

MONTANA

Economic Development Report

2019



Dear Governor Bullock,
Cabinet Members, and Citizens of Montana,

The team of the Governor's Office of Economic Development and I, are proud to present this report on the economy of Montana and many of our activities throughout the preceding year.

The Governor's Office of Economic Development has had several big wins in the last year. Notably, ClassPass has expanded beyond what anyone anticipated and now employs over 125 people in Missoula. Many other new companies relocated to Montana recently as well. Some of the most notable include 4Cast, an Israeli tech firm, Birddog Innovations, a consulting company, Kudos, a social media app, Free Agent Software, a customer relationship management software, and The MeatEater, a video production and lifestyle brand. Universally, the reasons for these companies moving to Montana has been the state's excellent workforce, affordable cost of doing business, and outstanding quality of life.

These characteristics are helping Montana win the war for both talent and companies against cities like Salt Lake City, Boise, Denver, Seattle and San Francisco. We must continue to double down on the assets that make Montana attractive. The work being done by the Office of Outdoor Recreation, for example, has catapulted Montana to the forefront of national conversations about public land access and our outdoor recreation economy.

Despite these successes, there are many areas of our state that need attention. Nowhere is this more true than in many rural parts of Montana. As cities like Bozeman and Missoula continue to boom, attractive rural towns like Roundup and Choteau are hemorrhaging population and losing jobs. Tackling this issue is of the utmost importance, which is why Main Street Montana Rural Partners was created. This initiative seeks to rectify the lack of economic parity between rural and urban places. Although this is a long-term trend, significant progress is already being made in several pilot communities. It is our hope that the lessons learned can be leveraged to great effect in towns all across our state.

It is truly an honor to serve the people of Montana, and we at the Governor's Office of Economic Development look forward to keeping strong forward momentum toward a prosperous future.

Sincerely,

Ken Fichtler

Chief Business Development Officer
Governor's Office of Economic Development
State of Montana

“*Montana is experiencing steady economic growth benefiting businesses and workers alike. Folks here are producing some of the best wheat and pulse crops in the world, creating cutting-edge optics technologies and making the best waders and fly-rods money can buy.*”

— Governor Steve Bullock

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2019



MONTANA

Executive Summary



ECONOMIC CONDITIONS ARE **STRONG**

Montana is a special state - one that resonates with the very soul of the people who call it home. Its tall mountains, vast prairies, clean rivers, stunning lakes, and peaceful valleys have been an abundant home to people for thousands of years. However, the state's harsh winters and the very real career trade-offs people had to historically make in order to live in Montana have been contributing factors to keeping the state's population low. Increasingly however, jobs include geographic optionality that is allowing career-motivated professionals to have their cake and eat it too. With geography removed as a constraint in many professional fields through broadband connectivity, Montana is enjoying very strong in-migration, excellent growth in median wages, and very strong overall economic conditions.

Steeped in a rich history of agriculture, mineral extraction and tourism, the Montana economic mix is evolving to include a vibrant innovation economy with a nearly fanatical entrepreneurial spirit at its core. It's these growing industrial sectors combined with the state's unique history and landscape that will define Montana's economy and population going forward. Boasting the 5th best tax climate in the nation, and extraordinarily good lifestyles, the state is seeing a strong influx of business from expensive coastal cities, as well as many promising home-grown ventures. As businesses perform objective reviews of the capital efficiency for their physical operations, it's trivial to make a compelling case for locating in Montana. However, when one combines the monetary perspective with an unmatched quality of life, it's easy to see why Montana is seeing such strong relocation interest from businesses and professionals alike.

Montana's high-tech sector is flourishing and growing at a rate far exceeding other sectors of Montana's economy - nine times faster to be precise. These firms

also pay nearly double the state median wage, which is leading to rapid expansion in tech-driven career training and degree programs. In 2017, the tech sector of Montana's economy generated \$1.7 billion in revenues and firms experienced 18% in overall growth. While many of these companies started in Montana, an increasing number are transplants from other markets - companies that relocated in order to enjoy a lower cost operating environment and a higher quality of life for their employees. While many of the technology firms in Montana are clustering in the state's larger communities, there are no boundaries to where they can locate, and their impact is extraordinary.

Montana's manufacturing sector is also experiencing rapid growth. In fact, Montana is 3rd in manufacturing GDP growth over the past 5 years. The optics and photonics cluster, for example, encompasses over 40 companies that are working to deliver advanced optical components and solutions into automated driving, defense, lasers, as well as other industrial and consumer applications. Other components of this industry include a dramatic rise in value added agricultural products, like packaged foods, refineries, metal fabricators and precision hard goods manufacturers. As a result, manufacturing employment is growing at a rapid pace in Montana - over 18% in the past 6 years, well above the 7% increase seen nationwide. As production of high-value crops and manufactured goods has increased, Montana has a growing number of industrial parks and transload facilities designed to increase the efficiency of getting these products to market.

These industries are being fueled by a dramatic increase in both in-state capital, as well as by the interest of outside capital in Montana companies. In the last few years, capital raised by Montana firms has increased by over 40-fold. However, underpinning the success of





every industry in Montana is the state's outdoor recreation. The state's population has the highest outdoor recreation participation rate in the nation at 81%, and Montana companies believe that this affords them significant business advantages. With a healthy, inspired workforce, better outcomes for businesses can happen faster.

Montana is home to hundreds of companies that design and build equipment for outdoor recreation, but in total, there are over 71,000 direct jobs in the outdoor recreation industry. Of course, with both Glacier and Yellowstone National Park in Montana, the state has amazing advantages in this area. Not the least of which are the 12.2 million non-resident visitors that travel to Montana each year to visit these enthralling landscapes. These visitors spent \$3.7 billion in Montana in 2018.

The agricultural products produced in Montana have a global reputation for quality and reliability. The state produces some of the best wheat, barley, sugar beets, and beef in the world, and has for many years.



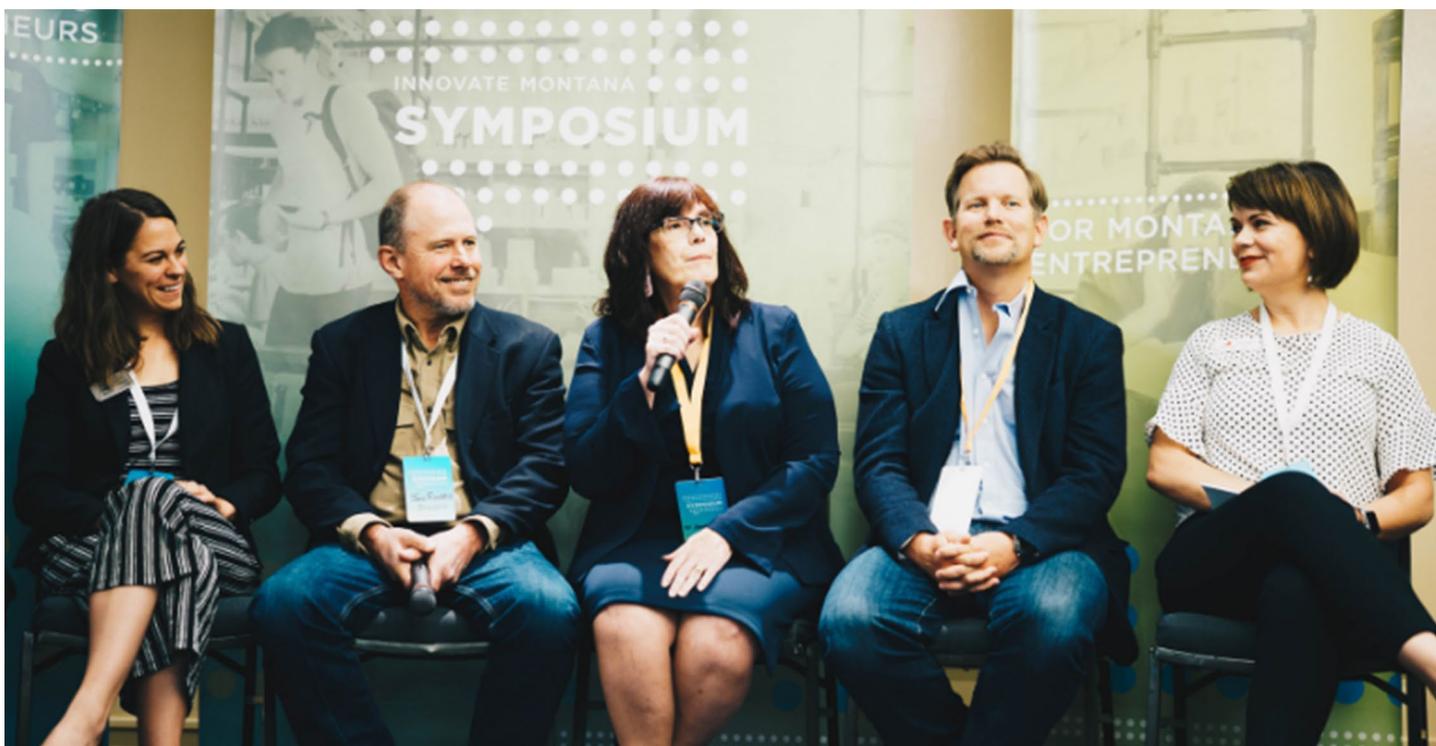
Pulse crops are an increasingly important piece of that mix, however. Montana is now the top pulse producer in the nation with products that include chickpeas, lentils, and beans. One of the largest economic opportunities for the state remains additional value-added production on these products. The current economic impact of agriculture in Montana (\$4.3 billion annually), while substantial, is fractional compared to what it could be if more finished food products were made in the state using Montana produced crops and livestock. As producers and rural places look to their economic future, the opportunity in value added agriculture is obvious.

Ultimately, the success of the state of Montana's economy comes down to the workforce responsible for it. Montanans have a deserved reputation for hard work and an attitude of personal responsibility. They get the job done, whether they know the path forward well, or have to learn something new along the way. This

perspective has led to a consistently top ranked entrepreneurial spirit that allowed the state to add nearly 3,000 new businesses in the last year. The state also has the highest rate of household business ownership in the nation – a great indicator of the creative spirit and work ethic that drives industry and the economy.

Montana is investing heavily in additional training opportunities to ensure that businesses have workforce with the skills they need, and so that Montana's citizens have every opportunity to get ahead.

The story that's being told both within and beyond Montana's borders is that it is an exceptional place to grow a business, hire a productive and loyal workforce, and find the wide-open spaces that restore the spirit and inspire greatness in ourselves, our businesses and our communities.



“Montana consistently supports the brands and manufacturers that choose to locate in the state. We have chosen Montana as the perfect place to raise and educate our family where we can ski in the winter, fish in the summer, and continue to grow a successful downtown business.”

-Jim Harris, Owner Bozeman Spirits Distillery

MONTANA KEY RANKINGS

#4

**Startup Activity
per Capita**

(Kauffman Foundation)

#2

**Microbreweries
per Capita**

(Brewers Association)

#8

Well Being

(Gallup 2016 Poll)

#1

**Middle-Class
Growth**

(Pew Charitable Trusts)

#1

**Median Household
Income Growth**

(American Community Survey)

#3

**Manufacturing GDP
Growth**

(National Association of
Manufacturers)

#4

**Business Tax
Climate**

(Tax Foundation)

#1

**Producer of Organic
Wheat**

(Montana Department of
Agriculture)

#4

**Fastest Wage Growth
over the last 10 years**

(Montana Department of Labor
and Industry)

93

**Percent
Over 25 has a High
School Diploma or
Higher**

(American Community Survey)

#1

**Median
Household
Income Growth**

(American Community Survey)

#10

**Per Capita
Income Growth**

(Bureau of Economic Analysis)







MONTANA

Main Street Project



“The selling points of these rural communities are the intangibles: safety, lack of a commute to work, knowing your neighbors and not having to deal with the hustle and bustle of city life, that really define rural Montana can’t be put on a spreadsheet.”

— The Choteau Acantha, Montana GAP Project

RURAL PARTNERS

CORE PRINCIPLES

SUPPORT

Rural and tribal communities across Montana

BUILD

The capacity of rural and tribal communities to attract new investments, residents and jobs

STRENGTHEN

Opportunities in rural and tribal communities, especially for young adults

DIVERSIFY

Rural and tribal economies to improve community resilience

The Main Street Montana Project was launched in 2013 by Governor Bullock as an unprecedented mechanism in the State to solicit recommendations for governmental improvement from the private sector.

Playing on the old adage that Montana is just one small town with a very long Main Street, the Main Street Montana Project was created as a long-term strategy to grow Montana’s economy in diverse industries all across the state. The goal of the project was, and remains, to create dynamic private-public partnerships, build and implement a business plan, and provide direction for Montana’s economic future based directly on input from Montanans.

In the early stages, the project held round-tables in communities and conducted a 56-county survey designed to assess the strengths, weakness, and opportunities to Montana’s future economic growth. The Main Street Project asked the questions: What’s working? What isn’t working? How can state government agencies and associated programs work better for business and Montanans?

Altogether, within the first six months the project engaged more than 4,000 Montanans to develop the first report which contained goals and objectives resulting in more than 120 specific tasks. Thirteen Key Industry Networks, made up of business and community leaders from across the state, were formed to provide input and recommendations as the project moved forward.

Out of over 300 recommendations from Key Industry Networks, nearly 80% of them have been completed or are in progress - including repealing and streamlining hundreds of rules to make government more efficient, expanding work-based learning opportunities like apprenticeships and business mentoring programs, and creating the annual Innovate Montana Symposium which brings together business leaders and entrepreneurs from across the state.

The Main Street Montana Project has seen great success, and by many measures, Montana’s economy is thriving. However, there are still many challenges, and the promise of economic opportunity is not a reality everywhere in Montana. Job growth has been, and continues to be, clustered around seven urban centers- Billings, Missoula, Bozeman, Kalispell, Great Falls, Helena, and Butte.

Those urban centers include 72% of the jobs and 68% of the population. For example, in 2016 there were about 119,000 jobs spread across the 35 counties east of the Rockies, compared to 109,000 in Billings alone.



We also know our rural communities are feeling workforce pressures, aging infrastructure, and broadband is not readily available, or affordable, in many communities. At the same time, communities across the state are taking it upon themselves to advance economic goals and are making extraordinary progress with limited resources.

Having noted and sought to understand the geographic economic disparity within our state and utilizing what was learned in the first phase of the Main Street Montana Project, Governor Bullock and Lt. Governor Cooney launched the Main Street Montana- Rural Partners Initiative in September 2018. The Rural Partners project focuses on empowering small towns in Montana to get ahead, support their efforts to make their communities vibrant and ensure economic opportunities can be found throughout the state. This new initiative is asking the same questions: What's working? What isn't working? How can state agencies and the associated programs work better for business and Montanans?

In the Fall of 2018, the Main Street Montana - Rural Partners Project held round-table

meetings with community leaders and stakeholders in Troy, Choteau, Glendive, Lincoln, Harlowton, and Glasgow. Lt. Governor Cooney and Main Street Montana-Rural Partners Chair, Lance Trebesch, CEO of Ticketprinting.com, along with state agency representatives, visited these communities with the goal of listening and learning about the work each community is

The Rural Partners project focuses on empowering small towns in Montana to get ahead, stay ahead, support their efforts to make their communities vibrant, and ensure economic opportunities can be found throughout the state.

doing to increase economic opportunities, and discover opportunities for the state government to assist.



The project works specifically to address the challenges endemic to rural Montana, reduce and/or eliminate roadblocks to economic success, leverage existing public and private resources for the betterment of rural communities, and connect communities across the state to share opportunities and recipes for successes. From these meetings, Main Street Montana - Rural Partners will be hands-on to assist in bringing individual projects to fruition, as well as identify how state programs can make a coordinated effort to better serve Montana's rural communities.

Some noteworthy outcomes of the project include:

- Developing a Broadband Pilot project with Deloitte Consulting and Montana Telecommunications Association in Troy. Troy has very limited connectivity and the team is working with the community to better understand the existing broadband landscape, create a road-map for the future of connectivity in Troy, and help prepare them for potential funding opportunities for broadband deployment.

- Connecting Lincoln with resources to develop an in-town trail system, including MSU Western Transportation Institute and Lewis and Clark County. This spring, we will also be bringing community leaders from Lincoln to Anaconda to hear about their successful trail projects, as well as some main street projects so Lincoln can learn from Anaconda's efforts.

- Worked with Choteau to identify next steps for updating infrastructure and preparing the community for improvements to their main street. We also helped them work with Montana Department of Transportation on some signage projects that are moving forward.

- Connected Glasgow with workforce and job training resources through Dawson Community College.

- In Glendive, the Rural Partners meeting brought together a variety of stakeholders that have been working separately on different projects, with the same goal of improving Glendive. The meeting helped breakdown silos among the groups and since then the community has formed the C3 group. The C3 group now has a comprehensive vision and has identified common priorities for the community and meets regularly to move Glendive forward in a unified effort.

In addition, Rural Partners has helped foster and build momentum on the ground to increase local involvement in community development projects.

People started stepping up because of the Main Street Montana Project. And this has really helped the Chamber throughout the state.

— Troy Chamber of Commerce

We have also been reaching out and working with communities outside the six Rural Partner communities. The project is not intended to only serve the Rural Partner communities but to be an advocate for our rural communities across the state. We are listening to rural communities and identifying challenges and opportunities and making connections in all corners of the state, so all our communities can thrive.

Looking to 2019, the Rural Partners project will visit all Native American Reservations in the state, as well as hold round-tables in six additional communities. The learnings from the communities will be available on the redesigned Main Street Montana - Rural Partners project website, as well as resources and success stories from around the state. The project intends to connect communities with appropriate state, federal, and private resources, as well as connect communities across the state with one another to share, learn, and emulate efforts in their own communities, so they can all be more successful.





WHAT WE ARE HEARING

Lack of Trained Workforce in Communities

Changing Economies and A Focus on Tourism and Outdoor Recreation Economies

Lack of Childcare

Lack of Affordable Housing

Local Capacity Constraints

Access to and Knowledge of State Programs

Lack of Broadband





2019



MONTANA

Workforce



ADDRESSING THE EMPLOYMENT DEMAND

Montana's economy continued impressive growth throughout 2018, with unemployment remaining at or under 4% and the labor force growing steadily to meet employment demand. More Montanans are working than ever before, with over half the state's population employed. Wages for Montana's workers have been increasing much faster than in other states, with the state seeing the 4th fastest nationwide wage growth in the last ten years.

With this strong economic growth and low unemployment rate, Montana's businesses have been working to recruit new workers into our labor force, and to continuously improve upon the quality of the existing workforce. The Montana Department of Labor and Industry offers several programs to expand the skills of Montana workers, and to launch individuals into the workforce faster through accelerated and work-based training. The Registered Apprenticeship program offers workers a chance to earn while they learn, while also offering employers a way to retain workers with skills customized to their business needs. Apprentices who completed their training had average wages of \$63,600 in 2017, nearly \$20,000 more than the statewide average. [1] The Registered Apprenticeship program graduates an average of 154 apprentices per year, making a sizable contribution to Montana's worker training system. Eighty-seven percent of apprentices that have graduated from the program since 2012 are still working for a Montana employer in 2018.

The number of businesses offering Registered Apprenticeships to workers has continued to grow, spurred by the addition of healthcare, IT, and other growing occupations to the apprenticeship offerings. In 2017, Governor Bullock worked with the legislature to create a tax credit for businesses who sponsor a Registered Apprenticeship. Sponsors can now receive a tax incentive of \$750 per year for each new apprentice enrolled in training, or \$1,500 per year if the apprentice is a veteran. In this first year of the credit, over 200 sponsors of approximately 445 apprentices in businesses that were potentially eligible for this credit in 2018.

Governor Bullock has also created the Future Ready MT Cabinet to coordinate efforts across

education and workforce training agencies and increase the amount of work-based learning provided in Montana's schools. Work-based learning encourages youth to explore careers at a younger age and provides practical experience for students who will be entering the labor force in the future. Not only does this practice allow local businesses to identify recruits long before graduation, students are better trained through on-the-job experience. Further, incumbent workers who have an existing connection to a Montana business during their school years are more likely to remain in Montana and have higher average wages in their first year after graduation.

A strategic initiative to increase dual enrollment participation over the last five years has seen great success – more than doubling participation from 2,500 enrollments in 2012-2013 to 6,000 enrollments in 2017-2018. Beginning in Fall of 2018, Montana expanded its successful dual enrollment program by eliminating the cost for high school students taking college-level dual enrollment courses.





Through this initiative, One-Two-Free, every Montana high school student can take two courses free from any Montana University System (MUS) institution. Additionally, the Department of Labor & Industry has partnered with the MUS to pilot a program to identify and contact individuals who were recently enrolled but left before completing a degree. This program, “Become an Alum,” has engaged employers to assess their workforce needs, and is initially reaching out to individuals who studied in areas with high workforce demand. The MUS is expanding program offerings to meet these workforce needs. Individuals who express interest will be guided into education and training pathways.

According to the 2018 Montana Labor Day report, the state does not have enough people in the workforce pipeline to fill projected demand for workers. Much of the workforce effort at the Governor’s Office of Economic Development has been aimed at attracting Montana natives who have left the state to find work and those who visit Montana as tourists. Specifically, the Choose Montana initiative was created to address the workforce shortage needs of our state by highlighting Montana’s quality of life, as well as job and business opportunities.

Some companies working to solve the problem through their own means. Many are working to improve in-house training, and some are turning to offering in-house childcare to attract talented

parents who may not otherwise participate in the workforce. Livingston based Printing For Less has had notable success in this area, and other firms are exploring the model or are offering childcare reimbursement as a perk to their employees. A substantial portion of the talent that companies offering childcare incentives are attracting are recent mothers. With many geographies under-served by childcare however, workforce participation by young parents remains an area of opportunity and therefore focus.

New to the report this year is information on the difficulty of Montana workers to find sufficient daycare. Roughly 75% of Montana families with children have all parents in the labor force.

That is why during the 2017 legislative session, Governor Steve Bullock brought legislators together from both sides of the aisle to secure the state’s first-ever investment in publicly funded preschool for Montana’s four- and five-year-olds.

A few years ago, Montana secured a federal Preschool Development Grant that has helped over 1,800 children and their families gain access to preschool in over 30 communities.

With the average cost of childcare for a four-year-old in Montana at \$7,900, we need to explore even further avenues that provide parents with affordable options, while building a solid foundation of learning for our kids.





MONTANA

Outdoor Recreation



THE MONTANA WAY OF LIFE

With approximately 38 million acres of public land, 170,000 miles of rivers, 3,200 named lakes, and habitat that spans mountain peaks to prairie wilderness, it is no surprise the outdoor recreation sector of Montana's economy ranks as the 2nd largest by consumer spending. Including outdoor recreation direct industry, outdoor recreation retail and peripheral service related businesses, the outdoor recreation economy is an economic powerhouse and growing much faster than most other industries in the U.S. The unmatched and irreplaceable natural resources that create the outdoor recreation economy in Montana fuel thriving businesses from all sectors of the state economy and designate Montana as a premier location for entrepreneurial startups as well as personal and business relocation.

The Office of Outdoor Recreation, formed in 2017, is the realization of Governor Bullock's vision to grow and enhance the outdoor recreation-related economy that has grown out of Montana's public lands, public waters, open spaces, wildlife, and access to them. The office was created to ensure that Montana's outdoor recreation infrastructure and the businesses working in that space are not just sustained but continue to grow and thrive for both current and future generations. To further the growth of this industry and safeguard the unique interests that enable the industry's success, the Office of Outdoor Recreation provides a centralized point of contact and coordination for the broad bipartisan constituency that relies on all aspects of public lands and outdoor recreation. The office focuses on advocacy, policy, support, and growing new opportunities within the industry related to infrastructure, direct industry economic development, stewardship and conservation, education and workforce, as well as community health and wellness. While the office maintains a focused lens on what the state is doing as it relates to outdoor recreation, it also works with Offices of Outdoor Recreation in other states to share best practices and collaboratively work on national issues affecting the industry as a whole. This commitment makes Montana an ideal environment for the outdoor recreation industry to innovate, develop, test, manufacture and use the products that lead the industry and elevate an entire economy. It is no accident that Montana is home to so many iconic brands, innovative startups and industry relocation.

Among the many projects implemented in the first complete year following its establishment, the Office of Outdoor Recreation is leading state government agencies, in partnership with the University of Montana, in revising and expanding the Statewide Comprehensive Outdoor Recreation Plan, as well as, establishing a community-based outdoor recreation asset communications guide to streamline planning around outdoor recreation infrastructure. The office is also actively assisting established outdoor recreation businesses in planning, expansion, establishment, and troubleshooting to grow and enhance their businesses. The Office of Outdoor Recreation is creating business recruitment tools and strategies intended to grow the direct outdoor recreation industry and is working on establishing the first Recreation Based Apprenticeship program with the Montana Ski Area Association. The Office is proactively working with constituents in all categories on understanding, articulating, consolidating, creating and communicating economic and community wellbeing data surrounding outdoor recreation opportunity and access. The Office of Outdoor recreation concluded 2018 by hosting the Business of Outdoor Recreation Summit in Whitefish to discuss, collaborate, and dive into the topics of outdoor recreation infrastructure creation and maintenance, communication of the economics and needs of outdoor recreation to elected officials, and tools for business success in the outdoor recreation industry and beyond. The sold-out Summit was an international event between Montana, British Columbia and Alberta with broad participation from city, county, state, provincial, federal, tribal, recreation user groups, conservation, industry and education stakeholders.

\$2.2
billion in
wages and
salaries

direct
outdoor
recreation
jobs

71,000

Sources: Outdoor Industry Association, Montana SCORP, Center for Western Priorities, Center for American Progress, Outdoor Recreation & Montana's Economy, Montana Office of Outdoor Recreation



The Montana Governor's Office of Outdoor Recreation is a signatory of the Confluence Accords, a collaborative group of offices of outdoor recreation from across the nation to share best practices between states and join efforts on the national level on behalf of the outdoor recreation industry in the areas of economic development, education and technical workforce training, conservation and stewardship, and health and wellbeing.

The Federal government's Bureau of Economic Analysis announced that an analysis of outdoor recreation put this sector of the U.S. economy at 2.2% of gross domestic product. For comparison, this ranks larger than mining or utilities, and approximately the same as the chemical products industry and telecommunications. National consumer spending places the outdoor recreation industry as twice the size of the automotive industry and pharmaceuticals. In Montana outdoor recreation accounts for over 10% of all jobs in

the state. An astounding 95% of Montanans say outdoor recreation is important to their quality of life and Montana has the highest rate of outdoor recreation participation of any state in the nation. Montana's outdoor spaces are essential to the lifestyle that attracts and retains a dynamic and youthful workforce. Recreation provides and powers a thriving and growing economy and these unmatched access opportunities are key to Montana's identity. Creation of community multi use trails in conjunction with open space and connectivity, like those in Whitefish and Helena, not only make great locations to do and create business, they create tens of millions in new consumer spending and hundreds of additional jobs. Montana is home to diverse communities with distinct personalities and convenient amenities and services combined with a uniquely skilled workforce, allowing businesses to create their own destinies. Montana is the state for entrepreneurs who value the outdoor way of life - the Montana way of life.



2019



MONTANA

Small Business & Entrepreneurship



EXPANDING BEYOND

Montana's small businesses and entrepreneurs play a vital role in the state's economy, and the state continues to be a national leader when it comes to entrepreneurship. For the last five years, Montana has ranked at, or near, the top of the Kauffman Index of Entrepreneurship. The state's entrepreneurial spirit combined with lower than average startup costs, particularly construction and real estate costs, has led to more small businesses opening across the state.

In the last year, over 2,940 new business entities were formed by Montana entrepreneurs. These start-ups are making an impact on the workforce, with close to 15,000 Montanans working in businesses less than two years old and almost 45,000 Montana workers in businesses created in the last five years.

Not only is the state seeing an increasing amount of business startups (roughly 430 out of every 100,000 adults become entrepreneurs in any given month), but Montana startups are also more likely to be successful than businesses nationally. The likelihood of keeping a business running for five years in Montana is 56.2%, compared to the national average of 48.6%. The ten-year survival rate in the state is 39.6% compared with the U.S. rate of 33.5%.

The small business landscape in Montana is diverse and innovative, lending to its success and allowing the economy to expand beyond traditional industries. The state now has thriving industries in sectors like tourism and outdoor recreation, manufacturing, and high-tech. Healthcare is one of the fastest growing sectors contributing over \$4.3 billion to the Montana economy.

Generally, Montana's businesses are small, and the state has a larger share of small businesses compared to other states. In fact, 91.2% of all businesses in the state are considered small, that is, establishments with fewer than 20 employees. These small businesses provide more jobs and wages compared to other states, indicating Montana has a higher dependence on small business than most other states. By industry, retail trade (6.4% of all employment), accommodation and food services (4.8%), and construction (4.2%) have the greatest number of people working in small businesses.

The higher reliance on small businesses is likely due, in part, by Montana's rural nature and widely dispersed population, and partially due to Montanans' high level of entrepreneurialism. Increasing access to venture capital and entrepreneurial support programs, like Blackstone Launchpads and Early Stage



Montana, suggest that the state has the infrastructure required to continue to develop and support high growth start-ups. Looking ahead, diversity in the state's industries remains one of Montana's greatest assets, and our entrepreneurs and small businesses will continue to play a critical role in shaping the state's economic future.

TRADITIONAL



“Eventgroove + TicketPrinting.com has found a strategic advantage in building a company in rural Montana: amazing people. Our team works from a variety of small towns in Montana, including Harlowton. They bring problem-solving tenacity, solid work ethics, and genuine friendliness to work everyday, enabling us to serve over 100,000 event customers across the US, Canada, Australia, and the UK.”

-Lance Trebesch, CEO, Eventgroove and TicketPrinting.com

2,940
new
establishments
in 2017

118,315
small
businesses in
Montana

94%
of businesses
in Montana
have 50
employees or
less

244,668
small
business
employees



Montana Governor's Office of
ECONOMIC DEVELOPMENT

2019



MONTANA

Technology



TECHNOLOGY SECTOR ACCELERATES

The information and high-technology sector has continued to expand at a rapid rate in the last year. While measuring the industry is challenging due to its breadth and variations in definitions, according to the Montana Department of Labor, Montana added 153 Information Technology firms in 2017. That year, the tech industry also employed over 15,000 workers and attracted over \$83 million in venture capital investment. This represents a 40-fold increase in venture capital over just a few years prior.

Low unemployment and insufficient new graduates to satisfy demand has led to rising wages as firms compete for talent. Between 2016 and 2017, the average wages in the IT sector increased by nearly 6% and IT firms already pay nearly double the state median annual wage. In order to satisfy their demand for talent, many information technology companies are recruiting from outside the state. According to a March 2018 member survey from the Montana High Tech Business Alliance, nearly one quarter of all new hires in the IT sector are coming from outside Montana. As the industry looks to the future, it's probable that wages, particularly for the most senior talent, will continue to rise and that recruitment from outside Montana will become an increasingly large component of the hiring strategy. One notable success in hiring is ClassPass, who hired over 120 employees in 2018 in their Missoula office for customer service, sales, and software development positions.

From the people, to the outdoors, to the rapidly growing career opportunities, and the safety and comfort of everyday life – Montana truly has it all. – Les Craig, Partner, Next Frontier Capital

Although high-wage jobs are available at dozens of high-tech companies at any given moment, these companies would still like to hire faster. One example is Advanced Technology Group (ATG) in Missoula which was acquired by Cognizant in 2018. That company would like to hire over 1,000 additional employees within the next three years. With many firms rapidly growing, the pressure to produce high quality

talent is much higher than it's ever been. The employees of these companies are enjoying meaningful work and are shaping the future of banking, security, artificial intelligence, robotics, customer service, and much more.

When companies hire, the employees they find in Montana tend to be loyal and extremely hard working. Some firms have reported a lifetime employee retention rate in excess of 75%, an unheard-of figure for this industry. This represents another significant advantage over Silicon Valley based companies whose employees only stay for 13 months on average. The savings in recruitment, training, and brain drain should translate readily to the bottom line of Montana based IT companies.

The sector as a whole in Montana generated \$1.4 billion in revenue in 2017, up from under \$1.1 billion in 2016. This growth is expected to accelerate as many pre-revenue or low-revenue companies scale up using their newly raised investment capital.

Several notable acquisitions happened in Montana in 2018, including Cognizant's purchase of Missoula based Advanced Technology Group, and Perficient's acquisition of Bozeman's Elixiter. Both acquires intend to not only keep but grow their Montana offices. Another notable company is Israeli artificial intelligence group, 4Cast, which located their first North American office in Montana in 2018.

Montana has seen a notable rise in remote workers, particularly in IT-related fields. Programmers, graphic designers, customer service, sales, marketing, and other professions are now commonly able to work remotely either part or full time. The removal of geography as a constraint to a career has certainly impacted Montana's net migration and average household earnings in strongly positive ways. The exact magnitude of these changes and their impact is exceedingly difficult to quantify, however. Remote and freelance workers are an increasingly important component of rural economies. This element of Montana's employment mix is rapidly growing, and the state is working to enhance the sector in many ways.

“The people in Montana have a long history of innovation combined with a world class work ethic. These two factors provide companies like Blackmore with the fabric for building successful, thriving organizations in communities that are both friendly and safe.”

- Randy Reibel, President, Blackmore Sensors and Analytics, Inc.



\$83

million venture capital invested in Montana in 2017

18.5%

annual employment growth rate

\$1.4

billion in revenue in 2017





2019



MONTANA

Agriculture



\$4.3 billion

in agriculture
production

27,100

Montana farms &
ranches

59,758,917

acres of Montana
farms & ranches

#2 in organic
acreage in the
United States

\$1.5 billion

value of livestock
production

NATIONAL PRODUCTION RANKINGS

- #1 Lentil
- #1 Hemp
- #1 Garbanzo Beans
- #2 Barley
- #2 Dry Edible Peas
- #2 Flaxseed
- #2 Durum
- #3 Canola
- #3 Safflower
- #3 Alfalfa Hay
- #3 Spring Wheat
- #4 Honey



Source: MT Department of Agriculture; United States Department of Agriculture

NEW OPPORTUNITIES GROW

Montana agriculture is one of the industries the state was built on, and it remains one of the most critical today. As a primary economic driver in the state, Montana had \$4.3 billion in agricultural production in 2017. The state's abundance of natural resources, like clean water and clear air creates an extremely fertile environment to produce some of the highest quality agriculture products in the world. The state is known world-wide for its beef, barley, wheat, pulse crops, and sugar beets.

Montana boasts 27,100 farms and ranches, spread across 59.7 million acres. Those farms and ranches are exceptionally large, averaging 2,207 acres each and producing a wide range of commodities. These products are important for the state, as well as the world, as Montana is the third-largest exporter of wheat in the United States.

Looming trade disputes and low commodity prices, combined with drought conditions felt across the West, has negatively impacted agriculture production in the state. Crop production in 2017 was down to \$1.48 billion, a \$500 million drop from 2016.

Despite these challenges, farmers and ranchers in Montana are resilient and continue to work hard and find new ways to diversify and grow. Montana continues to cement its status as the nation's leader in pulse production. Pulses are a versatile crop that promote biodiversity, improve soil health and generate income from local and global markets.

Other aspects of Montana agriculture include education, research and innovation, and technology, and Montana Department of

Agriculture programs are helping to grow the industry. Programs like the Growth Through Agriculture (GTA) program helps strengthen and diversify Montana's agriculture industry by investing in the development of new agricultural products and processes. In FY 2018, GTA funded 25 projects from breweries and malting facilities to Montana made skin care products, totaling a \$729,800 investment. In addition, since 2013 Food and Agriculture Development Centers have leveraged \$80.1 million in investment funds for development, counseled 1,204 business, created and retained 729 jobs, and helped bring close to 300 new products to market. Unfortunately, demand for these grant dollars far outstrips supply. There is much more economic value to be found in the state by continuing to invest in these areas.

Looking to the future, new technologies will help make production more efficient and save money and processing and value-added production will be a big part of the agriculture landscape.

IN 2019 WE EXPECT TO SEE

More canola acreage in 2019

Continue to be the nation's leading pulse producing state

An increase in the amount of specialty crops grown in the state

Hemp production to grow

“Montana continues to produce some of the best beef, wheat, barley and pulse crops the world has to offer. Couple that history with a rise in new crops, technologies and methods, and it's easy to see that Montana's producers continue to innovate, take advantage of new opportunities and ensure Montana's Ag industry stays on the cutting edge.”

— Benjamin Thomas, Director, Montana Department of Agriculture.



2019



MONTANA

Tourism



ELEVATING THE MONTANA STORY

Montana continues to diversify its tourism economy into every corner of our great state. Every region and landscape has something unique to share with the wider world and a different take on how to tell the Montana story. As Glacier and Yellowstone continue to drive first-time visitors to Montana, a majority say they plan to return within two years and explore more of what Montana has to offer.

Non-resident visitation to Montana continued to grow in 2017, adding new dollars to the economy, supporting jobs, and reducing state and local taxes for Montana's residents. The Montana Office of Tourism and Business Development (MOTBD) at the Department of Commerce works across regions and industries to market Montana to maximize non-resident spending in every sector.

In 2017, MOTBD implemented research it commissioned the year before—its first market research in a decade—to provide actionable data about how to target high-potential visitors. Amongst all ad-exposed travelers who took a trip to Montana, over 90% were influenced by Montana ads.

In addition to marketing campaign work, MOTBD is developing Montana as a destination. In fiscal year 2018, MOTBD's tourism grant program invested \$750,000 into tourism- and recreation-related projects in 27 communities across Montana, including many in rural parts of the state. Grants supported \$1.8 million of investments into projects aimed at strengthening the visitor experience and allowing Montana's vibrant and charming small towns to tap into the greater tourism economy.

According to the Institute for Tourism and Recreation Research at the University of Montana, in 2017, 12.5 million non-residents visited Montana, adding \$3.4 billion to the state's economy, supporting jobs for 53,380 hardworking Montanans, and contributing \$204.5 million to state and local taxes.

Montana's premier tourism destinations, Glacier and Yellowstone National Parks, each continued their trends of strong visitation in 2017. Glacier welcomed 3.3 million people in 2017, an increase of 12.1 percent compared to 2016. Yellowstone saw 5.4 million visitors. These levels of visitation reflect a long-term trend of interest in public lands and visitation to domestic landmarks.

According to the Department of Fish, Wildlife, and Parks, the state parks system saw slightly fewer visitors last year. "Montana State Parks had 2.5 million visits in 2017. Statewide visitation was down 4% from 2016. North Central Region (Great Falls) had the highest overall visitation with over 698,000 visits, and Giant Springs State Park had the highest visitation of all state parks with over 401,000 visits," according to the 2017 Annual Visitation Report. Clearly, with Montana's National Parks operating at or above capacity, the opportunity to move visitor to state-parks and other public lands is an important one. The state is working to do exactly that with additional marketing opportunities that promote Montana's cities and towns, as well as the state's stunning parks.



Source: Montana Department of Commerce; Montana Fish Wildlife & Parks;
2017 Annual Visitation Report



89
MILLION

video
views at
VisitMT.com
in FY17

12.5
MILLION

visitors
came to
Montana in
2017

2017

highest
visitation
year on
record



\$3.4
BILLION

amount that
tourism
added to
the state's
economy in
2017



2019



MONTANA

Exports



REMARKABLE YEAR FOR EXPORTS

TOP IMPORTERS CANADA, SOUTH KOREA, AND CHINA

13,079

number of US jobs supported by goods exports from Montana

1,243

number of Montana businesses selling products overseas

85%

of Montana exporters classified as small and medium-size companies

55%

of exports by small and medium-size companies

66%

of Montana exports go to free trade agreement markets

52%

rate of growth of Montana exports to free trade agreement markets since 2007

113

number of export assistance grants provided by Montana Department of Commerce

Montana continues to expand and develop its export market to grow and diversify the state's economy. Export markets are critically important to all companies able to compete on a global scale, as they represent 95% of the world's consumers and 80% of the world's buying power. Montana businesses are finding new markets outside the U.S. are not only good for the bottom line but the best way to hedge against domestic market slumps, create new jobs, and continuously innovate their products.

Statistics for 2017 (the latest figures available) show a remarkable year for exports in Montana. A record \$1.62 billion in goods left the state headed to foreign markets, not including bulk agricultural goods, the service industry, education, or tourism. This figure grew a stunning 19% since 2016, the fifth largest increase for any state in the country in 2017. The top exported products were mineral fuel, inorganic chemicals, pulse crops, and industrial machinery. The top countries receiving Montana goods were Canada, South Korea, China, Belgium, and Taiwan.

The ExportMontana program at the Montana Department of Commerce continues to focus on developing Montana manufacturing and service industries by providing grants and trade show support to companies ready to enter or expand international markets. In 2018, ExportMontana organized three Montana-branded pavilions at key trade shows to promote specific industry sectors. The IWA Outdoor Classics trade show in Germany focused on hunting and sporting equipment, OptoJapan in Tokyo brought members of Montana's photonics cluster to one of their most important markets, and trade ties were strengthened and expanded in the Canadian market at Alberta's largest construction focused trade show, BuildEx. In all, 25 companies attended these sponsored shows, providing them a unique opportunity to test a foreign market's appetite for their products and build clientele in a market with a previously limited focus. ExportMontana also provided 113 individual grants for companies in 2018. These largely helped fund international trade show exhibitions but also include market analysis, foreign company reports, and business-to-business matchmaking services.

The Governor's Office of Economic Development continues to support and participate in activities that expand opportunities for Montana businesses to export their products - including ongoing participation in the Photonics West and BuildEx trade shows. In 2018, Governor Bullock traveled to Mexico City to meet with executives from the Mexican Craft Brewers Association to sign a Memorandum of Understanding to promote and expand Montana malt and barely sales into the Mexican market. The Montana-Mexico trade relationship plays an increasingly significant role in Montana's export economy as Mexico is the largest importer of U.S. malt, and industry groups estimate that nearly 70% of those imports are born and raised here in Montana. As exports take on greater importance in the Montana economy, The Governor's Office of Economic Development takes every opportunity to meet with trade representatives and international delegations to build and maintain positive, productive and mutually-beneficial

relationships with Montana's most significant trade partners.

Free Trade Agreements (FTAs) have substantial benefit to Montana exporters, as 66% of Montana goods bound for international markets will go to countries with FTAs with the U.S. This represented a value of \$1.07 billion in 2017. Since 2007, exports from Montana to FTA markets has grown by 52%. Two of Montana's top trading partners, Canada and South Korea, are currently subject to free trade agreements (NAFTA and KORUS, respectively) and represent 58% of the total value of Montana exports. In the last year, FTAs and tariffs have become front and center in the minds of exporters and the general public alike. While it is difficult to determine the immediate effects of tariffs and retaliatory sanctions imposed in 2018, feedback from Montana companies and various industry reports have been strongly negative. Steel and aluminum tariffs meant to protect and grow domestic industries have, at least initially, led to longer lead times, higher minimum orders, and increased prices for Montana manufacturers purchasing component pieces in their supply chain. These tariffs, with the added worry of speculation, have also greatly affected sales of bulk agricultural products and have the potential to negatively affect virtually every other sector of Montana's economy.

The USMCA, the successor agreement of NAFTA, has been signed by the Presidents of the U.S.,

Canada and Mexico and is awaiting ratification by each country's legislative branches. The USMCA is similar to NAFTA but has a few updates and differences. Key language has been updated for intellectual property, ecommerce, and environmental inspections. New provisions allow for stronger labor standards across the three countries and allows some concessions for the import of dairy and for the system in which wheat is classified. The USMCA did not clear up the soft-wood lumber dispute between Canada and the U.S., which affects Montana's timber and building industries, but continues to allow a bilateral arbitration panel to resolve this issue. U.S. companies selling inexpensive, direct-to-consumer goods will have an advantage with the USMCA, as Canada and Mexico raised the value of goods that can be shipped tax and tariff free, known as the de minimis value. Implementation of the rules of the USMCA, if ratified, would not go into effect until 2020.

\$1.62
billion
exported
goods in 2017

total export
supported
jobs

6,000



2019



MONTANA

Manufacturing



GREATEST SUCCESS STORY

Manufacturing is one of the great success stories of Montana's economy. The sector has grown much faster than in any other state since the Great Recession. Likewise, Montana's manufacturing employment has enjoyed steady growth. However, despite strengthening markets in 2017, the wood and paper products industries declined 16.1% over the past 7 years. This is largely attributed to subsidized softwoods lumber imports from Canada. Employment in all the other components of Montana manufacturing increased from 13,300 in 2010 to 17,300 in 2017, an increase of roughly 30%, illustrating the strength of new and expanding manufacturers. Sector employment overall in the state increased from 16,400 in 2010 to 19,900 in 2017, an increase of 21.3% and 3,500 jobs – and well above the 8% increase seen nationwide.

Montana has risen from 41st to 32nd among all states in manufacturing GDP and the manufacturing sector is a significant contributor to recent economic trends in Montana. Overall, manufacturing in Montana added \$3.2 billion to the state's GDP in 2016, over \$1.2 billion more than the industry's contribution in 2011.

In the simplest terms, Montana's manufacturers tend to be small, young, rural, entrepreneurial, and pay high wages. Of the 3,750 manufacturers in the state in 2018, 81% of them had fewer than 10 employees, and 50% of them had fewer than 4 employees. The average Montana manufacturing worker earned \$47,831 in 2016, about 16.7% higher than the state average of \$40,943 for all workers. The Montana Manufacturing Extension Center (MMEC), with resources for manufacturers in nearly every corner of the state, has helped over 1,200 manufacturers grow and succeed in 54 of Montana's 56 counties. The critical expertise provided by MMEC has led to improved profitability, safety and business growth for hundreds of manufacturing businesses each year.

Refineries, metal fabricators, and food processors have been joined by advanced manufacturing in aerospace, photonics, and industrial equipment to increase the diversification and sophistication of the Montana manufacturing sector.

STATISTICS ABOUT MONTANA'S MANUFACTURING ECOSYSTEM

69% Have fewer than 10 employees

50% Have fewer than 4 employees

68% Are in rural counties

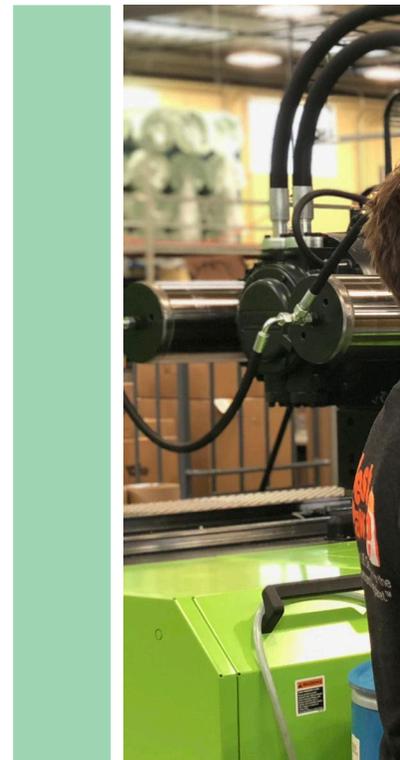
55% Have been in business less than 20 years

16% Have been in business less than 5 years.

71% said they had a shortage of workers in 2017 (up from 31% in 2016)

62% indicated their plants would increase production in 2018

65% believe 2018 will be a better year than 2017



“Montana’s manufacturing sector is experiencing significant growth, providing over 24,000 direct jobs and another 63,000 in the service sector. The strength of the manufacturing sector complements and diversifies Montana’s traditional mining and agricultural industries, and is leading the nation in job growth.”

- Paddy Fleming, Director of Montana Manufacturing Extension Center

Food processing is on the rise in Montana, with new pea processing plants being built in Plentywood and Cut Bank, and growing interest from foreign direct investors in facilities to process pulse crops, organic crops and beef.

The craft beer, distilled spirits, and wine manufacturing industries also continue their growth, increasing from 267 workers in 2011 to 950 in 2016, an increase of 255%. Breweries are the largest sub category with 2016 wage and salary employment of 752 among 64 firms, followed by 14 distilleries with 154 workers and nine wineries with 44 workers. The growth in breweries is attributed to both increased employment at existing facilities and more firms. For distilleries and wineries, the growth at existing firms contributed more than increases in new firms. The number of wineries was roughly stable from 2013 to 2016 as was the number of distilleries from 2014 to 2016. At the same time, wage and salary employment increased significantly in both industries.

Employment in electronic instrument manufacturing almost tripled from 107 in 2010 to 302 in 2016, representing an increase in employment of 182%. Most of this growth was due to expansion of existing plants, as the number of firms remained nearly constant from 2012 to 2016. Much of this industry is concentrated among the cluster of 40 photonics firms in Bozeman manufacturing lasers, optics, and sensors.

In summary, since the start of the economic recovery nearly ten years ago, Montana manufacturing employment has increased much faster than the national rate. This strong performance was despite permanent closures in the wood and paper products industries, with new and expanded manufacturing establishments contributing to significant employment and economic growth.



#1

for growth in manufacturing GDP

85%

of manufacturing exporters are small businesses



2019



MONTANA

Natural Resources





STRENGTHENING MONTANA

Montana's natural resources have historically been one of the key economic drivers of the state. These have included dense forests that built a large timber industry, strong coal resources that made Montana one of the largest coal and energy exporters in the nation, and rich mineral concentrations that electrified America. As market conditions have shifted so has demand for many of these raw materials. Today Montana's natural resource economy remains critical to numerous rural communities across the state.

Montana's hard-rock mining industry supports more than 12,300 permanent, year-round jobs with average annual earnings of \$86,030. While several proposed hard rock mines remain in the exploration and planning phases, additional economic activity occurs around the state tied to legacy mining reclamation and restoration activities.

Montana coal production saw an up-tick

throughout much of 2017, despite troubling signs on the horizon for the State's largest producers. Westmoreland Coal Co., which operates the Absaloka and Rosebud mines, filed for bankruptcy in early October, later announcing plans to auction off Rosebud and other assets in the coming months. Cloud Peak Energy, owners of the Spring Creek Mine, have recently announced layoffs and plans to consider further reductions in capacity and assets due to coal market activity.

Montana's timber industry has largely stabilized following contraction and curtailed operations stemming from the great recession and the impacts of long-term declines in timber harvest volumes. Forest industry employment in 2016 (7,235) was 2.7 percent higher than the 2010 low point (7,038) and labor income in 2016 (\$320.5 million) was 17 percent higher (in inflation adjusted terms) than the 2011 low (\$273.7 million).

Source: Montana Department of Natural Resource & Conservation



The outlook for the industry remains positive. Governor Bullock's Forests in Focus initiative has helped address production across state, federal and private lands contributing over 180 million board feet of additional timber volume over the past four years. Through Forests in Focus 2.0 and a new emphasis on Good Neighbor Authority investments, the state aims to further expand production by over 30 million additional board feet per year, while supporting other forest and watershed restoration needs. This past year, the Idaho Forest Group (IFG) acquired the sawmill in St. Regis and is already planning on doubling the mill's capacity. SmartLam is a rapidly growing producer of cross-laminated timber (CLT) in Columbia Falls. Last year, they expanded their operations and moved to a

“I'm looking for realistic and commonsense solutions that work for Montana, expand our economy and protect our clean air and water. States like Montana are the best laboratories for finding the path forward and solving problems while creating opportunities.”

— Governor Steve Bullock

new headquarters. They plan to hire 75 new employees by the end of 2019. CLT allows wood to be used for structural components in buildings, offering environmentally friendly alternatives to other building materials, unique prefabrication and modular construction solutions, and new commercial market growth opportunities for the wood products industry.

Montana's energy sector is one of the largest industries in the state with 15,043 traditional energy workers statewide. 4,929 of these workers are in the fuels sector, while 8,890 work in transmission, wholesale distribution,

and storage. 1,224 workers are employed in electric power generation, according to the U.S. Department of Energy. The state has thousands of miles of rivers that led the state to become a pioneer in hydroelectric power development. These rivers currently produce 1/3 of the state's electricity and Montana currently ranks 5th in the country for hydroelectric and renewable energy.

Market conditions have pushed the power industry to continue to invest and move toward renewable energy sources. Montana companies are investing more resources into wind power, solar power, and hydroelectricity than ever before. Montana has quadrupled installed solar capacity since Governor Bullock issued his Energy Blueprint in 2016. Through the Montana Renewables Development Action Plan, Governor Bullock and the Bonneville Power Administration have identified several opportunities to expand access to West Coast energy markets for Montana wind energy. The state currently has more than 700 megawatts of installed wind capacity, with the potential to develop significantly more wind resources. Even more encouraging is the report's finding that there is existing capacity to transmit that power to the Northwest.

The natural gas industry has also benefited from new technology, as production from fracking has made a recent resurgence. Overall, U.S. oil production declined in 2017, but some wells that were capped as fuel prices fell several years ago have reopened and resumed production. Denbury Resources expects to commence construction soon on a 110-mile pipeline in southeastern Montana to deliver carbon dioxide to oil fields where it will be injected to release stranded reserves, perhaps as many as 400 million barrels. CO2 enhanced oil recovery, which is Denbury's core business, offers the potential for storing significant volumes of carbon dioxide, a greenhouse gas, while increasing domestic oil production.





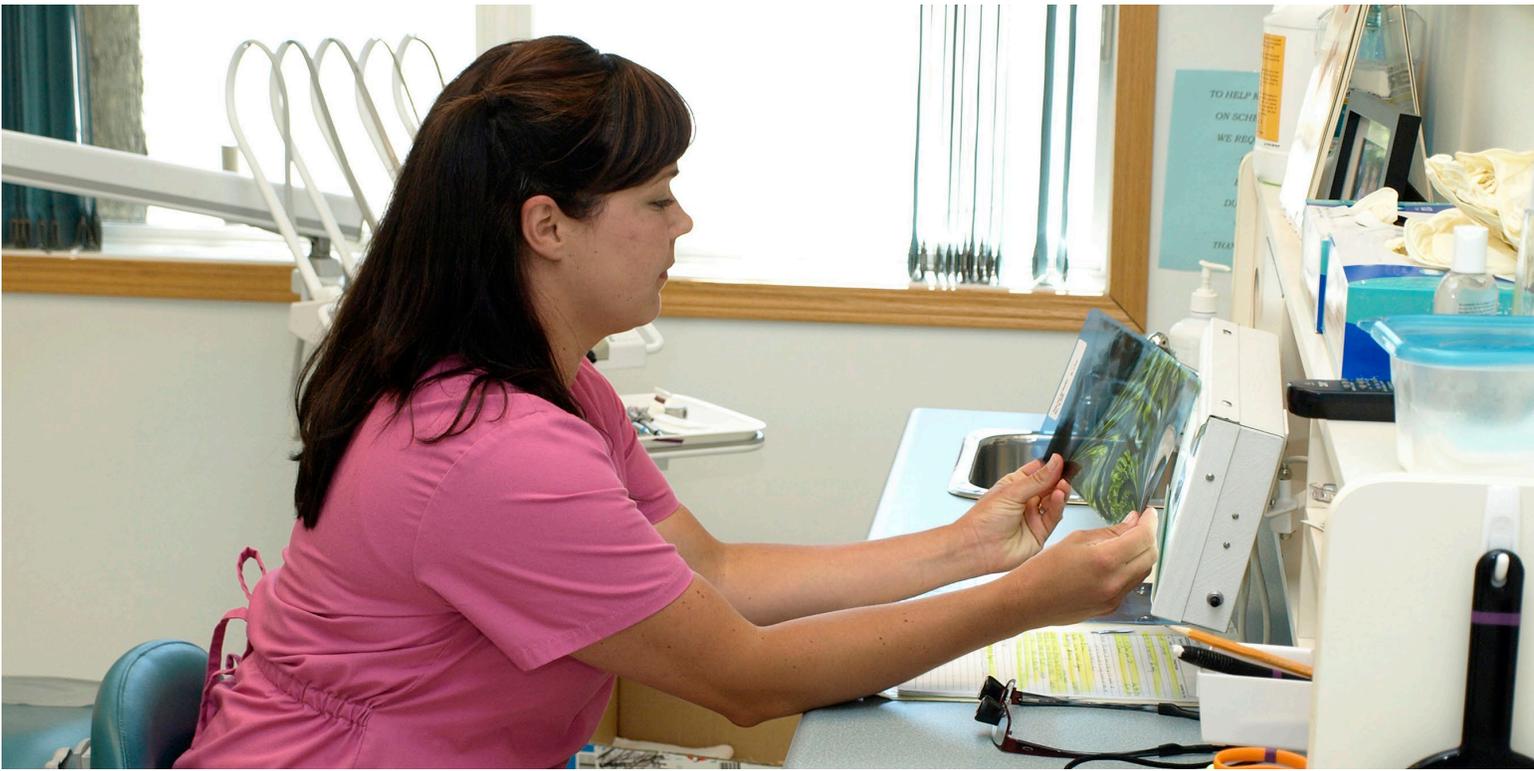
2019



MONTANA

Healthcare





CREATING A HEALTHY STATE

The healthcare industry is Montana's largest economic sector by employment. The growth in health care has been steady over the past decade and is expected to experience rapid job growth as Montana's aging population requires more healthcare services. The state saw considerable change in the healthcare industry in 2018, specifically in career development, as more Montanans begin to enter the healthcare field through non-traditional means.

Healthy Montanans typically work; that's why increasing access to health care strengthens our economy and communities. In 2015, Governor Steve Bullock signed into law the bi-partisan HELP Act, expanding Medicaid and providing health care for 95,000 Montanans. Medicaid expansion also includes the HELP-Link Program, connecting Medicaid enrollees with workforce training and employment services. HELP-Link has helped increase workforce participation among low-income Montanans by an amazing 6%, according to the University of Montana's Bureau of Business and Economic Research.

Montana's small businesses and local economy have benefited greatly from Medicaid expansion. It has generated \$350 million in personal income, introducing \$600 million into the state's economy. The program has provided valuable jobs and directly impacted rural hospitals. Currently, 57% of Montana businesses employ at least one worker covered by Medicaid, decreasing uncompensated care costs by nearly 45%.

"I think that it's time we finally fully recognized the value of Medicaid expansion is as much for Montana business as it is for the Montanans receiving health care."

- Governor Steve Bullock

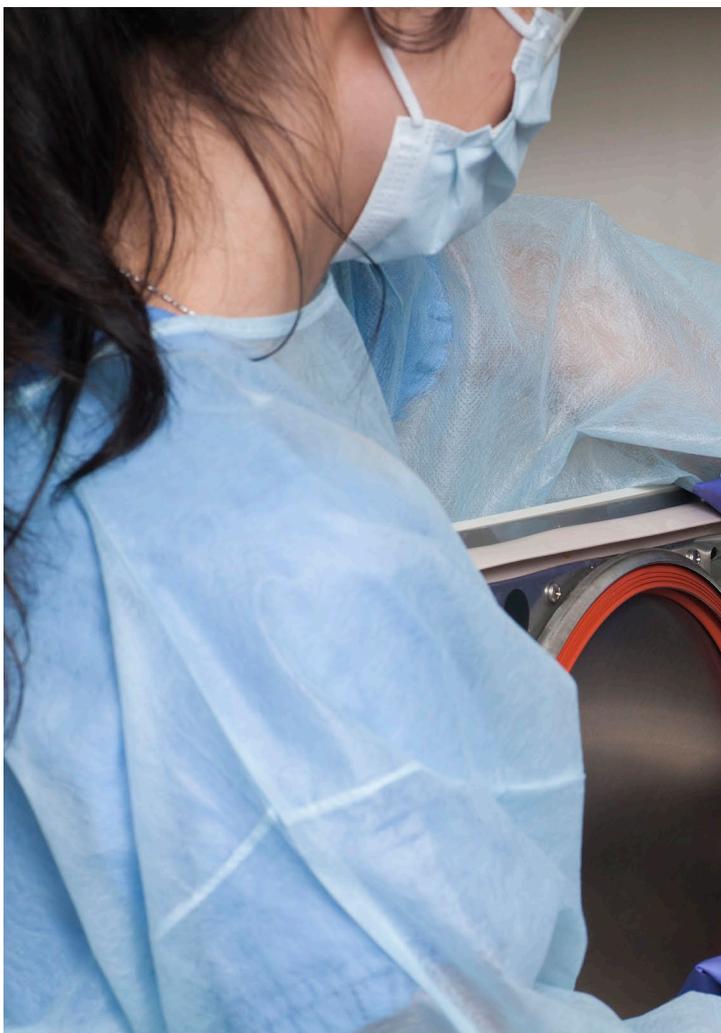
Source: Montana Department of Labor and Industry; University of Montana Bureau of Business and Economic Research

Montana's workforce training systems are racing to meet demand for healthcare workers by identifying and training workers in both college and non-collegiate paths. The HealthCARE Montana grant revised curriculum for nurses in order to reduce training times by a semester, saving tuition for workers and increasing worker availability for employers without any loss in quality, according to the Montana Department of Labor and Industry. Montana has implemented strategies to make healthcare worker training more affordable, accessible, and aligned with the needs of our economy.

Healthcare apprenticeships provide opportunities for many professions within this industry with a combination of on-the-job training and classroom time. Employers-through these apprenticeships-create a pipeline of skilled workers and effectively train them to specific industry standards faster and with

a lower hurdle to entrance. Other incumbent worker training programs have also become increasingly popular as employers and industry partners work to up-skill their existing labor force.

\$58 million saved in state spending | **\$600** million into the state's economy



MONTANA MEDICAID BENEFITS MONTANA'S OVERALL ECONOMY

Creating 6,000 jobs annually

Generating \$350 million in personal income

Infusing \$600 million into the state's economy

57% of Montana businesses employ at least one worker covered by medicaid

Keeping our rural hospitals open and decreasing uncompensated care costs by nearly 45%



2019



MONTANA

Outlook



WHAT'S TO COME

Montana's economy is strong, diverse, and built on solid fundamentals. With an international reputation for excellence, Montana's products and people are on good footing for continued growth. The state strives to be fiscally responsible and maintain a balanced budget, and boasts a conservative tax climate, allowing for an efficient and effective state government without undue burden on the state's citizens or businesses. Looking forward, this perspective is likely to continue to serve Montana well. The state is poised to execute on growth opportunities while remaining in a position to weather any national or global economic downturn.

Vulnerabilities of the state economy are primarily centered around workforce and the continued decline of rural areas. To the first point, each sector of the economy has challenges, but a few commonalities can be found across industries. The foremost of those is inadequate workforce quantity. While Montanans make excellent workers and while a majority of Montanans who graduate in Montana stay in Montana, there simply aren't enough workers to satisfy projected business demand. That leaves Montana businesses needing to recruit workers from outside the state. Some businesses are doing that with good success, but many more will have to start doing so to continue to grow.

With a state-wide unemployment rate around 3.7% as of the end of 2018, the state is below

Living in Montana is truly an inspiration for us, and it is clear that the Montana lifestyle creates dedicated, hard-working individuals. - Eric Siegfried, onXmaps

what most consider to be a fully employed population. To tackle this challenge head on, the state government is focused on moving young workers into the workforce faster and with less debt, as well as on up-skilling existing workers. The multitude of efforts underway in these areas are starting to bear fruit, but worker shortages are still projected. The lack of adequate workforce housing is also an issue that communities must look to solve in order to continue to attract talent. The solution is likely not in continuing to add single family detached homes for affordable prices. Rather,

communities should look to density and driving housing growth in their urban cores. Dozens of national studies have shown that younger workers are looking for amenity rich, low maintenance housing in walkable downtowns.

Rural places have not benefited from the growth seen since the Great Recession, now nearly ten years ago. The disproportionate growth seen in cities has exacerbated the issue of young people leaving rural economies for better opportunities elsewhere. This is a national challenge, and one that Montana is proud to be on the forefront of addressing as a priority area for state government.

Of note is that, as of the end of 2018, several economic indicators are pointing to a potential slowdown in the national economy. While rapid economic growth over the last 9 years has been very good for the U.S. as a whole, it seems likely that antagonistic and inflammatory trade policy combined with rising interest rates are likely to cause a significant slowdown, if not lead to recessionary conditions. If the country sees a recession, Montana is well prepared to weather it. Just as with the Great Recession, Montanans are resilient and more prepared than most. For its part, the state government operates on a fiscally responsible budget with a solid rainy-day fund, and an outstanding Aa1 bond rating as reaffirmed by Moody's in 2018.

Growth in Montana businesses is commonly based on revenue, not speculation, and as a result, is more sustainable and defensible.

The brightest points of Montana's economy are the rapid growth of tech and manufacturing businesses within the state. These sectors are booming and paying wages significantly higher than those the state has seen in the past. Continuing to support the ecosystem and business climate for these industries is of the utmost priority for economic developers in Montana.

It's not an exaggeration to attribute much of Montana's attractiveness, and therefore the growth of the state economy to the outdoor recreation assets that draw people in. While tourism, is an important piece of that, it's not the whole story. With more and more people choosing where to live first and then how to make money second, Montana has been able to cultivate an intentional population. Those people are doers, who are using their intelligence to create value for themselves and their communities. It is vital that both rural and urban



places continue to encourage entrepreneurs and create communities where people want to live, work, and play.

A focus on education and healthcare has allowed for an increase in degree and professional certification attainment by Montana's workforce. The state's international brand is extremely strong as well, creating demand for Montana made products, a strong flow of tourists, and relocation interest from businesses throughout the world. Overall, Montana's economy is robust and expanding. The Governor's Office of Economic Development is focused on cultivating that through measured, ecosystem-wide support and business recruitment.



3.7% state-wide unemployment rate

of Montanans will work in MT within 5 yrs of graduation

74%



