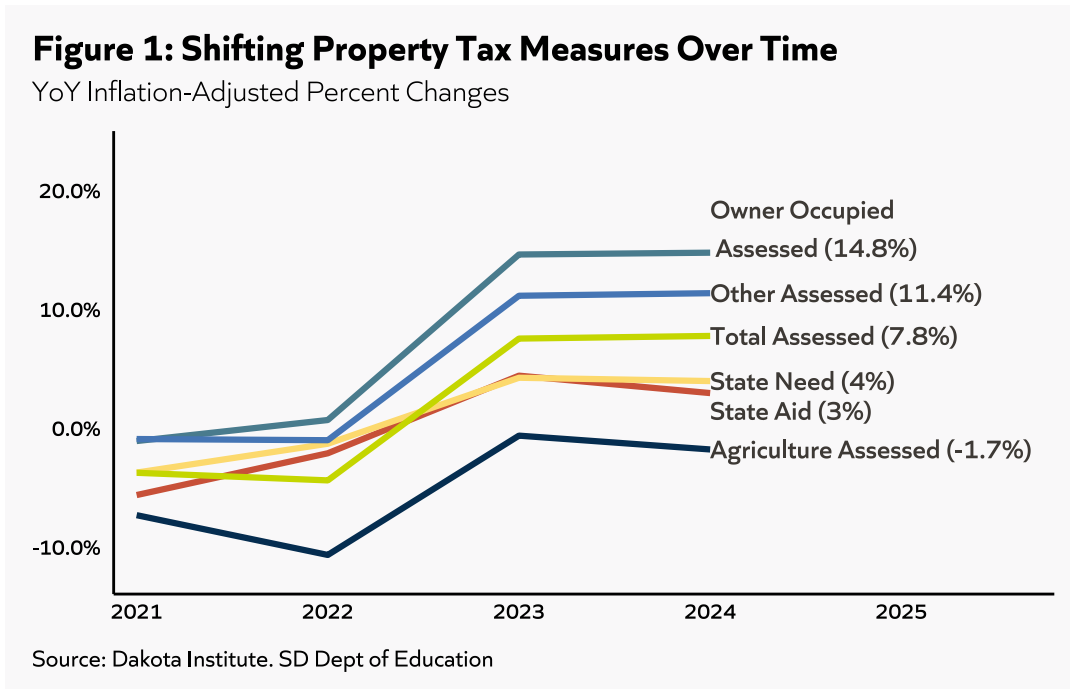
compensation) and “excess levies” (e.g. general fund opt outs). So ‘other’ levies for capital outlays, bonds, and TIFs in the school district have flat rates across property types.

Taken together, housing market conditions are the major reason for differences in school district tax revenue growth in the state. High price growth increases assessed values proportionally by the equalization rate. Thus, all else equal, homeowners in housing markets with rapid price growth pay more school district property taxes than areas with slower price growth. The school district portion of the property tax bill is the only one that would be drastically different from year to year from housing market impacts due to not having a revenue cap.

SB216 in 2025 created a carve out such that improvements of up to 40% of assessed value will not be counted as new taxable value for the district. Improvements up to 40% still impact individual homeowners’ tax payments, but they do not increase overall assessed value (and thus tax revenue) for the school district. The AG, OO, and OTH max millage rates have been falling in recent years due to consistent assessment growth. However, if an economic downturn caused house prices to fall, it is possible that the implied assessment cap from SB216 could necessitate increases in those max millages to maintain funding. Plainly, OO taxpayers could end up paying a larger portion of a smaller tax base (opposite of the typical recent pattern) if house prices were to fall enough.

Recent Trends Surrounding Assessed Values

The first figure shows the inflation-adjusted growth rates among the three different types of property for the most recent few years of available data from the South Dakota Department of Revenue (DOR). In addition, state totals for assessed value, state aid paid to school districts, and state-determined ‘need’ are included. A positive number indicates that assessed values are increasing from the previous year over and above inflation, while negatives imply the opposite.



Year-over-year, in real terms, agricultural valuations have been falling and becoming a smaller share of property tax revenue, around a third of overall assessed value. At the same time, owner-occupied and other property showed drastic upticks from 2022 to 2023, then growth leveled off (though assessed values continue to increase with more predictable growth rates). While growth rates offer no direct comparison to dollar volumes, 'need' growth was stable last year while state aid growth fell, which is suggestive of local efforts making up a larger portion of school district funding. Inflation adjustments give a more reliable picture of the magnitudes with which to think about policy. For reference, in non-inflation-adjusted terms, the state average assessment growth was around 10.7% in 2024 – agricultural property grew around 1.2%, owner-occupied property grew around 17.7%, and other property grew around 14.3%.

School District Funding

School districts receive funding from three primary sources – property taxes, state aid (using the state aid formula), and Other Local Efforts (“OLEs”) to address funding ‘needs’. School/local ‘needs’ (i.e. roughly, planned expenses) are determined using the state aid formula based on enrollment, target teacher ratios (i.e. the number of teachers necessary for anticipated enrollment), teacher compensation (salary plus benefits), and overhead costs (as a fixed fraction of teacher compensation). The South Dakota Department of Education (DOE) has the exact formula with the most current year’s [calculator tool](#), and more information can be found on the [State Aid page](#) at the SD DOE.

If schools don’t raise enough funds locally through property taxes and OLEs, the state aid formula reconciles the difference so schools can continue to operate at a formulaic standard. Simply, State Aid = Need – Property Taxes – OLEs. This process makes school budgeting more predictable, prevents rapid changes in school district services to students, and leads to equitable support of schools when local funding falls short. Naturally, districts with high assessed value growth and/or large OLEs receive less state aid in a given year. According to the DOE, Lead-Deadwood 40-1, Hill City 51-2, Elk Mountain 16-2, Custer 16-1, and Agar-Blunt-Onida 58-3 had no state aid last year, while Hoven 53-2 is on an alternative state aid formula. For districts that did not receive state aid, their OLEs and property taxes more than exceeded the estimated need based on the formula.

Though they offset, for most school districts, the sum of property taxes and state aid make up the overwhelming majority of the budget to address planned expenses. Last year, in aggregate, property taxes were around 57% of school funding while OLEs made up around 14%, meaning the remainder was state aid of around 29%. In inflation-adjusted terms, statewide assessed values have grown over the last five years around 7.4% (five-year total from 2020-2024), statewide school district ‘needs’ have grown around 6.4%, and state aid has risen 1%. The formula implies that OLEs have grown a total of around 2% over the last five years ($1\% = 6.4\% - 7.4\% - \text{OLE}$). However, just last year, OLEs grew around 6.9% which is much higher than previous years. Given the sunset of several federal grants and other changes to federal funding, school districts should expect OLEs to diminish drastically in coming years, meaning more reliance on property taxes and state aid starting as early as this fall.

Trends in Other Local Efforts (OLEs)

OLEs include a wide variety of sources (e.g. utility taxes, bank franchise taxes, renewable facility taxes, private donations, admissions/ticket revenue for activities, federal Title grants, leases with county/state

governments, etc.), but not every school district has access to the several dozen possible local effort channels. This is especially true of land leases (concentrated in Harding County), mineral leases (almost exclusively West River), grazing contracts (exclusively West River), forestry (concentrated in Custer, Elk Mountain, and Hill City schools), and wetlands (almost exclusively East River). There are other school-level choices like transportation fees (exclusively in the Sioux Falls metro), donations from private sources (heavily concentrated in Rapid City, Sioux Falls, Brookings, and Yankton schools), and use agreements for jointly-used facilities (like in Rapid City and Yankton).

Often, a school district's OLEs depend on the local resources and economic development in that area, both of which have massive disparities given South Dakota's geographically diverse and often concentrated natural resources. School districts and local residents weigh complex incentives determining OLEs. On one hand, having more OLEs reduces actual state aid paid one-for-one, so there could be a mismatch of incentives to expand OLEs for school districts since doing so may not result in a larger school budget. On the other hand, having more OLEs means less exposure to fluctuations in state budgets and changes to the state aid formula, primarily funded through sales taxes with a heavy reliance on consumer spending behavior and tourism. Generally, more OLEs ease constraints of the state government, allowing more funding to go to other budget items or allowing less need for sales tax revenue.

In aggregate, federal Title grants are the largest portions of local efforts, though there is variation across school districts. The most substantial two of these Title grants in South Dakota go to improving academic achievement for disadvantaged students (Title I) and improving training and recruitment for teachers (Title II). Title I by itself is regularly around 20% of all OLEs for South Dakota schools, the single largest component of OLEs in aggregate.

More recently, aid from the Elementary and Secondary School Emergency Relief Fund (ESSER) offset some costs related to the Covid-19 pandemic. Initial funding came from the CARES Act in March 2020 ("ESSER I") and ended in September 2022. Funding was expanded starting in December of 2020 from the CRRSA Act ("ESSER II") which ended September 2023. One more expansion came in March 2021 ("ARP ESSER" or "ESSER III"), which ended September 2024.

During the time that both were operational, ESSER II & III were the second and third largest components of OLEs (behind Title I grants), respectively, and were together around 22% of all OLEs in 2022. For comparison, the ESSER funding sources were almost as large as Title I & II grants combined. The sunset of ESSER funding means that around 2% of all school district funding (not just OLEs) in South Dakota now must be made up. This will need to come either at the school district level with property taxes and OLEs or at the state level through the state aid formula.

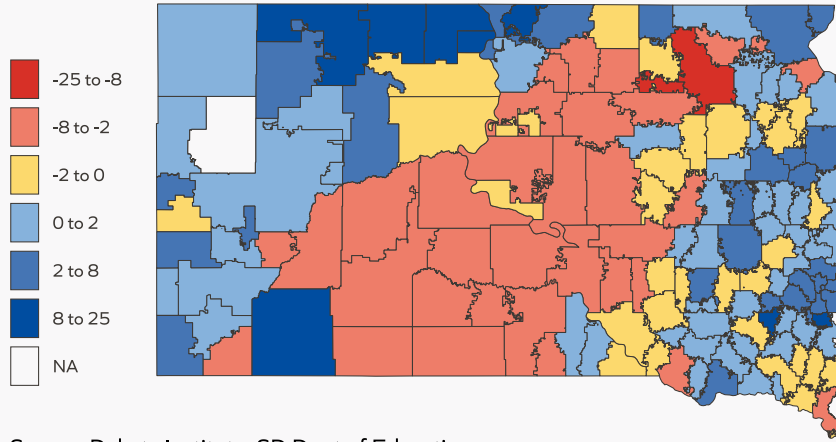
Assessed Value Growth Trends by School District

The first set of three maps contains growth rates from 2018-2019 (pre-Covid), 2021-2022 (during peak inflation), and 2023-2024 (the most recent available data), respectively. The growth rates are year-over-year changes that are normalized to the statewide average for each year. So negative growth rates only indicate that school districts did not grow as fast as the state average – not necessarily that assessed values fell nor that schools are financially struggling, and vice versa. The data come from annual Property Tax Statistical Reports provided by the SD DOR. South Dakota Reservations have different rules regarding property taxes so they may be directly comparable to other districts in this

context. Recall, assessed values are equalized to 85% of market value, so hot housing markets have high assessed value growth.

Figure 2: 2018-19 Total Assessed Value Growth

Percent Difference from Statewide Average

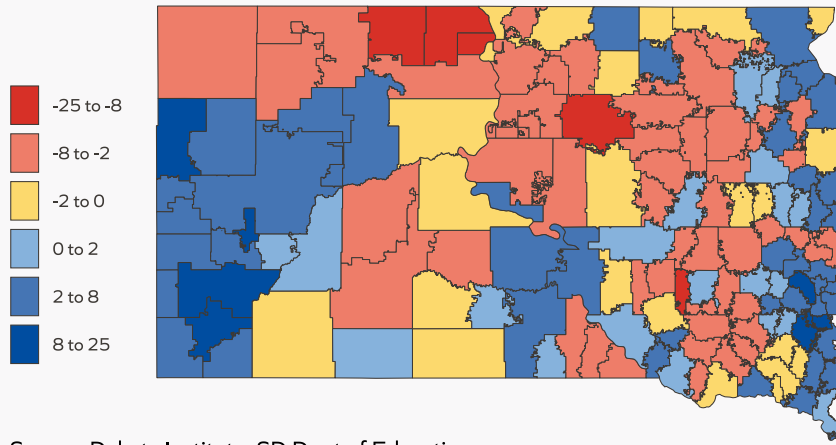


The highest assessed value growth rates across from 2018 to 2024 are concentrated around the Sioux Falls metro (though not including Sioux Falls 49-5 proper), the Rapid City metro, and in the Black Hills, and the pattern is becoming more apparent over time. Northeast South Dakota school districts also have consistent assessment growth. Generally, school districts on the interior of the state away from other state borders and away from state population centers have slower growth. Also, assessment growth rates are relatively comparable among neighboring school districts, suggesting some spillovers in housing market prices could be present. Pre-Covid, Oglala Lakota 65-1, Harrisburg 41-2, and a few school districts along the North Dakota border had the highest total assessed value growth.

During the high inflation of 2021 and 2022, the pattern along the North Dakota border inverted dramatically. At the same time, the pattern of assessment growth became much more condensed in the Black Hills and around the Sioux Falls metro. East central school districts, in the region halfway between the Minnesota border and the Missouri River, had a mixed experience during this time – some had more growth than Pre-Covid while others' assessed value growth shrank. Some schools along the Missouri River in the southern part of the state also inverted their Pre-Covid pattern, turning into assessed-value growers. In the Black Hills, assessed values in Belle Fourche 09-1, Douglas 51-1, Custer 16-1, and Hot Springs 23-2 grew the most. Lennox 41-4, Tri-Valley 49-6, and Tea 41-5 have some of the highest assessed growth in the Sioux Falls metro during this time.

Figure 3: 2021-22 Total Assessed Value Growth

Percent Difference from Statewide Average

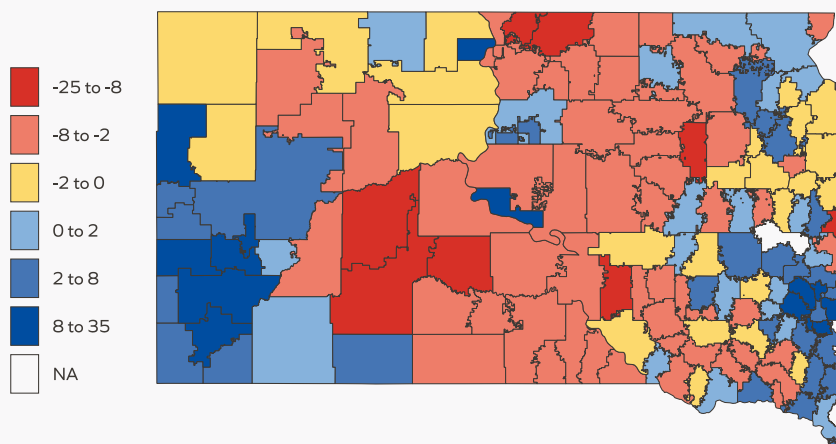


Source: Dakota Institute, SD Dept of Education

Most recently, the Southern Hills continued to have high assessed value growth, adding Hill City 51-2 and Rapid City 51-4 to the list of schools with the highest growth rates. While Sioux Falls 49-5 itself had assessed value growth, the largest growth rates are among other school districts in the metro, like Baltic 49-1, Brandon Valley 49-2, Garretson 49-4, and West Central 49-7. Pierre 32-2 has had increasing rapid assessment growth, which is a bit anomalous relative to its geographic neighbors. Gettysburg 53-1 and Hoven 53-2 are the only other districts along the interior Missouri River whose assessment values grew in the most recent year. Those south along the river reverted back to pre-Covid trends, lagging behind the state average, while those in the north bordering North Dakota were among the slowest assessed value growth areas.

Figure 4: 2023-24 Total Assessed Value Growth

Percent Difference from Statewide Average



Source: Dakota Institute, SD Dept of Education

Assessed Value Growth by Property Type

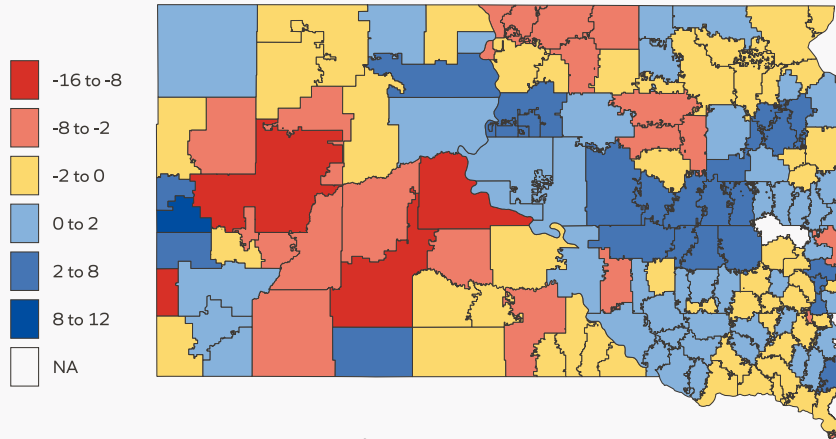
While looking at total assessed growth is useful for determining how school district finances are faring overall, differences by property type gives more information about how taxpayers are sharing the burden. The next three maps are from the most recent year of data and are roughly analogous to how the statewide max millage rates for each property type are determined. In each, the values show each school district's assessment growth relative to the statewide growth rate for that specific property type in that year. So, there will be half with positive values (whose assessment growth is higher than the state average) and half with negative values (whose assessment growth is lower than the state average).

Since these are normalized to the state averages, a positive or negative value doesn't necessarily indicate increasing or decreasing assessment growth. Two different perspectives can be used, but either should be done with caution since the state aid formula doesn't account for unexpected school district-specific needs or expenses. Fast assessment growth implies more local resources for school districts but higher property tax payments for homeowners, and vice versa.

Relative to the maps above, there are less clear spatial patterns, indicating that the growth trends of each property type are much more sporadic than the overall assessed values. One explanation is that the various property types respond to different types market forces (e.g. suppliers of OO have different constraints than suppliers of AG, etc.). The juxtaposition of extremes in close geographic proximity when looking at property types shows how overall trends sometimes mask compositional effects underneath.

Figure 5: 2023-24 Agriculture Assessed Value Growth

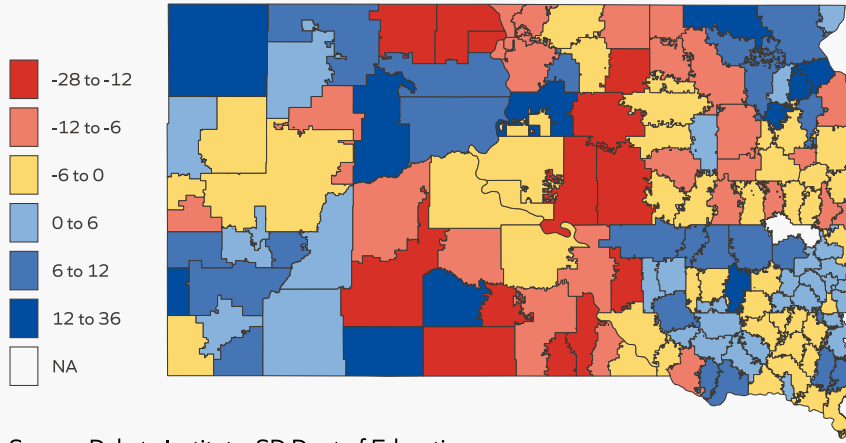
Percent Difference from Statewide Average



Source: Dakota Institute, SD Dept of Education

Figure 6: 2023-24 Owner Occupied Assessed Value Growth

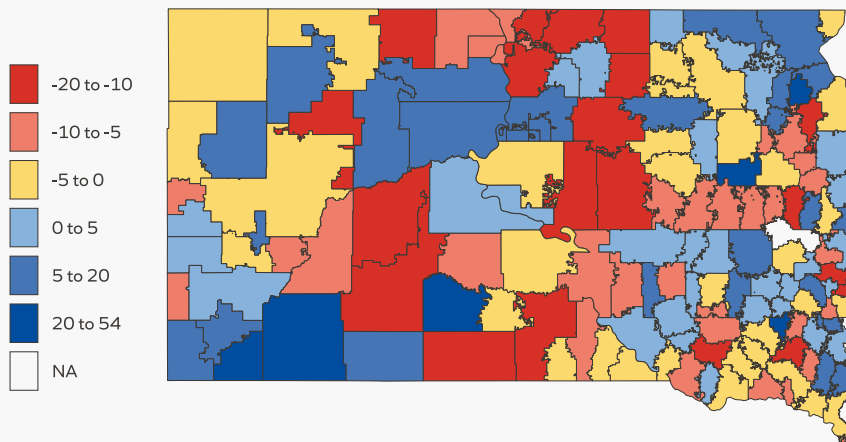
Percent Difference from Statewide Average



AG valuations lagged behind the state average mostly in pastureland West River and north central East River. At the same time, nearby areas saw the fastest growth, including the northern Black Hills and central East River. Sioux Falls 49-5 proper has some of the fastest growing AG assessed values as well. OO property assessed value grew fastest along state borders, except close to the Missouri River. The interior of the state saw that slowest assessment growth, generally lagging furthest behind the state average. SB216 in 2025 focused specifically on capping assessment growth for OO property, so assessed growth rates will be impacted in future years. Interior school districts show the same slow assessment growth for OTH property as for OO property. The southwest school districts have some of the highest concentrated growth.

Figure 7: 2023-24 Other Property Assessed Value Growth

Percent Difference from Statewide Average



Since OO property has been rising as a fraction of assessed value, over 40% of all South Dakota property now, the OO trend is the most influential when predicting overall assessment growth. Looking

at the Sioux Falls metro, OO is moderately positive for most of the metro school districts. Despite fast AG growth, Sioux Falls 49-5 lags behind its surrounding school districts overall due to slow OO growth. That said, each district's fraction of AG, OO, and OTH property as well as the other, smaller taxable property types will determine actual impacts. Looking at each component individually can be misleading when comparing to the totals, especially because districts all vary in the amount of each property type they contain.

Commentary, Causes, and Implications

With the sunsets of some federal sources, Title grants will become a larger portion of OLEs, but the future of Title grants has come into question recently as well due to different handling of the federal Department of Education. Diversifying funding sources and avoiding too much reliance on any one source can serve the same purpose as diversifying any portfolio – less avoidable risk. In addition to even more pressure on OLEs to keep pace with school district needs, property taxes and state aid funding will likely need to compensate to fill the gap in federal sources. In short, federal changes play a tangible role in funding South Dakota schools in ways that impact the typical taxpayer. Even though OLEs and state aid offset one-for-one, OLEs reduce the pressure on the state budget, which can mean more fiscal options for state funding toward other projects and/or less reliance on sales tax growth in the future. The same is true for property taxes. Theoretically speaking, property tax projections can be more reliable than sales taxes since they are more insulated to transient spending shocks.

Many of the Southern Hills school districts are fully funded by local efforts (property taxes and OLEs), which are also some of the only ones that have forestry in their OLE portfolio. Of course, there are multiple perspectives on whether full local funding is 'good' or 'bad'. From the standpoint of homeowners, there is a question of why the school district is being 'over-funded'. One potential argument would be that property taxes are 'too high' relative to state-determined need. The state aid formula does use some assumptions (e.g. a constant overhead rate, whether it be for ease, tractability, etc.) that may not reflect realities in every school district, so actual 'need' may not be reflected in the formula's prediction. From the fully-locally-funded school district's perspective, students may enjoy benefits and opportunities in their school district that are well over and above the target student experience implied by the state aid formula. Additionally, teacher compensation may be higher, attracting talented teachers to the school district. Opt outs and excess levies are uncommon in the Black Hills, which is largely attributable to high assessment value growth and large OLEs.

The Black Hills housing market could be experiencing price pressure from both supply and demand sides. Housing supply could be constrained for a variety of reasons, including National Forests, state parks, difficult terrain, and rocky soil common in the region. This means building houses in certain areas is either difficult or impossible relative to other areas in South Dakota, increasing the costs of construction and driving up prices. High prices incentivize construction, but the length of the building process means that prices now are not as influential as expected future prices. There is plenty of competition on the demand side, with the Rapid City metro being one of the highest population growth areas in the region. Some of that could still be driven by Covid-era trends of remote work where people are more selective about their physical location and/or out-of-state homebuyers placing bids on listed houses 'sight unseen'. Prices are growing faster than inflation in the Black Hills, so the number of sales would determine whether the supply-side or demand-side impacts are larger.

The Sioux Falls metro has its own draws for growth at the intersection of two interstates and home to a variety of financial services and banking capital. New developments on the outskirts of the city mean the housing stock is younger and more appealing. Urban sprawl means that there is access to amenities, restaurants, and shopping centers on most edges of the city, inviting a shorter drive from the surrounding communities. Jefferson High School opened in the 2021-22 school year which addressed crowding concerns but still increased need for Sioux Falls 49-5 further.

Generally, AG property has been making up a smaller fraction of assessed values in recent years. OO property has had faster assessed value growth than AG and OTH property, but a combination of factors could explain much of that trend. First, it could be that OO property has had more growth in market prices proportionally impacting assessment growth. Second, it could be composition effects of property switching from one type to another. Either the amount of OO property is increasing faster than AG or OTH as new developments arise, and/or rezoning is turning AG property into OO and OTH property. Remember, OTH property still gets taxed at a much higher rate than OO, the lowest rates are for AG, and all rates have been falling recently.

From the homeowner perspective, if assessments grow quickly, the school district portion of the property tax payment will grow in dollar volume and as a fraction of the overall payment since other overlapping taxing districts are subject to revenue caps. So, living in a high growth area for an extended period can present personal finance challenges or concerns of fairness, especially if the homeowner has made no upgrades that improve the function of the housing unit as a domicile. That said, assessed value growth comes from market value growth, which also means a large financial return upon sale of the house. So, increases in property taxes can reflect the potential of selling for a substantial payoff at the time of sale. In other words, long-term homeowners living in high-growth areas have the downside of higher ongoing costs of living in the same house, but they also have high potential upside of a sale far above purchase price (due to assessment and market value growth), in inflation-adjusted terms, on a house that is also more likely to have less mortgage term left.

There is no doubt that perspective matters when it comes to property taxes and publicly-funded benefits like public schools. What is seen as a benefit to one side will usually be a detriment to the other. As such, the findings presented ought to be interpreted with caution and in context since looking at overall assessment growth could miss information about school districts that are not captured in assessed values. As house price growth in South Dakota stabilizes in the post-Covid period, assessed value growth is also likely to level out.

From Fields to Finance: South Dakota's Economic Landscape in Early 2025

Economic Growth | Devan Schaefer

South Dakota's economy surged 5.2% in the second quarter of 2025, rebounding sharply from a 3.1% contraction just months earlier. This volatile pattern—from downturn to recovery in just six months—reveals the dual nature of the state's economy: fundamentally resilient, yet exposed to forces largely beyond local control.

The swing was driven by familiar pressures. Agriculture, which accounts for nearly 8% of state output, remains vulnerable to global commodity markets and trade disruptions. At the same time, federal intervention through the Emergency Commodity Assistance Program (ECAP) injected over \$418 million into South Dakota during the first quarter, cushioning farm incomes and stabilizing rural communities. Meanwhile, the state's other economic drivers—manufacturing, healthcare, and real estate—continued their steady contributions, underscoring an economy that has diversified substantially even as agriculture retains its outsized influence on quarterly volatility.

For businesses and policymakers navigating 2025, understanding this volatility is critical. Commodity price swings, shifting trade policies, and the timing of federal support programs can amplify or dampen growth within a single quarter. This article examines the key indicators shaping South Dakota's economic trajectory: real GDP growth by industry, personal income trends bolstered by federal programs, and the steady foundation of consumer spending. It also benchmarks South Dakota against its neighbors—North Dakota, Minnesota, Iowa, and Nebraska—to assess where the state stands competitively in the upper Midwest.

South Dakota Real GDP Trends: Impact of Agriculture and Regional Influences

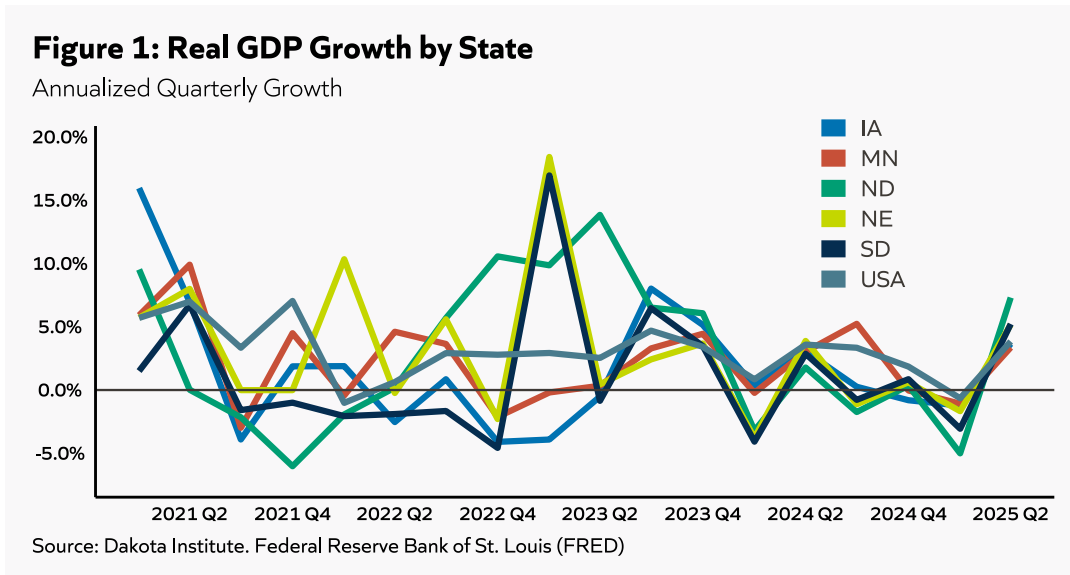
South Dakota's recent economic performance reflects the boom-and-bust cycles that have long characterized agricultural economies. While the state has diversified significantly—with finance, healthcare, and manufacturing now accounting for the majority of output—agriculture's influence on quarterly volatility remains. A poor harvest season, shifting trade policies, or commodity price swings can trigger contractions that ripple across related industries, from equipment dealers to rural retail. Conversely, when conditions improve, the recovery can be swift and substantial.

The first half of 2025 highlights this dynamic. A sharp first-quarter contraction gave way to one of the strongest rebounds in recent years, driven by both agricultural stabilization and renewed momentum in other industries, most notably finance. Understanding these swings—and how South Dakota compares to its neighbors—provides essential context for interpreting the state's economic trajectory.

Figure 1 tracks real GDP growth—economic output adjusted for inflation—across South Dakota, its neighboring states, and the US from Q1 2015 through Q2 2025. Figures 1 through 4 are annualized, meaning each quarter's growth rate is expressed as if that pace continued for a full year. A 0.5% growth in GDP from Q1 to Q2, for instance, translates to a 2% annualized growth rate. This approach makes short-term changes more visible and comparisons across states more meaningful.

The data reveal a pattern familiar to the upper Midwest: economic swings tied heavily to agriculture and global commodity markets. In Q1 2025, South Dakota’s real GDP contracted 3.1%, part of a regional downturn that hit every neighboring state. North Dakota fell 5.0%, Iowa by 1.2%, Nebraska by 1.7%, and Minnesota by 1.1%. The weakness reflected ongoing pressures from trade disruptions through the implementation of tariffs and a mass renegotiation process of multiple trade agreements.

By Q2, the picture reversed dramatically. South Dakota rebounded with 5.2% annualized growth, matching Nebraska and outpacing the national rate of 3.8%. North Dakota led the recovery at 7.3%, marking one of the sharpest quarterly turnarounds in the region’s recent history. This volatility—contraction followed by robust recovery within six months—underscores both the region’s vulnerability to external shocks and its capacity to bounce back when conditions stabilize.



Agriculture dominates headlines and drives quarterly volatility, but it accounts for less than 8% of South Dakota’s economic output. Figure 2 breaks down the state’s \$58.14 billion economy in Q2 2025 by industry, revealing a structure far more diversified than the state’s rural image might suggest. Finance and insurance leads at \$8.03 billion (13.8% of total GDP)—nearly twice agriculture’s contribution. This reflects South Dakota’s decades-long cultivation of a banking-friendly regulatory environment, particularly for both credit card operations and trusts. Healthcare and social assistance follows at \$6.33 billion (10.9%), while real estate and rental operations contribute \$5.98 billion (10.3%). Together, these three service industries account for more than a third of the state’s economic output.

Agriculture, forestry, fishing, and hunting generated \$4.52 billion in Q2, representing 7.8% of GDP. While modest in share, this figure marks a meaningful recovery from Q1’s downturn, though it remains below the industry’s recent peak of \$5.23 billion in Q4 2023. The gap underscores agriculture’s sensitivity to forces that change quarter to quarter: commodity prices, weather patterns, and trade policy shifts.

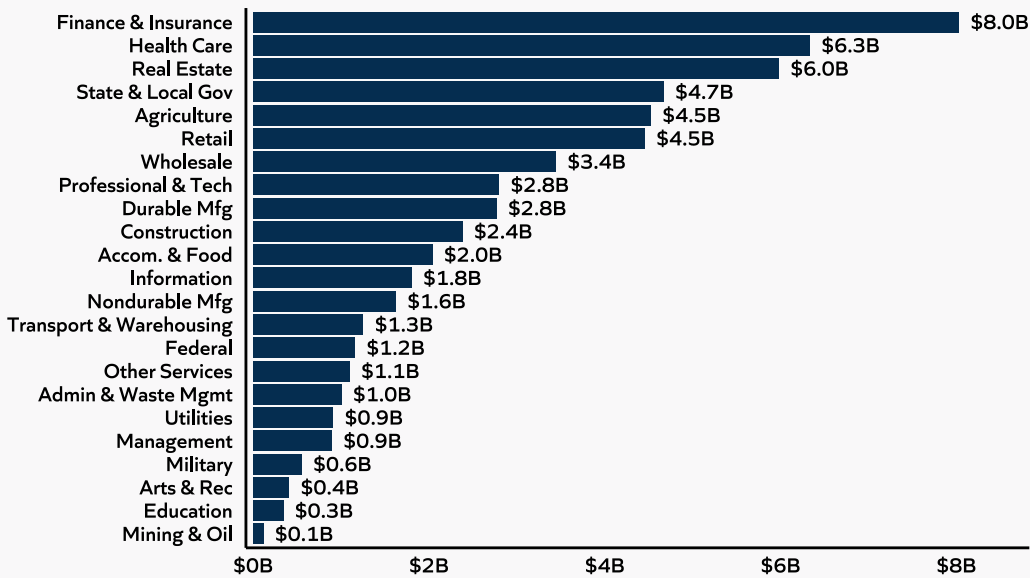
The state’s production economy also shows balance. Retail trade contributed \$4.45 billion (7.7%), wholesale trade added \$3.44 billion (5.9%), and manufacturing—combining durable and nondurable

goods—represented \$4.39 billion (7.6%). This mix of consumer-facing businesses, distribution networks, and production facilities provides stability when any single industry faces headwinds.

This composition of industries matters when assessing risk. This is to say, South Dakota’s economy can absorb agricultural shocks as finance, healthcare, and real estate can act as a diversifier. However, this diversifier does not hold when multiple industries move in tandem, as shown in Figure 3. Furthermore, concentration in finance also creates a different vulnerability: regulatory changes or shifts in consumer credit behavior could have outsized effects on state output.

Figure 2: Real GDP by Industry

Annualized GDP based on output in Q2 2025



Source: Dakota Institute. Bureau of Economic Analysis

What Sectors Drove the Turnaround?

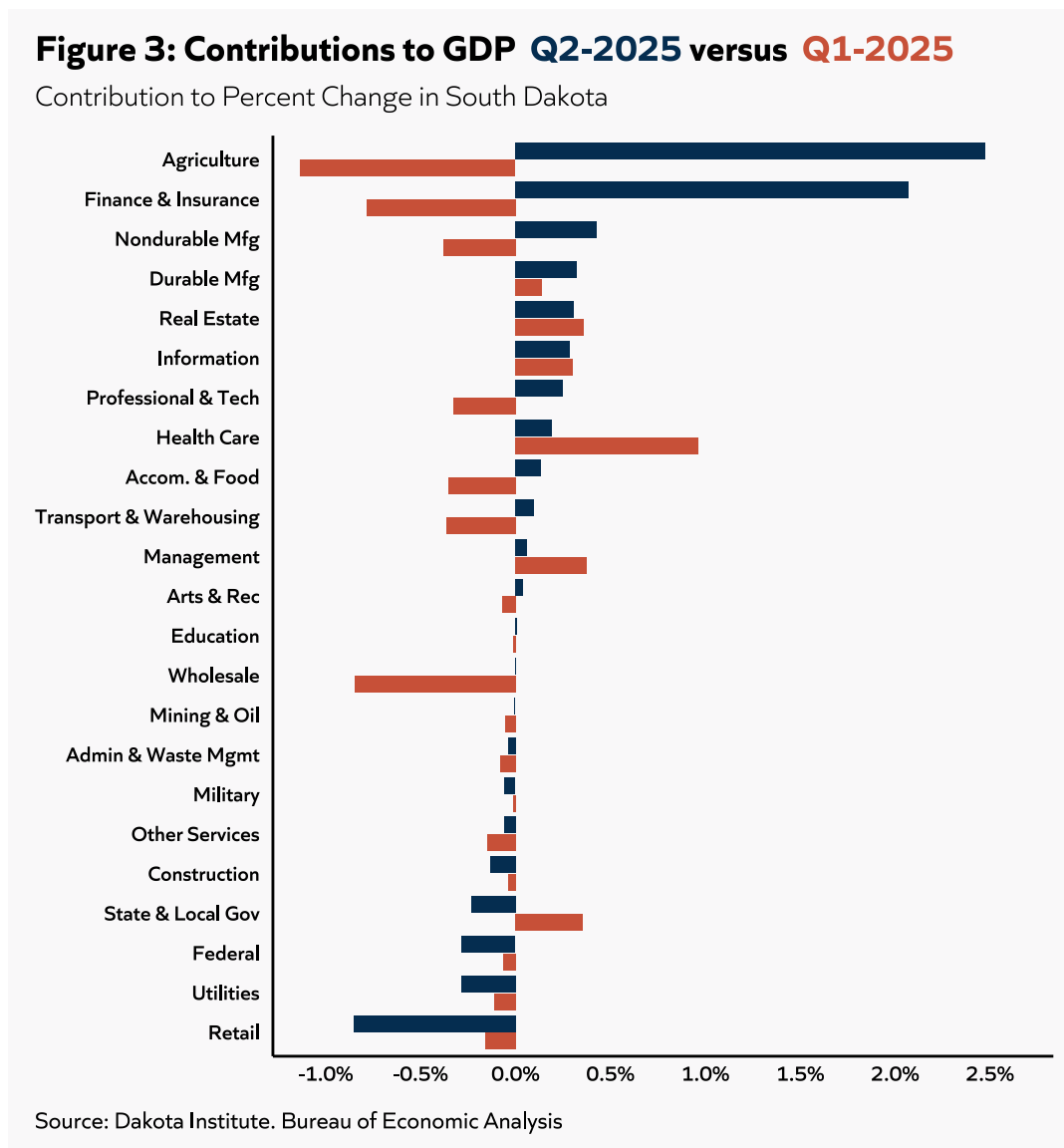
While Figure 2 showed the size of each industry, Figure 3 reveals which industries drove the economy’s contraction and recovery. The measure here is “contribution to growth”—how many percentage points each industry added to or subtracted from the state’s overall GDP change. For example, if total GDP grew 10% and agriculture contributed five percentage points, agriculture accounted for half the quarter’s growth despite representing less than 8% of the economy.

The first quarter’s 3.1% contraction was concentrated in a few key industries. Agriculture subtracted 1.13 percentage points—the single largest drag on growth—as trade disruptions and commodity price weakness hit farm revenues. Finance and insurance (-0.79%), wholesale trade (-0.85%), and nondurable goods manufacturing (-0.38%) compounded the downturn.

Healthcare and social assistance (+0.96%) provided the strongest offset, along with smaller gains from information services (+0.30%) and management of companies (+0.38%). But these stabilizing forces weren’t enough to counter the agricultural and financial headwinds.

By the second quarter, the dynamics reversed sharply. Agriculture swung from the largest detractor to the largest contributor, adding 2.47 percentage points to growth. This 3.6-percentage-point turnaround—from -1.13 to +2.47—illustrates why agriculture drives quarterly volatility even as its share of total output has declined over decades.

Finance and insurance rebounded nearly as strongly, contributing 2.07 points after subtracting 0.79 in Q1. Manufacturing industries combined for +0.75 points, signaling recovery across both agricultural equipment and other production lines. Together, these three industries accounted for the bulk of South Dakota’s 5.2% growth rate.

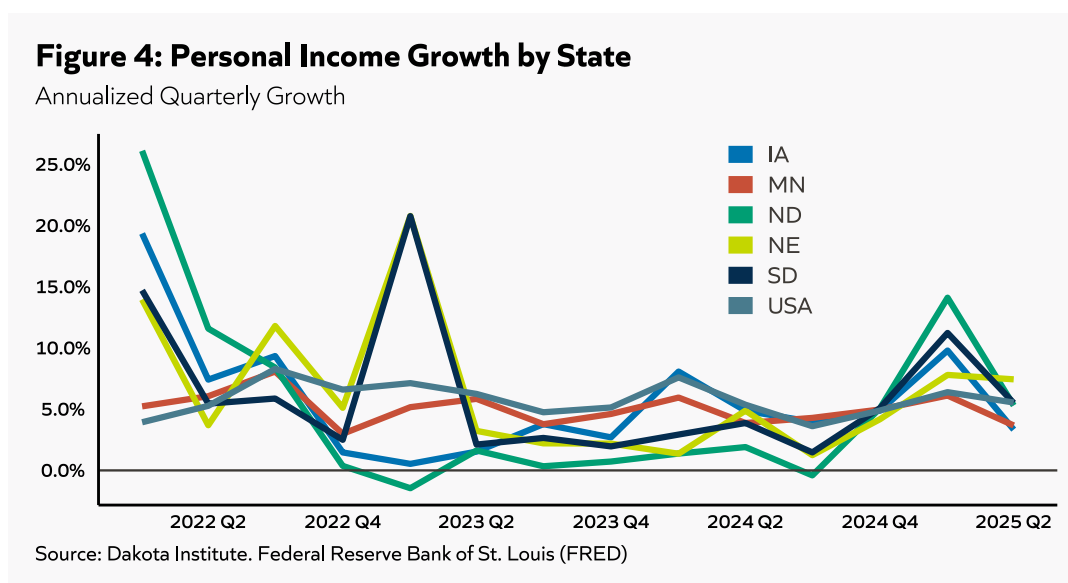


However, not every industry participated in the recovery. Retail trade (-0.85%) subtracted slightly from growth for the second quarter in a row, suggesting some continued consumer caution. Other notable industries that saw a decline include state government (-0.23%), federal government (-0.28%), and

utilities (-0.28%). One final technical note, industry contributions are calculated from chained 2017 dollars. Individual contributions may not sum exactly to total GDP change. In Q2 2025, contributions sum to 4.81%, slightly below the reported 5.2% growth rate.

Federal Income Support Cushioned the Downturn

Personal income—which includes wages, salaries, benefits, transfer payments, and other compensation—tells a different story than GDP in early 2025. While economic output contracted in Q1, household incomes surged across the region, creating a financial cushion that would prove critical for sustaining consumer spending. Figure 4 shows how personal income growth across the region and US has changed from Q1 2015 through Q2 2025. The pattern in early 2025 is striking and indicates rising incomes even as production fell.

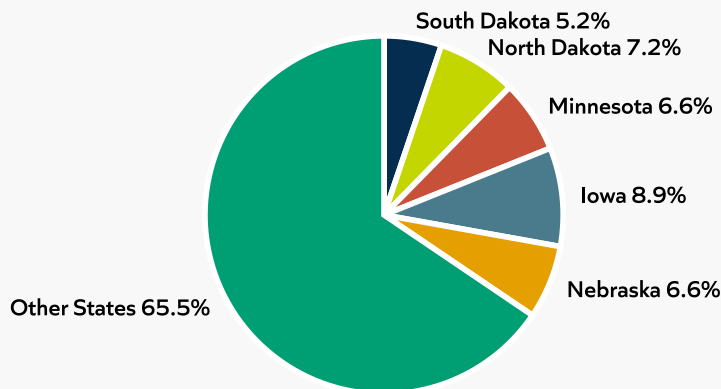


This divergence between output and income wasn't accidental. It reflected the Emergency Commodity Assistance Program (ECAP), a federal initiative designed to offset rising input costs and declining commodity prices for agricultural producers during the 2024 crop year. The program provided direct payments that hit bank accounts in Q1 2025, stabilizing farm operations precisely when trade disruptions and weak commodity markets were squeezing revenues.

Figure 5 shows the program's geographic distribution. As of September 20, 2025, South Dakota had received \$418 million from ECAP's up-to-\$10 billion allocation—a substantial injection representing roughly 0.7% of the state's annual GDP. The neighboring states also drew heavily: North Dakota received significant support, as did Iowa and Nebraska. Combined, the upper Midwest captured a disproportionate share of ECAP funds, reflecting the region's agricultural concentration and its exposure to the trade and price pressures the program was designed to address.

Figure 5: Distribution of ECAP Funds by State

Share of Total Distributions as of September 2025



Source: Dakota Institute. US Department of Agriculture

The timing mattered enormously. ECAP payments arrived as farm revenues were falling, creating a countercyclical boost that prevented deeper income declines. These funds didn't just support farmers—they rippled through equipment dealers, input suppliers, rural retailers, and the broader service economy connected to agriculture.

By the second quarter, personal income growth remained robust even as ECAP's initial surge faded. South Dakota's income rose 5.5%, matching the national average, while Nebraska led the region at 7.4%. North Dakota (5.3%), Minnesota (3.7%), and Iowa (3.3%) all posted solid gains, suggesting the income foundation established in Q1 was holding.

With roughly \$2 billion still available in the ECAP program as of late 2025, some residual support is likely to extend into the second half of the year. However, the deceleration from Q1's double-digit growth rates suggests the program's most significant impact has already been absorbed.

The ECAP program illustrates how federal interventions can smooth economic volatility in agriculture-dependent regions. By stabilizing incomes during a production downturn, the program helped sustain consumer spending, which likely contributed to the sharp GDP rebound observed in Q2. Households that might otherwise have cut back on purchases maintained spending power, supporting retail, services, and other consumer-facing industries.

For policymakers and business leaders, the lesson is clear: in states like South Dakota, where agriculture remains economically significant despite diversification, targeted income support can prevent localized shocks from cascading into broader recessions. The question for late 2025 and beyond is whether income growth can be sustained as ECAP winds down and the economy must stand on its own fundamentals.

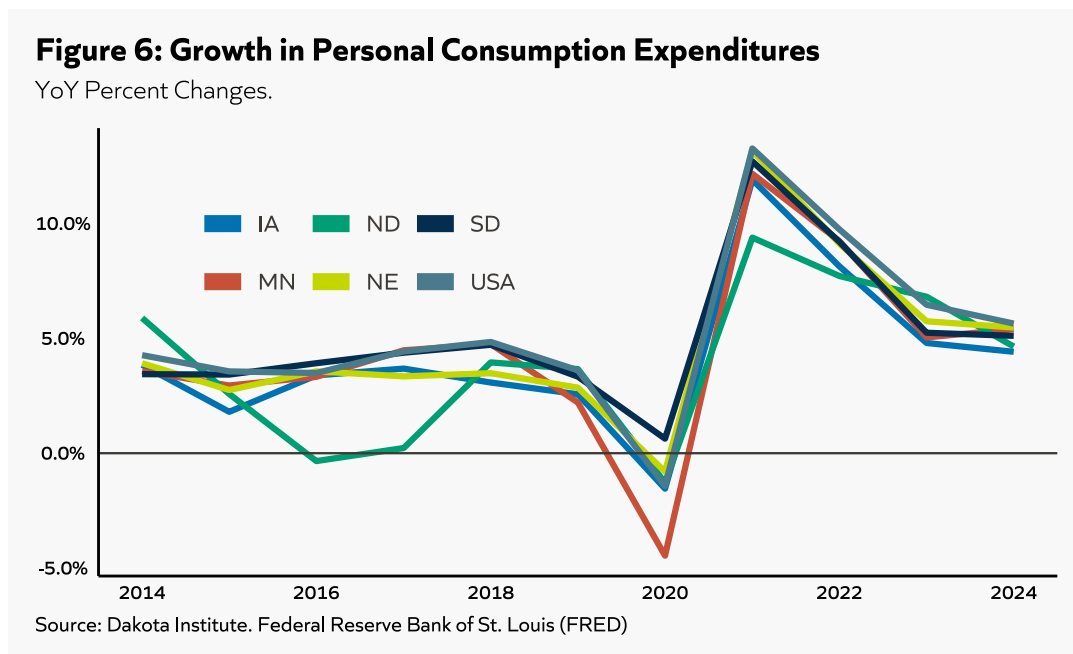
Personal Consumption Expenditures Steady the Economy

While GDP and income can swing wildly from quarter to quarter, household spending tells a more stable story. Figure 6 tracks Personal Consumption Expenditures (PCE)—the total spending by

households on goods and services—across South Dakota, neighboring states, and the US from 2014 through 2024.

The pattern is remarkably consistent. South Dakota’s consumer spending grew 5.1% in 2024, closely tracking Nebraska (5.5%) and the national average (5.6%), while outpacing North Dakota (4.6%). Even the pandemic shock of 2020, which created the most severe disruption in modern economic history, produced only a temporary dip before spending rebounded to its trend.

This stability matters because consumer spending typically accounts for two-thirds to three-quarters of economic activity. When households keep spending—even as production fluctuates—they provide demand that eventually pulls output back up. The Q2 2025 GDP rebound likely reflected part of this dynamic: ECAP payments sustained incomes in Q1, households maintained spending habits, and by Q2, production responded to that continued demand.



The data in Figure 6 end in 2024 because PCE is reported annually at the state level, not quarterly. This creates a smoother, less granular picture than the quarterly GDP swings analyzed earlier. We won’t see 2025 consumer spending data until well into 2026, which means real-time economic assessment must rely on proxies: retail sales figures, employment data, and income trends.

However, the available evidence suggests South Dakota’s consumer spending remained solid through the first half of 2025. Personal income stayed strong (5.5% growth in Q2), unemployment remained low, and the GDP rebound indicates demand held up across industries. Unless households dramatically increased their savings rate—which typically doesn’t happen when incomes are rising—spending likely continued near trend.

The Risks on the Horizon

The critical question for late 2025 and 2026 is whether consumer spending can maintain momentum as federal support fades. ECAP payments stabilized incomes in Q1 and Q2, but as the program winds down, household finances will depend more heavily on underlying economic fundamentals: employment levels, wage growth, and agricultural profitability without subsidies.

If commodity prices remain weak or trade tensions resurface, farm incomes could decline as ECAP support disappears. That combination could finally break the consumer spending pattern that has remained so stable through past disruptions. Conversely, if agricultural markets stabilize and other industries continue growing, South Dakota's consumers may keep spending—providing the demand needed to sustain the economic expansion into 2026.

For businesses making inventory, hiring, or investment decisions, monitoring consumer confidence surveys, retail sales data, and employment trends will be essential. The economy's production side has shown it can rebound sharply when conditions improve. The question is whether the consumption side—which has been remarkably steady—will continue providing the foundation for that growth.

Implications for South Dakota's Economy

South Dakota's economy demonstrated notable resilience in the first half of 2025, swinging from a 3.1% contraction to 5.2% growth in just two quarters. This rebound reflected agricultural recovery, strong performance in finance and manufacturing, and—critically—the stabilizing effect of \$418 million in federal ECAP payments that sustained household incomes even as production faltered. But the factors that drove recovery are now evolving. ECAP is winding down, agricultural markets remain sensitive to trade policy and commodity price swings, and consumer spending—while remarkably stable through past disruptions—has been supported by income growth that may be harder to sustain without federal assistance.

The state's trajectory will likely depend on three key factors. First, whether commodity prices and trade conditions stabilize enough to sustain agricultural income without subsidies. Second, whether the diversified economy—with finance (13.8% of GDP), healthcare (10.9%), and real estate (10.3%) providing ballast—can maintain growth if agriculture weakens. Third, whether consumer spending continues tracking national trends or proves vulnerable to either agricultural income declines or broader recession fears. For decision-makers, the critical indicators are commodity prices and export volumes, monthly retail sales data, unemployment and wage growth, credit conditions in the oversized finance industry, and federal policy developments around agricultural support or trade agreements.

South Dakota has proven it can absorb shocks and rebound quickly when conditions improve. However, the federal support that cushioned the Q1 downturn and enabled the Q2 recovery is temporary. The next six months will reveal whether the first half's strength was a genuine turning point or a federally-subsidized pause in a more challenging adjustment. Businesses should plan for continued agricultural volatility while recognizing that finance, healthcare, and services provide a more stable foundation. Policymakers should consider what state-level tools might smooth future disruptions given uncertainty around federal interventions. And both groups should watch consumer spending closely—it has been the economy's most reliable constant, but that reliability depends on income stability that may be harder to maintain going forward.