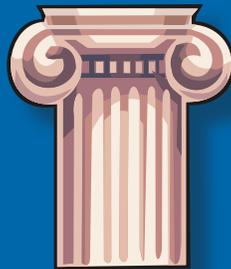


Hometown Prosperity Plan

*A four-pillar agenda
to advance our South Dakota economy*



U.S. Senator
Tim Johnson

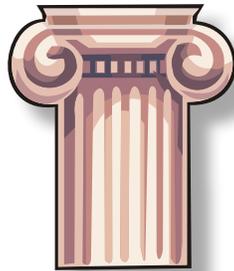
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Part One:

Assessing Our Strengths and Challenges



The Challenge

South Dakota is truly a wonderful place to call home – but it's not always the easiest place to make a living. Though we have already made great strides in strengthening and diversifying our economy, we're still not where we want to be. A shortage of good-paying jobs, especially in our more rural areas, is one of the key reasons many of our young people leave South Dakota. As they and other job-seekers pursue opportunities elsewhere, smaller towns wither away, and our state as a whole loses some of the people who are its single greatest asset.

This problem is not new one, and it is not unique to South Dakota. All across Rural America, communities are waging a long-standing battle against declining employment in sectors like agriculture and manufacturing, which have traditionally served as the foundation of our economy. Fortunately, in South Dakota, we've been lucky to have strong leaders at the local, county, and state level who have worked hard to make our economy stronger and more diverse than it would otherwise be. I applaud these individuals and am thankful for what they have accomplished.



I also feel good about the things I have been able to do from the federal level to promote economic development in South Dakota – delivering federal funding for rural water infrastructure, roads and highways, business incubators, and other projects like the planned underground lab at the Homestake Mine, for example; or shaping national legislation to boost the ethanol industry and value-added agriculture projects; and working with others to defend South Dakota's interests, such as convincing the BRAC Commission not to close Ellsworth Air Force Base.

Despite all the good things we've accomplished together in the past, though, there's still more to be done. In my conversations around the state, people have explained to me that they'd rather not have to leave their hometowns to seek prosperity elsewhere, but they feel they have no choice. Too often, they feel that good-paying career opportunities are simply not available here. This needs to change.

Listening to South Dakotans

In December of 2005, I asked South Dakotans to help me take stock of the things we're doing to promote economic development in our state. I wanted to make sure we're doing everything we possibly can to offer our residents an opportunity to stay in South Dakota, working and raising their families in our state. Folks shouldn't be forced to leave the great quality of life we enjoy in order to earn a decent living.

I sent out hundreds of surveys that asked what South Dakotans feel our priorities should be, and what ideas they have for achieving those priorities. I held more than a dozen meetings about this topic in communities around our state. Finally, I visited with my staff to review the hundreds of economic development outreach meetings we hold every year.

Here's some of what we learned: First, most people feel we're on the right track. They're glad we're working hard to strengthen our agriculture sector by promoting ethanol, value-added ventures, and Country-of-Origin Labeling (COOL).



They like the fact that we've been able to provide federal funding for our infrastructure, including rural water projects; transportation improvements, such as the \$225 million South Dakota will receive under the federal highway bill I helped negotiate; and many public facilities. They also like the spirit of cooperation between members of our congressional delegation, state government, and leaders at the tribal and local levels.

In addition to expressing support for what we're already doing, most people also feel we need to keep pressing ahead harder than ever. They know we still face some major challenges: foreign competition is growing stronger and placing pressure on many South Dakota industries; many of our counties have shrinking populations; and many of our people, particularly in Indian Country, are struggling to overcome persistent poverty. At the same time, our body of knowledge about which economic development strategies work and which don't is continuing to grow, and that provides hope for the future.

Developing a Plan

As a member of both the Senate Budget Committee and the Appropriations Committee, I will help determine funding levels for many federal programs that impact South Dakota. In addition, I will have the opportunity to seek “earmark” funding for specific projects in our state. We’re also making preparations for a new farm bill, which sets policy not just for agriculture, but for rural development more generally. Together, these and other upcoming legislative developments will present me with opportunities to impact economic development in South Dakota from the federal level.



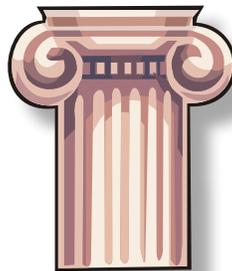
Based on the information I received through my economic development survey, meetings with community leaders throughout our state, and the analysis of other experts, I have identified a set of four development strategies, or “pillars,” that represent my priorities for advancing South Dakota’s economic development from the federal level. Together, these pillars make up what I call a “Hometown Prosperity Plan” for South Dakota. The pillars include the following:

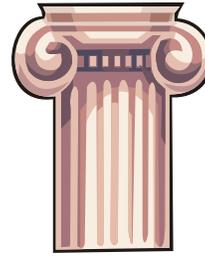
- First, **“Promoting Partnerships,”** which means encouraging even more cooperation and less competition among states within our region, among towns and organizations within South Dakota, and among leaders at all levels;
- Second, **“Emphasizing Entrepreneurship,”** which means placing a greater emphasis on nurturing start-up business so we can grow from within;
- Third, **“Investing in the Public Good,”** which means nudging private investment toward sectors that benefit South Dakota, and funding federal investments that earn positive returns in the form of community benefits; and
- Fourth, **“Protecting Pocketbooks,”** which means taking action against rising energy costs, rising health-care costs, stagnant wages, and other things that squeeze finances and sap our economic strength.

In the pages that follow, I elaborate on the four pillars that make up my Hometown Prosperity Plan, and describe examples of the kinds of actions I’ll pursue within each strategy. Though these and other actions are not guaranteed to succeed, I believe they represent a promising path forward toward greater prosperity for communities across our state.

Part Two:

The Hometown Prosperity Plan





Hometown Prosperity Plan:

1. Promoting Partnerships
2. Emphasizing Entrepreneurship
3. Investing in the Public Good
4. Protecting Pocketbooks

Promoting Partnerships

Chambers of commerce exist because businesses have long known that in addition to promoting themselves individually, there are great benefits to be achieved by networking with each other and jointly promoting a community's entire business sector. This kind of productive collaboration has been less common among states in our region, towns within South Dakota, and leaders at various levels of government. As the challenges facing Rural America grow even stronger, it is clear that we need less competition with ourselves and more partnerships that will make our region stronger, more competitive with the rest of the world, and more prosperous. To promote partnerships, some of the things I'll do include the following:

Pursue legislation to initiate the operations of the Northern Great Plains Regional Authority, an organization that was created in the 2002 Farm Bill. The authority is a voluntary organization modeled after the successful Appalachian Regional Commission. The mission of this new organization is to enhance economic development by promoting greater collaboration across North Dakota, South Dakota, Nebraska, Iowa, and Minnesota. The organization was created by Congress with the blessing of the President, and is authorized to receive \$30 million each year for five years to boost the competitiveness of our region. Unfortunately, the President inexplicably changed his mind about the organization, and is now blocking its operation and most of its funding. I will work towards enacting legislative changes, perhaps in a new farm bill, that would allow the organization to begin operating.

Prioritize funding for projects that promote or are a product of regional cooperation within South Dakota. For example, Miner County Community Revitalization has helped to overcome old rivalries between towns and supported projects that have brought new economic optimism to the county. I have provided earmark funding for the organization's Rural Learning Center, which is a new institution that will develop and share successful strategies for rural revitalization. Similarly, the Black Hills Vision organization has contributed to a new spirit of cooperation throughout western South Dakota. It has worked with many partners on projects that I've helped fund, such as a new business incubator in Rapid City, the Homestake underground laboratory project, and sev-



eral research initiatives at the South Dakota School of Mines and Technology. These and other examples of successful partnerships should be replicated and built upon.

Improve local access to federal economic development opportunities by creating a federal funding alert service for local economic development leaders. Every week, numerous federal agencies announce grant and loan opportunities that South Dakotans could take advantage of. Currently, however, few people have the time to monitor the many websites that announce these opportunities. I will direct my staff to monitor these announcements and distribute timely summaries of new funding opportunities that have relevance to our state. Interested leaders can receive these summaries by email and seek additional guidance and information from the relevant federal agency and from my economic development staff.

Seek additional opportunities to collaborate with leaders at all levels of government in South Dakota. We already have many examples of successful collaboration, including the Ellsworth battle and the recovery from last November's blizzard. Similarly, as the National Science Foundation (NSF) reaches a decision about whether to locate a federal lab at the Homestake Mine in Lead, cooperation between our local, state, and federal leaders will become more important than ever. I will continue searching for additional ways to collaborate and cooperate with state, tribal, and local leaders in South Dakota.





Hometown Prosperity Plan:

1. Promoting Partnerships
- 2. Emphasizing Entrepreneurship**
3. Investing in the Public Good
4. Protecting Pocketbooks

Emphasizing Entrepreneurship

In the past, many economic development leaders focused on recruiting existing companies to relocate in their area, and many states lowered or eliminated taxes to support this strategy. While this has yielded some excellent results in our state, its future potential is limited. Under this strategy, one state's gain is another's loss – it doesn't increase overall regional economic activity. In addition, since our state already offers such a favorable business environment with no corporate or personal income tax, there's little room for us to improve.

If we want to generate new and additional economic activity, we've got to do more to emphasize and encourage entrepreneurship. This means nurturing start-ups, increasing the supply of venture capital, building more business incubators, and commercializing the knowledge generated by our universities. We're already making progress in these areas, but to maintain and accelerate that progress, I intend to:



Support an increase in federal funding to expand South Dakota's network of Small Business Development Centers. These six centers, located across our state, provide free



business advice to start-ups and expanding businesses, which helps people turn good ideas into actual jobs. Federal funding has not kept pace with demand for the centers' services, and that's an opportunity lost. Increased funding would allow the centers to expand their services in three key areas: (1) businesses with high-growth potential; (2) Native American-owned businesses; and (3) tourism.



Expand the availability of venture capital for start-up and expanding businesses by restoring the Rural Business Investment Program. This program was created in the 2002 Farm Bill to increase the availability of equity capital in rural states, where such capital is far harder to come by than in other parts of the county. The program was modeled after a

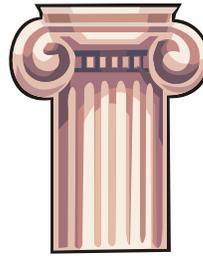
successful existing program, and was created to address the fact that many start-up businesses need equity to get up-and-running, since they will not initially be generating enough revenue to make large loan payments. Unfortunately, the Bush Administration proposed overly-restrictive operating rules that prevented the program from functioning as intended. More recently, the Bush Administration sought to eliminate the program entirely. I will explore ways to revive the program, possibly through structural changes that we could enact in a new farm bill.

- Oppose the elimination of Community Development Financial Institutions.** Numerous survey respondents said we need to make affordable capital more widely available. These established institutions do just that by bringing affordable capital and expert assistance to areas underserved by traditional banks. I have worked hard to make sure the program helps to address the unique needs of rural states generally, and Indian Country in particular. Unfortunately, President Bush has proposed eliminating the program. On average, every federal dollar invested in these institutions is used to generate an additional 21 dollars from the private sector. That's exactly the kind of market-oriented results we should expand, not eliminate.



- Support legislation to allow for construction of additional business incubators, industrial parks, and research parks.** These facilities make it easier for businesses to start-up, expand, and generate new jobs and technologies. In the last few years, I have helped to deliver earmark funding for a number of these facilities in communities like Sturgis, Rapid City, Vermillion, Sioux Falls, Brookings, North Sioux City, Beresford, Madison, and Watertown, among others. Investments in such facilities represent a sound strategy that we should continue and expand upon. I will explore legislation to increase the availability of resources for construction of such facilities.

- Renew efforts to pass my Native American Small Business Development Act.** This legislation is designed to create new private sector jobs and increase prosperity in Indian Country. It would create three grant programs to promote new Native American-owned businesses and establish a permanent Office of Native American Affairs within the U.S. Small Business Administration. I first introduced this legislation in 2002. It has passed the full Senate more than once, but was never enacted into law. I have reintroduced my legislation in this Congress, and it has bipartisan support. I will renew my efforts to pass the legislation so that more people in Indian Country will have the assistance they need to launch new, self-sustaining businesses.



Hometown Prosperity Plan:

1. Promoting Partnerships
2. Emphasizing Entrepreneurship
- 3. Investing in the Public Good**
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Investing in the Public Good

In our market-based economy, most investment decisions are made by private companies and individuals. Government has an important role to play too, though, by promoting the kinds of investments that benefit the public at large. This can be achieved through policies that nudge the private sector toward investments in key sectors that benefit South Dakota, such as renewable energy and value-added agriculture. It can also be realized by making public-sector investments in infrastructure, research activities, and other things that stimulate new job creation. To promote additional investments in the public good, I intend to pursue the following:

Help to craft a new Farm Bill that defends the interests of family farmers. This includes ensuring that farm program payments are targeted toward family farmers instead of corporate-scale operations, and making sure South Dakota producers get their fair share. Country-of-Origin Labeling (COOL) should be implemented in a timely fashion, ending the outrageous stalling and back-room deals that prevented implementation of the COOL provisions enacted in the 2002 Farm Bill. Value-added agriculture ventures are already bringing new sources of revenue to our farmers, and we need to provide adequate funding for value-added ag development programs that help to get these ventures off the ground.

Seek additional ways to continue the expansion of South Dakota's energy production, including ethanol, biodiesel, and wind energy. A recent study showed the booming corn-based ethanol industry already generates more than \$1 billion in economic activity for South Dakota. The strong renewable fuels standard I helped enact in the 2005 Energy Bill has had a major impact on the development of this new industry. We need to enact additional legislation that provides new incentives for new forms of ethanol that also hold great potential for South Dakota. New energy legislation should also include stronger incentives for wind production, such as a longer extension of the producer tax credit. I will also attempt to earmark additional funds for energy-related university-based research projects like the Sun Grant Initiative at SDSU,



U.S. Senator Tim Johnson

<http://johnson.senate.gov>

Toll-free: 1-800-537-0025

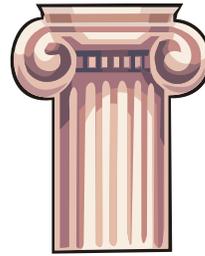
which is leading to the development of new energy technologies.

- Create incentives specifically for investing and living in rural counties** experiencing high out-migration. For several years, I have supported legislation that would offer incentives to buy a home, pay for college, build a nest egg, or invest in a business in areas of high out-migration. In exchange for committing to live and work in these areas for five years, people could take advantage of incentives such as: repaying a portion of college loans, offering a 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, or establishing special savings accounts that will help people build savings and have access to credit. Because the legislation has not passed as a complete package, I will consider new ways to include key portions of the legislation in other bills, such as a new farm bill.



- Push for passage of the Protecting America's Competitive Edge (PACE) Act**, a package of three bills that will boost our investment in basic research, technology development, and education. I am a cosponsor of this important bipartisan legislation, which is based on recommendations from the National Academy of Sciences. The legislation represents Congress' response to the President's call for an "American Competitiveness Initiative," which he announced in his 2006 State of the Union speech. For South Dakota, enactment of this set of three bills would boost support for our universities' growing research capabilities. It would also encourage more students to pursue high-tech careers that will enable them to prosper in the 21st century. Finally, increasing our commitment to research will help to ensure the federal government has the resources necessary to eventually build a deep underground science laboratory, such as the NSF facility we're trying to locate at the Homestake mine.

- Oppose cuts to funding for basic infrastructure and community facilities.** Community Development Block Grants (CDBG) and USDA Rural Development funds have helped build water and sewer infrastructure, fire halls, affordable housing, job training facilities, and other facilities that contribute to strong communities and help attract businesses. The President has repeatedly tried to cut these and other infrastructure investment programs, calling them "wasteful spending." Such cuts do more harm than good, since they eliminate an essential tool for facilitating long-term economic growth. Republicans and Democrats alike helped to reject the most egregious cuts proposed last year. I will use my seats on the Senate Budget and Appropriations Committees to help defend these programs again in the 2007 budget.



Hometown Prosperity Plan:

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4. **Protecting Pocketbooks**

Protecting Pocketbooks

In addition to being *for* positive measures that create new and additional economic activity, we need to take more aggressive action *against* things that sap our economic strength. High energy costs take money out of the pockets of South Dakotans who would otherwise use that money to shop or invest in their business. Rising health care costs harm the profitability of large and small businesses alike, leaving workers with less disposable income and less health security. As these and other costs continue to rise, wages have remained stagnant. To protect the pocketbooks of South Dakotans, I intend to do the following:

- Protect consumers, ag producers, and small business owners from high energy costs.**



I am a cosponsor of legislation that would create new federal fines and criminal penalties for price gouging. It would also ban manipulation of oil and gas markets. I also joined my Republican colleague, Senator Lamar Alexander, in sponsoring the Natural Gas Price Reduction Act of 2005. Our bill would accelerate approval of natural gas pipeline construction projects, as well as the permitting process, construction, expansion, and operation of natural gas facilities. Unfortunately, both of these measures remain in committee, and neither has been sent to the full Senate for consideration. I will work with colleagues from both political parties to focus attention on the need for more aggressive action to combat high energy costs.

- Enact legislation to help curb rising health care costs** and help small businesses and employees cope with their medical costs. I've supported legislation that would reduce the cost of prescription drugs, make health insurance premiums fully tax deductible, and expand federal health insurance to cover more children.

President Bush has been pushing a proposal that would allow for creation of Association Health Plans. Unfortunately, independent analyses show these would eliminate state protections against fraudulent and harmful practices, and could actually cause health costs to increase for most people. I recently cosponsored an alternative that would also allow small

businesses to pool their purchasing power more easily, but would retain important state-based consumer protections. I will work to enact this common-sense alternative, which contains much of what the President seeks in his proposal, but also addresses concerns raised by people who are skeptical of his proposal.



Work toward an increase in the federal minimum wage. Working at the current minimum wage, an employee who puts in forty hours a week, fifty-two weeks a year, earns only \$10,700. This sum is well below the poverty line for even a two-person family. The current minimum wage also fails to provide enough income for workers to afford adequate housing, save for retirement, or meet any emergency needs. Moreover, inflation has eroded the buying power of the minimum wage since it was last increased in 1997. I believe an increase would be supported by most Americans, and it's long overdue. I will support legislation to enact such an increase.

Conclusion

Economic development is a “lynchpin” issue in the sense that strengthening our economy leads to progress on many other issues -- generating additional resources for education, reducing crime rates, and making it easier for people to provide for their families. This is why economic development is worth focusing on, and it is one of the reasons I developed this plan.

We have already made considerable progress on economic development, and I believe the strategies detailed on the previous pages represent a promising plan for building on that progress. I appreciate the suggestions and ideas from the many people who helped to develop this plan, and I look forward to continuing our work together as we seek to implement its components. By “promoting partnerships,” “emphasizing entrepreneurship,” “investing in the public good,” and “protecting pocketbooks,” I know we can bring even greater prosperity to the communities that South Dakotans call home.



Handwritten signature of Jim Johnson in blue ink.



For More Information:

U.S. Senator Tim Johnson
320 S 1st St, Ste 103
Aberdeen, SD 57401
(605) 226-3440

U.S. Senator Tim Johnson
405 E Omaha St, Ste B
Rapid City, SD 57701
(605) 341-3990

U.S. Senator Tim Johnson
715 S Minnesota Ave
Sioux Falls, SD 57104
(605) 332-8896

U.S. Senator Tim Johnson
United States Senate
Washington, DC 20510
(202) 224-5842

Toll-free from anywhere in South Dakota:

1-800-537-0025

<http://johnson.senate.gov>

About the Photos:

Page 4: A windmill near Artas, South Dakota, reminds us of the many changes our state has undergone over the years, as well as the need to build upon past successes with innovative approaches.

Page 5: U.S. Senator Tim Johnson meets with Jeff Nelson of East River Electric to discuss recovery from the November 2005 ice storms that devastated portions of South Dakota.

Page 6: U.S. Senator Tim Johnson discusses the new Sturgis Library with Mayor Mark Ziegler and City Council member Sherry Scudder.

Page 8: The South Dakota congressional delegation, along with Governor Rounds, worked together to save Ellsworth Air Force Base from closure.

Page 9: Badlands National Park.

Page 10: Mesaba Mining Equipment President Jerad Higman takes U.S. Senator Tim Johnson on a tour of their Vermillion facility.

Page 11: U.S. Senator Tim Johnson addresses a meeting of the eight-county Southeast Planning District.

Page 12: U.S. Senator Tim Johnson and community leaders at the future site of an ethanol plant in Redfield, South Dakota.

Page 13: Main Street, Redfield, South Dakota.

Page 14: U.S. Senator Tim Johnson discusses his successful efforts to enact a renewable fuels standard (RFS) that will more than double our nation's ethanol production by the year 2012.

Page 16: U.S. Senator Tim Johnson and community residents, young and old, gather for a ribbon-cutting ceremony at the Parker Multigenerational Center.