Building Wealth in Rural Communities: The New Homestead Act and Individual Homestead Accounts



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Established in 1973, the Center for Rural Affairs is a private, non-profit organization working to strengthen rural communities through action oriented programs addressing social, economic, and environmental issues.

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New Homestead Act Overview

The *New Homestead Act of 2005* was introduced in the U.S. Senate as S. 675 by Senators Dorgan (ND), Hagel (NE), Brownback (KS), Dayton (MN), Durbin (IL), Johnson (SD), Burns (MT), Conrad (ND), and Harkin (IA).[1]

The New Homestead Act offers incentives to live and establish businesses in non-metropolitan counties that have experienced net out-migration of 10 percent or more of county population over the past 20 years. Among the provisions, the New Homestead Act would provide:

- forgiveness of 50 percent of college loans for recent graduates who live and work in qualifying counties (See Appendix A)
- a tax credit up to $5,000 for home purchases in qualifying counties
- tax incentives for new buildings
- a federally subsidized $3 billion venture capital fund to invest in businesses in qualifying counties
- a tax credit for microenterprise businesses in qualifying counties
- an Individual Development Account (IDA)-type provision to help build savings and increase access to credit

A total of 698 non-metro counties in the United States would currently qualify for the provisions of the New Homestead Act.[2] This represents nearly 22 percent of the nation's counties. Qualifying counties are scattered around the nation, with the largest number in the Plains and upper Midwest; North Dakota, South Dakota, Nebraska, Iowa and Montana have 50 percent or more of their counties qualify as "high out-migration" counties.[3] Thirty-eight states have at least one qualifying county. States without qualifying counties include California, Florida, Hawaii and Washington, and states in the Middle Atlantic, Northeast and New England areas. See Appendix A for a list of qualifying counties.

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[1] Subsequent co-sponsors are Senators Coleman (MN), Landrieu (LA), Rockefeller (WV), Pryor (AR) and Salazar (CO). The 2005 version of the New Homestead Act follows introduction of the same bill in 2001 (S. 1860) and 2003 (S. 602) and companion versions in the U.S. House. To date, a companion bill to the 2005 version has not been introduced in the U.S. House.
[2] Information provided by the Economic Research Service, United States Department of Agriculture.
[3] Kansas, Alaska, Wyoming, Minnesota, Louisiana, Oklahoma, West Virginia, Texas, Mississippi, Utah, Illinois and Idaho also have a percentage of "qualifying counties" exceeding the national average.

Individual Homestead Accounts

The New Homestead Act creates an Individual Development Account-like program for people in qualifying counties entitled "Individual Homestead Accounts."[4] Individual Homestead Accounts (IHA) – like Individual Development Accounts – are savings accounts matched (generally with public funds) that allow tax-free withdrawals for certain purposes; IHA allowable purposes are unreimbursed medical expenses, first-time home purchases in qualifying counties, costs incurred developing a business in qualifying counties, expenses related to obtaining higher education, and qualified retirement account rollovers.[5] Any individual who is a bona fide resident of a qualifying county is allowed to create an IHA. The IHA provision is generally identical to Individual Development Account legislation.[6]

Based on 2000 Census data, over 3.3 million households in qualifying counties would have household income that would qualify them for matching IHA funds (U.S. Census Bureau, 2000) .[7] This represents about 16 percent of all non-metropolitan households in the United States, but about 81 percent of households in New Homestead Act counties. [8] A breakdown of qualifying households by state is listed in Appendix B.

The IHA provision would be added to the Internal Revenue Code immediately after the section creating the Coverdell Education Savings Account. [9] Like the Coverdell Education Savings Account, the IHA provisions would create a trust for the benefit of a qualifying individual with a bank operating as the trustee. The Coverdell Education Savings Account section also allows the trustee to be "another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section or who has so demonstrated with respect to any individual retirement plan." [10] The IHA provision does not contain similar language identifying trustees, but it is logical to assume that the same rules will apply because of other identical language with the Coverdell accounts section and statutory proximity.

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[4] See, Section 104 of S. 675.
[5] "Qualified medical expenses" are defined as any amount paid for medical care for the taxpayer, his/her spouse and dependents and not compensated for by insurance or otherwise. See, page 23, lines 11-16. Catastrophic medical expenses are generally exempt from the five year withdrawal period.
[6] Individuals may contribute a maximum of $2,500 annually to an IHA for up to five years. Federal matching contributions of 12.5 to 100 percent would be made on a sliding scale based on the applicable modified adjusted gross income (up to $100,000 for married individuals, up to $75,000 for "head of household" taxpayers, and up to $50,000 for any other individual).
[7] Due to available data, household income has been substituted for modified adjusted gross income in this paper.
[8] There are 21,175,216 non-metro households in the U.S. United States Census Bureau, Census 2000 Summary File 1, Matrices H1 and H3.
[9] U.S. Code Title 26, Chapter 1, Subchapter F, §530; the Individual Homestead Account provision would be Section 530A.
[10] U.S. Code Title 26, Chapter 1, Subchapter F, §530(b)(1)(B).

Rural Families and Allowable Uses of Individual Homestead Account

Medical Expenses

The allowable use for medical expenses is perhaps the most intriguing use of Individual Homestead Accounts because of the disparity between health insurance coverage and health care costs in rural and urban America.

Rural residents are more likely to be uninsured than non-rural residents. Nearly 24 percent of non-elderly rural residents are uninsured, compared to nearly 18 percent of urban residents (Ziller et al., 2003). A growing body of evidence shows that rural residents have health insurance coverage that pays less of their health care expenses and that rural individuals and families devote more of their income to health care costs. These two phenomena are commonly accepted definitions of "underinsurance" (National Rural Health Association, 2004). Examples of rural "underinsurance" include:

- Only one in four insured families had coverage for preventative care according to a survey of Wisconsin dairy farmers (Whitaker and Slesinger, 2002).
- Ten percent of rural residents rely on the individual insurance market for their health insurance, compared to about 8 percent of urban residents (McBride et al., 2003). On average, individual market plans cover 63 percent of medical costs, compared to 75 percent covered by group insurance plans. Half of individual market plans cover just 30 percent of health care expenses (Gable et al., 2002). More reliance on individual plans by rural people results in more uncovered medical and health care expenses.
- Thirty-five percent of rural residents with health insurance lack dental coverage (compared to 29 percent of urban residents). As a result, rural residents are 50 percent more likely than urban residents to report never going to the dentist (National Rural Health Association, 2004).
- Total annual health care expenses per person for non-metropolitan residents is $2,934, 18 percent greater than annual health care costs for residents of metropolitan areas (Agency for Health Care Quality and Research, 2001). When viewed as a percentage of household income spent on health care expenses, a two-person household in a non-metropolitan area would spend 20 percent of its income on health care expenses compared to 13 percent for a similar metropolitan household (National Rural Health Association, 2004).
- A 2001 survey of Iowa farmers found that out-of-pocket medical expenses averaged 11 percent of their income each year. Lower income respondents had higher out-of-pocket expenses, with over 40 percent of the lowest income families spending more than 30 percent of their income on out-of-pocket medical costs (Lange et al., 2003).

It is these health care challenges that the unreimbursed medical expenses use of the IHA is designed to address. Extrapolating the general rural data on health insurance and health care expenses to the households that would qualify for matching funds to IHAs:

- Nearly 794,000 of such households are without health insurance.

- Over 330,000 of such households rely on individual market plans for their health insurance.
- Over 1.1 million of such households are significantly at health care expense risk – either uninsured or with plans that cover significantly less health care expenses.
- With medical out-of-pocket costs at 11 percent of household income in non-metropolitan areas, these families incur nearly $11 billion annually in medical out-of-pocket expenses.[11]

Allowing IHA funds to be used for unreimbursed medical expenses is likely to have significant affects on health care access and health care services in rural areas, particularly by low-income families.

First-Time Homebuyer Costs

Non-metropolitan areas of the United States already have the highest home ownership rates in the nation, with 76 percent of non-metropolitan residents owning their home (U.S. Census Bureau, 2003).

Assuming households in qualifying counties have a similar ownership rate, about 794,000 households could use an IHA for first-time homebuyer costs (of those households qualifying for matching contributions).

With high home ownership rates, the primary housing issues facing rural people are the affordability and quality of housing. While this allowable use of IHAs will benefit a segment of the rural population, without modification it may not be the best use of resources to address the housing challenges facing most low- and moderate-income rural people and the housing issues facing many rural communities.

In fact, based on national Individual Development Account data, home repair or improvement may be the most desired use of an IHA. An evaluation of an Individual Development Account project in Tulsa, Oklahoma (as part of the American Dream Demonstration IDA project) shows that 35 percent of account holders withdrew funds for home repair or improvement, the highest use of Individual Development Accounts in the Tulsa project. If that were the case with IHAs, over 1.1 million homeowners in qualifying counties would obtain necessary home repairs and improvements (Abt, 2004).[12]

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[11] Using the average non-metropolitan household income of $30,057 (2000 Census) times 11 percent of income devoted to medical out-of-pocket expenses times 3,306,866 households in qualifying counties eligible for matching funds.

[12] The Tulsa data also show that 26 percent of IDAs were used for home purchases, a figure slightly higher than the number of non-homeowners in nonmetropolitan areas.

Business Capitalization Costs

The IHA provision of the New Homestead Act does not specifically limit the use of account proceeds to the development of small businesses or microenterprises. In fact, an IHA may be used for the capitalization of "any trade or business located in a qualifying county."[13] Specific reference is also made in the IHA provision to rules adopted in Internal Revenue Code Section 1397C concerning qualified Enterprise Zone business entities and proprietorships.[14] Again, those rules would not limit the use of IHA Accounts to small or micro businesses.

The definition of "qualified business" in the IHA section of the New Homestead Act is also nearly identical to that in the Assets for Independence Act that established a major demonstration project for Individual Development Accounts.[15]

Even with provisions that appear to open the door to any type of business or business structure, it is likely that IHAs – like Individual Development Accounts – will be used primarily to develop and create small businesses and self-employment opportunities. The amounts that can be deposited into IHAs (both by the account holder and government match) support this conclusion; up to $5,000 annually will not capitalize a large manufacturing firm. It will, however, contribute significantly to the capitalization of a small or micro business in a rural community.

It is clear that non farm self-employment and entrepreneurship is becoming a major factor in rural economic development. Entrepreneurship is viewed as potentially the best option rural people have to create economic opportunities and jobs and counteract the decline in rural manufacturing and agricultural employment (Seymour, 2001). IHAs would offer another economic development tool to promote rural entrepreneurship.

Based on a set of assumptions on the use of Individual Development Accounts throughout the nation for small business development and the rate of employment for such businesses, it is estimated IHAs would create or expand over 153,000 businesses and create over 268,000 jobs in qualifying counties across the nation. The highest numbers of jobs are created in Iowa, Texas, Illinois, West Virginia and Mississippi. Relative to population, the highest numbers of jobs are created in North Dakota, West Virginia, Iowa, Wyoming and South Dakota. The methodology for both estimates and a state-by-state breakdown is included in Appendix C.

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[13] S. 675, page 21, lines 22-25. Certain businesses are specifically excluded as "qualifying businesses." Those are: any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises. S. 675, page 22, lines 1-3.

[14] S. 675, page 22, lines 5-7.

[15] See, Section 404(8)(C) of Public Law 105-285 (the "Community Opportunities, Accountability, and Training and Educational Services Act of 1998").

Higher Education Expenses

Residents of non-metropolitan areas have significantly lower educational attainment levels than do residents of metropolitan areas. 2004 data show that the rural share of bachelor, graduate and professional degrees is 40 percent less than the metropolitan share (U.S. Census Bureau, 2004).

However, the rural share of students earning associate degrees is 20 percent higher than the metropolitan share (U.S. Census Bureau, 2004).

There are two likely explanatory scenarios (or a combination of both) for these differences – fewer rural people attend higher education beyond the Associate Degree level or fewer rural people return to rural areas once a Bachelor's Degree or advanced degree are obtained.

In any event, it is difficult to gauge the potential affect of this use of IHAs. Because of the nature of qualifying counties – generally remote and a great distance from an institution of higher education – it is questionable how many eligible individuals will be able to take advantage of this allowable use for college-level education. Further, if individuals in qualifying counties use an IHA for higher education expenses, data and history tell us that few of those will return to rural communities.

The exception may be vocational education and training. While four-year degree programs have an academic focus, vocational and associate degree programs "focus on arming students with occupational skills – tools that many employers value highly in today's workplace" (Henderson and Weiler, 2005). By making specific references to vocational education, the New Homestead Act recognizes the fact that vocational education is likely the type of education that may avail itself to IHA use. The growing presence of community colleges and vocational training institutions in rural areas makes this an attractive and likely use in many qualifying counties.

While it is difficult to determine the impact of IHAs used for education, it is clear that IHAs will serve to build the human capital resources of rural communities. Despite the suggestions of the data, rural communities still need teachers, healthcare professionals, attorneys, bankers and other college-educated residents. If IHAs provide an opportunity for low- and moderate-income rural residents to attend college, higher education as an allowable use of program resources will be a benefit of some degree to rural communities. IHAs used for vocational training and skill development will help provide for the general training needs of rural workers, thus enhancing their skill level for a broad array of employers. Finally, as a human capital enhancer, IHAs used for educational and training purposes have the potential for poverty alleviation in some of the lowest income areas of the nation, particularly when combined with an economic development model based on entrepreneurship (Becker, 1995).

Retirement Accounts

The issue of retirement savings and security is a growing concern among rural people. Less than a quarter of farmers, ranchers and their employees have pension plans or 401(k) or similar retirement plans and are only about half as likely as workers nationwide to have such retirement savings (American Corn Growers, 2005).

Rural communities also tend to have older populations, and thus depend on Social Security income at greater rates than do non-rural communities. More than 90 percent of counties in the nation with high senior populations (20 percent or more) are rural counties (USDA, 2002). Of this high concentration of seniors, a significant number also live in poverty – 13 percent of rural seniors live in poverty, a figure 44 percent greater than the number of non-rural seniors living in poverty (USDA, 2002).

A larger number of seniors and a relative lack of private retirement savings programs in rural communities results in a greater dependence on Social Security among rural Americans. Rural communities, in fact, rely on Social Security income nearly twice as much as non-rural communities (Institute for America's Future, 2005). IHAs would have the potential to increase retirement savings among rural people in qualifying counties, thus enhancing retirement security and helping to lift rural seniors out of poverty.

Retirement savings have been shown to be a popular choice in Individual Development Account programs where it is an allowable use. For example, in the Tulsa, Oklahoma, project that is part of the nationwide American Dream Demonstration program, 17 percent of participants used their IDA for retirement savings, the same number as used accounts for education (Abt, 2004).

Infrastructure and Implementation Issues

Like any new program, practical infrastructure and implementation issues with Individual Homestead Accounts will arise, and many will not be known until the program is up and running. Some, however, can be anticipated.

- **Need for small business assistance** – While IHAs may be a boon to the creation and expansion of small businesses in qualifying rural communities, rural entrepreneurs will still need business capital and technical assistance. Initiatives through entities such as the federal Small Business Administration, state, regional and local economic development agencies, non-profit microenterprise providers and private lending institutions will still be necessary to provide capital and technical assistance to initially generate the small businesses that would qualify for IHA use.
- **Higher education access** – The unique remoteness of many New Homestead Act counties presents myriad issues related to how higher education institutions deliver qualifying programs to residents of those counties. It will be difficult and cost prohibitive for many people to take advantage of the higher education uses of IHAs given where they live, particularly if they are place-bound by employment, family or a desire to live in a rural community. It is incumbent, therefore, for all stakeholders in higher education – states, institutions of higher education, local school districts and communities – to continue and expand efforts to provide higher education through alternative means such as distance learning, internet access and correspondence.
- **High speed internet access** – Available and affordable high speed and broadband internet access to rural communities is crucial for several aspects of IHAs, chiefly

small business development and higher education delivery. Governments at all levels and private providers must continue and expand efforts to provide high speed internet access to New Homestead Act counties.

- **Account infrastructure** – It is unknown how many banks in small and remote New Homestead Act counties are willing or able to handle the matching deposit and recordkeeping requirements of IHAs. Education and assistance on IHAs in New Homestead Act counties will also require a new model of rural service delivery. Generally, Individual Development Accounts have utilized non-profit agencies or organizations to assist individuals in aspects of creating and using accounts. There is a dearth of such agencies and organizations in rural areas, however, and even more so in the remote New Homestead Act counties. IHA education and assistance will require the creation of new agencies or organizations or the assumption of such roles by existing entities (community action agencies or extension agencies, for example).

Recommended Modifications to Individual Homestead Account Provision in the New Homestead Act

The following recommendations to the Individual Homestead Account provision in the New Homestead Act are offered to improve the IHA section and make it correspond better with the findings outlined here and with the needs of rural people.

1. Include payment of health insurance premiums in the definition of "qualified medical expenses." This would help address the issue of the uninsured in rural areas.
2. Add home rehabilitation, renovation and repair to the list of allowable uses. This would help address the issue of housing quality in rural areas. IHAs will be available to current residents of qualifying counties as well as new residents. Allowing IHAs to be used for home repairs and renovations will improve the housing stock in qualifying counties, and will create a more attractive housing market for those who relocate to qualifying counties.
3. Allow home purchase costs for people in qualified counties to include those who are not first-time homebuyers. The issues of an aging and affordable housing stock are more relevant to more individuals, families and communities.
4. Specifically allow IHA proceeds to be used for manufactured homes. Manufactured homes are an increasingly important part of rural housing yet are often treated differently than other types of housing in financing and lending. A specific mention recognizes the important role manufactured housing plays in rural areas and clarifies the use of IHA proceeds.
5. Target the allowable use of IHAs for business capitalization to investments in owner-operated businesses, rather than any business investment. The goal of the program should be to broaden the base of people in the community who own and operate businesses.
6. Add business technical assistance as a qualified "business capitalization cost." Technical assistance in business core competencies or skills is fundamental to the success of any business, particularly small businesses. It should be a goal of the IHAs to provide a path for the success of individuals and businesses to the extent possible.

7. Add business plan development as a qualified "business capitalization cost." The qualified "business capitalization costs" in the pending New Homestead Act are those costs incurred after a business is a going concern. Yet the use of IHA proceeds depends on the existence of a qualified business plan. It seems both practical and fundamental that allowing for the development of such a plan (containing the necessary marketable business idea and concept) should be an allowable cost. Again, including it as an allowable cost sends the individual and the business on a straighter path to success.
8. Allow costs related to training and skill development that are not connected to a post-high school institution to be an allowable use.
9. Relax the IHA trustee requirements to allow for non-profit organizations, faith- and community-based organizations, community action agencies, government agencies and others (as well as banks and other financial institutions) to act as account trustees. Relaxing this requirement will allow IHAs to be structured in similar ways to Individual Development Accounts and will address the dearth of banking institutions in New Homestead Act counties.
10. Target the IHA contributions to those with lower incomes, for example those individuals or households at 185 percent of the federal poverty level. A limited amount of public funds for the Individual Homestead Accounts should be used to help alleviate poverty in qualified counties.

Conclusion

Clearly, asset-building strategies such as Individual Development Accounts, both in practice and in theory, have the potential to positively impact the well-being of low- and moderate-income rural individuals and families. The Individual Homestead Account provision of the New Homestead Act recognizes the potential an IDA-type strategy has to enhance economic and community development in distressed rural areas.

Such strategies have the opportunity to enhance place-based economic development through the creation of and investment in small businesses and spurring rural homeownership. Assets like businesses and houses bond one to a place and help to build strong, more sustainable communities. Asset-building and placed-based economic development strategies will help address the population and general economic challenges facing many rural communities.

However, significant obstacles exist in making such strategies feasible in rural communities. First, many rural communities lack the financial institutions in which IHAs could be placed. Second, there is a dearth of non-profit capacity in rural communities to facilitate IHAs and work with potential beneficiaries. Third, there is a lack of familiarity in rural areas with programs like IHAs due to a general lack of experience with Individual Development Account programs. IDA programs have sporadic rural history, and the concept is foreign in many rural parts of the nation. An IHA program would require extensive education and training (possibly by a non-profit sector that is small or non-existent).

Finally, the decentralized character of rural areas makes the IHA program challenging – the distribution of a small population over a large area, the distance between population centers, and the difficulty in communicating with potential beneficiaries over a large area with minimal resources. These challenges are not insurmountable, but they make program delivery to rural people and rural places unique.

Other programs and segments of public policy must also be addressed, however, for the real potential of IHAs to blossom. Those include:

- **School, local, state and federal programs that supply the resources and opportunities for entrepreneurial and business planning, training and technical assistance –** without such services, many small businesses are likely doomed.

- **Enhanced access to broadband high-speed internet services in rural areas, particularly in non-city or town areas –** with rural populations declining, the customer base for many rural small businesses is declining. E-commerce opportunities provide prospects for rural businesses to expand their customer base beyond the local area, thus allowing them to remain viable in rural communities. But businesses must have access to the technology and infrastructure that will allow them to profit from those opportunities.

- **Policy that promotes the creation of "entrepreneurial communities" in rural areas** – this entails making entrepreneurship an accepted and promoted form of economic development and job creation. It would respect and reward risk by entrepreneurs, provide education on entrepreneurism and small business development from an early age in local schools, and create a general community-wide entrepreneurial spirit. In these types of communities, IHA beneficiaries will flourish.

- **The rural non-profit sector must be enhanced** – part of the reason for weak rural non-profit capacity is the lack of response to rural development issues by the nation's philanthropic community. According to the National Committee for Responsive Philanthropy, about one-third of 1 percent of the amount the nation's foundations distributed in 2001 and 2002 went to rural development-related grants. About 0.3 percent of the nation's active grant making foundations were engaged in rural development grant making (National Committee for Responsive Philanthropy, 2004).

  The challenges faced by rural people and communities cannot be addressed on such meager amounts. Strategies and collaborations with the nation's foundations to increase rural non-profit capacity are needed if asset-building strategies like IHAs are to ever reach their potential in rural areas.

  Collaborations and partnerships with existing institutions and organizations that serve rural people are also necessary, as they will help fill in the non-profit capacity gap. Examples of such institutions include churches and faith-based entities, service clubs, 4-H and social organizations.

- **The importance of health insurance and health care benefits cannot be overstated in rural economic and community development.** The amount rural individuals and families must spend for their health care needs crowds out other needs and acts as an impediment to acquiring housing, engaging in entrepreneurial activities and obtaining education. Simply, health care expenses act as an impediment to engaging in asset-building activities, thus impacting the long-term well-being of rural individuals, families and communities.

  Further, the health outcomes of the health care access differential between rural and non-rural areas have long-lasting impacts on individuals, families and communities. While other expenses act as impediments to rural people and families engaging in asset-building activities, none appear to rise to the level of health care costs, both in terms of money spent and long-term effects.

  Policy prescriptions like Individual Homestead Accounts can play a significant role in a rural economic development model based on entrepreneurship. But if that model is to reach a level to create an economic revitalization in rural communities, then resolving the issue of how to provide health insurance and health benefits to entrepreneurs and their employees is essential.

Individual Homestead Accounts clearly have the potential to bring about positive impacts to individual well-being and community welfare – business startups and expansions, job creation, education and skill enhancement, improved housing and greater retirement security. At a time when the out-migration of population in many rural communities is tied to deficits in opportunities offered by such communities, the Individual Homestead Account provision of the New Homestead Act offers a vision to create a true, nationwide ownership and opportunity society.

Appendix A

NHA Eligible Counties

Alabama				
Chambers	Choctaw	Clarke	Conecuh	Dallas
Greene	Lowndes	Macon	Marengo	Perry
Sumter	Wilcox			
Alaska				
Aleutians West Census Area	Bethel Census Area	Bristol Bay Borough	Lake and Peninsula Borough	Nome Census Area
Northwest Arctic Borough	Sitka City and Borough	Southeast Fairbanks Census	Wade Hampton Census Area	Wrangell-Petersburg Census
Yukon-Koyukuk Census Area				
Arizona				
Apache	Greenlee			
Arkansas				
Arkansas				
Ashley	Chicot	Cross	Dallas	Desha
Jackson	Lafayette	Lee	Mississippi	Monroe
Ouachita	Phillips	Poinsett	St. Francis	Union
Woodruff				
Colorado				
Baca	Conejos	Jackson	Kiowa	Lake
Moffat	Otero	Rio Blanco	San Juan	Sedgwick
Washington				
Georgia				
Clay	Clinch	Early	Jefferson	Jenkins
Miller	Randolph	Stewart	Terrell	Turner
Ware	Wilkinson			
Idaho				
Bear Lake	Bingham	Butte	Caribou	Cassia
Clearwater	Fremont	Lewis	Minidoka	Power
Shoshone				
Illinois				
Alexander	Bureau	Calhoun	Carroll	Cass
De Witt	Edwards	Fulton	Gallatin	Greene
Hancock	Henderson	Jackson	Jasper	Jo Daviess
Knox	Livingston	McDonough	Marshall	Mason
Mercer	Pulaski	Richland	Schuyler	Scott
Stark	Vermilion	Warren	Whiteside	
Indiana				
Benton	Blackford	Fayette	Grant	Henry
Jay	Martin	Miami	Randolph	Rush
Wabash	Wayne			
Iowa				
Adair	Adams	Appanoose	Audubon	Bremer
Buchanan	Butler	Calhoun	Carroll	Cass
Cherokee	Chickasaw	Clay	Clayton	Clinton
Crawford	Davis	Delaware	Des Moines	Emmet
Fayette	Floyd	Franklin	Fremont	Greene

Iowa (Cont.)				
Grundy	Hamilton	Hancock	Hardin	Howard
Humboldt	Ida	Jackson	Keokuk	Kossuth
Lee	Lyon	Mitchell	Monroe	Muscatine
O'Brien	Osceola	Palo Alto	Pocahontas	Sac
Shelby	Sioux	Tama	Taylor	Union
Wapello	Webster	Winnebago	Worth	Wright
Kansas				
Atchison	Barber	Barton	Cheyenne	Cloud
Comanche	Decatur	Doniphan	Edwards	Geary
Gove	Graham	Grant	Greeley	Harper
Haskell	Hodgeman	Jewell	Kiowa	Labette
Lane	Logan	Lyon	Marshall	Mitchell
Montgomery	Morton	Neosho	Ness	Osborne
Pawnee	Phillips	Pratt	Rawlins	Republic
Rice	Riley	Rooks	Rush	Russell
Scott	Sheridan	Sherman	Smith	Stafford
Stanton	Thomas	Trego	Wallace	Washington
Wichita	Wilson			
Kentucky				
Bell	Breathitt	Floyd	Fulton	Hardin
Harlan	Johnson	Knott	Leslie	Letcher
Lewis	Magoffin	Martin	Meade	Owsley
Perry	Pike	Union		
Louisiana				
Assumption Parish	Catahoula Parish	Concordia Parish	De Soto Parish	East Carroll Parish
Franklin Parish	Iberville Parish	Jackson Parish	Jefferson Davis Parish	La Salle Parish
Madison Parish	Morehouse Parish	Natchitoches Parish	Pointe Coupee Parish	Red River Parish
Richland Parish	Sabine Parish	St. Mary Parish	Tensas Parish	Vernon Parish
West Carroll Parish				
Maine				
Aroostook				
Michigan				
Iosco	Marquette	Ontonagon	Shiawassee	
Minnesota				
Big Stone	Brown	Chippewa	Cottonwood	Faribault
Freeborn	Jackson	Kittson	Koochiching	Lac qui Parle
Lake	Lincoln	Lyon	Mahnomen	Marshall
Martin	Murray	Nobles	Norman	Pennington
Pipestone	Red Lake	Redwood	Renville	Rock
Stevens	Todd	Traverse	Watonwan	Wilkin
Yellow Medicine				
Mississippi				
Adams	Benton	Bolivar	Claiborne	Clay
Coahoma	Holmes	Humphreys	Issaquena	Lauderdale
Leflore	Lowndes	Montgomery	Noxubee	Quitman
Sharkey	Sunflower	Tallahatchie	Tunica	Warren
Washington	Yazoo			
Missouri				
Atchison	Carroll	Chariton	Clark	Daviess

Missouri (Cont.)				
Holt	Knox	Mercer	Mississippi	New Madrid
Pemiscot	Pulaski	Schuyler	Worth	
Montana				
Big Horn	Blaine	Carter	Custer	Daniels
Dawson	Deer Lodge	Fallon	Garfield	Hill
Judith Basin	Liberty	McCone	Meagher	Petroleum
Phillips	Pondera	Powder River	Prairie	Richland
Roosevelt	Rosebud	Sheridan	Silver Bow	Toole
Treasure	Valley	Wibaux		
Nebraska				
Antelope	Arthur	Banner	Blaine	Boone
Box Butte	Boyd	Brown	Cedar	Chase
Cherry	Clay	Cuming	Custer	Dawes
Deuel	Dixon	Dundy	Fillmore	Frontier
Garfield	Grant	Greeley	Hayes	Hitchcock
Holt	Hooker	Jefferson	Keith	Keya Paha
Kimball	Knox	Lincoln	Logan	Loup
McPherson	Merrick	Morrill	Nance	Nuckolls
Pawnee	Perkins	Pierce	Red Willow	Rock
Scotts Bluff	Sheridan	Sherman	Sioux	Stanton
Thayer	Thomas	Thurston	Valley	Wayne
Wheeler				
Nevada				
Mineral				
New Mexico				
Cibola	Curry	Harding	Hidalgo	Lea
McKinley	Union			
New York				
Allegany	Cattaraugus	Clinton	Cortland	
North Carolina				
Bertie	Washington			
North Dakota				
Adams	Barnes	Benson	Billings	Bottineau
Bowman	Burke	Cavalier	Dickey	Divide
Dunn	Eddy	Emmons	Foster	Golden Valley
Grant	Griggs	Hettinger	Kidder	LaMoure
Logan	McHenry	McIntosh	McKenzie	McLean
Mercer	Mountrail	Nelson	Oliver	Pembina
Pierce	Ramsey	Renville	Richland	Rolette
Sargent	Sheridan	Sioux	Slope	Stark
Steele	Stutsman	Towner	Walsh	Ward
Wells	Williams			
Ohio				
Darke	Defiance	Harrison	Marion	Mercer
Monroe	Paulding	Putnam	Sandusky	Scioto
Seneca				
Oklahoma				
Beaver	Blaine	Caddo	Choctaw	Cimarron
Custer	Dewey	Ellis	Grant	Harmon

Oklahoma (Cont.)				
Harper	Jackson	Kay	Kingfisher	Kiowa
McCurtain	Major	Roger Mills	Seminole	Tillman
Washita	Woods	Woodward		
Oregon				
Gilliam	Grant	Harney	Sherman	
Pennsylvania				
Cameron	Elk	Lawrence	McKean	Venango
Warren				
South Carolina				
Bamberg	Dillon	Marlboro	Williamsburg	
South Dakota				
Aurora	Beadle	Brown	Brule	Buffalo
Campbell	Charles Mix	Clark	Clay	Corson
Day	Deuel	Dewey	Douglas	Edmunds
Faulk	Grant	Gregory	Haakon	Hand
Hanson	Harding	Hyde	Jackson	Jerauld
Jones	Lyman	McPherson	Marshall	Mellette
Miner	Perkins	Potter	Roberts	Sanborn
Shannon	Spink	Sully	Todd	Tripp
Walworth	Ziebach			
Tennessee				
Haywood				
Texas				
Andrews	Bailey	Borden	Briscoe	Brooks
Calhoun	Carson	Castro	Cochran	Collingsworth
Cottle	Crane	Crockett	Crosby	Culberson
Dallam	Dawson	Deaf Smith	Dickens	Dimmit
Duval	Fisher	Floyd	Foard	Gaines
Garza	Glasscock	Gray	Hale	Hall
Hansford	Hardeman	Haskell	Hemphill	Hockley
Hutchinson	Jim Hogg	Jim Wells	Kenedy	Kent
King	Kleberg	Knox	Lamb	La Salle
Lipscomb	Loving	Lynn	Martin	Matagorda
Morris	Motley	Nolan	Ochiltree	Oldham
Parmer	Pecos	Reagan	Reeves	Refugio
Roberts	Scurry	Shackelford	Stonewall	Sutton
Swisher	Terrell	Terry	Upton	Val Verde
Ward	Wharton	Wheeler	Wilbarger	Willacy
Winkler	Yoakum	Zavala		
Utah				
Carbon	Duchesne	Emery	Grand	Rich
San Juan	Uintah			
Virginia				
Alleghany	Bath	Buchanan	Dickenson	Tazewell
Wise	Covington city	Martinsville city	Norton city	
West Virginia				
Boone	Calhoun	Clay	Fayette	Gilmer
Harrison	Lincoln	Logan	McDowell	Marion
Mercer	Mingo	Nicholas	Pleasants	Raleigh

West Virginia (Cont.)				
Summers	Tucker	Tyler	Webster	Wetzel
Wyoming				
Wisconsin				
Grant	Lafayette			
Wyoming				
Big Horn	Carbon	Converse	Fremont	Hot Springs
Niobrara	Platte	Sweetwater	Washakie	Weston

APPENDIX B

STATE TOTALS OF INDIVIDUAL HOMESTEAD ACCOUNT QUALIFYING HOUSEHOLDS

The figures listed below are the number of households in New Homestead Act qualifying counties that could potentially qualify for matching funds under the Individual Homestead Account provision (those households with household income under $100,000). Figures are state aggregate totals for each New Homestead Act qualifying county in the state.

State	No. of NHA Counties	No. of IHA Households
Alabama	12	69,013
Alaska	11	17,602
Arizona	2	16,681
Arkansas	17	108,029
Colorado	11	23,288
Georgia	12	38,467
Idaho	11	43,333
Illinois	29	220,637
Indiana	12	131,432
Iowa	55	313,256
Kansas	52	156,327
Kentucky	18	142,466
Louisiana	21	135,132
Maine	1	24,634
Michigan	4	57,460
Minnesota	31	138,518
Mississippi	22	157,422
Missouri	14	48,084
Montana	28	58,194
Nebraska	56	113,909
Nevada	1	1,820
New Mexico	7	55,616
New York	4	81,693
North Carolina	2	9,883
North Dakota	47	113,853
Ohio	11	157,432
Oklahoma	23	104,265
Oregon	4	6,681
Pennsylvania	6	95,283
South Carolina	4	31,179
South Dakota	42	71,170
Tennessee	1	5,883
Texas	78	217,919
Utah	7	26,516
Virginia	9	55,875
West Virginia	21	189,814
Wisconsin	2	21,465
Wyoming	10	46,635

Source: U.S. Census Bureau, 2000 Census of Population and Housing, Summary File 1, Table P15.

APPENDIX C

NEW HOMESTEAD ACCOUNT BUSINESS AND JOB CREATION DATA

Methodology

To determine the potential business and job creation from the Individual Homestead Account provision of the New Homestead Act, the following methodology was followed:

➢ The number of households that would qualify for matching funds to an Individual Homestead Account was determined for each New Homestead Act qualifying county and aggregated for each state with qualifying counties (see Appendix B). This resulting figure represents the number of "qualifying households."

➢ The number of qualifying households was then multiplied by 85 percent. This figure represents the number of households that open a matched Individual Homestead Account if offered. The 85 percent multiplier is used as the number of individuals who opened a matched Individual Development Account when offered in the Individual Development Account project in Tulsa, Oklahoma (as part of the national American Dream Demonstration IDA project) (Abt, 2004). This resulting figure represents the number of "open IHAs."

➢ The number of open IHAs is then multiplied by 39 percent. The figure represents the number of IHAs that will actually be used for one of the allowable purposes. The 39 percent multiplier also comes from the Tulsa IDA project evaluation. In the Tulsa project evaluation it was found that 34 percent of participants made at least one matched withdrawal for an allowable purpose during the evaluation period. It was estimated another five percent of participants who were still on-going in the deposit and education stages of the project would eventually make at least matched withdrawal, for a total of 39 percent of participants who made or would make at least one matched withdrawal. The remainder of participants closed or would close their accounts without making a matched withdrawal for an allowable purpose (Abt, 2004). The resulting figure represents the number of "used IHAs."

➢ The number of used IHAs was then multiplied by 14 percent. The figure represents the number of IHAs that will be used for business capitalization costs. The 14 percent multiplier was selected from a review of evaluations of IDA programs across the nation and the number of IDA accounts used for business startup and expansion costs. Three IDA evaluations were examined for this purpose:

- The Tulsa, Oklahoma project (as part of the national American Dream Demonstration IDA project) – 5 percent of participants in that project used their IDA accounts for business startup and expansion costs (Abt, 2004).
- An evaluation of three IDA programs in Arkansas – 16 percent of participants in those programs used IDA accounts for business startup and expansion costs (Christy-McMullin, Shobe and Shuster, 2005).

- An Account Summary as of November 2004 of the Michigan IDA Partnership – 14 percent of participants in programs throughout Michigan used IDA accounts for business investments (Michigan IDA Partnership, 2005).

The Michigan figure – as the middle figure of the three – was selected for this paper. The resulting figure represents the number of new and expanding business that would benefit from IHAs. The number of new and expanding businesses that would benefit from IHAs was calculated for each state.

➢ The number of businesses that would benefit from IHAs was then multiplied by the average microenterprise employment (MEES) figure for each state in question. The MEES figure for each state is a figure calculated by the Association for Enterprise Opportunity, the national microenterprise trade association. It is assumed that the businesses that will be created or expanded from IHAs will be small, microenterprise businesses. The MEES data methodology was developed by James C. McConnon, Jr., Business & Economics Specialist and Associate Professor of Resource Economics and Policy at the University of Maine, and Thomas Allen, Associate Scientist at the University of Maine. The MEES methodology employs data from the U.S. Census Bureau, the U.S. Department of Commerce and U.S. Department of Agriculture (AEO, 2005). The MEES figure for each state represents the average number each microenterprise business in that state employees in addition to the business owner(s). For the purpose of this analysis, it assumed each business benefiting from IHAs will be a new business and create the average number of jobs or an expanding business creating the average number of jobs. The resulting figure represents the number of jobs potentially created by IHAs (see table on next page).

Potential Number of Jobs Created by Individual Homestead Accounts (IHAs)

State	No. of Businesses	No. of Jobs Created	Jobs/1,000 Pop.*
Alabama	3,203	5,925	1.33
Alaska	817	1,266	2.02
Arizona	774	1,270	0.25
Arkansas	5,014	8,874	3.32
Colorado	1,081	1,708	0.40
Georgia	1,785	2,999	0.37
Idaho	2,011	3,298	2.55
Illinois	10,240	17,100	1.38
Indiana	6,100	11,041	1.82
Iowa	14,538	25,442	8.69
Kansas	7,255	12,769	4.75
Kentucky	6,612	12,100	2.99
Louisiana	6,271	11,477	2.57
Maine	1,143	1,886	1.48
Michigan	2,667	4,533	0.46
Minnesota	6,429	10,157	2.06
Mississippi	7,306	13,589	4.78
Missouri	2,232	3,838	0.69
Montana	2,701	4,402	4.88
Nebraska	5,287	9,251	5.40
Nevada	84	130	0.07
New Mexico	2,581	4,517	2.48
New York	3,791	6,256	0.33
North Carolina	459	803	0.10
North Dakota	5,284	9,141	14.23
Ohio	7,306	13,079	1.15
Oklahoma	4,839	8,565	2.48
Oregon	310	517	0.15
Pennsylvania	4,422	7,960	0.65
South Carolina	1,447	2,605	0.65
South Dakota	3,303	5,615	7.44
Tennessee	273	497	0.09
Texas	10,114	17,699	0.85
Utah	1,231	1,895	0.85
Virginia	2,593	4,538	0.64
West Virginia	8,809	16,297	9.01
Wisconsin	996	1,723	0.32
Wyoming	2,164	3,679	7.45

* based on 2000 state population

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