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Byron L. Dorgan

The New Homestead Act of 2007

Mr. DORGAN: Mr. President, I am pleased to be joined by Senators Hagel, Johnson, Brownback, Durbin, Salazar, Coleman, Rockefeller and Landrieu in re-introducing the New Homestead Act of 2007. This legislation will help address a serious threat to the economic future of rural America – the loss of its residents and Main Street businesses.

I have previously described to my Senate colleagues the severe economic and social hardships that population out-migration has had on America's Heartland when businesses are shuttered up, schools and churches are consolidated or closed altogether. Hundreds of thousands of people have left small towns in rural areas throughout the Great Plains. If you are a business owner, mayor, school board member, minister or resident of one of these rural communities, you know firsthand about this problem. People who are from these areas know that you simply can't grow or run a business in an environment where the overall economy is shrinking, current and potential customers are leaving, and public and private investment is falling. Too many communities in North Dakota and other rural states lack the critical mass of people and resources it takes to keep a community alive and growing.

Rural counties in North Dakota and heartland states have experienced massive net out-migration in recent decades and this trend is continuing today. Forty-seven of North Dakota's fifty-three counties suffered net population losses between 2000 and 2005. My home county, Hettinger, saw its population dwindle from 4,257 in 1980 to just 2,715 in 2000. Its population is projected to drop to just 1,877 by 2020.

However, this out-migration problem isn't limited to North Dakota. Nearly all of America's Heartland is facing significant population losses. Seventy percent of the rural counties in the Great Plains have seen their population shrink by at least one-third.

One of the major problems caused by chronic out-migration is the dwindling workforce of young people. A recent analysis and report prepared by Dr. Richard Rathge at the North Dakota State Data Center highlighted this concern. His report revealed that the steady out-migration of young adults over the last half century or so has significantly reduced the proportion of individuals age 20 to 34 in our rural counties. The report predicts that between 2000 and 2020, the prime working age population in North Dakota, those aged 35 to 54, will decline from 183,435 to 146,717, a loss of nearly 37,000 people. If this trend continues as predicted, there will be more elderly North Dakotans age 65 and older in the year 2020 than individuals who are in their prime working years. As the report concluded, this dwindling labor pool could have a devastating economic impact on rural communities that are already struggling from a loss of residents, businesses and investments needed to survive.

We believe the New Homestead Act will help reverse the depopulation of our rural communities by giving people who are willing to commit to live and work in high out-migration areas for 5 years tax and other financial rewards to help them to buy a home, pay for college, build a nest egg, and start a business. These incentives include repaying up to \$10,000 of a college loan, offering a \$5,000 tax credit for the purchase of a new home, protecting home values by allowing losses in home value to be deducted from federal income taxes, and establishing Individual Homestead Accounts that will help people build savings and have access to credit.

It also provides tax incentives to encourage businesses to move to or expand their operations in high out-migration rural counties, including tax credits for investments in rural buildings and to offset the cost of equipment purchases and operating expenses of small businesses with five or fewer employees. Very little, if any, private venture capital is invested in out-migration rural counties, so the New Homestead Act also establishes a new \$3 billion venture capital fund with state and local governments as partners to ensure that entrepreneurs and companies in these areas get the capital they need to start and grow their businesses.

The United States Senate has previously passed parts of the New Homestead Act, but those and other provisions in the bill have not yet been signed into law. But there is good reason to think we will make significant progress on the New Homestead Act in the 110th Congress.

In March, the Senate passed S. Con. Res. 21, to establish a budget plan for fiscal year 2008. This resolution allows for Senate action on the kinds of policies provided in the New Homestead Act. Specifically, Section 306 of the budget authorizes the Budget Committee Chairman to revise the levels in the resolution by \$15 billion for revenue-neutral legislation that would, among other things, provide rural development investment incentives for counties impacted by high rates of out-migration.

Mr. President, the Senate's action on the budget signals that federal policy makers in the U.S. Senate do understand that rural out-migration is a serious threat to the economic well-being of the nation's Heartland. My colleagues and I will work closely with the leaders of the Budget Committee and the tax-writing Senate Finance Committee to secure passage of New Homestead Act provisions in the coming year.

I urge my colleagues to support the New Homestead Act in the 110th Congress by cosponsoring it and helping us move this important bill forward in the legislative process.