

Economics Group

Special Commentary

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North Dakota State vs. South Dakota State

ESPN College GameDay Comes Back to the Dakotas

This weekend the national spotlight will be on Brookings, South Dakota as ESPN College GameDay comes to town for the first time to preview the matchup between FCS heavyweights North Dakota State University (NDSU) and South Dakota State University (SDSU). The NDSU Bison are the undisputed FCS #1, while the SDSU Jackrabbits are #3, with their only loss this season a seven-point defeat in Week 1 to Minnesota, who are one of only 10 remaining unbeaten FBS teams.

The decision to come to an FCS matchup in the Dakotas is especially notable given that ESPN could have chosen to travel to some marquee week nine games: Ohio State-Wisconsin, LSU-Auburn or Notre Dame-Michigan. Since the GameDay program began in 1993, Ohio State has hosted most frequently (18 times), followed by Alabama (13) and Florida, Michigan and LSU (12). The show has made sporadic visits to FCS schools, including two to NDSU, and even once went to preview the Division III matchup between Amherst and Williams.

ESPN College GameDay comes to Brookings, South Dakota for the first time.

The spectacle should give a short-term boost to the town of Brookings, where officials are now expecting 20,000-30,000 visitors, as well as the long-term benefit of increased attention to the region and the university from three hours of national television exposure (the show attracts an average of 1.94 million viewers). Washington State, in the similarly sized town of Pullman, attempted to quantify the benefits of a College GameDay visit and concluded that it was worth around \$1.5 million of “free” advertising.

Figure 1

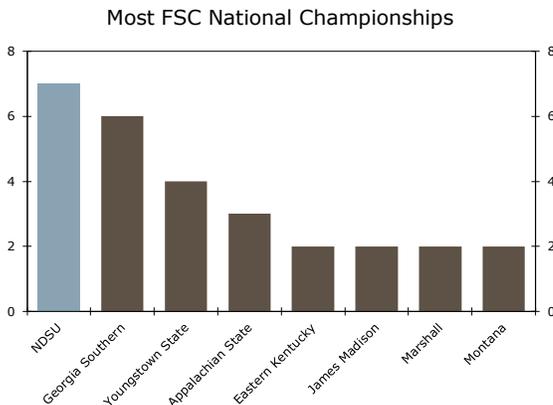
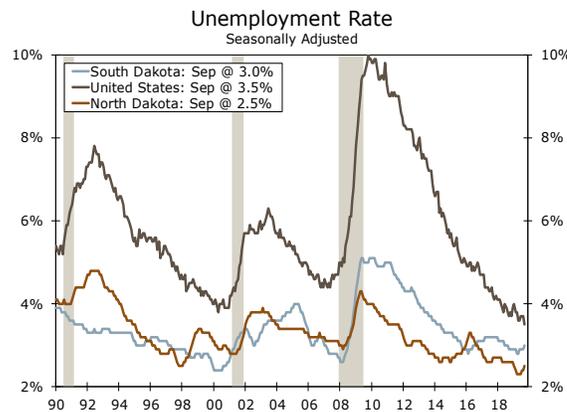


Figure 2



Source: NCAA, U.S. Department of Labor and Wells Fargo Securities

North Dakota Back but No Longer Booming

NDSU is located in Fargo, the largest city in North Dakota and home to 32% of the state’s population. Founded in 1890 as the state’s land grant college, NDSU today has almost 13,000 students and offers 100 undergraduate, 86 Master’s and 50 doctoral degrees. It spends over \$150 million annually on research & development, with particular emphasis on agriculture, nanotechnology, genomics, psychology and social sciences. Notable alumni include economist

Together we’ll go far



North Dakota's three MSAs comprise 63% of the state's population.

Mancur Olson, three governors of North Dakota, one governor of South Dakota and current NFL starting quarterback Carson Wentz.

Fargo is on the far eastern border of the state, and the metro area includes Cass County, North Dakota and Clay County, Minnesota. NDSU actually has more students from Minnesota than from North Dakota. Fargo is one of only three metropolitan statistical areas (MSAs) in the state. Head 75 miles north along the Red River, which delineates the North Dakota-Minnesota border, and you reach Grand Forks, whose metro area also extends across state lines. NDSU is part of the Red River Valley Research Corridor along with the University of North Dakota in Grand Forks. Bismarck, located 200 miles west of Fargo on I-94 and home to the state capital, is the third metro area. Combined, these three comprise 63% of the state's population.

Fargo is named after William Fargo, one of the founders of Wells Fargo, which maintains major operations across the Dakotas today. In fact several banks have sizable workforces in Fargo and in South Dakota, attracted by the ultra-low costs of doing business. The concentration of service jobs in Fargo and Grand Forks yields greater stability for the metros than the rest of North Dakota, which is harshly exposed to the vagaries of climate, agricultural conditions and energy prices. The state saw incredibly strong GDP growth numbers earlier this decade (Figure 3) as the Bakken shale play—which extends across western North Dakota, parts of Montana and southern Canada—was developed.

The state has finally emerged from the mid-decade energy-related recession, with growth accelerating the past three quarters. In the first quarter, North Dakota posted the second highest year-over-year GDP growth rate of any state, after West Virginia, at 5.0%. More recently the energy patch has begun to soften again, with the rig count steadily declining. The state is slowly diversifying, reducing its susceptibility to commodity downturns, but it remains one of the most energy-dependent states.

Figure 3

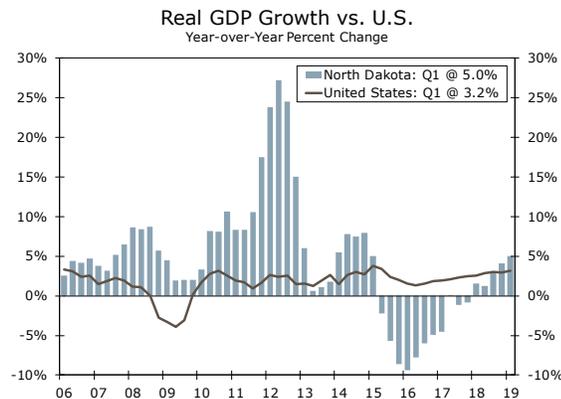
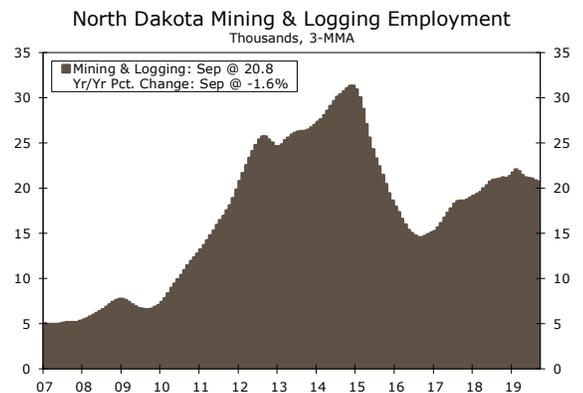


Figure 4



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

North Dakota has experienced some unusual demographic trends.

The demographics are illustrative. From 2010 to 2015, the median age of the United States rose 0.6 years, as 45 states saw their population get older. The median age only fell in five states—Oklahoma (-0.2), South Dakota (-0.1), Iowa (-0.2), Montana (-0.1) and North Dakota, where it fell 2.1 years. We suspect this can largely be explained by the preponderance of young men moving into the state to work in the Bakken oil fields. Such a drastic move against the trend could typically only occur amid a major structural shift (such as transformational technological gains in extracting oil from shale) in a state with a small population. North Dakota meets both conditions. It has the nation's fourth smallest population and experienced tremendously strong growth during the shale revolution that generated high enough wages to entice people to move into the state's isolated western region.

South Dakota Diversifying

South Dakota State University is located in located in Brookings, 55 miles north of Sioux Falls, which is the largest of South Dakota’s two metropolitan areas. Sioux Falls is not to be confused with Sioux City, which is primarily in Iowa but whose MSA extends into both Nebraska and South Dakota. However, we would argue Sioux Falls does in fact resemble other, more vibrant cities in the Upper Midwest like Omaha and Des Moines more so than more isolated regions of the Dakotas. It has a large footprint from financial firms, including Wells Fargo, Citigroup and First Premier Bank, which are attracted by the lack of a state corporate income tax and business-friendly regulatory environment. Sioux Falls and Rapid City together comprise 47% of South Dakota’s population.

SDSU was founded in 1881 as a land grant university, and today has over 12,000 students and 82 majors, 94 minors, 36 Master’s and 15 doctoral degrees. A significant research institution, it is a leader in precision agriculture (also known as satellite farming, or any digital or information technology-assisted agriculture), remote sensing and life sciences. The Office of Technology Transfer and Commercialization aims to monetize and protect the university’s intellectual property and research output, and has generated over \$18 million in royalties since 2007. Over the past five years, SDSU has averaged 33 invention disclosures, three patents and seven license agreements per year. Research Park, formerly known as the South Dakota State University Innovation Campus, has offices from partnering Raven Industries, which was founded in Sioux Falls as a manufacturer of high-altitude research balloons and is now a leader in the design and production of precision agriculture technology, as well as General Mills and animal protein company Novita Nutrition.

SDSU is a leader in precision agriculture.

Famous Jackrabbit alumni include Tom Daschle, four governors of South Dakota, Ben Reifel, also known as Lone Feather, (the first Native American member of Congress), NFL Hall of Famer Jim Langer and future Hall of Fame kicker Adam Vinatieri.

Figure 5

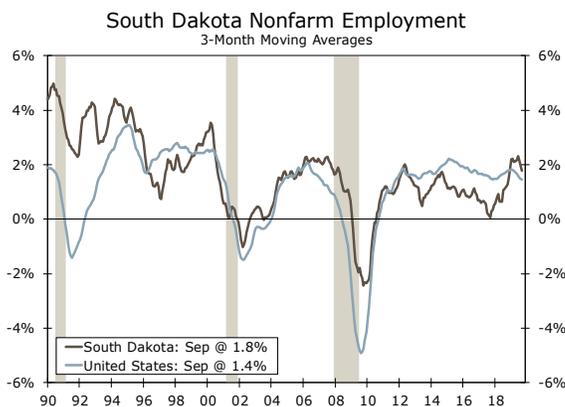
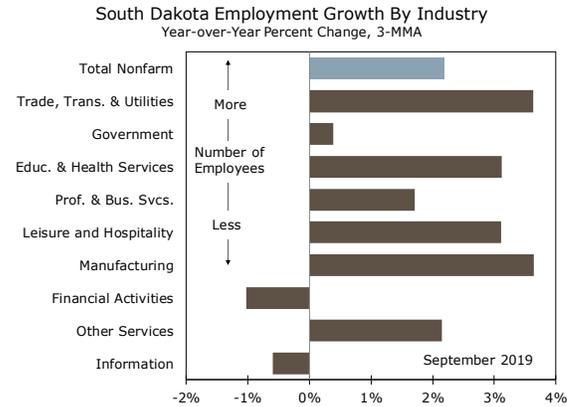


Figure 6



Source: U.S. Department of Labor and Wells Fargo Securities

Football Outlook

The Dakota border battle should be one for the ages. NDSU is an absolute FCS powerhouse, winning seven of the past eight FCS national championships, with the sole exception being their 2016 FCS Semifinal loss to eventual champion James Madison University from Harrisonburg, Virginia. The Bison have stamped their way to a 28-game win streak, losing only once since the start of the 2017 season. The last time they lost was in Brookings, at the hands of the Jackrabbits.

NDSU is on a 28-game win streak. Their last loss was to SDSU.

NDSU and SDSU actually played twice last year, including the FCS semifinals. The winner of this weekend’s matchup, in which NDSU is favored by 4.5 points, is set up well to secure home field advantage for this year’s FCS semifinal. The winner also has a very good shot to head to Frisco, Texas for the national championship game.

The winner also takes home the Dakota Marker, a trophy replica of the monuments that marked the border between what would become North and South Dakota, back when both were still part of the Dakota Territory. The trophy is inscribed with “ND”, “SD” and “190 M”, for the 190 miles between Fargo and Brookings. NDSU leads the series overall 62-42-5.

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