

**WRITTEN STATEMENT FOR THE RECORD**

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Thank you, Chairwoman Stabenow, Senator Heitkamp for organizing the meeting, Ranking Member and our favorite son from Nebraska, Sen. Johanns and members of the committee. It's an honor to come before this distinguished body. Sen. Mike Johanns is someone I have long admired and deeply respected for never forgetting his rural roots as a Mayor, Governor, U.S. Secretary of Agriculture and our Senior U.S. Senator from Nebraska, and who asked me to appear here today.

Though I come before you with a title of "city manager", I'm still about as grassroots "country boy" as it gets. No one has to explain rural America's challenges to me. I've spent my adult life trying to find the keys of sustainability and meeting community challenges in America's heartland.

I'm the first generation on both sides of my family that no longer is involved in farming or ranching. I grew up in a western Nebraska county that was so rural, it has never had an incorporated town in its entire history. I spent almost three hours a day for 12 years riding a school bus to attend a consolidated K-12 educational system. Like Sen. Johanns, I grew up milking cows, a task that was part of every single morning and night every day of the year. What we raised and grew on the farm was what we ate and how we lived day to day. Going to a grocery store, came about as often as Christmas. Today's population wouldn't dream of living the way we did. Our over regulated America will never allow us to live like that again. My 80-plus year old parents still live on the old family farmstead far away from any modern conveniences. They can't even get cell phone or internet reception at the 125 year old home they live in. Their parents had also worked every day into their 90's on the farm trying to preserve the rural America they loved. My parents will be the last generation to live there.

I have an old weathered and worn out wagon wheel that belonged to my great-grandfather when he came to Nebraska from Sweden, dug a hole in the ground and called it home. There's also a 154 year old Church in rural Iowa still standing and used today that another great-great-

grandfather from Ireland built by hand. He hauled native sandstone from a nearby quarry with his team of horses laboring as a volunteer for 10 years to construct the church when time away from the farm would allow.

Those two reminders are endearing symbols of the sacrifice, hardships and the faith of the rural American people and way of life that molded who I am, as well as millions of other Americans who trace their roots to the family farm.

The rural way of life I knew and the rural lifestyle of my ancestors has practically disappeared from today's landscape, but the preservation of rural lifestyles and values is still critically important for America's future well-being. Farms and ranches had to grow bigger to survive and the small self-supporting farms and ranches are no longer evident in this generation or those to follow. In Nebraska 80 of our 93 counties are considered non-metro. It amazes me that in those 80 counties there was more population in the 1890 census than in the 2010 census. The population in those 80 counties is also 25 percent below its collective peak population in 1930 and only six (6) have shown population growth since 1950.

Just as we have seen rural America's voice weaken in Congress due to population shifts, the same is true of rural States. In Nebraska's unicameral system, greater than half of the legislators represent five percent of the land mass and hail from only three of Nebraska's 93 counties.

Consequently, rural communities across America have struggled to survive, as their way of life has changed just as dramatically. Drive down any of their main streets and no one has to quote you any statistics. Your eyes will tell you everything. Take a leisurely drive on a country road and abandoned farmsteads far outnumber those inhabited. The average age of the population has nearly reached senior citizen status. Most rural communities won't and simply can't survive if they have not diversified the agriculture revenue stream that previously was their primary source of sustainability. As every generation gets one step further removed from the grassroots that built this country, it will become even more challenging. The time to act is now, not later. When communities diversify their economies, the rural partners that still provide our agriculture production also greatly benefit so their schools and communities can continue to offer much needed services as well as provide off the farm / ranch jobs and benefits to spouses and other family members.

Today I want to share a story about one community that found new ways of sustainability, economic diversification and completely reinvented itself over the past 40 years. Sidney, Nebraska is nearing its 150<sup>th</sup> birthday. It's not a suburb that pretends it's a small community, as it is 100 miles from any population base over 15,000 residents, and 350 miles from the state capitol.

The community was thriving in the 1940's and 1950's when an Army Ammunition Depot was constructed and operated northwest of town; oil and gas had also been discovered bringing exploration and production; the two railroads that served it had a heavy presence of labor;

minuteman missile bases were being constructed; farming and ranching was at an all-time productive high and commodity prices were fair.

By 1970, the Depot closed and its 2,000 jobs were eliminated. Oil and gas exploration was beginning to significantly decline. The missile base construction boom was over. The railroads moved their jobs 100 miles down the road. Farming and ranching was about to head into the 1980's crisis mode. The Interstate moved all of the traffic south of the community.

Those factors had common denominators called the federal government and Mother Nature. You simply can't influence either one as a small rural community. As a result jobs left in mass exodus, population declined 45 consecutive years, the economy tanked and the public infrastructure started to erode away as the community simply could not afford to meet its overwhelming challenges.

The community's attitude reflected the economy, as it even refused for 15 years to run utilities to the Interstate a mile to the south because it could not afford to take the risk. Every community only has so much internal energy and when people work against each other, instead of working together for progress, internal stagnation and degradation will prevail.

When our citizens finally figured out the goose was no longer going to lay another golden egg, the community refused to die like so many of its neighbors. It found some of those same principles of the homesteader's pioneer spirit that settled in America's heartland. We did it through hard work, one new job at a time, one new business at a time and one challenge to overcome at a time. We created an environment for entrepreneurial spirit to thrive and grow.

Four times we took economic development initiatives to a vote of the people and four consecutive times the citizens overwhelming voted to rebuild its own future - not depend on someone else to do it for them. In addition to our own hard work and relentless effort, we educated ourselves on revitalization programs we could implement in our community and sought out federal and state laws and programs that would give us a "hand up", not a "hand out"! Those programs helped finance public infrastructure and improvements, along with providing performance based incentives that reward job growth. We took risks and turned failures into the educational blocks that built successes of the future.

We did it with home grown entrepreneurs like the Cabela's family that has placed our community on the world wide map as the foremost outdoor outfitter, and other companies that invented products in our backyard like the first tractor cab and the convert-a-ball hitch, among many others. We did it with a rural work ethic and a knack for recruiting other employers across the country looking to expand into a rural lifestyle, and appreciating a hard-working labor force and a community that "gets it." We can sit across the table, eye ball to eye ball to converse and negotiate with the decision makers, instead of trying to outguess the future or speculate on the great unknown. These are private sector jobs, not solely dependent upon the local farming and ranching revenue stream, and certainly not government payrolls.

Agriculture had always been the largest industry earner in the Sidney / Cheyenne County economy clear up into the early 1990's. Today it ranks as the 7th leading industry earner in our local economy. The percentage of government payrolls in our economy in comparison to the private sector are also well below the state and national averages and well below our neighbors.

We have also prepared for the future with a new water well field and 22 mile distribution system, a new and expanded regional landfill, a new wastewater treatment facility and are in the process of rebuilding and expanding our electrical infrastructure and street systems. We built a new high school and next week we decide on constructing a new grade school. We've taken that old Army Depot and through the private sector turned it into a unique rail logistics, distribution and warehousing industrial park that will continue to transform us into the future. Our Interstate is now full of successful business ventures. We have taken advantage of the energy diversity being driven in rural America as our transportation dynamics allow us to capitalize on the oil boom from our neighbors to the north in the Dakotas and the wind energy boom that our southern and western neighbors in Colorado and Wyoming have seen.

We have tripled our local economy and local valuation base over the past 20 years. We have more jobs per capita than almost any community in America. There is no legitimate excuse for not having a job in Sidney. Every employer in our economy needs more workers. Our unemployment rate usually is under 3 percent, but that statistic mostly reflects workers in transition. We currently have over \$300 million of new projects on the ground and moving forward this Spring. Our most significant challenge is now building affordable workforce housing. Unfortunately most federal housing programs discourage people from earning higher income. I realize it is important to have standards, but flexibility within those programs that mirror a community's progress would be significantly beneficial to communities like Sidney. When we have hundreds of workers looking for a place to live, yet we have empty federal tax credit rentals because of its low income restricted standards, something is amiss. We must find a way to appreciate people and communities who work hard to get ahead and pay their workers good decent wages.

With a community theme, "*Small Town Values, Big Time Opportunities*", we live, breathe and bring that winning attitude and our game face every single day. We practice what we preach. We work hard to never take for granted those companies that call Sidney, Nebraska home, and we continuously reach out to others to help us build a community of the future.

We double our population each day from those who work, commute or stay here for business or travel purposes and our economy reflects it. We will always be "small and rural" by anybody's standards, but we have employers who do business world-wide and their success and job creation keeps dozens of other neighboring rural communities afloat. Regionalism works when the "mother hen" community churns out the jobs and the economy and smaller communities help provide the work force in exchange for the paychecks and their continued viability.

I've been part of regional planning groups for almost 3 decades. When the larger communities within those regional pockets thrive, so does the flock of very small communities that surround it. Distance is always a challenge and the more connectivity and sharing that goes on the better for all. States must become more engaged in helping us incentivize consolidation of services, elimination of boundary lines that constrain us and entice young people to live in and businesses to locate to rural areas. There's a lot of existing infrastructure out there in rural America and for the most part, it is being vastly underutilized and it is showing significant deterioration as it ages. The general nature of people and small communities is to view consolidation as a loss of services, and their identity as well as one step closer to irrelevancy. Incentivizing such consolidation efforts require an entirely different mindset. One shining example is when the Panhandle of Nebraska was at its peak population in the late 1880's there was only one county and the transportation and communication methods were very limited. Today there are eleven counties in the same geographic location despite having instant communication.

Today's generation and those to follow are not pulled by the rural emotional heartstrings like those of my generation who grew up in rural America. They will, however, come back for good jobs, quality of life and a safe place to raise their families. Our employers have proven they can recruit new employees and prove those young adults are willing to come back to rural America.

As hard as we have worked in Sidney, Nebraska and as successful as we have been, I want to share a startling statistic. Today we are still 33 percent below our population peak of 50 years ago. I am also providing you several graphs from a Power Point presentation made by Jerry Deichert of the University of Nebraska Omaha's Public Affairs Research Center, illustrating the outmigration of the rural areas of our State where 75 percent of our 93 counties lost population again this past decade and over 50 percent of Nebraska's population are now in three counties on the eastern border, 400 miles from Sidney. We are one of the very few rural counties that bucked that trend, but only in recent years. To illustrate, I have included demographic information highlights from our local community's 2012 comprehensive plan.

Some of the suggestions I mention in this testimony, I realize you have absolutely no control over in this subcommittee, but I sense what you are all about is the general awareness and future well-being of rural America, I sense is what you are all about. There are ways you can influence those outcomes in arenas beyond this committee with a shift in policy and elimination of bureaucracy. I believe these philosophies would assist in accomplishing your goals:

- Flexibility is needed from some of the existing income standards that affect your programs' community eligibility standards. I am totally aware how critical these programs work for several of our neighboring smaller communities, but flexibility for communities that have continued to work hard to improve their situations is also needed. Don't lump us all into the same category.
- Revolving regional loan funds at an attractive low interest to provide supplemental or gap financing for business projects are needed. New Banking regulations have substantially, if not dramatically, reduced the ability of small community banks to finance the business projects they once did. A lot of our federal programs are also tied to low and moderate

income jobs or standards, but relieving some of those restrictions once the funds are paid back into the loan fund to gain more flexibility for the next recipients would be beneficial.

- Further develop regional strategies by pooling the funding resources on a regional basis and requiring some "skin in the game" by local participating entities. This would strengthen the regional approach and spread out resources. Require local municipalities and counties to become regional partners for their participating businesses to be eligible for funding, but make it so attractive the people demand it. I've seen too many entities leave the fold declining to be part of solving issues on a regional basis and unwilling to work on regional strategies.
- Partial forgivable loans, based solely on performance of job creation and investment would continue to give companies the incentive to perform in rural areas.
- Incentivize new and existing companies adding new jobs in rural counties under 25,000 population. The challenge is significant for employers to recruit to rural areas. Help us find ways that make it more attractive.
- Student federal loan forgiveness for living and working in a county under 25,000 population based on the old homestead formula where so much is forgiven for each year up to 7 years. Interest on loans could be frozen and then a percentage is forgiven each year. A cap of a standard for example such as \$21,000, with \$3,000 forgiven each year. If they leave in year 3, then it is pro-rated. Rural lifestyles can be contagious, but too few get the opportunity to experience it in today's world.
- Create USDA "Opportunity Zones" that somewhat act like "Enterprise Zones" that would add to the desire and incentives to locate in those zones for both employers and employees. Provided a community meets certain growth standards, eligibility can be gained. I've recently witnessed the partnership of USDA and HUD in establishing neighborhood "Promise Zones" to revitalize neighborhoods and actually look at financing market rate housing projects. We're anxious to see how those programs will work.
- Help establish "Rural Trade Zones" that would work much like the Federal Trade Zones to provide tariff relief for those importing and exporting merchandise within the zones, bringing manufacturing, warehousing and distribution jobs back to rural America.
- Broadband fiber-optic connectivity to rural areas is increasingly critical for companies and employees. It is just as critically important to the success of rural America today as the generations of the past benefiting from federal aid road systems improvements, the rural electric system bringing light to the masses, and communication improvement tearing down previous distance barriers. We need USDA to continue strengthening the programs that help revitalize rural America's infrastructure. Just as important as electricity was for the generation nearly a century ago, the same is true of broadband fiber connectivity today.

If you reward those that are your performers, who work hard to create new jobs and create new economic wealth, then all those around them will be successful as well. I've seen it happen over and over in our community. On the contrary my youngest daughter is in the *Teach for America* program in one of our country's most impoverished rural areas. She also has done a lot of

volunteer work on reservations. As a result of her experiences, I have seen what happens with my own two eyes, when the federal government has too much influence and the incentive to work disappears in economies. Her experience has been extraordinarily challenging, but she believes with all her heart and soul she is making a difference by influencing young people's lives and goals. While her primary reason for involvement was not student loan forgiveness, in the end, it is a reward for her efforts. If rural communities could also see rewards for their efforts to diversify and grow by recruiting young people back to rural America, then our country wins.

Our community has been featured from the *Wall Street Journal* to the *Washington Post* to national economic publications for our determination and grit in overcoming challenges and finding success. There is no magic formula. It's called hard work and believing in each other, working together and enduring the test of time. We are building on those projects that are three to five years down the road right now, never resting on our laurels for a split second.

We have used USDA funding for low interest long term financing for projects in the public and private sector, including housing. USDA's long term financing made the total difference for our community to begin constructing this week a new modern state of the art medical center that will replace a facility nearing 70 years old and technology deprived. This is just one of many examples where USDA is making a difference in rural America. I will never be a fan of financial give away programs. It turns people into unproductive citizens and communities away from an attitude of self-sufficiency. I do believe, wholeheartedly in anything that is performance based. Help those who help themselves. Take the long and proud history of USDA programs and continue to make the programs stronger and more rewarding to America's performers.

We have utilized many other federal and state programs. These programs will always remain critically important to help us balance the ever increasing environmental regulations and banking regulations that will continue to put small communities out of business and lock the door for any hope of a future rural renaissance.

As successful as Sidney has been, because we continue to carry that "small town rural community" status, we have found it extraordinarily tough and disheartening to finance market rate housing projects. We are now building our first market rate rental housing complex in 60 years. We had to do it through private resources. If I had the ability to convince you of just one thing today, it would be to enhance flexibility in your funding programs by just adding more common sense to the equation and not scaring and forcing the financial community out of rural America because of the extreme penalties to embrace risk simply because we are categorized as "rural."

As our governing body that impacts America's future, I would ask you to help influence others that holding rural America to metropolitan regulatory standards is costly and counterproductive. Every one of our community's infrastructure problems resulted from increased regulatory standards. Standards are necessary and important, but somewhere common sense left the

equation when it comes to some of the environmental overreactions we have experienced with our projects, especially in recent years. While we have addressed the challenges and prepare for today's regulatory world, our utility rates are now abnormally high.

One of the key advantages rural America had a generation ago was its low cost of utilities and housing costs. The same is not true today. Our small community has had to endure \$20 million of new mandated public infrastructure projects primarily brought on by the increased environmental regulations dealing with water, wastewater, landfill, emission standards that closed our power plant and the list of future issues continues to grow. If we accept federal funds in any manner, the list of environmental studies that have to be performed adds an extraordinary amount of costs to the bottom line, along with critical time delays. We just spent 10 years trying to build a sidewalk, called a public trails system because of such bureaucratic requirements. That should embarrass any federal bureaucrat. Many of these over regulated programs make absolutely no sense in rural America or in anybody's America for that manner. We estimate over 30 percent of electrical costs are now due to new environmental regulations. All we can see on the future horizon is fewer options of reliable or available energy and 10 percent rate increases every year well into the future.

Despite agriculture going through a major transformation in the past 50 years on how it operates and functions in continuing to feed the world, there is still a lot of hope and promise for population sustainability in rural America. Sidney, Nebraska is an example of what can happen. Rural America today is not the same as your father or grandfather's rural roots, but it can continue to be special. If rural America still matters in today's world, the United States will continue to be the envy of the world. If we lose that cultural fabric, or that understanding of how Mother Nature interacts with mankind, then we will lose our understanding completely in the next generation of what rural America meant to our country's heritage and what it still means to our success today. Shame on all of us if that happens. I believe, like you do, that rural America still matters, and we can sustain a population base once again and a home for future generations. We just need to have Americans rediscover this opportunity and way of life. Thank you for your service to our country!