Hey, kids, we’re here

South Dakota and other Great Plains states have long based their identity on agriculture. But with the collapse of the commodity markets, many farmers and ranchers are turning to nonagricultural markets, and some are looking to oil and gas as a way to diversify their income.

In the case of South Dakota, the oil industry is now the state’s largest industry. The state’s oil and gas industry has more than quadrupled in size since 2000, and the number of oil and gas jobs has grown from about 10,000 to more than 50,000.

But the oil industry is not without its problems. Some residents are concerned about the environmental impact of oil development, while others are concerned about the economic impact of the industry.

The oil industry is also facing challenges in the form of declining oil prices and a shrinking market for oil products. This is causing some companies to cut back on their operations, which could have a negative impact on the state’s economy.

Despite these challenges, the oil industry remains a vital part of South Dakota’s economy. It is hoped that the state can find a way to sustain its growth while also addressing the concerns of its residents.
The link between immigrant population and AFS distribution isn’t as simple as it appears at first glance. According to user surveys, a larger share of AFS users are foreign-born than native-born; many immigrants distrust banks because of poor experiences with financial institutions in their home countries. But in this analysis, the connection between AFS market share and the size of a county’s immigrant population is weak. However, the correlation between AFS location and the relative size of a county’s noncitizen population is much stronger. Possibly—although there’s no evidence for this in user surveys—more recent immigrants who have not yet become U.S. citizens have lower incomes and are less familiar with banks than the immigrant population as a whole.

As interesting as what this analysis found is what it didn’t: Contrary to user surveys indicating that AFS users often have low education levels (less-educated workers typically earn lower incomes), the association between AFS location and educational attainment, measured by high school and college graduation rates, is very weak. One possible explanation is that high school graduation rates vary little from one county to the next, making it difficult to correlate those differences with AFS market share.

Serving different needs

The lack of an obvious link between AFS location and education raises the question of causation. Just because two sets of data are correlated doesn’t mean that one has anything to do with the other. Could the demographic patterns in the Brookings data have less to do with the distribution of AFS providers than with other factors, such as differences in state regulations or location trends in the financial services industry as a whole?

In principle, stricter state regulation of the AFS industry would reduce the number of AFS businesses in that state, skewing the county numbers. But AFS activity is relatively unrestricted in all district states. Moreover, some counties with high AFS market shares are located in states (such as Wisconsin) where the industry is somewhat more regulated than in other district states.

It’s conceivable that AFS providers are just following in the footsteps of banks and credit unions, setting up shop in the same areas. To test this hypothesis, the fedgazette performed the same statistical analysis, comparing county demographic statistics with a measure of the relative size of the mainstream financial services sector in a given county.

It turns out that the pattern for banks, credit unions and other traditional financial services providers is roughly the reverse of that for the AFS industry. For instance, banks are highly concentrated in Dakota County, which comprises much of the Twin Cities’ southern suburbs. The county ranks high in median income and has a low poverty rate; the opposite is true for counties with high AFS scores.

Thus the available evidence suggests that demographic factors are indeed important in explaining why AFS providers locate where they do—with an important caveat. Not every county in the district fits the pattern you’d expect to find based on AFS user surveys.

Take Burleigh County, N.D., for example. Statistically, the county doesn’t look like fertile ground for AFS providers: Its poverty rate runs well below the national average, its median household income is higher, and relatively few single parents and noncitizens live there. Yet the county’s AFS market share ranks it in the top 10 percent of district counties. At the other extreme, some counties near the bottom of the AFS rankings might be expected to score higher based on their demographic makeup.

Nothing in the fedgazette analysis suggests that AFS operators pore over Census statistics when they’re deciding where to open new outlets or expand existing ones. Their location choices are probably not that deliberate. But well-functioning markets adjust the supply of a good or service to demand. If the populations of counties with higher proportions of “nonbanking” differ statistically from those in counties with more traditional banking, it’s probably because the two industries serve different markets.

As a payday lender in Bismarck observed, “You can’t go to a bank and borrow $50.” AFS providers might charge a premium for their services, but they seem to fulfill needs that aren’t being met by banks.

Crying foul on property tax relief

Back in 2007, the state Legislature authorized a property tax relief plan worth $120 million. To date, it has benenfitd some 180,000 tax filers to the tune of more than $40 million, but has ruffled some feathers along the way.

Homeowners, businesses and farmers were eligible for an income-tax credit equal to 10 percent of their local property tax bills and limited to $500 for individuals and $1,000 for married couples. About 27,000 filers took their credit as a certificate, which they can redeem in any year of their choosing.

But the connection to the income tax eliminates certain individuals from getting property tax relief, including landowners who do not live in North Dakota (and thus pay no income tax to the state) and landholders who own property through a trust, farm corporation or farm partnership, which is very common.

Gov. John Hoeven has proposed dumping this income-tax-based property credit for a $200 million plan that achieves property tax relief by increasing aid to schools in a dollar-for-dollar buydown of local property taxes.

—Ronald A. Wirtz