



Creating Montana's Economic Road Map

F O R T H E F U T U R E

This discussion item is part of the agenda for progress wherein the Board of Regents would accept greater responsibility for improving the Montana economy. The Regents, along with the expertise and resources of the Montana University System, would act as the coordinator working with other Montana leaders toward developing and implementing an agreed upon economic road map for the future.

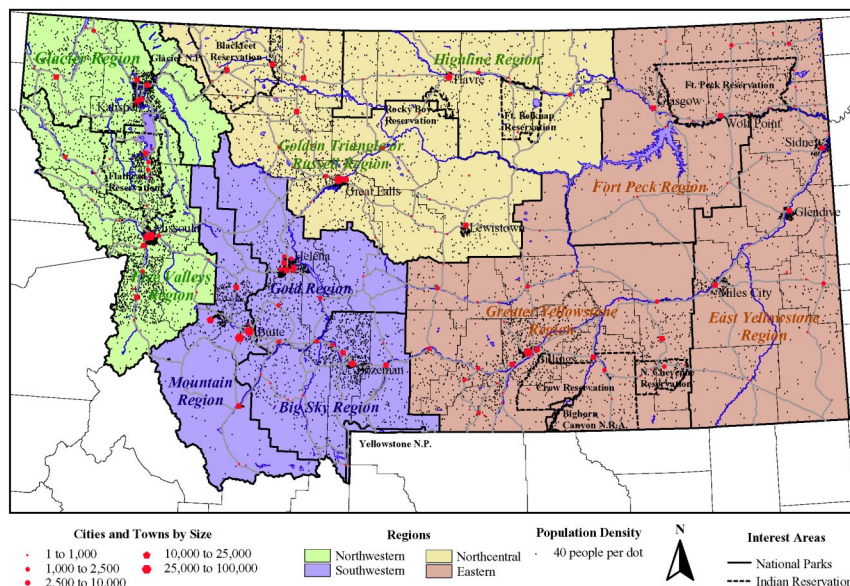
The road map would include the following components:

- Arriving at a shared understanding of Montana's strengths and weaknesses.
- Establishing an agreed upon economic model that not only reports the past but also offers building tools to plan for and direct our future.
- Construct agreed upon goals that will improve Montana's economy.
- Identify together the tools needed to support each goal and produce real growth opportunities.
- A shared expectation of success and commitment to implement the agreed upon plan.

As an example of some of the core economic issues that must be addressed in creating Montana's Economic Road Map for the Future, included below are some charts developed by Dr. Larry Swanson of The University of Montana. Each chart indicates a key trend that provides perspective on Montana's past and present economy.

The first chart demonstrates the regionalization that has progressed during the past twenty years.

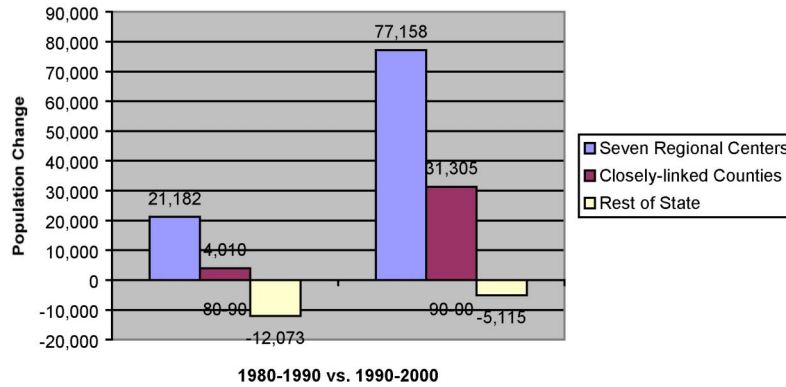
**Montana's "Regional Communities"
and Associated Subregional Economies**



The second provides an over view of the population trends in the seven regional centers, their outlying areas and the balance of the state.

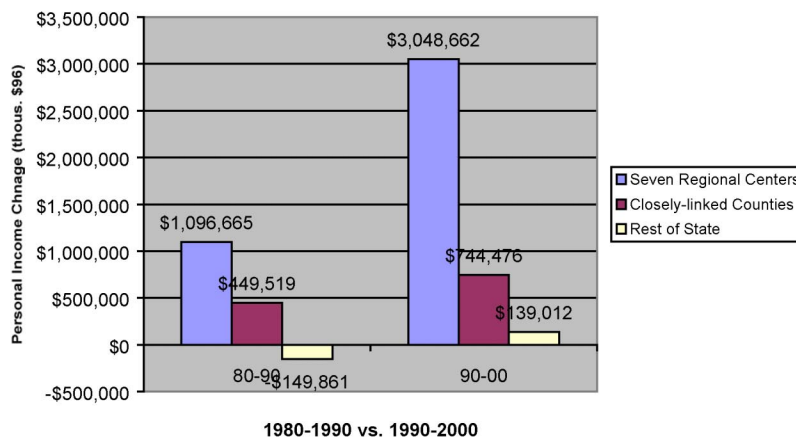
Recent population growth is focused in regional centers and their surrounding areas. The greatest growth is in the Billings, Missoula, Kalispell, Bozeman, and Helena regions. Growth is flat in the Great Falls region, heavily dependent upon agriculture and Malmstrom Air Base. The Butte region, where Montana’s mining industry was centered, remains in long-term decline. Much of the rest of Montana – the more isolated, more rural, and more agriculturally dependent portions of the state largely in the East – is experiencing steady population decline. The chart below shows what these population shifts have looked like the last two decades.

**Population Growth in Montana:
Regional Centers vs. Closely-linked Counties vs. Rest of State**



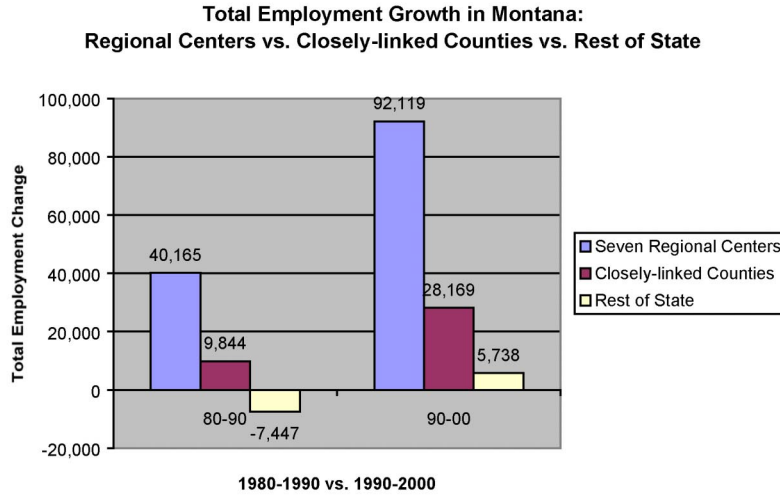
The third chart offers a twenty year window on personal income growth in Montana. Ninety percent of that growth has occurred in the seven regional centers.

**Personal Income Growth in Montana:
Regional Centers vs. Closely-linked Counties vs. Rest of State**



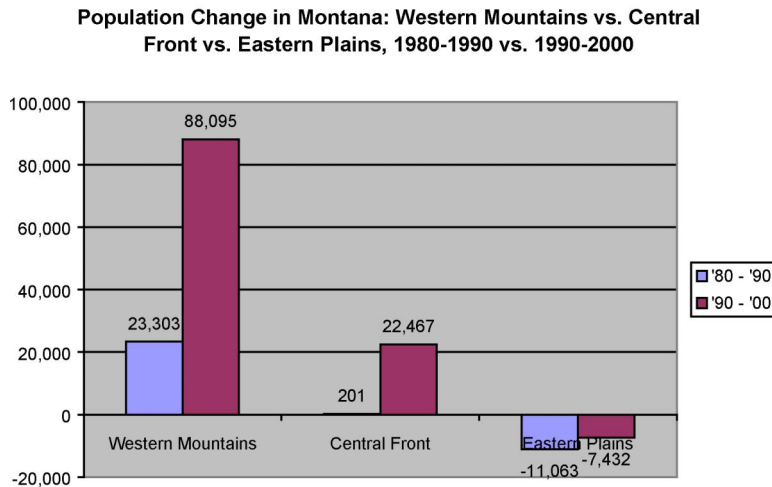
As a result of these differential rates of growth and change, the state’s seven regional centers now account for 65 percent of all personal income in Montana, up from 60 percent in 1980. When combined with personal income in closely-linked counties, the state’s city regions account for 87 percent of statewide personal income. The rest of the state accounts for 13 percent, down from 18 percent in 1980. It is very likely that this geographic shift in income in the state will continue, spurred by changes and shifts in the larger economy.

The fourth provides information on the total employment growth in the state.



The chart below shows how this employment growth has been shared among the seven city regions. As with population growth and personal income growth, employment growth has been greatest in the Billings and Missoula regions. Employment is also sharply rising in the Bozeman and Kalispell regions, and to a lesser degree, in the Helena region. Total employment is growing at a much more modest rate in the Great Falls and Butte regions.

The final chart demonstrates the dramatic differences in population growth from the western mountains, through the central front, to the eastern plains.



Montana's population grew by only 12,375 people during the 1980s, an increase of only 1.6%, with growth of more than 23,000 in the west offset by decline of more than 11,000 in the east. During the 1990s, the state gained more than 103,000 new residents with 85% of this growth in the west. Population growth renewed in the central front region, but decline continued in the east. The largest component of recent population growth and change in Montana is net migration.

The specific topic of this discussion at the July 2003 meeting of the Board of Regents is the proposal that Montana create a comprehensive economic model with the participation and agreement of Montana leaders to better understand the existing economy, project the future and measure the expected results of proposed policy changes. The following panel has been invited to the Regents meeting to discuss the merits of the proposal and address the questions set forth below.

Bob Keenan, President, Montana State Senate

Bob Rafferty, Bureau Chief, Research & Analysis Bureau, Department of Labor

Dave Gibson, Chief Business Officer, Governor's Office of Economic Opportunity

Jerry Driscoll, Executive Secretary, Montana AFL-CIO

Webb Brown, Executive Secretary, Montana Chamber of Commerce

Mike Kadas, Mayor of Missoula

Judy Paynter, Administrator, Office of Tax Policy & Research, Department of Revenue

Dan Dodds, Tax Policy Analyst, Department of Revenue

Clayton Schenck, Legislative Fiscal Analyst, Legislative Fiscal Division

Terry Johnson, Principal Fiscal Analyst, Legislative Fiscal Division

Chuck Swysgood, Budget Director, Office of the Governor

Paul Polzin, Director, Bureau of Business and Economic Research, The University of Montana

Myles Watts, Department Chair, Agricultural Economics and Economics

Questions for participants:

1. Does an adequate economic model, or models, already exist that have the shared confidence of Montana leaders that provide them the ability to project the future and measure the expected results of proposed policy changes?
2. Do Montana leaders already have an agreed upon understanding of the existing Montana economy?
3. Is it possible to create an econometric model that can provide the state with a guidepost for understanding and enhancing Montana's economy?
4. Would those in government, education, labor and business charged with analyzing and predicting the state economy benefit from working together on a comprehensive model?
5. What process is suggested for creating such a model and what would be the cost?
6. Are the Regents and the University System the proper entity to coordinate state leadership on this issue?
7. Should we proceed and are you willing to participate?