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2021



MONTANA NEXT GENERATION REPORT- UPDATE



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Page Three through the top of Page Eight are from the Original NEXTGEN report.

1. EXECUTIVE SUMMARY

Over the past 10 years, Montana has seen unprecedented population growth, driven by inbound migration as people from coast to coast seek out the outstanding quality of life that Montana offers. It is no surprise that Montana is growing. Alongside steady population growth, economic indicators show that Montana is performing well across a number of areas, from innovation funding to overall gross domestic product (GDP) growth.

However, despite solid economic performance, there is a sense that Montana could do more to leverage its many advantages and increase its share of job growth and corporate investment, especially in rural communities. The sense that the state is not keeping up is likely magnified by the relentless pace of disruption—to industry supply chains, to the labor force, and to social norms—that is being experienced by governments around the world. work, consume information, and interact with one another.

These prevailing trends will be exacerbated by the COVID-19 outbreak in 2020 and the associated economic upheavals. The public health and economic crises were unprecedented. At the time of publication, more than 42 million Americans were out of work. The University of Montana Bureau of Business and Economic Research estimated that Montana could face the loss of 75,000 jobs in 2020 and a shortfall in state personal income by \$6.4 billion.

KEY FINDINGS AND RECOMMENDATIONS

Based on the qualitative and quantitative analytical work completed as part of the conditions assessment, competitive analysis, and background research, four findings emerged as central drivers for the development of the final recommendations and strategies.

KEY FINDING 1



Expanding collaboration across economic and community development is more important than ever to improve the state's competitiveness.

In 2020, the world is experiencing an economic crisis that will impact every citizen, every county, and every city in Montana. The COVID-19 economic collapse will further strain the siloed economic and community development system that exists today and accelerate negative trends that the state has experienced over the past several decades. The current economic crisis provides an opportunity to reach consensus that could not have been reached before, especially between economic development and workforce development partners, and bring together leaders that have not participated in economic development efforts in the past. Recovery and resiliency will require new thinking, new investment, and new revenue sources that the state has historically not made. States that emerge from the economic crisis successfully will have done so because they have been bold and invested wisely.

KEY FINDING 2

The most impactful economic and community development programs and tools are driven by strategy.

Montana has seen steady economic growth over the past 20 years and has been more economically stable than its neighboring states. While it should be no surprise that Montana has a strong agriculture sector, including forestry products, diverse industry sectors are emerging across the state.

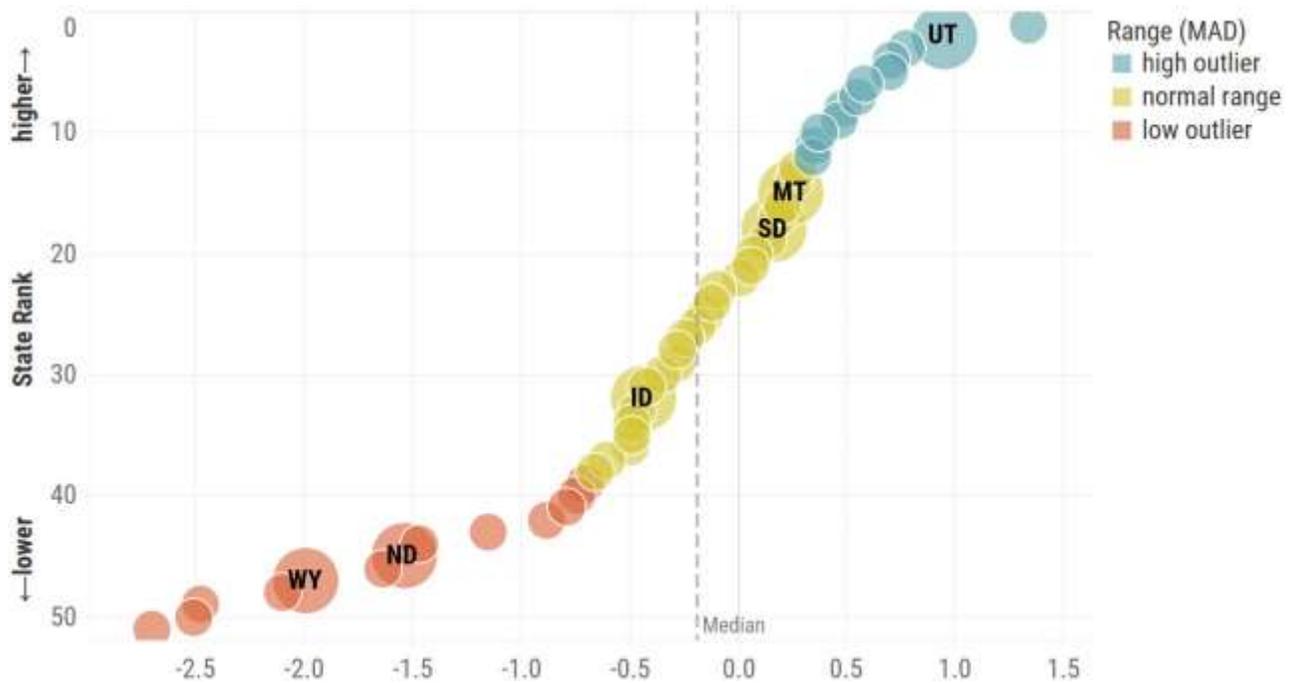
To drive that growth, Montana has the opportunity to deepen sector development with targeted strategies. This will help diversify Montana’s economy and also increase the state’s revenue. When comparing Montana to its competitor states, they have all identified target industry sectors, built strategies to support those sectors, and then developed tools and programs to support their growth. Montana needs to understand its goals and assets and then build the tools to support the strategies.

FIGURE 4. STATE COMPARISON INDICATORS: AGRICULTURE SECTOR

Indicator	Montana	Median for All States	Montana’s Rank		
			Low Outlier	Normal Range	High Outlier
Agriculture Sector Location Quotient (LQ), 2019	2.66	0.84			5
Farm Real Estate Average Value (\$ per acre), 2019	\$915	\$3,435	46		
State Government Expenditures for Agriculture-Related R&D (\$), FY 2018	\$3,309,628	\$1,578,308			14
SBIR/STTR Awards by the USDA (% of total awards), 2014-2018	3.6	1.1			10
SBIR/STTR Awards by the USDA (\$ millions), 2014-2018	\$2.25	\$1.80		19	

Note: Additional context and a definition of location quotient can be found in “3. Competitive Analysis.”

FIGURE 5. RISK-ADJUSTED ANNUAL REAL GDP GROWTH (PERCENT) 1997-2019



Sources: US Bureau of Economic Analysis; TIP Strategies, Inc.

Notes: Montana, its five competitor states, and the remainder of the US are plotted on a rank/value chart. States in a normal range fall one median absolute deviation (MAD) from the median of all states. States outside this range are displayed as high outlier and low outlier.

KEY FINDING 3

Infrastructure investments should be tailored toward innovation and remote workers.

Population growth in the state is driven by in-migration, largely due to Montana’s exceptional quality of life and relatively low cost of living. As talent remains a top consideration for businesses, this is a tremendous benefit to **existing** businesses and businesses considering expanding/relocating to Montana.

Additionally, Montana is a national leader in its percentage of remote workers. However, Montana needs to invest in the infrastructure to continue to attract talent and businesses, including remote workers. Not only will increased investments in broadband and 5G technology attract new development, it will also help Montana's existing businesses grow and innovate. Furthermore, the COVID-19 crisis has demonstrated the critical need for quality internet service to businesses, remote workers, students, and rural communities to access distance learning and telehealth.

FIGURE 6. STATE COMPARISON INDICATORS: WORKFORCE

Indicator	Montana	Median for All States	Montana's Rank		
			Low Outlier	Normal Range	High Outlier
Average Annual Employment Growth (%), 2001-2019	1.0	0.6			11
Employment Growth Volatility, 2001-2019	1.36	1.41		27	
Labor Force Participation Rate (%), 2018	63.6	63.8		28	
Working from Home (%), 2018	7.3	5.2			4

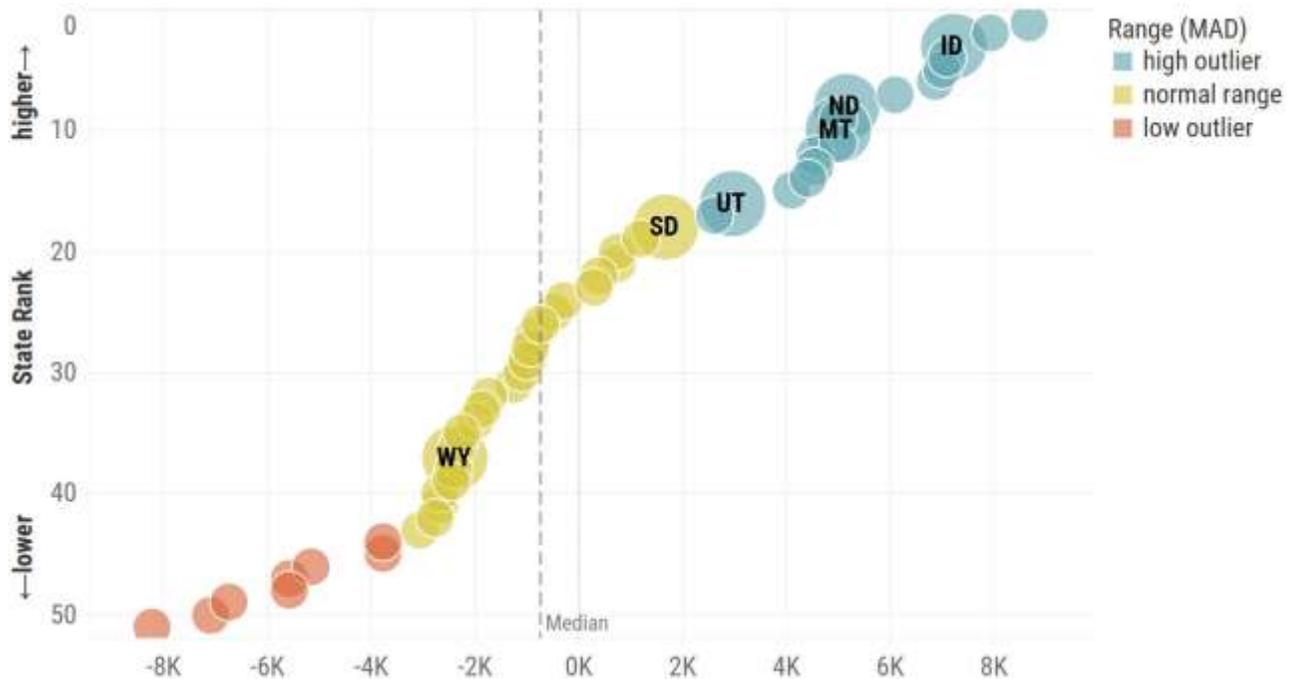
Note: Additional context can be found in "3. Competitive Analysis."

KEY FINDING 4

There is a high demand for community development and placemaking tools throughout the state.

Montana has taken a caretaker approach to economic and community development with an emphasis on protecting the status quo for the past two decades. But investments in placemaking, including downtown development, are vital to strengthening communities throughout the state, especially in rural areas. Population growth throughout the state is inconsistent; while some communities are growing rapidly, others are stagnating or declining. Investing in quality-of-life amenities that enhance livability and make communities attractive will help with talent attraction and retention. However, some of Montana's most significant community development and infrastructure funding mechanisms are funded through coal severance funds, which face potential future volatility. The state needs to remain vigilant to ensure the composition of state revenues are as stable as possible and to ensure that state funding for vital infrastructure, economic development, and community development programs remains stable.

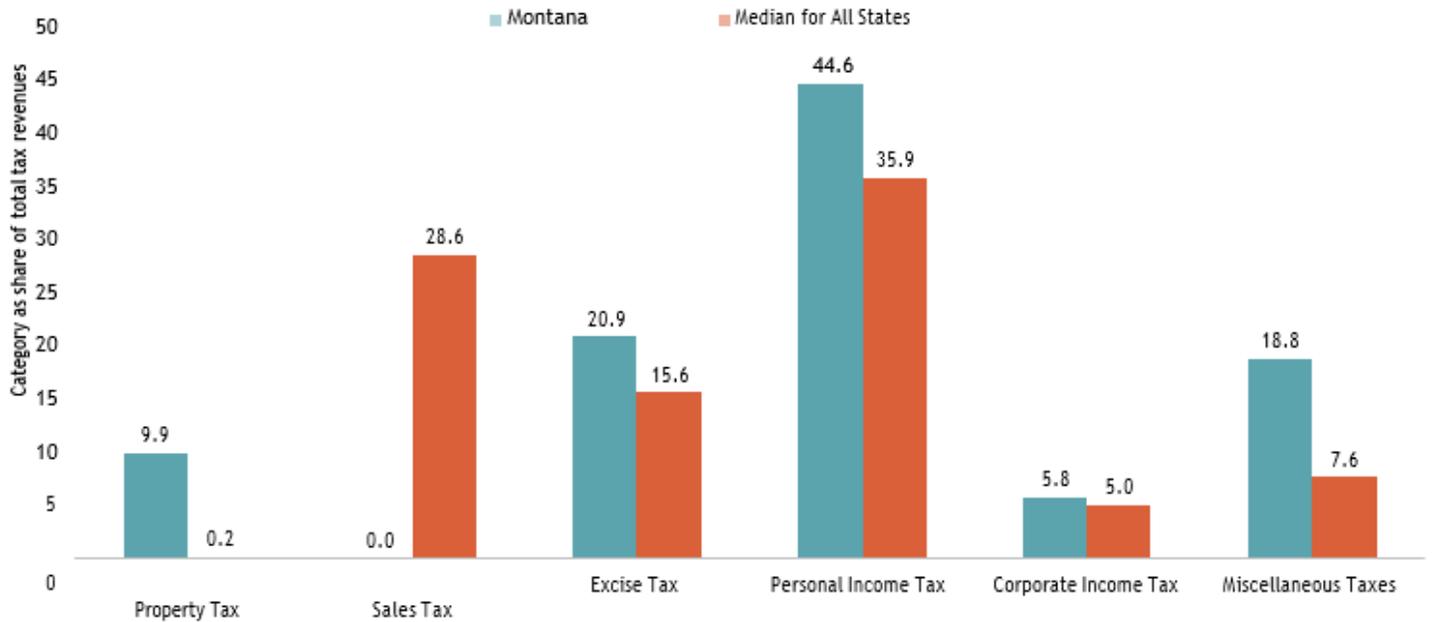
FIGURE 7. DOMESTIC MIGRATION (PER 100,000 RESIDENTS), 2010-2019



Sources: US Census Bureau, Population Estimates; TIP Strategies, Inc.

Notes: States in a normal range fall one median absolute deviation (MAD) from the median of all states. States outside this range are displayed as high outlier and low outlier. The total domestic migration into or out of a state is between the 1 April 2010 decennial census and the 1 July 2019 state population estimate. The numbers are shown as a rate per 100,000 state residents. Domestic migration reflects movements between US states and does not count immigration to (or emigration from) the US.

FIGURE 8. SHARE OF STATE TAX COLLECTIONS BY CATEGORY BY MAJOR CATEGORY



Source: TIP analysis of economic and demographic indicators across 50 states and the District of Columbia.

Notes: States in a normal range fall one median absolute deviation (MAD) from the median of all states.

Over the course of the six-month project engagement, a clear theme emerged about the need for Montana to become more competitive and make investments in the future of the state. Although there are no shortages of opportunities for Montana, it is clear that more could be done to leverage the state's assets and amenities. Based on the findings from the conditions assessment and the competitiveness analysis, combined with extensive stakeholder outreach across the state, three areas emerged as primary focus areas for Montana to improve its economic and community development competitiveness.

► **MODERNIZE MONTANA'S PROGRAMS AND TOOLS** focuses on developing strategies to strengthen industry sectors, growing the state's workforce, and increasing economic development capacity.

► **INVEST IN MONTANANS THROUGH ENTREPRENEURSHIP AND TRAINING** outlines strategies to strengthen the workforce and innovation ecosystem.

► **UPGRADE MONTANA'S ECONOMIC AND COMMUNITY STRUCTURES** highlights strategies about infrastructure, placemaking, and quality of life to ensure Montana's communities remain vibrant.

FIGURE 9. FRAMEWORK FOR BUILDING A COMPETITIVE MONTANA



3. RECOMMENDATIONS

Based on the findings from the conditions assessment and the competitiveness analysis, three areas of focus emerged for Montana to improve its economic development competitiveness. The first area, “Modernize Montana’s Programs and Tools,” focuses on developing strategies to strengthen industry sectors, growing the state’s workforce, and increasing economic development capacity. The second area, “Invest in Montanans through Entrepreneurship and Training,” emphasizes strategies to strengthen the workforce and innovation ecosystem. The third area, “Upgrade Montana’s Economic and Community Structures,” highlights strategies about infrastructure, placemaking, and quality of life to ensure Montana’s communities remain vibrant.

These three areas support the common theme of this analysis, which is the need to build a more competitive Montana. A more competitive Montana means a state that is resilient and thriving and a place where residents maintain a high quality of life. Given the uncertainty about the extent of the economic recovery after the COVID-19 crisis, the following recommendations are designed to be adaptable and implemented over the course of approximately 6 years, with a focus first on economic stabilization (short-term), economic recovery (mid-term), and economic resilience (long-term). The Next Generation Implementation Strategy, which was delivered separately, will be an essential tool to organize partners and track strategy execution. For these recommendations to be implemented successfully, a strong coalition will be required to support and champion efforts as the plan moves forward. Guidance on next steps to forming the coalition are outlined in the “5. Montana Next Generation Coalition” section.

1. MODERNIZE

Modernize Montana’s programs and tools.

1.1. Establish specific strategies to target emerging industry clusters for growth and expansion beyond tourism, such as agriculture, forestry & wood products, advanced manufacturing, technology, and energy.

- 1.1.1. Establish industry task forces with public and private partners to analyze the industry data and trends; identify Montana’s competitive advantages; create a workforce strategy, potential target incentives, site readiness initiatives, and promotional materials. Identify key performance indicators (KPIs) and metrics to evaluate the program’s effectiveness.

Update: 6/2021: Significant progress has been accomplished on this recommendation since the NEXTGEN report was published in August 2020 including the establishment of several working groups. Based, in part, on NEXTGEN report recommendations the following working groups/committees were formed: Value-Added Agriculture, Broadband, and Workforce along with the Remote Working Group which started in 2019.

See the NEXTGEN REPORT UPDATE SUPPLEMENT for materials from these groups including:

- Mission, Goal and Policy Statements
- Analysis of industry data and trends
- Assessment of Montana’s competitive advantages
- Creation of a workforce strategy, potential target incentives, site readiness initiatives, and promotional materials
- Identification of key performance indicators (KPIs) and metrics to evaluate the program’s effectiveness



Modernize Montana's programs and tools - Continued.

- I.1.2. Build on value-added agricultural production efforts in the state to expand partnerships between the Montana Food and Agricultural Development Centers, the private sector, and agricultural industry groups.

Update: 6/2021: The recently formed Value-Added Ag Group meetings are accomplishing this goal by bringing together many of the partners. Already, the group has had significant accomplishments including:

- A MEDA-adopted definition for Value-Added Ag
- A Mission for the group and a list of goals
- Development of messaging that communicate the barriers or impediments to value-added to the target audiences and the creation of a draft fact sheet.

See the NEXTGEN REPORT UPDATE - SUPPLEMENT for more materials on the great work of the Value-Added Ag Group.

Legislation: A number of legislative bills were passed during the 2021 session that relate to value-added agriculture including: HB 142 - Hemp, HB 660 - Funding for Made in MT Program, HB 681 - Agricultural Transportation Enhancement Account for Port Authorities, SB 199 - MT Local Food Choice Act, SB 288 - Property exemption for agricultural processing facilities, HB 688 - Study Winemaking Regulations.

Resiliency Grant Program: Using \$50 million in funding from the American Rescue Plan Act (ARPA), the Montana Department of Agriculture has launched a three-tiered grant program. This program targets four Montana agricultural production areas:

- Expanding production and distribution of locally marketed Montana crops and livestock,
- Adding process capacity to add value to and finish more raw agricultural goods,
- On-farm storage to help producers weather market volatility, and
- Investing in major supply chain infrastructure for agricultural commodities.

Information about the MT Resiliency Grant Program is available on the Department's website agr.mt.gov.

- I.1.1. Analyze vertical supply chains for major industries in the state to identify near and reshoring targets that surface from the COVID- 19 economic crisis recovery.

Update: 6/2021: The Research teams at both the MT Department of Labor and at Commerce are both engaged in reviewing the post-pandemic economy. The economists at Labor are providing regular updates through reports, dashboards, and townhall meetings on the impacts of COVID-19 on the workforce and the state's GDP. The economists at Commerce have focused on the impacts on the tourism sector. This recommendation could be discussed with both groups on next steps to identify impacted vertical supply sectors.

Additionally, the Department of Commerce RIS Bureau has partnered with the CRDCs to create a platform to highlight local economic investment opportunities. As part of this effort, Commerce is working towards purchasing a one-year subscription to Opportunity Exchange which will allow investors to see economic investment opportunities across the state. The goal is to assist in the recovery efforts across the state including key supply sectors.



Modernize Montana's programs and tools - Continued.

I.2. Establish a statewide talent recruitment and retention program.

- I.2.1. Form a task force of public and private partners from across the state to spearhead the initiative, develop a strategy, and explore funding mechanisms. Ensure both rural and urban communities have representation on the task force.

Update: 6/2021: The MEDA NEXTGEN Workforce Committee was formed in late December 2020 and includes members from across Montana. See the NEXTGEN REPORT UPDATE for more materials on the great work on the Workforce Committee.

Additionally, the MEDA legislative committee also tackled strategy and funding for workforce supporting key legislation.

Workforce recruitment and retention legislation that became law includes:

- **HB 246** authorizes elected school boards to expand partnerships with work-based learning partners and grant equivalent credit for time spent by a pupil participating in on-the-job experiences with a work-based learning partner to allow experienced tradespeople to teach.
- **HB 252** which creates a non-refundable employer tax credit for employer-paid trades education. The employer pays for an employee to get trade/technical training and can receive a tax credit for 50% of the cost, up to \$2,000 per employee with a cap of \$25,000 per business. It can even cover a week of continuing education for product-specific training. There is a list of 26 trades that can use this credit.
- **HB 282** revises labor laws relating to the employment of minors. It creates the definition of a "student employee" to allow students 16 years of age or older to work under the direct or close supervision of an experienced person in jobs that were previously off limits to minors.
- **HB 629** provides for job creation tax credits for businesses that increase their employee count by 10 in the first year and 15 in the second year for job positions that pay at least \$50,000 per year and are in the sectors of construction, natural resources, mining, agriculture, forestry, manufacturing, transportation, utilities or outdoor recreation. For counties with populations of less than 20,000 the job growth requirement is five the first year and seven the second year.



Modernize Montana's programs and tools - Continued.

- I.1.1. Leverage Travel Montana Now's compelling tourism marketing and advertising campaign for talent recruitment.

Update: 6/2021: On June 4, 2021, Director Scott Osterman of Commerce announced the launch of the Come Home Montana program. The program will deploy a variety of advertising communication and grassroots efforts to reach former Montanans now living out-of-state with compelling reasons to move back to Montana. Hoffman York, the company contracted to manage tourism advertising for Montana is handling the campaign.

- I.1.2. Explore talent recruitment and retention incentives, especially for remote workers.

Update: 6/2021: Remote Workers: Since its start in 2019, the MEDA Remote Working Committee has accomplished a tremendous amount.

Among the **Remote Working Committee's** many successes:

- Offering a [Remote Worker Certificate](#) through a partnership with the Rural Online Initiative (ROI) partnership with MSU Extension
- [Remote Workforce Toolkit](#), Montana Department of Labor & Industry
- White Paper on [Advancing Remote Work in Montana](#)

See the NEXTGEN REPORT UPDATE for more materials on the great work on the Remote Workforce Committee.

Worker Recruitment and Retention: The NEXTGEN Workforce Committee, formed in December 2020, is focusing on worker recruitment and retention. Among the group's draft policy goals is to centralize statewide workforce development programs under a single vision and brand to create greater efficiencies and establish stronger connections to better serve industry and job seekers.

See the [NEXTGEN REPORT UPDATE- SUPPLEMENT](#) for more materials on the great work on the NEXTGEN Workforce Committee.

- I.2. Ensure the state's economic development programs and tools are up to date and position the state to be competitive and meet industry needs.

- I.2.1. Reevaluate the Big Sky Economic Development Trust Fund (BSTF) to incorporate alternative decision criteria and metrics beyond job creation/growth. New consideration should include increased wages, community resiliency, and other extenuating factors that make a project compelling.

Update: 6/2021: BSTF operates off the interest earnings from the Big Sky Economic Development (BSED) Fund within the Coal Severance Tax Trust Fund. As of June 2020, the permanent BSED fund had a balance of \$116,745,560. Due to low interest rates, the program has seen a reduction in interest earnings. In comparing this year's interest earnings to last year, a reduction of approximately \$75,000 in earnings is anticipated. Planned grant funding for the coming year is estimated at \$2.7 million in total - \$2 million for job creation and \$700,000 for planning grants. The exact amount will not be known until the end of FY 2022.

Modernize Montana's programs and tools - Continued.

During the 2021 session, the legislature approved \$700,000 in transfers each year of the biennium from the BSTF Program for a Taiwan Office and for Business Recruitment positions at the MT Department of Commerce.

Additionally, HB678 added language that eligible uses of BSTF funds was expanded to include "other economic development purposes."

BSTF awards grants for the following economic development planning activities:

- Support for business improvement districts
- Central business district redevelopment
- Industrial development
- Feasibility studies
- Creation and maintenance of baseline community profiles
- Matching funds for federal funds
- Preproduction costs for film or media
- Administrative expenses



The BSTF Criteria is governed by Montana Statute (MCA 90-1-202) which states the purpose of the fund as:

- a) Creating good-paying jobs for Montana residents
- b) Promote long-term stable economic development organizations
- c) Encourage local economic development organizations
- d) Create partnerships between the state, local governments, tribal governments, and local economic development organizations that are interested in pursuing these same economic development goals
- e) Retain or expand existing businesses
- f) Provide a better life for future generations through greater economic growth and prosperity in Montana
- g) Encourage workforce development, including workforce training and job creation, in high-poverty counties by providing targeted assistance

Following is the current criteria used by BSTF in evaluating proposals:

- **The availability of the funding**
- **The number of quality jobs being proposed** (for job creation projects). Examples: Does the proposed wage meet or exceed the County Average Wage? Do the proposed wages include or exclude benefits?
- **The location of the project.** Examples: Is the project located in a high poverty county? Has the applicant been a previous BSTF awardee?
- **The quality of the proposal.** Examples: Are all the required questions sufficiently answered? If benefits are being proposed, does the hourly equivalent seem reasonable?
- **Program requirements are met.** Examples: If benefits are being proposed was the Benefit Certification provided? Did the Assisted Business provide a letter of commitment for both the match and jobs? Were 24 months of financial information, both historical and projections, provided? Do the provided financial statements tie together?

Modernize Montana's programs and tools - Continued.

Following are the Current BSTF Metrics:

- Total Number of businesses assisted
- Total Number of Job Creation Funds awarded
- Total Number of proposed Jobs to be created
- Total Number of leverage funds proposed



- I.2.2.** Host a panel of site selectors to share their impressions of Montana's tools and gather their insights on current trends in economic development.
- ▶ Encourage audiences beyond economic developers to attend, including legislators, workforce development leaders, and private sector partners.

Update: 6/2021: The Governor's Office is currently working with the Montana Department of Commerce (Research and Information Services Bureau - RIS) and Department of Administration (State Information Technology Services Division - SITSD) to rejuvenate the site selector tool. The plan is to include Montana commercial real estate data (LoopNet) and residential real estate data (MSL) streams into the site.

RIS is also creating a companion website to complement the site selector including key demographic, economic, and geographic information. Additionally, Commerce has three business recruitment positions (West Coast, Central US, International) which will work to bring businesses to Montana. The West Coast business recruiter, Frederick Van Den Abbeel, started May 2021.

Convening a site selector panel to critique the site selector tool once it is restored could be a great way to move this recommendation forward.

- I.2.3.** Tailor incentives to align with target industry strategies; ensure incentives have thoughtful KPIs and metrics to measure impact.

Update: 6/2021: The Commerce RIS Bureau prepared a Select Tax Incentives and Financial Assistant Programs for Business Development brochure as a handout for interested companies (a copy is included in the NEXTGEN REPORT UPDATE- SUPPLEMENT).

- I.2.4.** Realign current incentives to factor in property and payroll tax relief.

Update: 6/2021: Governor Gianforte and the 67th Legislature passed several bills providing property and payroll tax relief.

Property Tax:

- **HB 191:** provided an expansion of the property-tax credit for elderly, low-income homeowners by doubling the household income deduction from gross income.
- **HB 303:** provides an expansion of the amount of business equipment exempt from property taxes increasing the threshold from \$100,000 to \$300,000.
- **HB 663:** uses marijuana tax proceeds to increase the Guaranteed Tax Base (GTB) for schools. This change will result in property taxes levied to support local schools being reduced by more than \$10 million statewide.

Modernize Montana's programs and tools - Continued.

Payroll / Business Income Taxes:

- SB 159 cuts include a reduction of the state's top income-tax rate from 6.9 percent to 6.75 percent this year.

I.3. Expand the capacity of local economic development efforts, including Certified Regional Development Corporations and other local economic development organizations.

I.3.1. Advocate for a multiyear funding request for Certified Regional Development Corporations.

Update: 6/2021: Final funding for the CRDCs for FY 2022 is \$ 625,000 and for FY 2023 is \$625,000. This is a change of \$0.

The Department of Commerce RIS Bureau has partnered with the CRDCs to create a platform to highlight local investment opportunities. As part of this effort, Commerce is working on purchasing a one-year subscription to [Opportunity Exchange](#).

I.3.2. Expand funding options for non-Certified Regional Development Corporations, such as a competitive grant program for economic development organizations.

Update: 6/2021: The MEDA board sent a [letter](#) to the Director of Commerce Scott Osterman and the Director of Natural Resources Mike Foster urging their consideration of using ARPA funding for a revolving loan and grant funds for economic transformation and stabilization. The Board offered the Network of MEDA members (SBDC, CRDC, MMEC, MCDC, MWTC, Local Development organizations, etc.) as the best vehicle to deliver access to the funding across all of Montana.

I.4. Bring the Governor's Office of Economic Development's business recruitment function into the Department of Commerce to align program administration and proactive outreach efforts. Economic policy development and special project functions would remain in the GOED.

Update: 6/2021: The first business recruiter, Frederick Van Den Abbeel started May 2021 and is focusing on recruiting West Coast businesses. Two more business recruitment positions have been advertised - one for the Central U.S. and another for International companies.

2. INVEST

Invest in Montanans through entrepreneurship and training.

- 2.1. Convene and coordinate the economic development, workforce, and talent development organizations across the state for greater effectiveness.

NEXT STEPS

- 2.1.1. Align economic development and workforce development partners with the recently approved state of Montana WIOA Combined State Plan developed and led by the Montana State Workforce Innovation Board (SWIB).

Update: 6/2021: The NEXTGEN Workforce committee has been working with Shannon Lewis, who staffs the [SWIB Board](#) on aligning the MEDA NEXTGEN Workforce Committee's work with the SWIB. Shannon has also joined as a member of the NEXTGEN Workforce Committee.

- 2.1.2. Require a workforce representation on the MEDA Board of Directors and a member of the Montana Nonprofit Association.

Update: 6/2021: Currently, the MEDA board includes 33 members, which includes representation from all aspects of the Montana's economic development sector. To date, the Board has not yet formally required these two member positions.

- 2.1.3. Centralize statewide workforce development and economic development programs under a single vision and brand.

Update: 6/2021: One of the draft policy statements for the NEXTGEN Workforce Committee is to create a "central hub" to convene and coordinate the economic development, workforce, and talent development organizations across the state for greater effectiveness. Develop metrics and a feedback mechanism to evaluate the effectiveness of programs. The hub should be focused on effective communication of what programs are available in Montana, and on creating opportunities for industry feedback and collaboration. Identify and prioritize growth sectors, the skills needed now and in the next three to five years, and the expected impact of broader industry changes." See the NEXTGEN REPORT UPDATE- SUPPLEMENT for more details.



- 2.1.4. Develop a single application for workforce grants and streamline the administrative process from application through reporting.

Update: 6/2021: The Workforce Committee in partnership with the Departments of Commerce and Labor work to establish a hub and look for efficiencies.

The Department of Commerce's Primary Sector Workforce Training Grant (WTG) Program is a state-funded program that provides grant funds to primary sector businesses for training of new full-time and part-time jobs. The maximum grant award is up to \$5,000 for each new full-time job and \$2,500 for each new part-time job. Full-time is defined as a predominantly year-round job requiring an average of 35 hours of work each week.

Invest in Montanans through entrepreneurship and training- Continued.

Currently, the Department of Labor administers approximately 23 programs designed to support worker training initiatives.

- 2.1.5. Hold an annual economic development and workforce summit as part of the MEDA or the SWIB conference to drive collaboration initiatives.

Update: 6/2021: The NEXTGEN Workforce committee will work with the other MEDA committees and the SWIB on this recommendation in the coming year.

- 2.2. Expand immediate access to business and seed funding, especially in rural and tribal communities where traditional financing is limited. Leverage the Montana Board of Investments and the Big Sky Economic Development Trust Fund principal balance.

NEXT STEPS

- 2.2.1. Form a task force that is knowledgeable about state-level funding mechanisms that can serve in an advisory and advocacy capacity. In addition to access to capital issues, this group could also advise on other funding issues, such as those included in next steps 1.3.1 and 3.2.2.

Update: 6/2021: MEDA has formed a Capitol Committee specifically related to the ARPA funds currently available.

- 2.3. Recognize and support the engines of innovation throughout Montana

NEXT STEPS

- 2.3.1. Strengthen the partnerships between the tech community, including specialty industry groups, and the economic development community.

► Coordinate legislative requests and consider preparing a joint legislative agenda.

Update: 6/2021: The MEDA Legislative Committee, capably chaired by Rick Edwards, worked throughout the 2021 session with partners across the economic development community. The committee membership includes all MEDA board members including Ex-Officio members, MEDA “active” MEDA members who request to serve on the Committee, balanced political party representation, state agency representatives, and Legislators who serve as Ex Officio information experts to the Committee.



Invest in Montanans through entrepreneurship and training- Continued.

For the 67th Legislative Session, the MEDA Legislative Committee focused on the following priorities.

- Diversification and Innovation
- Economic Development Infrastructure
- Entrepreneurial Development and Small Business Enhancement
- Improve Competitiveness, Regionally and Nationally
- Livability and Main Street Revitalization
- Partnership Development
- Talent Attraction
- Tribal, Rural, and Urban Diversity
- Workforce Development

As mentioned throughout this update, many of the bills supported by the committee's efforts were passed during the session. The committee is continuing to meet regularly.

2.3.2. Support legislation that encourages venture capital investments in Montana-based companies.

Update: 6/2021: The MEDA Legislative Committee supported Representative Jim Hamilton's HB 650 investment venture capital although it did not pass during the 2021 session. HB 650 would have established income and venture capital tax credits for investing in and operating a qualifying in-state businesses engaged in innovation in certain industry sectors.

2.3.3. Champion the world-class research that is taking place at Montana's universities, which make significant contributions to the future of the state's economy.

Update: 6/2021: The Montana University System (MUS) institutions conduct more than [\\$250 million in externally funded research annually](#) that not only presses forward important boundaries of scientific understanding but is also vital to the growth of innovative companies and high-paying jobs in Montana.

Additionally, the Department of Labor's Research and Analysis Bureau has been working for several years in partnership with MUS to track college students success and support graduates with related job-training. [Read the Montana College Report](#) for more information.

2.4. Leverage the role that small business development centers (SBDCs) have in the development and support of entrepreneurs and small businesses throughout the state.

NEXT STEPS

2.4.1. Advocate for additional funding for SBDCs.

Update: 6/2021: As mentioned above, the MEDA board sent a letter to the Director of Commerce Scott Osterman and the Director of Natural Resources Mike Foster which highlighted the SBDCs as an ideal vehicle for the delivery of the ARPA funds.

2.4.2. Encourage and deepen relationships with community partners, such as libraries, to deliver small business services. SBDCs should provide training to community partners to ensure seamless delivery between SBDC and community services.

Invest in Montanans through entrepreneurship and training- Continued.

Update: 6/2021: Community partner outreach and education is something the SBDCs are constantly working on through our regional centers.

The newly redesigned SBDC Website offers a fantastic resource to anyone looking for business services.



The SBDC Facebook page is also a key channel for community outreach.



Additionally, members of the Helena SBDC Helena office meet monthly with SBA, U.S. Trade Office, and Commerce Business Assistance and Research Bureau staff to coordinate efforts and find areas for collaboration.

Invest in Montanans through entrepreneurship and training- Continued.

2.5. Bring together public sector and private sector partners to address shortages in high-quality daycare and preschool facilities throughout the state.

2.5.1. Form a statewide task force that brings together all partners, including the private sector, working to address childcare shortages.

Update: 6/2021: The NEXTGEN Workforce Committee

During the 2021 session, the Legislature passed House Bill 624 which would create a childcare task force with members representing different sectors of the state's business community. This bill was vetoed by Governor Gianforte, but an override is currently underway. In addition, Montana Department of Public Health and Human Services Director Adam Meier said in an [interview](#) that the volume of federal money will give the state a chance to make a real dent in childcare shortages even without committing to an ongoing childcare program. "This is one-time money, but it's a significant amount of money," Meier said. "There's a number of things we can invest in in a one-time sense that are sustainable, and long-lasting." Noting that state officials are still waiting on formal guidance from federal agencies about what specifically they'll be able to do with the stimulus money, Meier said the money could be used to help childcare providers upgrade facilities or to provide workforce training that helps would-be daycare operators develop the business skills they need to manage administrative operations.

Meier also said HB 624's proposed business task force would have been duplicative with the state's existing early childhood advisory council, as well as the separate commission created by the Legislature to work out the details of the health-related stimulus spending.

2.5.2. Identify and inventory current efforts underway across the state on this issue (e.g., the Havre cooperative feasibility study).

Update: 6/2021:

A report entitled "[Impacts of Child Care on the Montana Workforce](#)" published by the Montana Department of Labor & Industry and the Federal Reserve Bank of Minneapolis late last year estimated there are 44,000 Montana kids under the age of 6 who live in households where all adults are in the labor force. As of September 2020, the report said, Montana had 21,000 slots available in licensed childcare providers – enough to meet less than half that need.

2.5.3. Explore programs and incentives to encourage the development of new childcare facilities.

Update: 6/2021: One of the draft policy statements for the NEXTGEN Workforce Committee is to "explore programs and incentives to encourage the development of new high-quality childcare facilities." See the NEXTGEN REPORT UPDATE- SUPPLEMENT for more information.

2.5.4. Evaluate permitting requirements to identify any barriers to entry for new facilities.

Update: 6/2021: In the 2021 Session, SB142 increased the statutory limits in MCA 52-2-703 for a family day-care home from 3-6 to 3-8 children and for group day-care facilities from 7-12 to 9-15 children.

3. UPGRADE

Upgrade Montana's economic and community structures.

3.1. Encourage Montana to develop a bold strategy for broadband and 5G deployment statewide.

3.1.1. Identify and inventory the partners and programs currently underway to improve broadband and 5G in Montana.

Update: 6/2021: The 2021 Legislature passed and Governor Gianforte signed [SB297](#) creating the ConnectMT Act. The Department of Commerce is responsible for establishing and administering the broadband infrastructure deployment program and is responsible for receiving and reviewing responsive proposals and awarding contracts. Before awarding any contracts, they must be reviewed by the Communications Advisory Commission created by HB632 to oversee Montana's American Rescue Plan Act dollars. The Governor must also approve any proposal recommended for funding by the Department. The Communications Commission's first meeting must be held by June 11th as required by law and future meetings will be noticed on this website. Commission members are anticipated to be announced before the first meeting.



3.1.2. Consider establishing a Montana-specific mapping effort instead of using the FCC's cellular Wi-Fi map, which does not always adequately represent coverage.

Update: 6/2021: Commerce is currently gathering mapping information in coordination with the State Library and other providers. Working with the Commission and the Governor's Office, Commerce will develop the open process for submission of proposals for funding required in SB297. Eligible providers may be awarded funding for projects in unserved, underserved or frontier areas. The Department is also in the process of hiring broadband deployment experts to staff the Broadband Task Force within Commerce. Please check back for more information as those jobs are posted on the State's recruitment website.

Upgrade Montana's economic and community structures – Continued.

3.1.3. Identify goals and key performance indicators (KPIs) to measure progress.

Update: 6/2021: The \$1.9 trillion American Rescue Plan Act that went into effect March 11, 2021 dedicates \$100 billion nation-wide for broadband expansion to be completed by 2025. The Montana Department of Commerce has released the Montana Broadband Deployment Task Force Proposal that lays out a \$350 million-dollar effort to be managed by the state hiring about 35 employees. The goal is to expand Montana broadband with a minimum performance goal of 100 download/100 upload Mbps.

3.1.4. Prioritize shovel-ready sites with broadband to leverage federal funding mechanisms.

Update: 6/2021: Once the MT Broadband Deployment Task Force begins its work, it will be important to relay this recommendation to the team.

3.2. Require state leaders to remain vigilant to ensure the composition of state revenues are as stable as possible and, thus, that state funding for vital infrastructure, economic development, and community development programs remains stable

Update: 6/2021: The 2019 Legislature passed HB 715 provided for a financial modernization and risk analysis study and a long-term budget stabilization study. The bill also transferred funds into a budget stabilization reserve fund. The Legislative Fiscal staff produced a [timeline](#) and a website (<https://leg.mt.gov/lfd/financial-modernization-risk-analysis-study-committee/>) for this study.

3.2.1. Support ongoing efforts by the Montana Infrastructure Coalition to address state and local infrastructure needs.

- Support the Montana Chamber of Commerce, the Montana League of Cities and Towns, and the annual Montana Infrastructure Coalition United for Infrastructure.

Update: 6/2021: MEDA is a voting member of the Montana Infrastructure Coalition (MIC) as are the CRDCs. MEDA enjoys a strong partnership with MIC; MIC plays a leadership role in serving as the voice for infrastructure projects and funding <http://mtinfrastructure.org/>.

With the release of American Rescue Plan Act funding (ARPA), MEDA will work with MIC and the other key partners in supporting key projects to the Infrastructure and other ARPA Advisory Commissions.



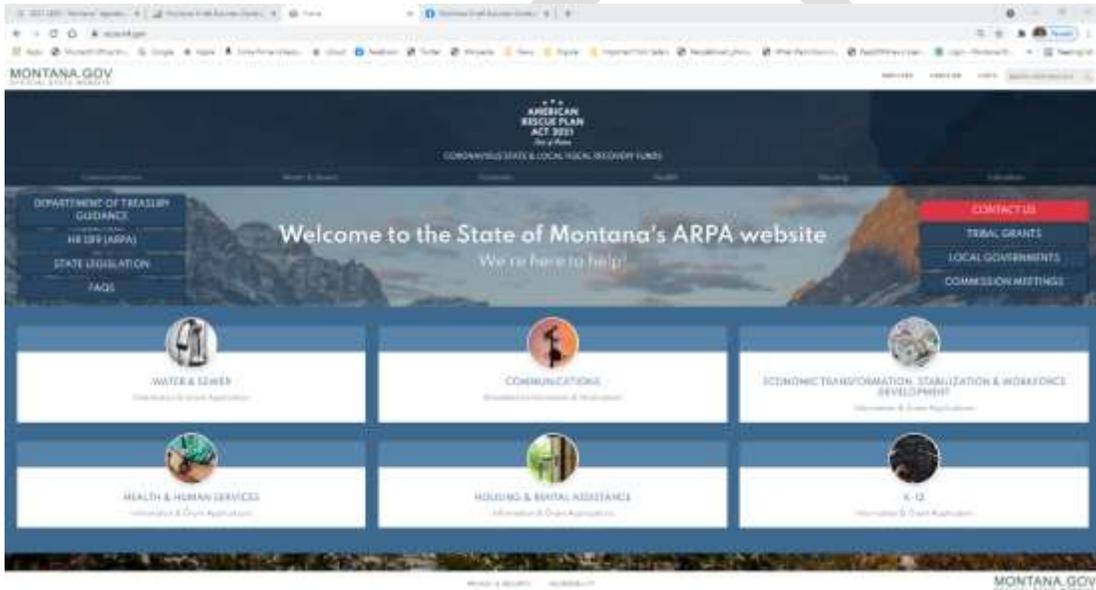
Upgrade Montana's economic and community structures – Continued.

- 3.2.2.** Consider a local option sales tax for economic and community development, allowing for local municipal funding for economic development investments.

Update: 6/2021: The Montana Legislature has considered various local option taxes in past sessions. In the 2021 Session, HB 187 would have provided for a local option sales tax however the bill did not advance.

- 3.2.3.** Identify potential unique dedicated revenue sources for state economic development programs.

Update: 6/2021: The passage of the American Rescue Plan Act (ARPA) has provided a unique source of revenue for economic development which provides the use of \$150 million for economic transformation and stabilization and workforce development. The following website provides information on all the efforts related to the ARPA funds <https://arpa.mt.gov/>



- 3.3.** Leverage federal programs for economic development, including Opportunity Zones, with local tools, such as tax increment financing, to advance economic development projects.

- 3.3.1.** Provide technical assistance to local economic development organizations, especially in small and rural communities, to help prepare for future funding opportunities.

Update: 6/2021: One of the key strengths of MEDA is its ongoing education and communication of technical assistance - not just to local economic development organizations but to economic developers in all sectors of the Montana economy. Current resources can be found on the following website <https://www.medamembers.org/resources/business-resources>.

The upcoming MEDA Spring meeting will provide an opportunity for members to express current technical assistance needs.

Upgrade Montana's economic and community structures – Continued.

- 3.3.2.** Increase awareness of shared subscriptions for funding databases, such as GrantStation, to find alternative sources for project funding.

Update: 6/2021: MEDA has been providing the GrantStation funding opportunities to members for many years. Additionally, the Department of Commerce RIS Bureau has partnered with the CRDCs to create a platform to highlight local economic investment opportunities. As part of this effort, Commerce is working towards purchasing a one-year subscription to Opportunity Exchange which will allow investors to see economic investment opportunities across the state. The goal is to assist in the recovery efforts across the state including key supply sectors.

- 3.3.3.** Pursue legislation to create a statewide tool to leverage public-private partnerships and thereby encourage new private investments.

Update: 6/2021: The Governor's Office with the Departments of Administration and Commerce are currently working to revive the site selector tool adding in information from a Commercial Real Estate source as well as the feed from the Multi-Listing Services for Montana. Additionally, the Department of Commerce (DOC) RIS Bureau is working towards purchasing business contact data to assist the three new DOC business recruiting positions in identifying targets.

- 3.3.4.** Explore community impact fund models to create a statewide revolving loan fund for community development projects. Engage the Montana Community Foundation and the Montana Nonprofit Association as essential partners in the effort.

- ▶ Prioritize housing development projects that increase the supply of workforce housing.
- ▶ Support local community foundations with community impact funds.

Update: 6/2021:

These efforts have been assisted with the ARPA funding for rental assistance and housing <https://arpa.mt.gov/Housing>.

The Montana Community Foundation (MCF) manages \$124 million in funding for 45 local community foundations ([MCF FY2020 Annual Report](#)). MCF has been actively engaged in housing projects across the state. One example is highlighted in the FY2020 MCF annual report:

C The Red Lodge Area Community Foundation and the Workforce Housing Steering Committee began a new home building project, in partnership with Helena Area Habitat for Humanity and Trust Montana. This project enables individuals and families to help build their own homes. Last year, three families broke ground on their future homes in Red Lodge.

Other RLF efforts have been supported through the MEDA Revolving Loan Fund Working Group which was formed in December of 2010. See the MEDA Website for more information on the great work on the RLF Committee.

Upgrade Montana's economic and community structures – Continued.

- 3.3.5.** Prioritize community development tools that support infrastructure planning and investments, including Renewable Resource Grant and Loan Program (RRGL), Community Development Block Grant (CDBG), Treasure Statement Endowment Program (TSEP), and Big Sky Economic Development Trust Fund Planning Grants.

Update: 6/2021: During in 2020-2021 Biennium, the Community Development Division (CDD) at the Montana Department of Commerce provided financial assistance to more than 380 projects located in 54 counties across Montana.

- 3.3.6.** Streamline the application process for infrastructure grant applications to ease the administrative burden on communities, especially the RRGL and TSEP programs.
- ▶ Support the work already underway by the Montana Water, Wastewater and Solid Waste Action Coordinating Team (W2ASACT) to ensure these efficiencies are made.

Update: 6/2021: With the release of American Rescue Plan Act funding (ARPA) <https://arpa.mt.gov/> specifically for water and wastewater projects, this will be an opportunity to assist communities across the state with these needs and look to ways to make future efficiencies.

- 3.3.7.** Support investments in airports throughout the state, especially in rural communities.

Update: 6/2021: The Airport Rescue Grants signed into law March 11, 2021 https://www.faa.gov/airports/airport_rescue_grants/ provide \$8 billion in funds for economic assistance to eligible airports. These funds present an opportunity for Montana to address rural airport needs.



- 3.4.** Strengthen placemaking initiatives, including Main Streets and downtown development, in urban and rural communities throughout the state.

- 3.4.1.** Support and maintain funding for the Montana Main Street Program.

Update: 6/2021: Final legislative funding for the Main Street Program for FY 2022 is \$220,000 and for FY 2023 is \$220,000.

Just this past May 2021, the Montana Department of Commerce provided \$5 million in historic preservation grants to 23 communities across the state. And in March 2021, eight Montana communities received Main Street grants totaling \$120,000.

- 3.4.2.** Advocate for refunding the Montana Transportation Alternatives Program, which provided state funding for non-motorized transportation.

Update: 6/2021: The Montana Department of Transportation is actively working to promote the [Transportation Alternatives Program](#). For the funding cycle which closed June 4, 2021, a total of \$21.9 million was requested for thirty-six capital improvement projects and another \$831,556 requested for 5 pavement preservation projects.

Upgrade Montana's economic and community structures – Continued.

3.4.3. Support trail systems and connectivity pathways that link communities to regional assets.

Update: 6/2021: The Montana Department of Commerce Tourism Grant funding annually provides funding for community tourism projects including those that link communities. In April 2021, the Department awarded \$750,000 to 26 communities \$20,000 to develop trail wayfinding in Big Sky, \$5,035 to the Montana Dude Ranchers Association to develop web assets for the Western Heritage Trail, and \$5,700 to Beartooth Recreational Trails Association for improvements to Coal Miner's Memorial Park and the Rock Creek trail corridor.

3.5. Support Montana Facility Finance Authority loan programs for rural hospitals and proactively seek mitigations for the strain that COVID-19 will potentially have on rural hospitals.

Update: 6/2021: This past year the Montana Facility Finance Authority (MFFA) saw the remarkable determination and innovation of Montana healthcare providers as they served on the front lines of a once-in-a-century pandemic. Achievements in 2020 alone include:

- Issuing \$66.2 million in tax-exempt bonds (two bonds/three series), over \$1.28 million in Direct Loans (four loans), over \$3.7 million in Trust Fund Loans (three loans), and \$2 million in Emergency Lending Program support (five loans) raising our total financings structured since 1983 to almost \$3.44 billion.
- Saving Powell Memorial Healthcare over \$1.52 million over 16 years by refinancing its outstanding Series 2010 bonds.
- Financing the construction of a new facility for Shodair Children's Hospital, replacing an aging facility while increasing service capacity.

For more information visit the MFFA website <https://mtfacilityfinance.com/>.

5. MONTANA NEXT GENERATION COALITION

To move the recommendations into practice, it is imperative that Montana's economic and community development partners from throughout the state come together to build a unified coalition. This Next Generation Coalition should be anchored by the Montana Economic Developers Association (MEDA), the Montana Association of Counties (MACO), the Montana Chamber of Commerce, and the Montana League of Cities and Towns and will be the primary entity for implementing the recommendations in *Montana Next Generation Analysis*. The Next Generation Coalition will also serve as a clearinghouse to modify any recommendations or implementation strategies and will be the primary point of contact to ensure the plan is moving forward.

Given the uncertainty about the COVID-19 pandemic, it is especially important to understand that priorities might shift. The coalition will need to be adaptable to meet the broad needs of the state. Work should be centered on education and advocacy of the strategies and actions identified in the “Recommendations” section beginning on page 48. The Next Generation Coalition can look to the Montana Infrastructure Coalition for best practices about strategy implementation and can consider forming as a subset of that group. Once the Next Generation effort is stabilized, additional partners representing diverse communities can be brought in to expand outreach.

Although the Next Generation Coalition will be responsible for overseeing implementation of the recommendations, it will take a broad group of diverse stakeholders from throughout Montana to tackle the strategies. The Next Generation Implementation Strategy, which was provided separately, includes sections to assign leaders and partners to the next-step action items, which will ensure that groups from throughout the state are able to actively engage in the implementation process. Stakeholders and partners are absolutely essential to build momentum and support for the recommendations and serve a vital role in implementation.

FUNDING UPDATE

As part of the “Conditions Assessment” section on page 8, the consulting team compiled information from two biennial budgets and reviewed selected fiscal documents. This analysis was designed to help understand challenges relating to funding mechanisms in the state. In addition, TIP used federal data sets to examine funding mechanisms across multiple states.

FUNDING SOURCES: FY 2020

Relevant divisions within three agencies were considered—commerce, labor & industry, and agriculture—along with select offices within the governor’s office and the Montana Arts Council. While this research provides a sense of the scale of funding, it does not shed light on the resources allocated to specific programs. It does, however, help to illustrate the source of funding for some of the profiled programs.

FIGURE 35. BUDGETS FOR SELECTED AGENCIES AND DIVISIONS BY FUND TYPE
FY 2020 TOTAL EXECUTIVE BUDGET, DOLLAR AMOUNTS IN THOUSANDS

IN THOUSANDS						
AGENCY / DIVISIONS (SELECTED)	GENERAL FUND	STATE/ OTHER SPECIAL	PROPRIETARY FUNDS	FEDERAL SPEC. REV. FUNDS	TOTAL FUNDS	GENERAL FUNDS AS % OF TOTAL
GOVERNOR'S OFFICE - 31010	\$7,061				\$7,061	100.0%
Executive Office Program	\$3,092				\$3,092	100.0%
Office of Indian Affairs	\$211				\$211	100.0%
DEPARTMENT OF COMMERCE - 65010	\$5,823	\$5,422	\$68,135	\$21,053	\$100,433	5.8%
Office of Tourism & Business Development*	\$4,891	\$2,229		\$840	\$7,959	61.4%
Community Development Division	\$932	\$2,919		\$19,663	\$23,514	4.0%
Housing Division		\$75	\$57,516		\$57,591	
Board of Investments			\$7,552		\$7,552	
Director's Office			\$2,260	\$550	\$2,810	
Facilities Finance Authority			\$808		\$808	
Board of Horse Racing		\$199			\$199	
DEPT. OF LABOR AND INDUSTRY - 66020	\$1,973	\$50,643	\$153,966	\$33,162	\$239,743	0.8%
Office of Community Service	\$149	\$12		\$3,816	\$3,977	3.8%
Workforce Services Division		\$12,549	\$8	\$16,445	\$29,003	
Centralized Services Division			\$7,244		\$7,244	
DEPARTMENT OF AGRICULTURE - 62010	\$858	\$15,884	\$613	\$1,313	\$18,668	4.6%
Agricultural Development Division	\$465	\$6,590	\$532	\$125	\$7,712	6.0%
Agricultural Sciences Division	\$228	\$8,014		\$1,106	\$9,348	2.4%
Central Services Division	\$165	\$1,280	\$81	\$82	\$1,609	10.3%
MONTANA ARTS COUNCIL - 51140	\$551	\$241		\$717	\$1,509	36.5%

* Office of Tourism and Business Development is referred to in budget documents as 51 Business Resources Division.

Source: TIP Strategies analysis of 2021 Biennium Executive Budget (15 December Budget Adjustments).

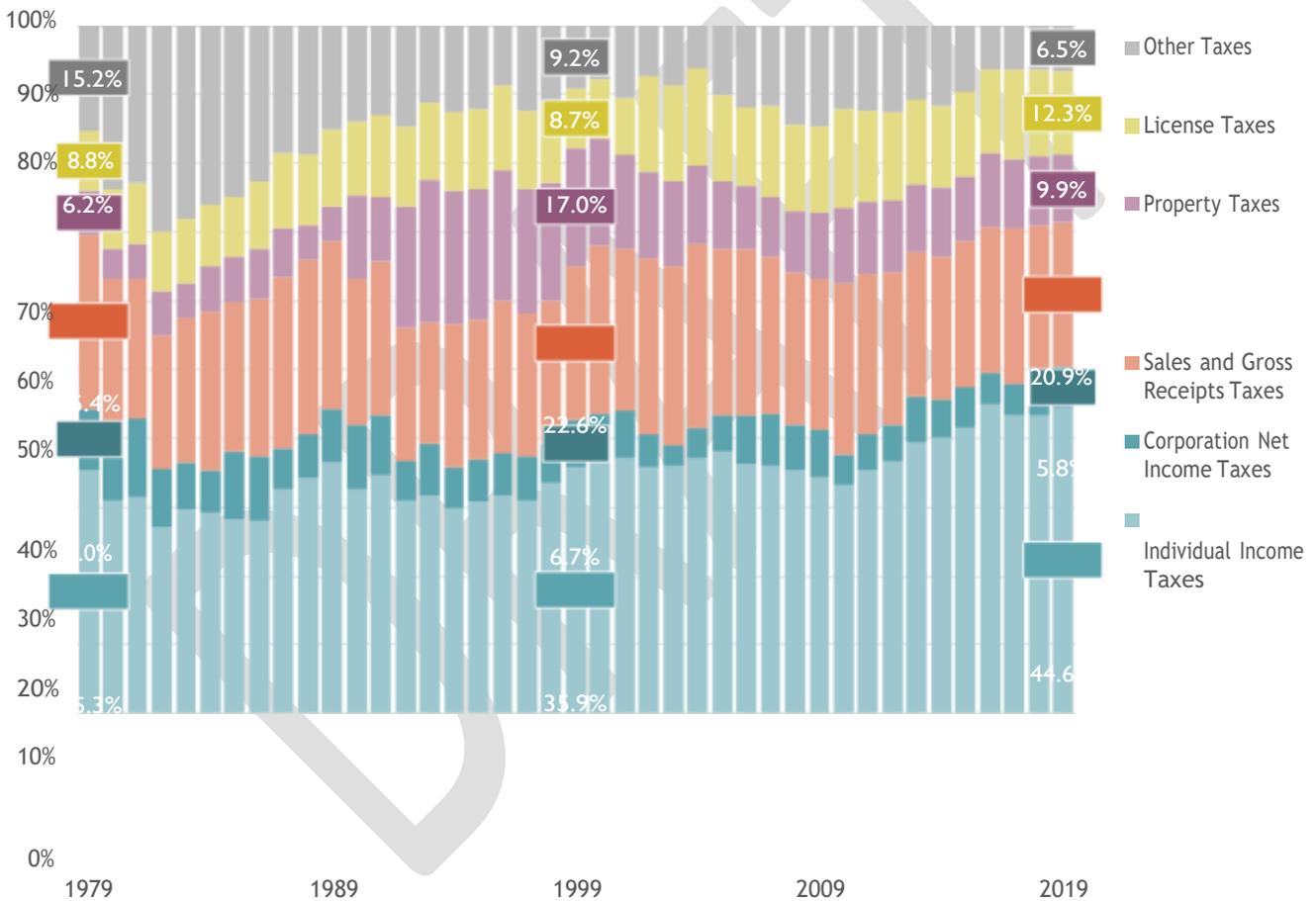
Notes: Numbers are for the department and division indicated as they appear in Sections A, C, E, and P of the 2021 Biennium Executive Budget.

STATE TAX COLLECTIONS

Data compiled by the US Census Bureau through its Annual Survey of State Government Tax Collections was used to explore revenue volatility in Montana by major tax type. Figure 36 shows the composition of state revenues by major type over a 40-year period. Figure 37 (page 62) compares the change in revenues by major type across Montana and surrounding states from 2010 to 2019.

Figure 38 (page 63) shows the relative performance of Montana and surrounding states in an analysis of tax revenue volatility conducted by The Pew Charitable Trusts using the same data set. The data are repeated on the right side of Figure 36 to highlight states for which a severance tax accounted for at least 5 percent of total tax revenue on average over the period analyzed.

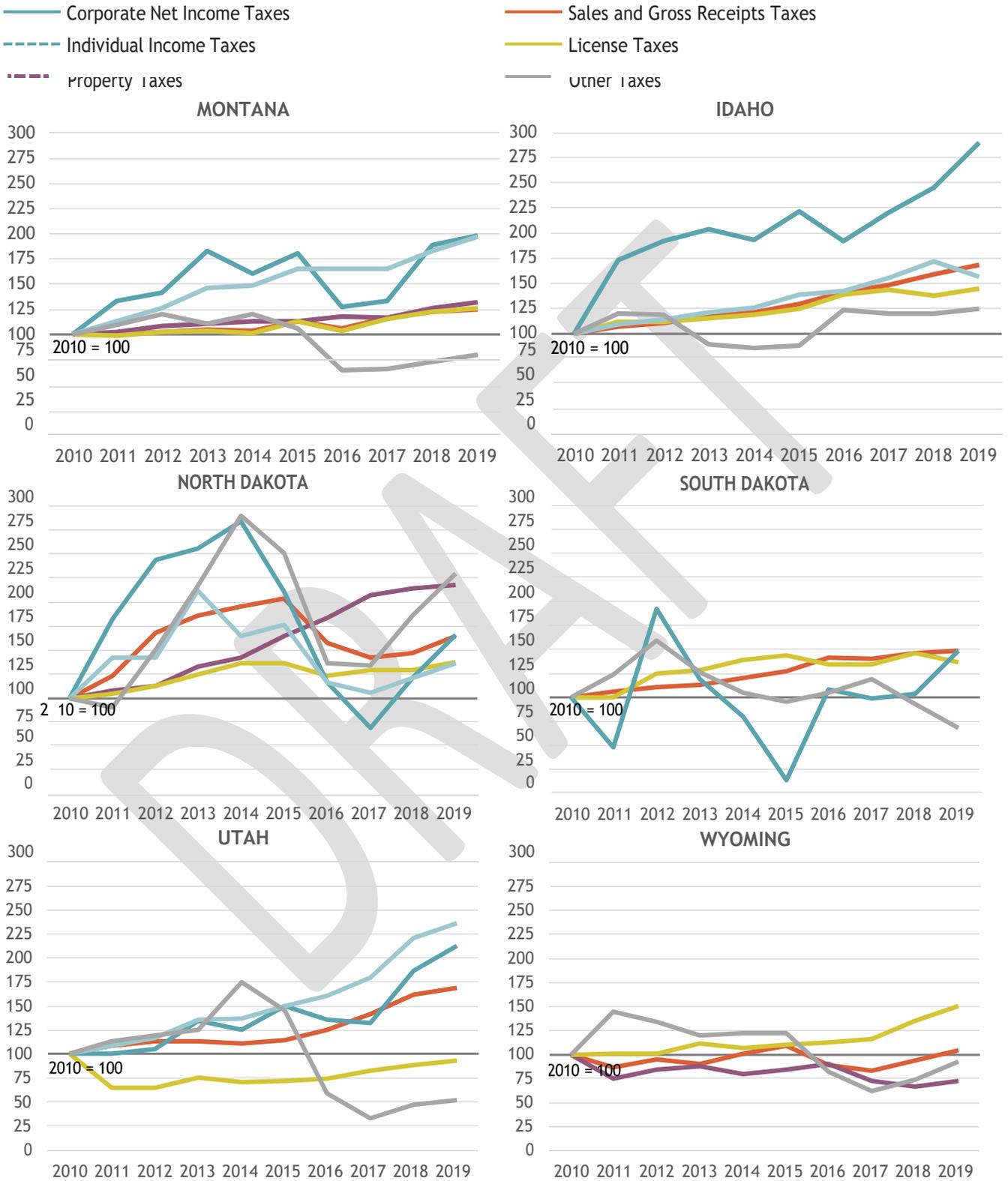
FIGURE 36. STATE OF MONTANA TAX TRENDS, 1979-2019
DISTRIBUTION OF TAXES BY MAJOR TYPE



Source: TIP Strategies analysis of historical data from the US Census Bureau Annual Survey of State Government Tax Collections.

Notes: This data series only covers the 50 state governments; no local government data are included. Data might differ from the information published by state governments due to differences in which organizations are covered under state governments. For this data series, state government refers to the executive, legislative, and judicial branches of a given state, and it includes agencies, institutions, commissions, and public authorities that operate separately or somewhat autonomously from the central state government but where the state government maintains administrative or fiscal control over their activities as defined by the US Census Bureau.

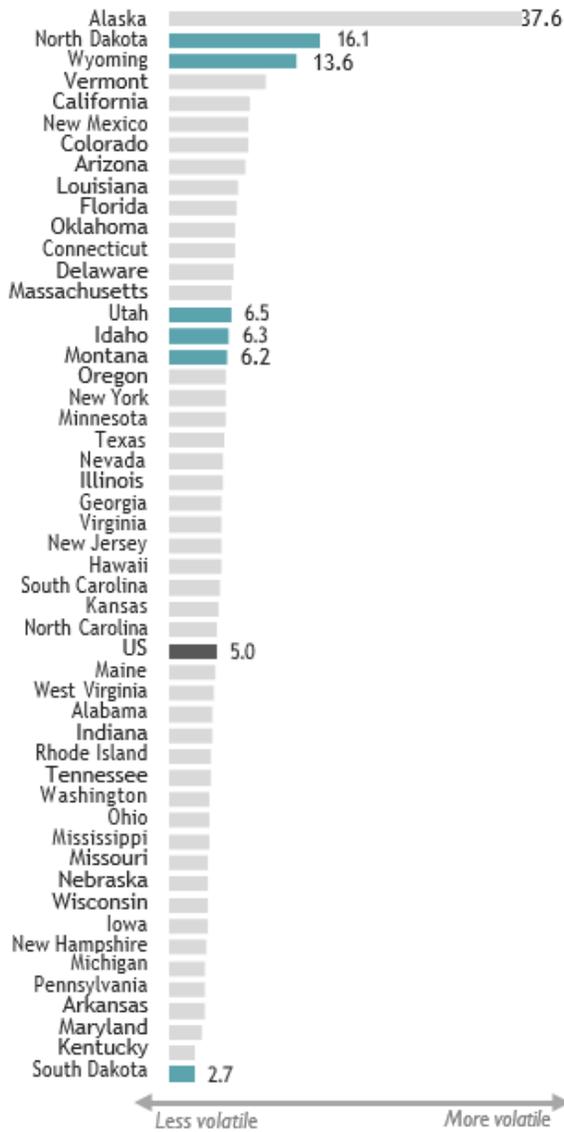
FIGURE 37. TAX TRENDS BY MAJOR TYPE FOR SELECTED STATES, 2010-2019 (INDEXED TO 2010 VALUE)



Source: TIP Strategies analysis of historical data from the US Census Bureau Annual Survey of State Government Tax Collections.
 Note: See Notes for Figure 36 (page 61).

FIGURE 38. TAX REVENUE VOLATILITY, FY 1998-2017

COMPARISON OF MONTANA AND FIVE SURROUNDING STATES



COMPARISON OF STATES WHERE SEVERANCE TAXES AVERAGE AT LEAST 5 PERCENT OF TOTAL REVENUES

