LINCOLN, MILBANK, NORTHWESTERN WIN VOLLEYBALL TITLES – 1C

WWW.ARGUSLEADER.COM

Argus Leader

Sunday ● Nov. 21, 2004 | SIOUX FALLS, SOUTH DAKOTA | $1.50

TODAY'S BRIEFING

SPORTS

NBA melee is sign of violent times

▸ The fracas that led to four player suspensions can be blamed on violent times, the thuggish image of the NBA and a society hungry to lay blame. And it raises fears that the worst is yet to come, says Steve Wilstein. **1,3C**

USF easily handles Tabor in playoffs

▸ Junior Joe Wright threw for 306 yards as the Cougars shut down Tabor College 72-11 in the first round of NAIA playoffs. **1C**

LOCAL & REGION

Salvation Army opens new shelter

▸ A third shelter has opened in the city and is seen as an alternative to the current two facilities, neither of which allow people who've been drinking to stay the night. **1B**

BUSINESS

New investor to lead state office

▸ Stephen Myers has overseen explosive growth in the state's investments in his 32 years as chief investment officer. Now as he steps aside, Matt Clark will work to fill his shoes. **1D**

LIFE

Holiday calendar ripe with events

▸ Looking for great holiday cheer is easy this year. So whether you've got a favorite event or you're looking for a new one, we've got you covered with our annual events listing. **1F**

NATION & WORLD

▸ **CIA CHANGES:** A dramatic shake-up at the CIA raises questions about whether recent moves reflect needed change that will help the agency or purely political purges that will hurt it. **3A**

▸ **FDA CONCERNS:** Federal regulators and pharmaceutical firms seek to ease concerns about alleged flaws in the drug-oversight system and the risks posed by five medications in particular. **3A**

▸ **JURORS AND TV:** There was a time when judges considered it sufficient to tell jurors to avoid watching news accounts about the trials. That was before "Forensic Files" and "Law & Order," and things have changed. **11A**

36°
23°

For a full report, See Page 2A

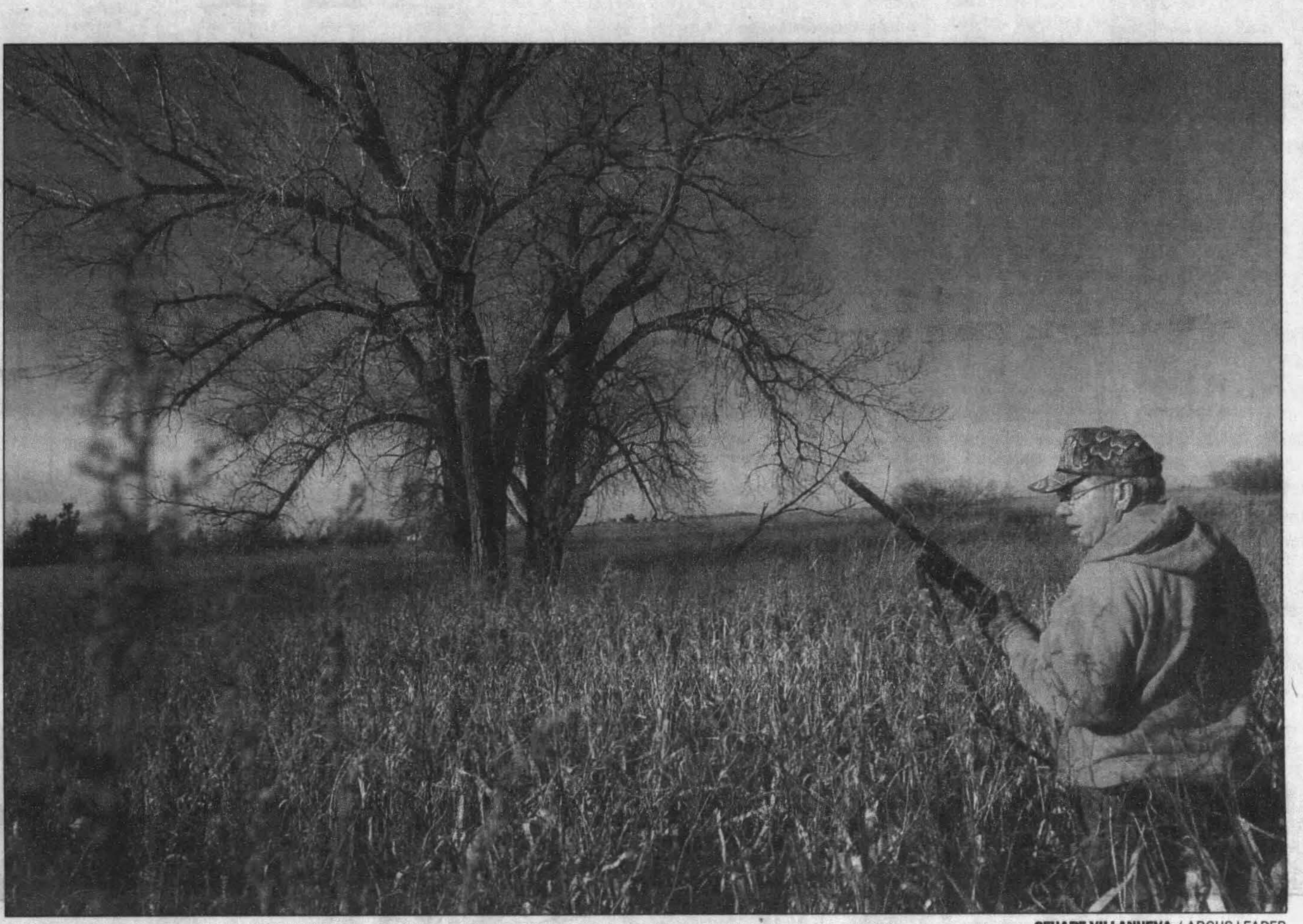
THE PRICE OF HUNTING GROUND

A TWO-DAY SPECIAL REPORT

Hunters pay more for pheasant acres

▸ Nonresidents buying prime land in four south-central counties

▸ Experts say the economy, other costs drive prices statewide



STUART VILLANUEVA / ARGUS LEADER

John Rose of Winchester, Ky., walks through tall grass on his hunting land near Chamberlain recently. "This is the best hunting there is as far as I'm concerned," said Rose, former president of the Kentucky Senate. "I just like being out here. It's mind-clearing."

Critics: Rising costs limit access for farmers, other hunters

BY BEN SHOUSE and RANDY HASCALL
©Copyright 2004, Argus Leader

It used to be about friends and family. It used to be about the wide-open prairie and the thrill of a cackling pheasant that explodes out of the grass, then tumbles at the crack of a shotgun.

South Dakota's grand tradition of pheasant hunting is still about those things, for hunters from Rapid City to Sioux Falls and from Alaska to Alabama. But as any one of them will admit, with a quick shake of the head, it also is increasingly about money.

Some hunters have been priced out of the sport. But others, many of them nonresidents, have responded to mounting hunting fees by buying their own land in South Dakota.

In an examination of agricultural land sales, the *Argus Leader* found that out-of-town buyers account for a growing number of purchases in pheasant-rich counties. No statewide data is kept for these sales, but a survey of transactions in eight South Dakota counties shows that hunters paid more per acre than residents in prime pheasant country.

In fact, nonresident hunters in Aurora, Brule, Gregory and Tripp counties in south-central South Dakota paid an average of $90 more per acre than locals in 2003 and 2004. Thirty-four hunters in those counties bought 9,848 acres – more than 15 square miles – in two years.

The trend is making money even more central to pheasant hunting, a pastime in which access fees and pricey preserves are already common and hunters spent nearly $90 million last year. And though it creates demand for farm and financial services, many observers say it reduces access to agricultural land, potentially accelerating the loss of farms and making life harder for those who stay on the land.

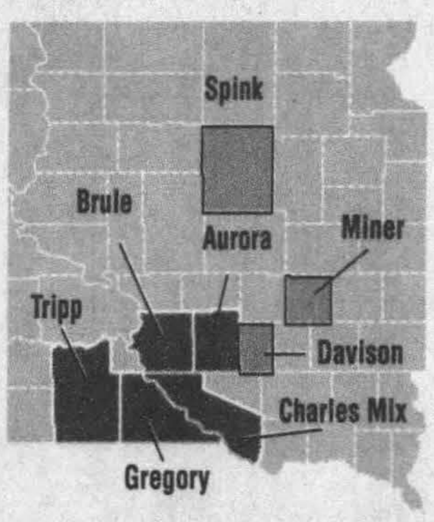
The state Legislature is set to tackle hunting issues next year, but lawmakers say there is virtually nothing they can do about the trend.

"Yeah, it's frustrating," said Jay Johnson of Geddes about going up against prospective buyers from other states. "But it's a free country. I've always said the days of me buying land were over because you can't compete with people with money."

But compete is exactly what he did recently, when a 350-acre parcel he had been renting went on the block.

See **HUNTING LAND**, page 4A

Price disparity



Average per acre prices for land sales in 2003 and 2004 for selected counties.

County	Nonresident	Resident
Tripp	$548	$454
Aurora	935	818
Brule	651	576
Gregory	803	725
Charles Mix	1,080	1,122
Miner*	1,117	1,219
Spink*	725	747
Davison*	958	1,178

* Few hunters purchased land in these counties.

Source: *Argus Leader* research

Experts: Interest rates, farm costs boost value

BY BEN SHOUSE and RANDY HASCALL
©Copyright 2004, Argus Leader

The rumor is convincing. As told in coffee shops around the state, it says that out-of-town hunters, who already pay hundreds of dollars a day to bag pheasants, are buying up land in rural South Dakota.

That would explain two discouraging trends: rising land prices and disappearing hunting opportunities. And it would pin them on an appealing target: rich urban hunters just off the plane.

An *Argus Leader* examination of county records has found that hunters are, indeed, buying land – in 2003 and 2004, at least 34 did so in four key counties. And out-of-town hunters contacted by the newspaper paid on average $90 more per acre for land purchased there than local buyers did.

Marshall Miller, of Merle Miller Real Estate and Auction Co., walks past an auction sign on a section of hunting land sold near Letcher on Oct. 19. While officials admit that hunters might contribute to the rising cost of land prices in pheasant country, most say other factors are equal contributors.

STUART VILLANUEVA
ARGUS LEADER

But economists and financial professionals debate how big of an impact that truly has on prices and on farmers. Hunter demand seems to have an effect in south-central South Dakota, where the birds are thick. But the value of farmland is rising on its own, and some observers say the hunter effect is negligible.

Elementary economics says that an increase in demand raises the price of land. That raises mortgage payments, making it harder for new farmers to get started and for existing farmers to expand. Though it would

See **PRICES**, page 5A

INSIDE

▸ **VIGNETTES:** Buyers come from all over the nation to purchase land.

▸ **GRAPHIC:** A county-by-county breakdown of land price increases.

SEE PAGE 4A-5A

ABOUT THIS REPORT

▸ **TODAY:** An *Argus Leader* investigation of land sales shows hunters pay more money in key pheasant counties in South Dakota.

▸ **MONDAY:** The growing industry of pheasant hunting has spawned new businesses and a pending discussion in the state Legislature.

ONLINE

▸ To see a database of individual sales in eight counties and land values statewide, or give your opinion in our online forums, go to **www.argusleader.com.**

Congress is poised to consider plans remaking the 70-year-old federal retirement system

Workers weighing changes in Social Security

BY JENNIFER SANDERSON
jsanders@argusleader.com

Each hour Alicia Severson spends cooking for hungry customers puts a little more money in her pocket and helps make good on the government's promise to a stranger three times her age.

Retirement seems a long way off for Severson, who has young children at home. Now 29, she's not convinced she'll see her fair share of the Social Security taxes that come out of every paycheck.

"That's what I don't understand," she said. "Where did it all go?"

In many ways, Severson fits the profile of a worker who might stand to gain the most from President George W. Bush's public/private Social Security hybrid. Her 401(k) plan from a previous job remains untouched. But as one of four employees at a local eatery, she doesn't have a replacement savings vehicle at work.

Severson has decades to plan and invest before retiring. And perhaps more importantly, she might be leery enough of the system to consider a drastic departure.

Social Security always has paid out retirement, disability and survivor benefits with tax revenue from current workers. Under three models proposed by Bush's Commission on Strengthening Social Security, workers could invest a portion of their payroll tax into personal accounts.

The plans to drastically rework the Social Security system are likely to get serious discussion soon as Bush and a Republican-led Congress begin tackling the president's domestic agenda. Still, any attempt to tinker with the 70-year-old federal retirement system will be met with anxiety from taxpayers of all

See **SOCIAL SECURITY**, page 6A

INSIDE

▸ **FIGURING SAVINGS:** There's no easy way to figure your future savings, but one thing is for sure: Social Security benefits will be cut.

▸ **WORKER Q&A:** From proposed savings plans to what you can expect in your paycheck.

SEE PAGE 6A

Budget includes water projects, EROS spending

BY PETER HARRIMAN
pharrima@argusleader.com

Congress on Saturday gave final approval to a $388 billion spending bill that provides funding for a handful of South Dakota projects and keeps intact mandatory country-of-origin labeling requirements for meat products.

▸ **Legislation also includes abortion clause 7A**

The House of Representatives passed the mammoth measure by a bipartisan 344-51 margin during the afternoon before the Senate approved it 65-30 on Saturday night.

South Dakota's entire delegation – Sens. Tom Daschle and Tim Johnson, and Rep. Stephanie Herseth – voted in favor of the bill.

See **BUDGET**, page 7A

Social Security: Uncertainty worries many young workers

Continued from 1A

ages. Workers want reassurance that the system will protect them later on. Retirees worry that diverting money out of the system will mean an even smaller fixed income.

Supporters, Sen.-elect John Thune among them, say the market historically has posted better returns than have Social Security's investments, and personal accounts would give workers bigger nest eggs. They'd still have a base Social Security benefit, and disability and survivor protections, if something happened to them or a loved one.

In the red by 2018

First discussed in the mid-1990s as a possible solution to the Social Security funding dilemma, privatization in any form divides Americans by age, by income and even along lines of gender and ethnicity. Compared to men, women typically earn less, head more single-worker households with children and depend on survivor's benefits to a greater degree. Whites live longer than nearly every other race, so they collect more checks.

There are other questions of fairness as well. Current retirees are receiving far more benefits than they paid in, and more than younger generations are likely to collect, despite greater contributions. In 1950, the system had 16 workers for every beneficiary. Today, that ratio is 3.3-to-1. Trustees predict it will fall to 2-to-1 in the next 40 years. There simply won't be enough workers to pay scheduled benefits at current tax rates.

"They say that people in college are more likely to believe in UFOs than they are that Social Security is going to be there for them," Thune said. "They see it as money going down a rat hole."

Critics say that if the government is going to change the rules, it has a responsibility to give workers the tools they need to make smart decisions. Others question how the administration would choose financial houses to manage citizens' money, should social policy become private enterprise.

Workers who invest in personal accounts could have to pay in extra to replace the dent left by their newfound capital. And, years later, they'd see reductions in Social Security payments to offset the privilege of investing outside the program.

Even with transitional costs, proponents argue that the price of doing nothing is far greater. Unless Social Security can be righted, the program will start running in the red around 2018. Then, toward this century's midpoint, the system's trust fund itself will go broke, and retirees will receive about 73 percent of the benefits they now collect.

Those dire predictions should encourage younger workers to consider personal accounts, said 39-year-old Nancy Snook. The Sioux Falls woman doesn't invest now but said getting back some of her payroll tax would be a reason to learn more about the market.

LLOYD B. CUNNINGHAM / ARGUS LEADER

Alicia Severson carries hot enchiladas to a table of lunch customers at Mama's Lada's in downtown Sioux Falls last week. Severson said she understands the personal-account basics but has reservations about the stock market. "I'd feel better if everyone was invested in the same thing, with the same few companies," she said.

"I don't know much about it, but I would think it would be a good thing," said Snook, who works at Sioux Vocational Services.

Sue Nothdurft, 53, is more cautious because of both her age and her stake as a small-business owner. She's self-employed, meaning she must pay twice the Social Security tax that Snook does. "I'm even concerned that I'll get my full benefit the way it is," said Nothdurft, who runs Villa Wines.

The President's Commission to Protect Social Security has outlined three models, but the version likely to be the most attractive to workers is one that wouldn't require extra contributions and claims the lowest benefit offset. Under that proposal, employees could place a maximum of $1,000 in a private account the first year, with future limits set proportionately by income.

'There's no free lunch'

For Congress, the attempt to tackle this complex issue requires a "first, do no harm" attitude, according to Democratic Sen. Tim Johnson. Privatization is a nonstarter for him, at least within Social Security's framework.

"Young people really would have no idea what they'd be getting when they retire because it depends on what the market does," Johnson said. "They'll also have to pay far more taxes into the system to sustain the generation ahead of them. That's what's troubling to me. There's no free lunch here. You can't divert money out of the Social Security payroll tax without replacing it."

The offset is a sticking point for Scott Theneman, 34, a former teacher. He held on to his old job's 401(k) plan and researched the market before setting up a Roth IRA. Now a full-time radiology student, he's focused on thrift, not socking away retirement money. His support for personal accounts shrinks as the offset percentage grows. "I'm comfortable with the risk because I have time to look at it over the long term," he said.

Not every worker, though, has done as much homework. And Rep. Stephanie Herseth doubts the government has done enough to educate potential investors, considering personal accounts are "inherently at odds with how we've structured the system." Staggering consumer debt, on top of school loans and stagnant wages, makes it difficult for many young Americans to think past the next paycheck.

The real questions, Herseth said, are "what can we afford, and what sacrifices are we asking people to make? We can't become like some in the corporate world, who use creative accounting to sell something to the public."

Thune counters that the transitional cost, while substantial, often is thrown up as a smokescreen. The degree of privatization is overblown, as is the risk.

"There's no question that gets used as a political scare tactic," Thune said. "Everything that's being proposed guarantees benefits to current retirees. That's probably the great irony in all this. They're going to be taken care of, but they're most susceptible to the scare tactics."

Some are skeptical of private accounts because of their apprehension about investing.

"Of course, that's what drives a governmental bureaucracy," said Kevin Engbers, a certified financial planner at Waddell & Reed in Sioux Falls. "It's this idea that, 'We know what's better for you than you do, so let us take care of it.' It's a political difference between whether you want to be dependent on the government or have some control yourself."

Engbers acknowledges that some might be cynical about the financial sector's real interest in privatization. Others, he said, may see personal accounts as a defensive maneuver.

"A lot of the young couples we talk to think the government had its chance to manage the system," Engbers said. "They're saying, 'Let me put in an account where the government can't get it. If I can't raid it, you can't either.' They're comfortable with that."

Even those who second-guess their instincts get more excited when they see the numbers, Engbers said.

Severson, who works at Mama's Lada's in Sioux Falls, is on the brink. She understands the personal-account basics but has reservations about the market.

"I'd feel better if everyone was invested in the same thing, with the same few companies," she said.

"Stocks seem like such a risky thing," Severson said. "One person can make a bunch of money and another person can lose it. ... I guess if I had to invest Social Security money in an account that way, I would. But if I could leave it where it is, I'd be most likely to do that, for right now."

Tammy Wierenga, membership coordinator for the Sioux Empire Society for Human Resource Management, said people don't want to work out privatization scenarios until they sense change is around the corner. She and other human resource workers have questions about what role companies would play in sectioning out payroll taxes. But she sees little added liability for her colleagues.

"We get questions about retirement all the time," said Wierenga, an employment administrator for Raven Industries. "People ask, 'What should I do with my 401(k)?', and we can only give them the options. A lot of people are hesitant to enroll or even make changes once they do enroll."

Dan Oakland has 15 years experience in business management and since 1990 has run his own consulting firm, Alternative HR Development. The 52-year-old Sioux Falls man wishes the option had surfaced earlier. He said he'd divert Social Security taxes to a personal account today, if he could.

"Obviously, this is not a final proposal, and not knowing the specifics can make people nervous," he said. "But I'm in favor of the concept. I'm in favor of anything that gives people greater choice and more chances to manage their own money."

Johnson agrees on principle, which is why he joins AARP in recommending tax-friendly accounts separate from the program.

"Social Security ought to provide a guaranteed floor below which no one's income should fall when they retire," he said. "Heaven knows that floor is going to be low enough."

He looks forward to the debate, as does Herseth. "They say if young people lack faith in the system, now is the time to plan for something different. "For those of us who are skeptical, that means we can't just put a wall up," Herseth said. "On the other side, those advocating it can't shut us out of the room."

Reach Jennifer Sanderson at 575-3629.

No guarantees in stocks, but plans would be flexible

Q&A

QUESTION: Why must the Social Security system be changed?

ANSWER: Social Security is going bankrupt. Last year, the system's trustees reported the program will start to run in the red in 2018, paying out more in benefits than it receives in payroll taxes. Trustees and government financial experts say the Social Security Trust Fund itself will run out some time mid-century. People are living longer, but they're also working longer, and thus paying more into the system. A revamp would be necessary even without the additional strain the baby boomer generation soon will put on the program. Some question whether the Trust Fund balance should be used as an indicator of the program's solvency. That's because the Trust contains special-issue U.S. Treasury bonds, not cash. In essence, these bonds are IOUs the government has written to itself.

Q: What are the options for change?

A: There are four ideas before the trustees under today's system: increase payroll taxes, cut benefits, use general government revenues or prefund future benefits through personal accounts or directly investing the Trust Fund money. The first two choices lack appeal for obvious reasons, and competition for government money is fierce. That's led officials to look seriously at prefunding, though some worry that investing the Trust Fund itself is too much of a gamble and would further politicize seniors' benefits.

Q: How would personal accounts work?

A: Republican leadership and many in the financial sector support Bush's plan to privatize a portion of Social Security money. Rather than seeing their entire payroll taxes dumped into the system, younger workers could divert some of their withholding into private accounts.

Earners would own these new accounts and have a say in how the money is invested, similar to a 401(k) plan through work or a tax-friendly Individual Retirement Account. Workers currently pay a 6.2 percent Social Security payroll tax on annual wages up to $87,000. (Employers match those rates, giving each worker a system "worth" equal to 12.4 percent of her earnings. Those who are self-employed pay the full 12.4 percent.)

The government regulates and oversees how tax revenue is invested, and Congress sets retirement benefits. The President's Commission to Strengthen Social Security has outlined three plans to let younger workers take ownership of their government-allocated retirement. The specifics of each are slightly different, but it's "Plan 2" that has received the most attention. That option would allow workers 57 or younger in 2007 to funnel 4 percentage points of taxes, up to a set limit, into an individual account. The initial limit would be $1,000 annually, with future caps set at an equivalent, wage-indexed figure. When workers retired, the account balances would be paid out in installments to supplement their Social Security benefits. But their Social Security checks would be cut to offset the higher "total expected value" of a personal account.

Q: Isn't the stock market risky? How do I know what my personal account would be worth?

A: There are no guarantees in the market. That's why personal accounts only would supplement a base Social Security benefit, and why workers couldn't invest a larger portion of their payroll taxes.

Q: If there's a base benefit, and the financial companies pass government muster, who isn't on board, and why?

A: There are many reasons, but some young workers worry about the uncertainty of their total benefit amount, as well as their own ability to make good decisions. Retirees and those nearing retirement age are concerned that their benefits will be cut if current workers divert a portion of taxes out of the system as they know it. Social Security always has paid retirees not with the money they paid in as younger men and women, but with the taxes on wages of those still working. The President's Commission to Strengthen Social Security has projected transition costs for each of the three models, assuming a two-thirds participation rate. Plan 1 would require a total of $1.1 trillion, Plan 2 would require $900 billion and Plan 3 would require $400 billion. Those figures are in current-value terms.

Q: Why can't I pick the companies and funds on my own?

A: Both the government and the public desire some controls, which officials hope will safeguard a new system from mismanagement. Think about your own 401(k) plan at work. You likely were given no more than a dozen funds from which to choose, with slightly fewer companies managing the money. These funds and companies have been researched ahead of time, by either your company's human resources department or an outside consultant.

Q: Since I would own the account, could I take money out if I needed it for something else?

A: No. Your money would need to remain in the system, compounding, to be of use to you later. Social Security is designed as a stopgap, not a way to wholly cover expenses in later years.

Q: If Congress approves a personal-account plan, would I have to invest payroll taxes?

A: No. You could do nothing and allow the government to continue investing your full Social Security withholding.

Q: How can I learn more?

A: Take some time to educate yourself on the basics of the stocks-and-bonds market. Local book stores have resources to get you started, including "Personal Finance for Dummies" and the Motley Fool series. Consider sitting down with a certified financial planner, who can help study your current savings plans, talk with you about your goals and then help determine what route is best for you. Also, check out the Social Security Administration's own Web site at www.ssa.gov online.

Sources: Social Security Administration, the final report of the President's Commission to Strengthen Social Security, the CATO Institute's "Project on Social Security Choice," the Congressional Research Service issue brief "Social Security Reform" (updated Oct. 27, 2004) and Argus Leader research.

Calculating savings is tough, but expect benefits cut

BY JENNIFER SANDERSON
jsanders@argusleader.com

It's difficult to estimate how a private account system would affect an individual worker's savings. Variables such as annual contribution limits, money needed to offset the cost of diverting funds away from current retirees and the market itself complicate the picture.

Below is one possible scenario, using present-day dollars:

Under the current system, a 32-year-old man who makes $40,000 a year pays about $2,480 in Social Security payroll taxes and is scheduled to receive a retirement benefit of between $1,000 and $1,770 a month. The number depends greatly on whether a worker leaves the job early, stays on through the full retirement age of 67, or works until age 70.

Social Security trustees predict that when the program's Trust Fund goes broke mid-century, benefits will be cut by about 73 percent. To simplify the math, a 25-percent benefits cut would mean this hypothetical worker realistically could expect to see $750 to $1,330 a month.

If this worker instead could put a portion of taxes into an individual account, the public/private combination would be a better bet as long as the mix of stocks and bonds outpaced Social Security's investments and earned an additional 3.5 percent. That's the highest offset amount for any of the plans being reviewed. In comparison, the classic fund portfolio of 60 percent stocks and 40 percent bonds has posted a 9 percent annual return during the past 75 years.

The final report from the President's Commission to Strengthen Social Security notes that the most conservative private-account portfolio, made up entirely of government bonds, would return about 3 percent annually.

The Social Security Administration considered but rejected the idea of publishing individualized return rates for workers as part of annual statements recapping earnings and estimating future benefits. Estimated and actual benefits can differ substantially because of a worker's unknown retirement age, future earnings and other factors. The program historically has been judged by how thoroughly benefits replace pre-retirement earnings and reduce poverty, not by an individual's rate of return on contributions.