ACKNOWLEDGMENTS

TIP would like to thank the following organizations and partners for their commitment to this study and the hundreds of additional individuals who participated in this planning process.

SPONSORING PARTNERS

SUPPORTING PARTNERS

A&E Architects  
Anaconda Local Development Corporation  
Bear Paw Development Corporation  
Beartooth RC&D  
Big Sky Economic Development  
Billings Chamber of Commerce  
BNSF  
Bozeman Area Chamber of Commerce  
Butte Local Development Corporation  
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City of Bozeman  
Cushing Terrell  
Downtown Billings Alliance  
Downtown Bozeman Partnership  
Eastern Montana Impact Coalition  
Express Employment Professionals  
First Interstate Bank  
Glacier Bank  
Great Falls Development Authority  
Great West Engineering  
Headwaters RC&D  
Interstate Engineering  
John Rogers, Consultant

CONSULTING TEAM

TIP STRATEGIES, INC., is a privately held economic development consulting firm with offices in Austin and Seattle. TIP is committed to providing quality solutions for public sector and private sector clients. Established in 1995, the firm’s primary focus is economic development strategic planning.

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Elizabeth Scott, Consultant
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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. With the picturesque landscape, whether the mountains of the West or the rivers and prairies of the East, combined with the vibrant and unique urban and rural communities across the state, 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. Technological advancement and continued global pressures have forced widespread changes in the way people 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.¹ As of June 2020, more than 2.2 million people had been infected by the virus nationally and over 119,000 died. While there is tremendous uncertainty about how the US and individual states will move forward, there is no doubt that the ripples of current events will extend far into the future.

Although it is too early to fully understand what the short-term and long-term economic impacts will be on the state’s economy, this analysis lays out the findings of the state’s current economic development and community development tools and provides recommendations for enhancing its competitive position. The recommendations outlined are based on an extensive stakeholder outreach process, a comprehensive analysis of economic indicators and best practices, and the experience of the consulting team.

THE ANALYSIS

In the fall of 2019, the Montana Economic Developers Association (MEDA) and the Montana Chamber Foundation, in partnership with over 50 different organizations, called for a review of the state’s economic development approach. With the last update to the state’s tools nearly two decades earlier, MEDA thought a fresh look was warranted. This next generation approach would need to provide a game plan for helping the state adapt to technology innovations and changing market forces in the state’s diverse urban, rural, and native economies. In November 2019, MEDA contracted with economic strategy firm, TIP Strategies (TIP), to complete the analysis.

Given the unique needs of communities across Montana, engaging stakeholders was an essential component of this work. Over the course of six months, the project team met with more than 250 stakeholders from every corner of the state to solicit their input about Montana’s economic and community development challenges and opportunities. Roundtables and interviews were conducted with a wide range of stakeholders including state agency executives and program administrators; state legislators; local government representatives, including elected officials and staff; industry groups; universities and community colleges; healthcare leadership; private sector leaders; and non-profit organizations. To supplement research conducted in the field, two surveys were deployed to gather additional feedback from private employers and economic development practitioners. Over 200 responses were collected through the survey outreach.
FIGURE 1. OUTREACH SUMMARY

| 250+ Stakeholders Engaged | 50+ Community Roundtables | 7 Outreach Visits | 200+ Survey Responses |

In addition to extensive stakeholder outreach, the consulting team conducted an assessment of current conditions underpinning Montana’s economic development and community development efforts. The conditions assessment, which is presented in “2. Conditions Assessment,” included an inventory of more than 125 programs, strategies, and tools across multiple agencies and a high-level assessment of Montana’s most prominent programs. Feedback gathered through the business survey, along with interviews and roundtables with private sector representatives throughout the state, helped inform this work. Along with an overview of some of Montana’s major programs, the “Conditions Assessment” highlights creative and innovative approaches taken by other states to address their economic development goals and grow their economies. These nationally recognized and highly regarded strategies were selected based on interviews with national site selectors and TIP’s knowledge from working with communities across the country and studying best practices.

To understand the state’s competitive position, TIP assembled quantitative information regarding Montana’s performance relative to all 50 states and qualitative information about perceptions of the state and innovative approaches being used in surrounding states and nationally. This analysis included a review of 76 different data indicators in 10 categories and the significant findings are presented on page 29. The core of the competitiveness analysis, which is presented in “3. Competitive Analysis” on page 28, is a comparative review of five neighboring states: Idaho, North Dakota, South Dakota, Utah, and Wyoming. These benchmark states were chosen based on their similarity to Montana in terms of size, density, and geography (i.e., a mix of urban and rural communities), and because they are often viewed as competitors with Montana for talent, businesses, and tourists. There is also industry alignment between some of the states. Idaho, like Montana, has a strong forest and timber products sector. Wyoming and North Dakota have concentrations in coal and oil and gas extraction, as does Montana. Agriculture and food processing are leading industries in Montana, Wyoming, South Dakota, North Dakota, and Idaho. Tourism and outdoor recreation are significant industries for all five benchmark states, and Montana.

FIGURE 2. FIVE BENCHMARKED STATES

IDAHO | NORTH DAKOTA | SOUTH DAKOTA | UTAH | WYOMING
Each state profile includes a description of five policy areas: economic development, community development, workforce, infrastructure, and tourism, in addition to innovative programs that demonstrate how the state has addressed its goals and challenges. A few of the tools and programs from the benchmark review were also identified as best practices and are included as part of the recommendations.

**FIGURE 3. FIVE POLICY AREAS EXAMINED**

**ECONOMIC DEVELOPMENT**

**COMMUNITY DEVELOPMENT**

**WORKFORCE**

**INFRASTRUCTURE**

**TOURISM**

**KEY FINDINGS**

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

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

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**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual Employment Growth (%), 2001–2019</td>
<td>1.0</td>
<td>0.6</td>
<td></td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Employment Growth Volatility, 2001–2019</td>
<td>1.36</td>
<td>1.41</td>
<td></td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Labor Force Participation Rate (%), 2018</td>
<td>63.6</td>
<td>63.8</td>
<td></td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Working from Home (%), 2018</td>
<td>7.3</td>
<td>5.2</td>
<td></td>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

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.

FRAMEWORK FOR ACTION

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.

**BUILD a unified coalition to move Montana forward.**

**UPGRADE Montana’s economic and community structures.**

**FIGURE 9. FRAMEWORK FOR BUILDING A COMPETITIVE MONTANA**
UPGRADE MONTANA’S ECONOMIC AND COMMUNITY STRUCTURES highlights strategies about infrastructure, placemaking, and quality of life to ensure Montana’s communities remain vibrant.

The recommendations from these three focus areas build on one another to ultimately improve Montana’s competitive position, which will create jobs and grow the state’s economy.

NEXT STEPS

The Next Generation Analysis points to the need to build a more competitive toolbox for Montana. One of the major findings is the siloed nature of the state’s economic and community development efforts and the need for greater collaboration. These silos include geographic silos between urban and rural communities as well as silos among the organizations that are working toward community and economic development goals. The first step that Montana needs to take is to form the Next Generation Coalition, which will be ultimately responsible for implementing the recommendations.

However, these responsibilities cannot rest on the shoulders of the Coalition alone. It will take a broad and diverse group of partners from across the state working in coordination to put into action the recommendations outlined in this analysis. In addition to the traditional partners, nontraditional economic and community development organizations will have an opportunity to work together to create a more inclusive economic development community. Montanans have already experienced how a coalition can bring about change and serve as a powerful advocate for new tools and funding through the work of the Montana Infrastructure Coalition.

Although there are certainly challenges that lie ahead, this should be viewed as an exciting time for Montana. This is an opportunity for Montana to revisit the state’s goals, develop strategies, and update tools and programs to improve the state’s competitiveness for generations to come.
2. CONDITIONS ASSESSMENT

To provide a foundation for the analysis, the consulting team conducted an assessment of current conditions underpinning Montana’s economic development and community development efforts. The assessment consisted of three primary elements.

1. An extensive outreach process that engaged more than 250 stakeholders from around the state,
2. An inventory of the state’s community economic development programs and major sources of funding, and
3. A high-level assessment of Montana’s major programs.

In addition, the consulting team compiled recommendations and findings from dozens of prior reports. A complete listing of the documents reviewed is provided in Appendix D. Policy Framework.

STAKEHOLDER ENGAGEMENT

Given the state’s unique needs, an extensive outreach effort was an essential component of this work. The consulting team conducted seven visits, including two virtual engagements, between December 2019 and April 2020. Collectively, the roundtables and interviews conducted over the course of these visits engaged more than 250 individuals from across the state. Participants represented a wide range of perspectives and roles within the community and economic development fields. Representatives, either elected officials or economic development professionals, from every county in Montana provided insight into the challenges and opportunities in the state.

FIGURE 10. LOCATION OF SITE VISITS AND OUTREACH

To further expand participation in the process, in-person discussions were supplemented by surveys of private employers and practitioners. The surveys were available over a three-week period from late February to early March and were shared across the state by MEDA and the Montana Chamber of Commerce. The surveys garnered more than 200 responses. An analysis of each survey was conducted in Tableau (a data visualization tool).
tool) and delivered as a separate workbook to MEDA and its partners. Findings from the surveys are summarized in Appendix A. MEDA Business Survey and Appendix B. MEDA Practitioner Survey.

Insights from the outreach process informed the consulting team’s understanding of Montana’s opportunities and challenges and helped shape the recommendations. A summary of findings is presented below.

### OPPORTUNITIES

- Exceptional quality of life
- Talent attraction, including remote workers
- Airport infrastructure
- Broadband infrastructure
- Opportunity Zones
- Economic diversification; developing industry clusters
- Vibrant downtowns throughout the state
- Public-private partnerships
- Private sector engagement in workforce, community, and economic development
- Cooperatives network
- Montana Ambassadors
- Quality healthcare, including rural hospitals
- Greater collaboration between economic development partners, including nontraditional groups

### CHALLENGES

- Siloed parts of the state
- Aging infrastructure
- Managing population growth and decline
- Funding mechanisms for community and economic development
- Labor force shortages
- Workforce housing
- Access to capital for businesses
- Quality and affordable childcare
- Aging residential and commercial properties
- Wages have not kept pace with the cost of living
- Lack of technical support for grant writing and administration
- Lack of local control/flexibility for state tools
- High unemployment in parts of the state

### PROGRAMS AND TOOLS

The second component of the conditions assessment involved compiling information about the existing programs and tools for economic and community development in Montana. The Montana Department of Commerce was the primary focus of this effort. However, programs in other agencies were considered where appropriate, including the Montana Governor’s Office of Economic Development, the Montana Department of Labor and Industry, and the Montana Department of Agriculture. In addition, TIP reviewed state budget documents for the two most recent biennium and a variety of fiscal reports to understand the funding mechanisms that support these programs and tools. Findings from these tasks informed the team’s strategies for improving the effectiveness of existing tools and introducing new ones to increase Montana’s competitiveness, which is presented in "4. Recommendations."
Economic development and community development intersect with a broad variety of topics, including workforce, housing, transportation, and other infrastructure needs. As a result, obtaining a comprehensive picture of the totality of resources that are being applied to address economic and community issues is problematic. For this analysis, the consulting team emphasized the work of the Montana Department of Commerce, the agency whose charge is most closely aligned with ensuring the economic health of the state’s businesses and communities.

**MONTANA DEPARTMENT OF COMMERCE**

**MISSION**

“The mission of the Montana Department of Commerce is to foster community-lead diversification and sustainability of a growing economy; maintain and improve our infrastructure, housing and facilities; and promote and enhance Montana’s positive national and international image.”

**VISION**

“The Montana Department of Commerce will enhance and sustain a healthy economy so Montana businesses, communities, and people can prosper.”

**GOALS AND OBJECTIVES**

- Work to improve the state's economy through business creation, expansion, retention, and diversification of the state’s economic base.
- Provide direct technical assistance and training for Montana’s entrepreneurs, businesses, and their employees in partnership with communities, counties, and local and regional development groups.
- Enhance the growth of the Montana economy through the promotion of tourism development, promoting and protecting historic sites, and marketing Montana as a travel and filmmaking destination.
- Promote access to new markets, both foreign and domestic, for Montana goods and services.
- Provide financing for homeownership and rental assistance opportunities for Montana families.
- Develop and improve public infrastructure and housing opportunities for the state’s citizens by providing grants and technical assistance to Montana communities and counties.
- Prudently manage the investments of state and local government funds.
- Provide fair and equal treatment of our fellow employees and our customers.

The consulting team compiled information on more than 125 programs, strategies, and tools across multiple agencies that was provided to the client as an Excel matrix. Of these, approximately one-half were offered or administered by the Montana Department of Commerce. Entries were cataloged by broad category (programs/strategies or financing/incentive) and by type (grant, loan/loan participation, tax benefit, technical assistance, promotion, or training). In addition, the focus of the program/tool was categorized as either business development, placemaking, or workforce.

**CATEGORY.** At the highest level, financial tools were more prominent in the inventory than programmatic tools, accounting for slightly more than three-quarters of all entries. This finding is not surprising given the outsized role that financial incentives play in the practice of economic development. Financially oriented tools and incentives include tax benefits, grants, and loan-related initiatives. The bulk of these offerings are designed to support business expansion or recruitment rather than workforce or community development. Grants outnumbered loan
and loan participation programs in a two-to-one ratio, with the majority of the identified grant programs offered through the Montana Department of Commerce.

**TYPE.** More than one-third of the financially based tools identified were in the form of tax incentives administered through the Montana Department of Revenue. Montana offers a large number of incentives, reflecting the role they have come to play as a standard component of the practice of economic development. However, the majority of Montana’s incentives are tax credits, which can be of questionable value for some prospects. A discussion of the role of incentives and a comparison of Montana’s incentives relative to surrounding states was conducted as part of the “State Competitiveness Analysis” on page 28.

Non-financially based tools encompass programs or strategies designed to help communities or businesses by providing technical assistance, assisting with the promotion of a location or a product, and supporting worker training. Of the more than 60 programs and tools identified under the Montana Department of Commerce, roughly one-quarter were technical assistance programs while about 1 in 10 were promotional in nature (such as export promotion programs and tourism). Only a small number of programs were designed to support worker training.

**FOCUS.** When analyzed from the viewpoint of the program or the tool’s primary focus, an emphasis on business-related offerings was apparent, with nearly two-thirds (63 percent) of the identified offerings targeted at companies. By contrast, just 10 percent were aimed at supporting worker training or lowering the cost of labor. Considering the increasing importance of labor in the site selection process, attention should be paid to the state’s programs and tools in this area. Likewise, the COVID-19 pandemic has greatly accelerated the trend toward remote working that was already gaining ground. Given Montana’s exceptional quality of life and demonstrated ability to draw in talent (see “Competitive Position” on page 35), aligning Montana’s incentives and programs with these advantages and trends should be part of a broader strategy for economic development in the state.

In terms of numbers alone, roughly two out of five programs were directed toward placemaking, which was defined to include initiatives that supported activities such as homeownership and cultural preservation. However, discussions with stakeholders and findings from the surveys of practitioners (see “Appendix B. MEDA Practitioner Survey”) suggest that a lack of funding for Montana’s existing economic and community development programs and tools, coupled with a lack of flexibility, diminish their usefulness for many communities. Several of the state’s initiatives, including the Big Sky Economic Development Trust Fund, Certified Regional Development Corporations, and Workforce Training Programs, are examined in greater detail, beginning on page 13.

**FIGURE 11. DISTRIBUTION OF PROGRAMS AND TOOLS BY FOCUS AREA**

**PROGRAMS AND TOOLS IDENTIFIED, AS CHARACTERIZED BY TIP STRATEGIES**

<table>
<thead>
<tr>
<th>FOCUS AREA AND DEFINITION</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BUSINESS DEVELOPMENT.</strong> Provides direct or indirect financial or technical assistance to companies.</td>
<td>63%</td>
</tr>
<tr>
<td><strong>PLACEMAKING.</strong> Directed to eligible communities and governments or benefit places through activities like homeownership, tourism promotion, or cultural preservation.</td>
<td>41%</td>
</tr>
<tr>
<td><strong>WORKFORCE.</strong> Supports the education and training of the workforce or reduces the cost of worker benefits for companies.</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: TIP Strategies review of state agency websites and materials.
Note: Percentages may not add up to 100, as items could be assigned to more than one focus area. For example, Empowerment Zone tax credits benefit businesses by reducing their tax burden and are a place-based incentive designed to benefit communities by lifting residents out of poverty.
FUNDING CONSIDERATIONS

An understanding of funding mechanisms is an important factor in assessing threats to current programs and tools. This section highlights important issues related to Montana’s state-level revenues and expenditures. It is not meant to be an explicit review of the state’s fiscal position or budgetary practices. Supporting research for this section is presented in “Appendix C. Funding Considerations Detail.”

COAL REVENUE. Declining demand for coal poses a risk to Montana’s state and local revenues, although the exact nature, timing, and magnitude of coal-related impacts are uncertain. The Coal Severance Tax Trust Fund, supported by a tax on coal production, has been an essential funding mechanism for the state’s economic and community development efforts. With funds in excess of $1 billion in fiscal year (FY) 2018, the trust contributes to programs that fund a range of investments, such as renewable resource projects, infrastructure needs (including regional water systems), and school facilities.

Among the programs supported by the Coal Severance Tax Trust Fund are the Big Sky Economic Development Trust Fund, which receives 12.5 percent of the total tax collections to fund qualified economic development projects. Interest earnings from the Big Sky Economic Development Trust Fund are deposited in a state special revenue fund that is used to support grants and loans to eligible borrowers. The Big Sky fund will stop receiving coal tax monies in 2025. Other funds that support community development have already stopped receiving coal severance tax revenues. For example, deposits of coal tax revenues into the Treasure State Endowment Regional Water System Fund, which funds projects for communities and rural residents in specific geographic areas, stopped in FY 2016 and the fund will terminate at the end of FY 2031.

In addition to the monies distributed through the Coal Severance Tax Trust Fund, 50 percent of coal tax collections are used to fund a number of programs directly, including the Long-range Building Program Account, state conservation districts, and the Montana Growth through Agriculture program. The remainder of this portion of the tax collections—an amount that totaled more than $14 million in FY 2018—is directed to the state’s general fund. Unlike the efforts supported by the Coal Severance Tax Trust, which are largely transfers to other managed funds, the impacts of declining coal taxes will be more immediately apparent for programs, investments, and activities funded through this direct transfer.

Although the coal severance tax is often the central topic of discussion, declining coal production will have a dramatic impact on several other state and local revenue sources, including the following.

- Property taxes levied on electric generating facilities,
- Taxes on coal gross proceeds (flat tax),
- Electrical generation and transmission taxes,
- Revenues from US mineral royalties (received from federal lands in the state),
- Resource Indemnity and Ground Water Assessment tax (assessed on the gross value of coal and minerals), and
- Individual income of workers in mining and electrical generation.

REVENUE VOLATILITY. Montana’s reliance on coal revenues and other factors, like fluctuating commodity prices, have created long-standing volatility in the state’s revenues. An analysis of four decades of revenues by major funding sources using data compiled annually by the US Census Bureau on state government tax collections is presented in Figure 36 on page 70. It provides an illustration of the cyclical swings of other taxes in the state, a category that encompasses natural resource-based tax collections, including the coal severance tax. Researchers at The Pew Charitable Trusts (Pew) conducted an analysis of tax volatility among the 50 states over
a 20-year period using the same data set. Pew’s methodology controlled for the impact of policy changes to isolate the degree to which a state’s tax collections are affected by cyclical volatility of major revenue sources. The Pew analysis found that severance taxes and corporate income taxes were “consistently more volatile than other major state taxes.” Efforts to address this issue, including the creation of a budget stabilization reserve fund (BSRF) or “rainy day fund” in 2017, are essential to the state’s competitive position.

**EXPENDITURE VOLATILITY.** According to a 2018 analysis of the BSRF, volatility in state expenditures in Montana has historically been driven primarily by wildland fires and other similar disasters. The same analysis outlines a number of tools, in addition to the BSRF, that are already in place for addressing these types of emergencies. These tools include the ability of the governor and the legislature to transfer certain designated funds to replace general fund revenues. However, two major global downturns within the space of a decade emphasize the need for states to prepare to withstand a wide range of risks. Likewise, addressing unfunded pension liabilities—a challenge for state and local governments across the country—will require additional attention. As one of a few states whose legislature does not meet on an annual basis, Montana faces special challenges in responding to these kinds of disruptions. Remaining competitive in a constantly evolving global economy will require state officials to remain vigilant to ensure that the composition of state revenues is as stable as possible and, thus, that the funding of state programs and services remain stable.

**SELECTED PROGRAMS ASSESSMENT**

The third element of the conditions assessment is a high-level review of selected economic and community development programs in Montana. Input for this qualitative analysis includes feedback from a broad range of private sector companies throughout the state and leading site consultants who have done work in Montana and throughout the country. In addition to presenting an overview of these programs, this section also highlights examples of creative and innovative approaches other states are taking to address their economic development goals and grow their states’ economy.

**BIG SKY ECONOMIC DEVELOPMENT TRUST FUND**

The Montana Big Sky Economic Development Trust Fund (BSTF) provides funding to promote long-term economic growth in the state. There are two categories for project funding, one for job creation and the other for planning projects. The job creation grants award up to $5,000 ($7,500 in high-poverty counties) for each new full-time job created. Seventy-five percent of program funding is earmarked for job creation grants, while the remaining twenty-five percent is dedicated to planning project grants.

The BSTF was established in 2005 by the legislature when $20 million was transferred from the coal severance tax permanent fund to the BSTF. Although only interest earnings may be awarded for financial assistance, a portion of coal severance taxes are added to the fund annually.

**CONSIDERATIONS**

- Larger grant size in rural areas helps incentivize job creation.

**MISSOURI**

**Missouri Works/Missouri Works Training**

As the state’s primary business incentive tool, this program helps businesses access capital through withholdings or tax credits to embark on facility expansions and create jobs. This program can also help businesses purchase equipment to maintain facilities in Missouri. In addition to the traditional Missouri Works program, the state offers the Missouri Works Training program designed to increase workforce competitiveness. To qualify, businesses must create at least two full-time jobs. This program is highly valued due to its flexibility and tiered structure, which gives advantages to rural areas. The program is also available to for-profit and nonprofit businesses. The incentive is used as a recruitment, retention, and expansion tool.

Source: [https://ded.mo.gov/sites/default/files/programs/flyers/MoWorks-ProgramSummary%202019_updated_0.pdf](https://ded.mo.gov/sites/default/files/programs/flyers/MoWorks-ProgramSummary%202019_updated_0.pdf).
Match requirement reduced for high-poverty counties.

Flexibility in deployment of funds (relocation expenses, construction, purchase of land, building, or equipment, etc.).

Applicant is liable if company does not meet grant parameters; heavier burden for rural communities.

Fund relies on coal severance taxes to increase principal balance.

Businesses are required to have a focus on out-of-state markets to qualify for the program.

**FIGURE 12. BSTF PROGRAM ANNUAL METRICS**

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>FY 2017 ACTUAL</th>
<th>FY 2018 PROJECTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Awarded for Economic Development Projects</td>
<td>$3,310,000</td>
<td>$1,736,000</td>
</tr>
<tr>
<td>Total Awarded for Economic Development Planning Projects</td>
<td>$946,361</td>
<td>$974,019</td>
</tr>
<tr>
<td>Projected New Jobs Created</td>
<td>487</td>
<td>308</td>
</tr>
</tbody>
</table>

*Source: Montana Department of Commerce, 2021 Biennium Goals & Objectives.*

**GROWTH THROUGH AGRICULTURE**

Growth Through Agriculture (GTA) is a competitive grant and loan program administered by the Montana Department of Agriculture, which offers investments for new and innovative agribusiness developments or agriculture marketing programs. The maximum grant award is $50,000 and the maximum loan award is $100,000. Businesses are eligible for up to $150,000. In addition to the traditional grant and loan program, GTA also offers mini grants (maximum $5,000) for activities such as marketing and education. All programs require a one-to-one match. Applications are reviewed and selected by the Agriculture Development Council, which is comprised of seven members appointed by the governor from both the public sector and the private sector. Companies pursuing the GTA program are also eligible to receive technical assistance through Montana Food and Agriculture Development Centers.

**CONSIDERATIONS**

- Competitive programs.
- Limited funding.
- Eligible activities are limited to equipment purchases, construction costs, and consultant services/engineering costs, which limits the flexibility of the program.
- The mini-grant program is flexible.

**IDAHO**

**Tax Reimbursement Incentive (TRI)**

The Idaho Tax Reimbursement Incentive (TRI) is the state’s premier economic development tool and is available for a broad range of industries, including aerospace, agriculture, food processing, and high-tech companies. Companies in rural areas must create 20 new jobs and those in urban centers must create 50 jobs to qualify for the program. This program is highly valued due to its flexibility (income, payroll, and sales tax credits) and tiered structure, which gives advantages to rural areas. The incentive is used as a recruitment, retention, and expansion tool.

*Source: https://commerce.idaho.gov/incentives-and-financing/incentives/idaho-tax-reimbursement-incentive/*
The program is adaptable; mini-grant applications that focused on COVID-19 issues were given special consideration during the spring 2020 funding.

INCUMBENT WORKER TRAINING PROGRAM

The Montana Incumbent Worker Training Program is an employer-sponsored program that provides grant funding to assist eligible Montana small businesses in offsetting the cost of training for their existing workers. The program is administered through the Montana Department of Labor & Industry. Applications are accepted on an ongoing rolling basis, as long as funds are available.

CONSIDERATIONS

• Supports the growth of existing businesses and business attraction.
• Flexibility in training delivery mechanisms (online and in-person courses).
• Competitive match requirement (20 percent of training cost).
• Businesses cannot have more than 50 employees statewide to qualify.
• Small businesses might find the administrative process overly burdensome, especially for part-time employee training ($1,000 grant). Most states offer incumbent worker training incentives through federal Workforce Innovation and Opportunity Act (WIOA) programs; therefore, this incentive would not be considered a competitive advantage for Montana.
• Other states, such as Washington, offer more competitive and flexible programs.

OKLAHOMA

21st Century Quality Jobs Program

To attract more high-paying jobs and expand the number of companies in advanced industries, Oklahoma offers a cash grant of up to 10 percent of taxable payroll to businesses that create at least 10 full-time (FTE) jobs. The new jobs must have an average annual wage that is the lesser of $101,650 or 300 percent of the average wage of the county where the project is located, and businesses are required to provide basic healthcare coverage to all FTEs. Businesses may receive cash grants for up to 10 years. The program is highly valued, as businesses have discretion on how to utilize grant funds.

PRIMARY SECTOR WORKER TRAINING GRANT

The Montana Primary Sector Workforce Training Grant (WTG) program is an incentive to encourage the creation of jobs in primary sector businesses. Primary sector businesses are generally defined as those having 50 percent or more of their sales outside Montana. This grant is utilized as a tool for business recruitment and business growth and retention. A primary sector business is eligible for up to $5,000 for each net new full-time job created and $2,500 for each net new part-time job created that pays at least 170 percent of the state minimum wage. Training funds are not provided to the awarded applicant business until the jobs have been created at the qualifying wage and eligible expenses have been incurred.

CONSIDERATIONS

- Supports the growth of existing businesses and business attraction.
- Requires a match ($1 match for every $3 of grant funds).
- Incentive applies to both full-time and part-time employees.
- Requires businesses to have a significant portion of their sales be outside of the state; limits the number of professional services companies that support Montana businesses that can utilize the program.
- Only applies to for-profit businesses or nonprofit hospital/medical facilities.

FIGURE 13. WTG PROGRAM ANNUAL METRICS

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>FY 2017 ACTUAL</th>
<th>FY 2018 PROJECTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs Projected to Be Provided Training</td>
<td>215*</td>
<td>162*</td>
</tr>
<tr>
<td>Awards Provided to Montana Businesses</td>
<td>$927,860*</td>
<td>$785,017*</td>
</tr>
</tbody>
</table>

* Received reversion in funds during the fiscal year.
Source: Montana Department of Commerce, 2021 Biennium Goals & Objectives.

LOUISIANA LED FastStart

The Louisiana Economic Development (LED) FastStart® program is recognized as one of the best workforce development programs in the nation for its flexibility and effectiveness. LED FastStart provides custom and in-depth employee recruitment, screening, and training services to qualified companies at no cost. To qualify for the program, companies must fall within the state’s five target industries (manufacturing, digital media, headquarters & business operations, R&D, warehousing & distribution) and commit to creating at least 15 new, permanent full-time manufacturing jobs or 50 new, permanent full-time service-related jobs.

Source: https://www.opportunitylouisiana.com/faststart.

MONTANA SBIR/STTR MATCHING FUNDS PROGRAM

The Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) matching funds programs assist technology-based Montana companies by providing additional funding that can be used for technology development or other uses during the time that the company is working on an SBIR/STTR project with a federal agency.12 Grants up to $60,000 are available on an annual basis.

These two highly competitive federal programs are essential components of the nation’s efforts to foster innovation among small businesses and have a critical role in bridging the gap between basic science and commercialization. SBIR awards are designed to encourage small businesses to explore federal research and
development (R&D) that has the potential for commercialization. The STTR program also links small businesses with federal agency research, but it requires formal collaboration with a research institution.

CONSIDERATIONS

- Montana has performed above the national average in SBIR/STTR funding (in relation to GDP).
- Montana has a high percentage of science and engineering degrees conferred compared to the national average.
- Other states offer more creative and compelling innovation and R&D incentives for businesses.

FIGURE 14. MONTANA SBIR/STTR MATCHING FUNDS PROGRAM (MSMFP) ANNUAL METRICS

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>FY 2017 ACTUAL</th>
<th>FY 2018 PROJECTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total MSMFP Stage 1 Applications Funded</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Total MSMFP Stage 2 Applications Funded</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Total Funds Awarded</td>
<td>$469,006</td>
<td>$209,929</td>
</tr>
</tbody>
</table>

Source: Montana Department of Commerce, 2021 Biennium Goals & Objectives.

MONTANA BOARD OF INVESTMENTS, INFRASTRUCTURE LOAN PROGRAM

The board was created in 1972 to invest and oversee management of the state’s money from pension funds, trust funds (including coal severance), insurance reserves, operating funds, and many local government funds. In 2019, the board managed approximately $20 billion for all state agencies and universities, school districts, and most other local governments. In addition to 32 staff members, who are responsible for day-to-day management, a nine-member board is appointed by the governor and confirmed by the Senate to provide oversight.
The Montana Board of Investments In-State Loan Program is one of the leading economic and community development programs offered in the state. To qualify for loan funds, a basic sector business must create a minimum of 15 full-time jobs. Loans are awarded to local governments and range from a minimum of $250,000 to a maximum of $16,666 times the number of qualifying full-time jobs created. The business pays a user fee to the government entity that is pledged to the board for loan repayment. Incentive to the business comes in the form of a reduction of state income tax liability by the amount of the user fee.

**CONSIDERATIONS**

- One of the largest economic and community development funding mechanisms.
- State income tax reduction is generally not viewed as a competitive incentive, as businesses have other ways to reduce income tax liabilities.
- High job threshold might limit usefulness in small or rural communities.

**TREASURE STATE ENDOWMENT PROGRAM**

The Montana Treasure State Endowment Program (TSEP) is a state-funded grant program administered by the Montana Department of Commerce to help local governments fund infrastructure projects, including water, wastewater, sewer or storm sewer systems, solid waste systems, and bridges. TSEP also provides grants for planning for future infrastructure projects and emergency grant funds to address immediate urgent public health and safety problems. TSEP is funded by state special revenue consisting of interest earnings on the state Treasure State Endowment Fund, a sub-fund of the Coal Severance Tax Trust Fund.

**CONSIDERATIONS**

- Competitive grant program.
- Demand far exceeds capacity. (Less than 60 percent of applications for projects were approved during the 2017–2019 biennium; less than 50 percent of emergency grants were approved during the 2017–2019 biennium.)
- Reactive tool; projects with the greatest need are most likely to be prioritized, which means proactive projects are less likely to be funded.
- Overlap with other state infrastructure programs.
- Administrative process (application through reporting) can be burdensome for small communities.

**MICHIGAN Community Revitalization Program**

The Michigan Community Revitalization Program (MCRP) is an incentive program available from the Michigan Strategic Fund, in cooperation with the Michigan Economic Development Corporation. The focus of the MCRP is to encourage and promote structural renovations and redevelopment of brownfield and historic preservation sites located in traditional downtowns and high-impact corridors. MCRP provides gap financing in the form of performance-based grants, loans, or other economic assistance for eligible investment projects in Michigan. Maximum grant award is $1.5 million and maximum loan award is $10 million; total grant and loans cannot exceed 25 percent of project costs in urban areas or 50 percent of project costs in rural communities.

FIGURE 15. TSEP PROGRAM ANNUAL METRICS

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>2017 BIENNIIUM</th>
<th>2019 BIENNIIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Applications Reviewed</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Planning Applications Reviewed</td>
<td>114</td>
<td>66</td>
</tr>
<tr>
<td>Emergency Applications Reviewed</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>Project Grants Awarded</td>
<td>33</td>
<td>38</td>
</tr>
<tr>
<td>Planning Grants Awarded</td>
<td>114</td>
<td>63</td>
</tr>
<tr>
<td>Emergency Grants Awarded</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Active Projects</td>
<td>145</td>
<td>129</td>
</tr>
</tbody>
</table>

Source: Montana Department of Commerce, 2021 Biennium Goals & Objectives.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

The Montana Renewable Resource Grant and Loan (RRGL) program is a competitive fund administered by the Montana Department of Natural Resources & Conservation and is available to communities to fund the conservation, management, development, and preservation of Montana’s renewable resources. Numerous public facility projects, including drinking water, wastewater and solid waste, development, and improvement projects, have received funding through this program. Additional renewable resource projects that have been funded include irrigation rehabilitation, dam repair, soil and water conservation, forest enhancement, and planning projects to protect or conserve Montana’s renewable resources.

CONSIDERATIONS

- Competitive program; grants capped at $125,000.
- Demand exceeds capacity.
- Reactive tool; projects with the greatest need are most likely to be prioritized, which means proactive projects are less likely to be funded.
- Overlap with other state infrastructure programs.
- Administrative process (application through reporting) can be burdensome for small communities.

OFFICE OF TRADE AND INTERNATIONAL RELATIONS, EXPORTMONTANA

The Montana Department of Commerce, Office of Trade and International Relations is the primary agency charged with developing Montana’s export and international trade industry across the state. The office coordinates multiple federal grant programs to assist businesses expanding into new markets and to increase

NORTH CAROLINA

Job Development Investment Grant (JDIG)

North Carolina’s JDIG award is its signature economic development incentive. JDIG is a performance-based, discretionary incentive program that provides cash grants directly to a company, when the company creates jobs and invests in the state. Grant payments are paid annually for terms up to 12 years. This program is highly valued due to the flexibility for how companies can utilize the funds. It accounts for remote worker/work-from-home scenarios. Awards are calculated based on a number of factors, including project location, number of jobs, and company industry—and that industry’s alignment with the state’s targeted industry sectors. This incentive is used for business recruitment and retention projects.

exports, including the State Trade Expansion Program (STEP) and the Trade Show Assistance Program (TSAP). In addition to the financial incentive programs, the office also provides technical assistance to companies new to the market or interested in expanding international markets. The state also maintains an overseas trade office in Japan to promote the export of Montana manufactured and agricultural commodities, tourism from Japan to Montana, and educational opportunities for students.¹⁴

**CONSIDERATIONS**

- Specialized technical assistance for businesses.
- STEP and TSAP programs are flexible and grants are available to businesses annually.
- The Montana Japan Trade Office is a competitive advantage because many states have reduced overseas offices.
- Montana’s goods exported per capita lags the rest of the nation.
- STEP and TSAP programs are not considered a competitive advantage, as they are available in most states.

**FIGURE 16. EXPORTMONTANA PROGRAM ANNUAL METRICS**

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>FY 2017 ACTUAL</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Annual Montana Exports</td>
<td>$1.60 billion</td>
<td>Not available</td>
</tr>
<tr>
<td>Businesses Supported through Grants, Consultations, and Trainings</td>
<td>345</td>
<td>350</td>
</tr>
<tr>
<td>Funding Provided for Market Development Activities (Trade Shows, etc.)</td>
<td>$296,098</td>
<td>$540,919</td>
</tr>
<tr>
<td>Sales from Market Development Activities (Trade Shows, etc.)</td>
<td>$144 million</td>
<td>$25.16 million</td>
</tr>
<tr>
<td>Jobs Retained or Created from Market Development Activities (Trade Shows, etc.)</td>
<td>136</td>
<td>183</td>
</tr>
</tbody>
</table>

CERTIFIED REGIONAL DEVELOPMENT CORPORATIONS

The Certified Regional Development Corporations (CRDC) program was created by the state legislature in 2003 with the goal of supporting regional economic development efforts through efficient delivery of economic and community development services. Montana has 11 CRDCs that cover 51 of the state’s 56 counties. CRDCs must meet the requirements set forth by the state of Montana, which includes maintaining a 5-year Comprehensive Economic Development Strategy (CEDS) or similar planning document for the CRDC’s service area. CRDCs provide local and regional planning services, grant writing and management, small business technical assistance, and access to revolving loan funds for business financing. Although CRDCs are private, nonprofit corporations, the state allocated $2.5 million of funding for 4 years (2020–2023); funding for individual CRDCs varies depending on the size and population of the area served. Organizations are required to apply every 4 years for certification through a competitive request for proposal process.

CONSIDERATIONS

- CRDCs provide vital services to rural communities that would otherwise be too small or resource limited to provide economic and community development support.
- A regional approach allows for broader coordination of resources.
- Redundancies in service areas with other economic development organizations.
- Limited funding is available.
- CRDCs do not cover every county in the state; lack of natural alignment for adjacent counties.

WASHINGTON

Associate Development Organizations (ADO)

Washington State is composed of 39 counties, each represented by one of 35 Associate Development Organizations (ADO) that furthers the county’s or region’s economic development goals. ADOs serve as an extension of the Washington State Department of Commerce and are the primary points of contact for local economic development activities, including recruiting/hosting new businesses and coordinating business retention and expansion efforts within its service area. The Washington State Department of Commerce contracts with ADOs to receive grant funding, which ranges from $35,000 to $204,267 annually, per county (ADOs that cover multiple counties receive a minimum of $70,000 annually). The ADO program is funded through the state general fund.

Source: https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=COMMERC E-ADOs_30d742d4-bd5b-4620-b070-8fecf7ccf71.pdf
FIGURE 17. CRDC PROGRAM METRICS

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>2012-2017 CY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified CRDCs</td>
<td>11</td>
</tr>
<tr>
<td>Counties Served</td>
<td>51</td>
</tr>
<tr>
<td>Annual State Funding</td>
<td>$425,000</td>
</tr>
<tr>
<td>Leveraged Assets</td>
<td>$62.7 million</td>
</tr>
<tr>
<td>Jobs Created/Retained</td>
<td>3,984</td>
</tr>
<tr>
<td>Loans Provided</td>
<td>672</td>
</tr>
<tr>
<td>Total Loan Value</td>
<td>$45.2 million</td>
</tr>
</tbody>
</table>


MONTANA FOOD AND AGRICULTURE DEVELOPMENT CENTERS

The Montana Food and Agricultural Development Center (FADC) Network was created in 2009. The initiative helps Montanans innovate and grow businesses that produce and commercialize food, agricultural products, and renewable energy products and processes, which generate wealth and job creation across the state.

During the 2019 legislative session, funding for the program was expanded and the restriction on the number of allowable centers was removed. As a result, the number of centers has doubled from four to eight. Although the network is supported though the Montana Department of Agriculture, all eight FADCs are housed within economic development organizations.

RHODE ISLAND

Industry Cluster Grants

Rhode Island offers two flexible grants for trade associations, nonprofits, for-profits, and research centers in Rhode Island to develop and build industry clusters and networks. The planning grant awards up to $250,000 for feasibility studies and organizational development efforts that benefit a key industry sector. The implementation grant offers up to $500,000 to launch a well-defined program to improve the industry sector’s effectiveness in areas such as R&D, tech transfer, workforce development, and marketing. The program originally launched in 2016 and has been reauthorized and expanded multiple times due to the success and interest in the program.

CONSIDERATIONS

- Supports the statewide goal of increasing value-added agricultural production.
- Opportunity to develop a stronger statewide vision and strategic plan for agricultural verticals.
- Network approach reduces silos and encourages statewide collaboration.
- Closely aligned with economic development organizations; streamlines resources.
- Opportunity for greater coordination with land-grant colleges and universities throughout the state.

INDIAN COUNTRY ECONOMIC DEVELOPMENT PROGRAM

The Montana Office of Indian Country Economic Development (OICED) coordinates programs and services available to Native American businesses, communities, and tribal governments. Housed administratively within the Department of Commerce, OICED provides funding for enterprise development, startups, and tribal member-owned businesses on or near reservations. In addition, the program provides entrepreneur training and technical assistance to tribal communities throughout Montana.18

The OICED encompasses several initiatives, including the Montana State Tribal Economic Development Commission (STEDC), which builds governmental relationships to expand and improve opportunities for economic prosperity among the state’s eight tribal nations. The composition of the commission includes governor-appointed representatives from each tribal nation, along with the directors of the Montana Governor’s Office of Indian Affairs and Montana Department of Commerce, and the chief business development officer of the Montana Governor’s Office of Economic Development.

In addition to administering business development and financial programs aimed at expanding economic growth and opportunity for Native American businesses, the OICED offers an important resource for preserving the cultural heritage of tribal regions. These resources include the Montana Indian Language Program, which has deployed $3 million since 2013 to tribal governments for the preservation and protection of spoken, written, or sign language. Projects funded through this program include classes, training materials, and software applications.

CONSIDERATIONS

- Programs support and recognize the important contributions the tribal communities make to the state.
- Programs are diverse and include youth-oriented and cultural preservation efforts.

FIGURE 18. OICED PROGRAM ANNUAL METRICS

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>FY 2017 ACTUAL</th>
<th>FY 2018 PROJECTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Provided to Indian Nations and Members</td>
<td>$664,000</td>
<td>$664,000</td>
</tr>
<tr>
<td>Jobs Created, Retained, or Trained</td>
<td>129</td>
<td>130</td>
</tr>
<tr>
<td>Business Development Planning</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Amount of Matching Funds</td>
<td>$926,949</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Number of Indian Entrepreneurs Attended Training</td>
<td>602</td>
<td>400</td>
</tr>
</tbody>
</table>
MONTANA MAIN STREET PROGRAM

The Montana Department of Commerce Main Street Program was established in 2005 and currently serves 28 communities across the state. The program is run in collaboration between the Community Development Division and the Montana Office of Tourism. The program helps communities strengthen and preserve their historic downtown commercial districts by concentrating on economic development, urban revitalization, and historic preservation through long-range planning, organization, design, and promotion.

The Main Street Program provides a range of services and assistance to communities striving to enhance economic and business vitality while maintaining local historic integrity, quality of life, and sense of place. The program offers technical assistance and expertise to member communities and awards competitive grant funding to communities actively working on downtown revitalization, economic development, and historic preservation.

CONSIDERATIONS

- Communities highly value the assistance and support this program provides.
- Program is modeled after the federal program but tailored to meet the needs of Montana communities.
- Annual conference draws participants from non-Main Street designated communities.
- Downtown development assistance will be a critical need during economic stabilization and recovery in the aftermath of the COVID-19 crisis.

FIGURE 19. MONTANA MAIN STREET PROGRAM ANNUAL METRICS

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>FY 2017 ACTUAL</th>
<th>FY 2018 ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participating Communities</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td>Projects Awarded</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Funds Allocated</td>
<td>$102,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Net New Jobs</td>
<td>155</td>
<td>27*</td>
</tr>
<tr>
<td>Net New Businesses</td>
<td>58</td>
<td>28*</td>
</tr>
<tr>
<td>Annual Conference Attendees</td>
<td>65</td>
<td>90*</td>
</tr>
<tr>
<td>Presentations and Trainings</td>
<td>62</td>
<td>68**</td>
</tr>
</tbody>
</table>

*Data compiled through FY 2018, third quarter.
**Annual conference was formatted as a one-day workshop.
MONTANA COOPERATIVE DEVELOPMENT CENTER

The Montana Cooperative Development Center (MCDC) is a nonprofit corporation focused on promoting and developing cooperatives to meet the economic and community development needs of rural Montana. The MCDC receives funding from state and federal sources and therefore is able to offer services at little or no cost to clients. MCDC services include technical assistance in the following areas: project planning, legal document assistance, capitalization strategies, grant writing assistance, and board training.

Areas of emphasis for MCDC include educating Montanans on the benefits and history of the cooperative model in the state, supporting and expanding the state’s food- and agricultural-related cooperatives, and helping rural communities invest in needed facilities through a cooperative approach. An example of the latter is the Musselshell Rural Investment Cooperative, which was created with support from the MCDC to allow residents of Roundup, Montana, to invest in local projects including the reuse of an abandoned public-school facility.

CONSIDERATIONS

- Specialized technical assistance specifically for cooperatives.
- MCDC is well connected to economic and community development networks, including CRDCs and FADCs.
- Limited and inconsistent/unpredictable funding sources.
- Competition for state and federal resources.

MONTANA MANUFACTURING EXTENSION CENTER

The Montana Manufacturing Extension Center (MMEC) is a statewide manufacturing outreach and assistance center that provides solutions to help Montana manufacturers grow, innovate, and enhance their businesses. MMEC is housed at Montana State University (MSU) in the Norm Asbjornson College of Engineering, with four additional remote offices throughout the state. MMEC is part of the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) national network, which also provides funding for MMEC.
CONSIDERATIONS

- Specialized technical assistance for manufacturers.
- Robust programming and offerings for manufacturers.
- Strong partnership with MSU.
- Strong national network with information and resource sharing.
- Not considered a competitive advantage to Montana, as MEPs are available in most states.

SMALL BUSINESS DEVELOPMENT CENTER NETWORK

The Montana Small Business Development Center (SBDC) Network is part of a nationwide network of business assistance centers throughout the US. SBDCs are hosted by universities, economic development agencies, and private partners. They receive funding from the US Small Business Administration and the Montana Department of Commerce.22

Established in 1983, the program is housed administratively within the Montana Department of Commerce and operates 10 SBDCs across Montana. The centers provide no-cost technical assistance and low-cost training and programs for small businesses and entrepreneurs. During its 30-year history, the state’s SBDC network has assisted more than 31,000 entrepreneurs.23

The state’s rural nature creates challenges for service delivery, with each center serving a geographic area of more than 14,700 square miles. As a result, recent efforts have centered on increasing the use of technological solutions in the delivery of training and consulting services.24 Reauthorization of the program in 2019 increased funding by $200,000, supporting the hiring of additional staff across the state. New hires include the creation of a new rural business advisor position in the Great Falls SBDC who will work to expand services in the region’s rural counties.25

FIGURE 20. SBDC PROGRAM METRICS

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Businesses Successfully Launched</td>
<td>58</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Training Seminars Hosted</td>
<td>91</td>
<td>96</td>
<td>—</td>
</tr>
<tr>
<td>Training Attendees</td>
<td>1,055</td>
<td>1,165</td>
<td>1,280</td>
</tr>
<tr>
<td>Client Loans Approved</td>
<td>149</td>
<td>102</td>
<td>—</td>
</tr>
<tr>
<td>Jobs Created and/or Retained</td>
<td>494</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Jobs Supported</td>
<td>—</td>
<td>2,303</td>
<td>3,144</td>
</tr>
<tr>
<td>Financing Obtained by Clients</td>
<td>$24,340,309</td>
<td>$28,814,203</td>
<td>—</td>
</tr>
</tbody>
</table>

CONSIDERATIONS

- SBDCs are among the most well-known and popular programs, offering a range of consulting services and technical assistance at no cost to businesses.

- SBDCs work in close partnership with universities and economic development groups.

- Centers operate as part of a large national support network governed by the US Small Business Administration, which provides structure and administrative consistency.

- Some of the more general aspects of the SBDC program might overlap with other initiatives. The specialized training and time-intensive counseling available through the centers are not typically replicated in other business assistance programs.

- Despite recent funding increases, Montana’s SBDCs remain underfunded compared to other states.
3. COMPETITIVE ANALYSIS

To understand Montana’s competitive position, TIP assembled quantitative information regarding Montana’s performance relative to all 50 states and qualitative information on perceptions of the state and innovative approaches being used in surrounding states and nationally. Insights from this analysis informed the team’s findings and, ultimately, shaped the recommendations in the Next Generation Analysis.

STATE COMPETITIVENESS ANALYSIS

To place Montana’s performance in a national context, the consulting team conducted a comprehensive analysis of 76 indicators covering general demographic, economic performance, as well as topics that had been emphasized in stakeholder outreach across the state. For presentation purposes, these indicators have been grouped into 10 categories.

- People and Households
- Workforce
- Early Education
- Higher Education
- Economy
- Business Operations
- Innovation and Entrepreneurship
- Agriculture Sector
- State Revenue Structure
- Infrastructure

The complete competitiveness analysis—including datapoints, descriptive statistics, methodological overviews, sources, and visualizations for all 76 indicators—was packaged in a Tableau Reader workbook and presented separately to the client as an ongoing reference tool. This section includes a brief summary of findings, but deeper questions can be researched in the interactive Tableau Reader file.

METHODOLOGY

To make the state comparisons as meaningful as possible, attempts were made to minimize the comparison of levels or sizes. Doing so would inevitably skew California, Texas, Florida, New York, and other large states to the top of any rankings. Instead, the consultants chose to maximize the use of rates, percentages, location quotients, and other calculations that could compare relative performance without the biases inherent in size rankings. The list of indicators is led by population size to underscore the issue of a skewed distribution and to ensure users have a common understanding of where each state falls regarding this characteristic.

Where available, data were assembled for all 50 states and the District of Columbia. To simplify the presentation of a large volume of information, the data were presented on a two-dimensional chart, or cross plot. The vertical y-axis shows the state rank; the horizontal x-axis shows the distribution of values being ranked. Montana and the five benchmark states (North Dakota, South Dakota, Wyoming, Idaho, and Utah) are highlighted in the visualization. Values for other states can be viewed using search and highlighting tools within the Tableau Reader software.

In addition to controlling for size, the analysis adds value by putting the rankings in context. Lists of state rankings are often misleading when the datapoints are tightly bunched and then left unexplained to the reader. For example, would a hypothetical 17 ranking be significantly different from a 37 ranking if the span between the two is a median household income of $61,000 versus $59,000? The consultants approached this problem by applying a modified version of a statistical technique called a normal distribution. (A normal distribution is calculated as one standard deviation from the mean. In this analysis, the reference point is the median, so the corresponding
calculation was the median absolute deviation.) If a state does not lie within this normal range, it is either a high outlier or a low outlier. (The general concept is similar to medical tests. Such results are typically presented in the context of a normal range with high and low outliers.) An indicator with a 17 or a 37 ranking falling within a normal range might indicate tightly packed values with insignificant variation across most states. If either of these rankings were outliers, however, they might indicate greater distance from the larger group. This technique is used here, not as the basis of a rigorous statistical analysis, but rather to provide the reader with a degree of context for interpreting the significance of the rankings.

DATA SOURCES

A wide range of primary and secondary sources were consulted in the development of the 76 indicators in this competitiveness analysis, including the American Council for an Energy-Efficient Economy (ACEEE); Cornell University Alfred R. Mann Library; Corporation for National and Community Service; Economic Modeling Specialists International (Emsi), 2020.2—Quarterly Census of Employment and Wages (QCEW) Employees, Non-QCEW Employees, and Self-Employed; Federal Communications Commission (FCC); Federal Deposit Insurance Corporation (FDIC), National Survey of Unbanked and Underbanked Households; Federal Reserve Bank of New York, State-Level Household Debt Statistics; Federation of Tax Administrators; Harvard University, Opportunity Insights; National Agricultural Statistics Service (NASS), Agricultural Land Values; National Association of State Budget Officers, Fiscal Survey of the States; National Center for Science and Engineering Statistics (NCSES), Survey of Federal Funds for Research and Development; National Center for Science and Engineering Statistics (NCSES), Survey of State Government Research and Development; National Institutes of Health (NIH); National Science Board, Science and Engineering Indicators 2020; National Science Foundation (NSF); Robert Wood Johnson Foundation, Prosperity Now Scorecard; State Science & Technology Institute (SSTI); Tax Foundation; US Agency for Healthcare Research and Quality (AHRQ), Medical Expenditure Panel Survey (MEPS)—Insurance Component; US Bureau of Economic Analysis; US Bureau of Labor Statistics; US Census Bureau, American Community Survey, 1-Year Data, 2018; US Census Bureau, Business Dynamics Statistics; US Census Bureau, Nonemployer Statistics (NES); US Census Bureau, Population Estimates Program (PEP); US Census Bureau, Urban and Rural Classification and Urban Area Criteria; US Centers for Medicare & Medicaid Services (CMS); US Energy Information Administration; US Health Resources & Services Administration (HRSA), Area Health Resources Files (AHRF); US Small Business Administration; and Zillow Group.

DATA FINDINGS

The following is a brief analysis and high-level summary of results for each of the 10 categories. As stated previously, the complete results are available in an interactive Tableau Reader workbook provided separately to the client. The workbook includes datapoints, descriptive statistics, methodological overviews, sources, and visualizations for all 76 indicators.

PEOPLE AND HOUSEHOLDS. Montana is a state with a relatively small population and above-average population growth. What was most noteworthy among this group of indicators, however, was its high outlier status for domestic migration. On average, state-to-state migration is equal to the national level. But the median of all states is slightly on the negative side: -754 per 100,000 residents over the past decade. Compare this to Montana’s rate of nearly 5,000 domestic in-migrants per 100,000 residents. This datapoint implies that domestic migration is the main driver of the state’s population growth, exceeding both natural increase (the excess of births over deaths) and immigration combined. From an economic development perspective, this finding is important for three reasons. First, it confirms the state’s ongoing attractiveness as a residential destination for other Americans. Second, it implies that the social composition of the state will evolve because the drivers of population growth are external rather than internal. Third, an ongoing influx of new residents can be a positive catalyst for economic dynamism and workforce development.
Montana was also a high outlier in other elements of this group, though some of these outlying indicators might come as little surprise. Nearly half the state is rural. One out of every sixteen residents is Native American. One in ten adults is a veteran. Nearly four out of every ten adults in the state regularly volunteer their time. While income volatility is a bit high, as one indicator showed, some of that might be due to swings in the state’s farm economy. Other measures of volatility (explored in other sections) did not uncover any discernible economic or job-related volatility in Montana in relation to other states.

**FIGURE 21. STATE COMPARISON INDICATORS: PEOPLE AND HOUSEHOLDS**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population, 2019</td>
<td>1,068,778</td>
<td>4,467,673</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Population Change (%), 2010–2019</td>
<td>8.0</td>
<td>4.1</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Migration (per 100,000 residents), 2010–2019</td>
<td>4,989</td>
<td>-754</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Population (%), 2010</td>
<td>44.1</td>
<td>25.8</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Native American Population (%), 2018</td>
<td>6.4</td>
<td>0.5</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Veterans (%), 2018</td>
<td>10.2</td>
<td>8.1</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Volatility, 2017</td>
<td>23.70</td>
<td>20.40</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Residential Market Rent, (as of January 2020)</td>
<td>$885</td>
<td>$1,205</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Physicians (MDs) (per 100,000 population), 2017</td>
<td>213</td>
<td>236</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardized Risk-Adjusted per Capita Medicare Beneficiary Costs ($), 2018</td>
<td>$10,215</td>
<td>$10,589</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Volunteerism (% of population 16+), 2018</td>
<td>38.8</td>
<td>32.4</td>
<td>8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source (all figures this section): TIP analysis of multiple economic and demographic data (see Methodology, page 28 for details).

**WORKFORCE.** In separate surveys of businesses and economic development practitioners conducted as part of this engagement, respondents cited quality of life as an economic opportunity for Montana. As previously noted, Montana has proven a draw for domestic in-migrants. Some new residents bring with them out-of-state job connections that allow them to work remotely in Montana. It might seem trivial, but when one considers that Montana ranks fourth in the nation in the share of its workforce who works from home, it does underscore a trend that seems poised to increase in the aftermath of the COVID-19 era.

Montana’s average annual employment growth was also a high outlier, but with relatively low levels of volatility in the rate of growth over the past two decades.

**FIGURE 22. STATE COMPARISON INDICATORS: WORKFORCE**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual Employment Growth (%), 2001–2019</td>
<td>1.0</td>
<td>0.6</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment Growth Volatility, 2001–2019</td>
<td>1.36</td>
<td>1.41</td>
<td>27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Force Participation Rate (%), 2018</td>
<td>63.6</td>
<td>63.8</td>
<td>28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working from Home (%), 2018</td>
<td>7.3</td>
<td>5.2</td>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**EARLY EDUCATION.** Early education and childcare were among the topics discussed in listening sessions around the state. Analysis of various indicators in this area were mixed, particularly with regard to public school spending. State expenditures fell in the normal range on a per-pupil basis but were a high outlier as a share of gross domestic product (GDP).
**FIGURE 23. STATE COMPARISON INDICATORS: EARLY EDUCATION**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public School Expenditures ($ per student), 2016</td>
<td>$11,374</td>
<td>$11,374</td>
<td>26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public School Expenditures (% of GDP), 2016</td>
<td>3.6</td>
<td>3.2</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preschool Share of Total Enrollments (%), 2018</td>
<td>6.8</td>
<td>6.2</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eighth Grade Mathematics Proficiency (%), 2018</td>
<td>36.0</td>
<td>33.0</td>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AP Exam Participation (% of graduating class), 2014</td>
<td>20.8</td>
<td>29.6</td>
<td>40</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**HIGHER EDUCATION.** A few things were notable in the indicators for higher education. However, because much of the state’s performance in this category falls within the margins of a normal range, these strengths might not be obvious at first glance. As a percent of GDP, Montana appropriates only slightly more to higher education than most states, yet Montana is a low outlier for undergraduate costs at public institutions and falls well below the median for delinquencies in student loan repayments.

Most notable among the indicators is the preponderance of science, technology, engineering, and mathematics (STEM) degrees granted at the state’s higher education institutions. Nearly two out of five (or 39 percent) degrees were in STEM fields in 2018, enough to easily rank Montana among the top 10 states in the nation.

**FIGURE 24. STATE COMPARISON INDICATORS: HIGHER EDUCATION**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations for Higher Education (% of GDP), 2018</td>
<td>0.5</td>
<td>0.4</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational Attainment: Bachelor's Degree or Higher (%), 2018</td>
<td>31.7</td>
<td>31.3</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of Prime Working Age (25–44) with Bachelor's Degree+ (%), 2018</td>
<td>34.2</td>
<td>35.3</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associate's Degrees in Tech. Conferred (per thousand 18–24 yo), 2018</td>
<td>1.16</td>
<td>1.28</td>
<td>28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Science and Engineering Degrees (% of degrees conferred), 2018</td>
<td>38.8</td>
<td>32.4</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEH Graduate Students (per thousand 25–34 yo), 2016</td>
<td>12.56</td>
<td>13.37</td>
<td>31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Annual Undergraduate Costs ($), 2018</td>
<td>$15,800</td>
<td>$19,124</td>
<td>46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Loan Delinquency (%), 2019</td>
<td>9.3</td>
<td>10.9</td>
<td>37</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ECONOMY.** North Dakota’s average annual real GDP growth led the nation over the 22-year period from 1997 to 2019. But when adjustments are made to account for the volatility of the state’s boom-and-bust cycles, North Dakota is actually a low outlier among states in GDP growth, as was Wyoming. This result might come as no surprise to Montana residents. In interviews and focus groups conducted throughout the state as part of this project, residents often cited the advantage of Montana’s economic stability relative to its neighbors. Indeed, the numbers do seem to indicate that these views are accurate.

The two export indicators included in this section are also worth emphasizing. Montana was a low outlier for both. These low rankings correspond to survey questions posed to both business and economic development practitioners. When asked to rate the value or benefit of statewide economic development programs, the Office of Trade and International Relations (ExportMontana) tended to receive lower average ratings than most other programs.
Figure 25. State Comparison Indicators: Economy

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual Real GDP Growth (%), 1997–2019</td>
<td>2.2</td>
<td>2.0</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk-Adjusted Annual Real GDP Growth (%), 1997–2019</td>
<td>0.2</td>
<td>-0.2</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Annual Real GDP per Capita Growth (%), 1997–2019</td>
<td>1.4</td>
<td>1.2</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP Volatility, 1997–2019</td>
<td>1.97</td>
<td>2.10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Capita Real GDP ($), 2019</td>
<td>$44,145</td>
<td>$52,664</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Capita Personal Income, 2019</td>
<td>$49,074</td>
<td>$52,937</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods Exports per Capita ($), 2019</td>
<td>$1,550</td>
<td>$3,937</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufactured Exports (%), 2019</td>
<td>53.1</td>
<td>74.9</td>
<td>47</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Business Operations. Three takeaways emerged from the indicators grouped loosely together under the name of business operations. First, and most important, the Tax Foundation’s most recent annual ranking of state business tax climates puts Montana well above most other states.

Second, Montana appeared at polar outlier extremes for microenterprise ownership (number 2 in the nation) and employers offering health insurance (number 51, including the District of Columbia). Oddly, these two go together, because the smallest employers are often the least able to extend health insurance benefits to their workers.

Third, Montana’s utility rates for industrial users were a bit at odds with each other. Montana emerges from this analysis as a state with some of the most affordable electricity in the nation for industrial users, but natural gas rates skirted the upper bounds of the normal range.

Figure 26. State Comparison Indicators: Business Operations

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Business Tax Climate Index, 2020</td>
<td>6.16</td>
<td>5.01</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business-Performed R&amp;D (% of private-industry output), 2017</td>
<td>0.3</td>
<td>1.4</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Microenterprise Ownership Rate (%), 2016</td>
<td>21.3</td>
<td>17.5</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employers Offering Health Insurance (%), 2018</td>
<td>34.7</td>
<td>47.6</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbon Emissions (millions of metric tons), 2017</td>
<td>30.3</td>
<td>76.3</td>
<td>42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Electric Rates for Industrial Users (¢/kWh), 2018</td>
<td>5.2</td>
<td>6.9</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Natural Gas Rates for Industrial Users ($ per 1000 cu ft), 2018</td>
<td>$6.42</td>
<td>$5.36</td>
<td>17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Innovation and Entrepreneurship. Thirteen different indicators for innovation and entrepreneurship were reviewed. Montana was in the normal range for many of these but emerged as a stealth leader in some surprising areas. First, state agency spending on R&D was a high outlier, even though federal spending in this area was not.

Second, Montana has been successful in obtaining SBIR/STTR awards, according to reports from the National Science Foundation covering the 2014–2016 period. Moreover, a recent study by the State Science & Technology Institute (SSTI) showed that Montana was particularly successful in 2019 in obtaining SBIR/STTR awards from the National Institutes of Health (NIH).
A high location quotient for the agriculture sector in Montana should not be a surprise. The real story is in other indicators in this category that scored as high outliers among state peers. Most SBIR/STTR grants tend to come from big government agencies, like the US Department of Defense or the US Department of Health and Human Services. The median state gets 1.1 percent of its SBIR/STTR funding from the US Department of Agriculture (USDA), but in Montana, it’s more than three times that—enough to push the state to the cusp of being a high outlier. Moreover, Montana’s state-level investment in agriculture R&D was higher than most states.

STATE REVENUE STRUCTURE. In interviews, focus groups, and surveys of stakeholders around Montana, a topic that came up repeatedly was the state’s tax structure. Many people expressed a desire to reform the tax structure. Not everyone agreed on the specific prescriptions, but many saw the composition of revenue sources as a general policy concern. States typically rely on three pillars of revenue: income, property, and sales. Any state that is missing
one of those three pillars is likely to experience higher rates in the other two. (Texas, for example, lacks a personal income tax, so residents inevitably pay higher sales taxes. Sales tax revenues made up about 60 percent of state-level tax collections in Texas in FY 2019 according to the Federation of Tax Administrators.) Montana lacks a state-level revenue source derived from a sales tax, so other sources of revenue rise in the rankings as a result. Montana is a high outlier for property and excise taxes as sources of state revenue, while personal and corporate income tend to be higher than other states, though not enough to be considered outliers.

Whatever the concerns about the composition of state revenue in Montana, other indicators did not necessarily point to dire circumstances. Montana’s state tax collections grew 5.5 percent between FY 2018 and FY 2019, according to the Federation of Tax Administrators, putting Montana in line with the median of all 50 states. In the wake of the COVID-19 outbreak, state budget resilience will be under increasing scrutiny. In its fall 2019 edition of The Fiscal Survey of States, the National Association of State Budget Officers (NASBO) ranked Montana 12th in its signature metric of state liquidity. NASBO calculates total balance as the ending budget balance (reserved and unreserved) plus the amounts in each state’s stabilization or rainy-day funds. Liquidity is then measured as the total balance divided by budgeted expenditures in the state’s general fund. By this measure, Montana was deemed to have 16.4 percent cushion in FY 2020, placing it in a relatively better position during a recession than most other states.

**FIGURE 29. STATE COMPARISON INDICATORS: STATE REVENUE STRUCTURE**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total State Tax Revenues per Capita ($), 2019</td>
<td>2,965</td>
<td>3,164</td>
<td>32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Budget Balance (% of general fund expenditures), FY 2020</td>
<td>16.4</td>
<td>11.6</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth in State Tax Collections (%), 2018–2019</td>
<td>5.5</td>
<td>5.5</td>
<td>27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of State Tax Collections: Sales Tax (%), 2019</td>
<td>0.0</td>
<td>28.6</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of State Tax Collections: Personal Income Tax (%), 2019</td>
<td>44.6</td>
<td>35.9</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of State Tax Collections: Corporate Income Tax (%), 2019</td>
<td>5.8</td>
<td>5.0</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of State Tax Collections: Property Tax (%), 2019</td>
<td>9.9</td>
<td>0.2</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of State Tax Collections: Excise Tax (%), 2019</td>
<td>20.9</td>
<td>15.6</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of State Tax Collections: Miscellaneous Taxes (%), 2019</td>
<td>18.8</td>
<td>7.6</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Sales Tax Rate (%), FY 2020</td>
<td>—</td>
<td>6.0</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Personal Tax Rate—Top Bracket (%), FY 2020</td>
<td>6.9</td>
<td>5.9</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Corporate Tax Rate—Top Bracket (%), FY 2020</td>
<td>6.8</td>
<td>6.5</td>
<td>22</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**INFRASTRUCTURE.** Infrastructure is a complex topic with many indicators that could potentially be explored. This analysis was limited to the specific types of infrastructure investment that were most often cited in stakeholder outreach efforts: broadband infrastructure and (to a lesser extent) long-term concerns about energy and sustainability. The indicators show that Montana falls below the median of the 50 states in all the areas examined. (The state’s 19 ranking for broadband access in tribal areas should be viewed with caution because there were only 34 states with measurable data for this indicator.) The Federal Communications Commission (FCC) defines competitive broadband coverage as three or more service providers of asymmetric digital subscriber line (ADSL), cable, fiber, fixed wireless, or satellite service at speeds of greater than or equal to 25 Mbps (download) and 3 Mbps (upload).
**FIGURE 30. STATE COMPARISON INDICATORS: INFRASTRUCTURE**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Montana</th>
<th>Median for All States</th>
<th>Low Outlier</th>
<th>Normal Range</th>
<th>High Outlier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Population with Competitive Broadband Service (%), 2019</td>
<td>86.7</td>
<td>94.3</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of Rural Population with Competitive Broadband Service (%), 2019</td>
<td>73.3</td>
<td>80.8</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of Tribal Population with Competitive Broadband Service (%), 2019</td>
<td>73.5</td>
<td>74.7</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Energy Efficiency Scorecard, 2019</td>
<td>12.5</td>
<td>15.5</td>
<td>36</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**COMPETITIVE POSITION**

Further context on the state’s competitive position was provided through interviews with four prominent real estate advisory firms/location consultancies that have done work nationally and in Montana. Common themes that arose during these interviews helped shape the approach and the recommendations. These themes, along with a comparison of state-level incentives in Montana and surrounding states, are provided in this section.

**SITE LOCATION PERSPECTIVE**

As a part of the competitive analysis, the TIP consultant team interviewed four nationally recognized firms that specialize in location analysis, incentives consulting, and real estate services to gather their insights about current trends and their perspectives about states that are leading the way in innovative economic development programs. The selected firms, Jones Lang LaSalle IP, Inc. (JLL); Biggins Lacy Shapiro & Company, LLC (BLS & Co.); CBRE Group, Inc. (CBRE); and Newmark Knight Frank (NKF), were selected based on the variety of work they do—from large-scale industrial projects to small-scale satellite tech offices—and their familiarity with the Western US. Overall, the perception was that Montana’s incentive and economic development programs were largely reactive and lacked the flexibility that companies value today. Furthermore, the firms thought that the programs Montana offered did not leverage the state’s strengths, such as quality of life and the ability to attract talent, emerging industry sectors, and a comparatively low cost of doing business.

Montana has an incredible ability to attract and retain top talent, whether it be recent graduates from Montana’s outstanding universities or talent from across the country looking for a better quality of life, which is a tremendous draw for companies to the state. Recent recruitments to the state include California tech companies, ClassPass (Missoula) and SoFi (Helena), which both cited the ability to attract talent to Montana as key reasons for locating in the state. Site selectors mentioned that talent remains a driving factor and incentives were considered a secondary factor for companies interested in locating in Montana. Additionally, during conversations with business owners from the cities of Hamilton to Havre to Wolf Point, talent attraction and retention was a primary concern. Communications infrastructure and the availability of high-speed internet was also mentioned by Montana businesses and site selectors as an essential factor in business location decisions. Missoula’s trailing spouse program was highlighted as an incredibly valuable benefit to companies when they are trying to secure a top candidate, especially because it leverages Montana’s ability to attract workers from around the country. One consultant thought monthly or quarterly newsletters, similar to what Greater Portland, Inc., produces, were beneficial to keep them informed about the most recent programs and projects in the state.

When the TIP team inquired about the states that were taking a creative and innovative approach to economic development programs, the overwhelming response was that the most valued programs are the ones that are flexible—meaning that companies have the ability to use the funds where they are most needed or a direct reduction in real project costs. Examples for highly flexible incentives include payroll tax credits, property tax credits, grants, and programs that offer extended year-over-year benefits with broad project parameters. In contrast, income tax credits, which are common in Montana, are often viewed as low value because large
companies have other ways of offsetting income taxes and small, pre-revenue companies do not have income tax liability. One consultant highlighted the innovative workforce development programs available in Louisiana and Virginia as being flexible and easy to use. Programs in Tennessee and North Carolina allow for remote worker scenarios and extensions of the base period for investment and job creation. In addition to financial incentives, the consultants who TIP interviewed thought that customized services were also valued by companies. Ohio’s workforce recruitment and placement services received accolades for offering high-quality services, including advertising job openings on social media and other marketing outlets.

As a part of incentive packages, more communities are exploring public benefit agreements, also known as community benefit agreements, which require companies to take an active and engaged role in their communities in exchange for receiving public benefits. Often such agreements are customizable to meet the interests of the company, while addressing a community need. In Oregon, for Jaguar Land Rover Portland to take advantage of the Portland Enterprise Zone tax incentives, it agreed to partner with the local startup community on inclusive entrepreneurship programs and committed to diversity goals about hiring and training underrepresented populations. These agreements help communities reach their long-term goals, and companies are finding significant benefits from closer engagement with the community. Companies that have deeper ties to an area are also more likely to stay and continue to invest in the long-term vision of the community.

THE ROLE OF INCENTIVES

Incentives are one of the most common tools in the economic development toolbox. They are also among the most controversial, especially after the 2019 public site selection process that Amazon underwent to determine a location for its second headquarters, or “HQ2.” Comprised of a variety of cash and noncash benefits, incentives are viewed as a means to motivate a company to select one location over another for investment by reducing the cost of doing business. The traditional approach to their design and use was based on the “but for” principle. This theory suggests that incentive packages should be the determining factor in corporate expansion and relocation decisions: but for an incentive being offered, the company would not have selected the location. The proliferation of incentives in recent decades has rendered this standard largely meaningless. Rather than being the final push that gets the deal done, incentives are viewed as a standard component of the process.

Given their widespread use, the concept of “but for” has been replaced by the question of “which one?” Economic developers and government officials at all levels hope to understand which type of incentives are the most compelling or effective, which will give them an edge against the competition. However, that is also the wrong question. The appropriate starting point for a discussion of incentives must include the questions of “To what end? What are we trying to influence? Which sectors do we want to support? What goals or objectives do we want to prioritize: wage growth, placemaking, economic resiliency?” The answers to these questions should drive the development of incentives.

The consulting team’s discussions with site selectors and incentives advisors suggest some broad takeaways on the question of effectiveness.

**TAX INCENTIVES.** One of the primary points that arose from the consulting team’s conversations with site selectors regarding Montana’s offerings was about the utility of tax-based incentives. For larger firms, that often have other means of reducing their tax burdens, tax credits are of little value. By contrast, incentives that help offset major drivers of cost—equipment for goods-producing firms, labor for both goods and service producers—are of greater interest.

**NONTAX INCENTIVES.** Direct financial assistance, in the form of loans, loan participation, or grants, is another popular tool. Again, however, large firms typically have other avenues for obtaining financing. As a result, this type of incentive is not likely to compel the selection of a location or to offset any real or perceived
deficiencies. For smaller firms, the administrative burden of applying for financial assistance might outweigh the value of that assistance in the end.
STATE-LEVEL INCENTIVES COMPARISON

A review of incentives offered by Montana and the five surrounding states yields several observations. Data for this review was obtained from the C2ER State Business Incentives Database. This interactive database is a proprietary product that tracks more than 1,600 incentives programs across all 50 states. At the time of the analysis, the database listed 203 programs among the six states. In addition to a brief description, each program is classified into one of four program categories (tax, direct business financing, indirect business financing, and direct community financing). Tax incentives represented the largest group, accounting for 45 percent of the programs identified by C2ER, followed by direct business financing, which represented roughly one-third (36 percent).

FIGURE 31. DISTRIBUTION OF INCENTIVES BY PROGRAM CATEGORY

<table>
<thead>
<tr>
<th>PROGRAM CATEGORY</th>
<th>IDAHO</th>
<th>MONTANA</th>
<th>NORTH DAKOTA</th>
<th>SOUTH DAKOTA</th>
<th>UTAH</th>
<th>WYOMING</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>74%</td>
<td>69%</td>
<td>40%</td>
<td>60%</td>
<td></td>
<td></td>
<td>45%</td>
</tr>
<tr>
<td>Direct business financing</td>
<td>17%</td>
<td>31%</td>
<td>19%</td>
<td>79%</td>
<td>25%</td>
<td>82%</td>
<td>36%</td>
</tr>
<tr>
<td>Indirect business financing</td>
<td>4%</td>
<td>40%</td>
<td>13%</td>
<td>5%</td>
<td>18%</td>
<td></td>
<td>16%</td>
</tr>
<tr>
<td>Direct community financing</td>
<td>4%</td>
<td></td>
<td>8%</td>
<td>10%</td>
<td></td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>Number of incentives</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: TIP Strategies analysis of data from C2ER State Business Incentives Database.

Note: Due to rounding, not all numbers add up to 100 percent. Three incentives were categorized in two program categories: North Dakota Renewable Energy Program (direct business financing, direct community financing), Utah Business Expansion and Retention Grant Program (direct business financing, indirect business financing), and the Utah Rural Jobs (indirect business financing, tax). For each of these incentives, the first listed program category was used.

C2ER breaks the four program categories down further by the type of program. Tax-related programs, for example, include tax credits, tax exemptions, and other similar tools for reducing the tax burden for companies. Montana had the largest overall number of tax-based incentives, with more than two-thirds (69 percent) of the identified incentives in the state falling into this category (29 out of 42 total). Looking across the six states, nearly one-half (48 percent) of the 93 tax-based incentives recorded by C2ER were classified as tax credits. Utah had the largest number of programs of this type, with 18 tax credit incentives, out of 24 total incentives identified (75 percent), followed closely by Montana with 15 (or 52 percent of the state’s tax-related incentives). At the other end of the spectrum, Wyoming and South Dakota did not have any tax-based incentives according to C2ER research. However, it is important to note that not all tax credit incentive programs are directly comparable or offer the same benefits. For example, as previously mentioned, state income tax incentives are largely considered noncompetitive incentives, whereas payroll tax incentives and property tax reductions are highly valued by companies.

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1 C2ER did show a single tax incentives program for South Dakota. However, the associated link was not active, and no specific details of the program were provided. The South Dakota Governor’s Office of Economic Development (SDGOED) lists two programs under the heading of tax incentives. However, these two programs—the Reinvestment Payment Program and the South Dakota Jobs Program—are listed separately in the C2ER database and characterized as direct business financing programs. In addition, South Dakota has limited business taxes and does not levy a tax on personal or corporate income, personal property, business inventories, or inheritance, according to the SDGOED site. [https://sdgoed.com/build-your-business/tax-climate/](https://sdgoed.com/build-your-business/tax-climate/).
The direct business financing category encompasses programs by which the state provides financial support directly to companies, for example through loans and grants, without the involvement of a third party. Programs in which the state provides funding to an intermediary, which then provides services to the business, are classified by C2ER as indirect business financing. For this analysis, these two categories were treated together with an emphasis on understanding the distribution and focus of these programs among the states. Detailed program types associated with these two categories are more varied and tend to overlap more than tax-related programs. As a result, the consulting team focused on incentives that were assigned a program type or types that included any of the following terms: loan (including collateral support), grant, or equity.ii

**LOANS AND RELATED.** Of the 103 programs related to the provision of either direct or indirect financing assistance to businesses across the six states, 63 were characterized as some form of loan program. The majority of these (28, or 44 percent of the total) were in North Dakota, likely a reflection of the essential role the Bank of North Dakota (BND) has in the state. (See page 45 for a description of the BND.) South Dakota was a distant second, with 13 loan-related programs, while the four remaining states had 10 or fewer. The pivotal role of agriculture across the states is evident from this analysis: more than one out of three loan-related programs (23 out of the 63 identified) were designed to support agricultural producers (farm and livestock) or rural businesses.

**GRANTS.** There were 31 initiatives, out of the 103 business financing programs, that were categorized by C2ER as some type of grant program. These programs were more evenly distributed, with most states having four or five offerings. Utah had the most, with nine grant programs; Idaho had the least, with only one. The areas of focus were more varied for grant programs. Topics ranged from grants for job training and workforce development to grants to support technology commercialization and research.

**EQUITY.** Only a small number of programs—fewer than 10—were classified as equity investments. Under these programs, the state invests capital in exchange for a partial ownership position in the business. Five of the nine equity-related incentives were found in North Dakota, which is likely a reflection of BND’s presence. Montana and South Dakota did not have any equity-based incentives.

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ii Three incentives that were categorized under either the direct business financing or indirect business financing program category were characterized as tax-related program types by C2ER. Those incentives and five others characterized as other program types were excluded from this portion of the analysis.
Noteworthy observations from this analysis include the small number of incentives dedicated to providing direct financing to communities identified by C2ER, just 7 out of 110 nontax-related incentives fall into this category. This imbalance might be due to the tendency of incentives analyses to emphasize business-driven programs. It is also possible the low number of community financing tools is not a reflection of the resources dedicated to this objective. Community development initiatives are often aimed at infrastructure projects, which carry a hefty price tag. In other words, a few financing programs can reflect a significant investment.

The other takeaway is the lack of focus on workforce incentives. Of the categories of business needs identified by C2ER, workforce preparation or development accounted for just 18 incentives. By contrast, the majority of the incentives identified in Montana and the surrounding states were geared toward increasing access to capital (89 out of 203, or 44 percent) or addressing tax and regulatory burdens (79, or 39 percent). Given the growing cost that labor represents for all employers, states could benefit from exploring creative approaches to address this area. Furthermore, site selectors identified flexible and innovative workforce development incentive programs as one of the most compelling offerings available to businesses today. Examples of innovative incentives from other states are profiled in the “Selected Programs Assessment” section (beginning on page 13).

**FIGURE 33. DISTRIBUTION OF TAX INCENTIVES BY BUSINESS NEED OR ISSUE ADDRESSED**

Total incentives identified in Montana and surrounding states.

<table>
<thead>
<tr>
<th>Business Need or Issue Addressed</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital access or formation</td>
<td>82</td>
</tr>
<tr>
<td>Tax/regulatory burden reduction</td>
<td>79</td>
</tr>
<tr>
<td>Facility/site location</td>
<td>42</td>
</tr>
<tr>
<td>Product &amp; process improvement</td>
<td>39</td>
</tr>
<tr>
<td>Workforce preparation or development</td>
<td>18</td>
</tr>
<tr>
<td>Business management</td>
<td>13</td>
</tr>
<tr>
<td>Infrastructure improvement</td>
<td>13</td>
</tr>
<tr>
<td>Marketing &amp; sales assistance</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: TIP Strategies analysis of data from C2ER State Business Incentives Database.

Note: C2ER categorized incentives under one or more categories of business needs or issues that the incentive appears to address. Incentives can be classified under 1 or more of 10 business needs. As a result, the number of incentives allocated above exceeds the total number of incentives identified (203) in the six states analyzed. No incentives were identified in two of additional business needs categories: professional networking and technology & product development.

**STATE PROFILES**

In addition to extensive stakeholder engagement, the consulting team completed a comprehensive review of economic and community development strategies from Montana’s surrounding states: Idaho, North Dakota, South Dakota, Wyoming, and Utah.

These five states face some of the unique challenges that Montana has in regard to balancing the needs of urban and rural communities and overall population density. Examples include the following.

- Utah, Idaho, and Wyoming have made outdoor recreation and quality of life major focus areas for expanding tourism and talent attraction.
North Dakota and Wyoming rely heavily on natural resources extraction to drive state revenue.

South Dakota and Wyoming have made significant investments in broadband infrastructure to improve connectivity, especially in rural and underserved communities.

The five states rank near the bottom among all 50 states in population density.

To complete the analysis, the consulting team conducted primary research, which included accessing state websites and reviewing plans, reports, analyses, and budget documents. The objective of this work was to explore surrounding states’ current approach to economic and community development and to highlight some of the major programs and tools they use to address their unique challenges and opportunities. Findings from the analysis are profiled in this section by state and are grouped under five topic areas: economic development, workforce development, community development, infrastructure, and tourism.

It is important to remember that each state is unique, with different funding structures, governance models, and goals and that there are no immediate or easy solutions to community and economic development challenges. The purpose of this section is to give insight into how other states have structured economic and community development programs and addressed some of their most pressing economic and community development challenges. One significant takeaway the consulting team found while researching and compiling these portfolios was the effective use of strategic plans to drive economic development programs and goals in all five states. These include statewide and organizational strategic plans to move forward initiatives and have actionable goals. This section is designed to inspire Montana’s leaders to think of bold and creative solutions to address their goals and challenges.

FIGURE 34. BENCHMARK STATE TARGET SECTORS

<table>
<thead>
<tr>
<th>IDAHO</th>
<th>NORTH DAKOTA</th>
<th>SOUTH DAKOTA</th>
<th>UTAH</th>
<th>WYOMING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MANUFACTURING &amp; ENERGY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aerospace</td>
<td>Energy &amp; Natural Resources</td>
<td></td>
<td>Outdoor Products</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td></td>
<td>Energy</td>
<td>Wind Energy</td>
</tr>
<tr>
<td><strong>AGRICULTURE &amp; FOOD PRODUCTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Production</td>
<td>Food &amp; Agriculture</td>
<td>Value-Added Ag.</td>
<td>Agriculture Technology &amp; Food Products</td>
<td></td>
</tr>
<tr>
<td>Livestock Dev.</td>
<td></td>
<td>Livestock Dev.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Precision Ag.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOURISM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>Tourism</td>
<td>Outdoor Rec.</td>
<td>Outdoor Rec.</td>
<td></td>
</tr>
<tr>
<td>Outdoor Rec.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SERVICES &amp; TECHNOLOGY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Source: TIP research.
PROFILE: IDAHO

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 population est.</td>
<td>1,787,065</td>
</tr>
<tr>
<td>Rank, population</td>
<td>39</td>
</tr>
<tr>
<td>Geographic area</td>
<td>83,569 square miles</td>
</tr>
<tr>
<td>Rank, geographic area</td>
<td>14</td>
</tr>
<tr>
<td>Major metros (2018 population est.)</td>
<td></td>
</tr>
<tr>
<td>Boise</td>
<td>228,790</td>
</tr>
<tr>
<td>Meridian</td>
<td>99,926</td>
</tr>
<tr>
<td>Major universities</td>
<td></td>
</tr>
<tr>
<td>Boise State University (Boise)</td>
<td></td>
</tr>
<tr>
<td>Brigham Young University-Idaho (Rexburg)</td>
<td></td>
</tr>
</tbody>
</table>

ECONOMIC DEVELOPMENT

The Idaho Department of Commerce is the primary economic development department in the state. The office has four main program areas, which include business development, community development, tourism, and international trade. Additionally, the department leads the Idaho Global Entrepreneurial Mission (IGEM) initiative, which creates partnerships that pair private sector experts with research professionals to bring commercially viable technologies to market. Idaho identifies its target industries as advanced manufacturing, aerospace, technology & innovation, food production, outdoor recreation, back office & shared services, tourism, and energy. The department launched a new 4-year strategic plan in 2020, which addresses the governor’s seven economic development priorities, including supporting existing businesses, strategic business attraction, supporting rural Idaho, good trade policy promotion, promoting Idaho, advancing the technology ecosystem, and utilizing responsible incentives. The state has seven economic development regions. Representatives from each of the regions, and one member at-large, also serve on the Idaho Economic Advisory Council.

The state offers 23 different incentive tools to support businesses and economic development efforts in the state. Most of the incentives are broad-based, however they do offer incentives for significant projects where the requirements vary based on the location of the business (urban or rural).

R&D tax credit: Businesses that conduct qualified research might be eligible for a 5 percent income tax credit that can be carried forward up to 14 years.

WORKFORCE DEVELOPMENT

Workforce development programs and initiatives are led by the Idaho Workforce Development Council (IWDC) in partnership with the Idaho Department of Labor. The IWDC was created in 2017 as an independent office under the governor to champion the development and implementation of a statewide, strategic workforce development plan that meets industry needs of today and the future. The IWDC also serves as the State Workforce Investment Board.

Although Idaho does not have a statewide talent attraction campaign, the Boise Valley Economic Partnership launched a talent attraction campaign in 2013 called “Grow Ideas Here” that highlights statewide metrics and receives funding from the Department of Commerce and the Department of Labor. The program has received accolades and national recognition.
The IWDC oversees the state’s Workforce Development Training Fund (WDTF), which is a dedicated fund generated by a 3 percent offset of unemployment insurance taxes. In 2019, the fund granted $4.7 million to employers and industry partners to train 3,112 workers.\(^{32}\)

The University of Idaho (UI), Idaho’s land-grant university, offers a unique program as part of the McCall Outdoor Science School (MOSS) that connects UI to the state in four program areas: youth programs, graduate programs, teacher education, and community programs. The youth program has served over 3,000 K–12 students from Idaho by providing immersive, place-based STEM educational programming. In 2018, MOSS received the Award of Excellence in the Talent + Place category from the University Economic Development Association for its statewide approach to community building.

COMMUNITY DEVELOPMENT

Idaho has a unique public-private partnership organization focused exclusively on rural communities, the Idaho Rural Partnership (IRP). The IRP board is established by state statute and is made up of 36 individuals, some appointed by the governor, with a staff of one executive director.\(^{33}\) Since 2009, funding has come from federal grants (primarily USDA Rural Development), private sector contributions, other foundation grants, and donations by local businesses and organizations in the communities served. Notable sponsors of the program include Idaho National Laboratory, Bayer, Idaho Department of Labor, Rocky Mountain Power, Idaho Department of Commerce, and Idaho Housing and Finance Association.

The IRP is most known for the Idaho Community Review Program,\(^{34}\) which has completed over 40 reviews since 2000 in communities with populations under 10,000. Reviews help establish priorities, access grant funding, and achieve economic development goals, with the overarching goal of better positioning communities to manage and respond to their opportunities and challenges. The program has three phases. After completion of Phase 1, communities demonstrating interest and readiness have the option to continue with the program.

In addition to tools and programs for businesses, Idaho offers a number of grants to build economic development capacity throughout the state, especially in rural communities.

The Idaho Gem Grant Program provides assistance to rural communities with populations less than 10,000, for the planning and implementation of economic development projects with a specific emphasis on job creation and retention. Awards are up to $50,000 and have a match requirement of 20 percent cash or in-kind.\(^{35}\)

The Rural Idaho Economic Development Professional Grant Program builds economic development capacity in rural Idaho by employing a full-time economic development professional who, with a board of directors, manages locally directed economic development programs. It began in 2001 and 30 out of 44 counties use this program.\(^{36}\)

Idaho has a state-funded grant program specifically for rural economic development and job creation. Launched in 2001, the Rural Community Block Grant (RCBG) provides grants for tribal communities and cities with populations under 25,000. Awards range from $50,000 to $500,000.\(^{37}\)

INFRASTRUCTURE

Infrastructure development is primarily run through the Idaho Department of Transportation, however broadband initiatives are led by the Department of Commerce Idaho Broadband Task Force.
Led by the Idaho Commerce director, the Idaho Broadband Task Force is comprised of internet service providers, satellite providers, cellular providers, industry representatives, and representatives from Idaho’s legislature, tribes, universities, state, counties, and cities. It is responsible for implementing the state’s 2019 broadband strategic plan. The strategy outlines plans for the state to open a broadband office with a full-time staff member to coordinate and oversee broadband initiatives.

State legislation allows Idaho communities with populations of under 10,000, where a significant percentage of revenue is derived from tourism-based activities, to levy a local option tax. As of 2020, 13 cities levy local option sales taxes to fund transportation and tourism initiatives. Although significant efforts have been made to expand the taxing authority, including a 2011 initiative by the Idaho Chamber Alliance, the state has not approved any of the bills.

TOURISM

Tourism in Idaho is run through a division of the Department of Commerce and the Idaho Travel Council, which serves as an advisory board to the governor. Idaho Travel Council members are appointed by the governor and include representatives from the public sector and the private sector. The Department of Commerce also provides support for the film industry. Funding for Idaho’s tourism initiatives comes entirely from a 2 percent lodging tax collected by hotel, motel, and private campground owners. Out of the lodging tax revenue, 45 percent is allocated to statewide programs and marketing efforts, 45 percent is distributed to nonprofit local and regional tourism development organizations, and the remaining 10 percent goes to administration of the state program.

PROFILE: NORTH DAKOTA

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<th>2019 population est.</th>
<th>762,062</th>
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<tbody>
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<td>Rank, geographic area</td>
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<td>Major metros (2018 population est.)</td>
<td>Fargo (118,523)</td>
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<td></td>
<td>Bismarck (71,167)</td>
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<td>North Dakota State University (Fargo)</td>
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<tr>
<td></td>
<td>University of North Dakota (Grand Forks)</td>
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</tbody>
</table>

ECONOMIC DEVELOPMENT

The North Dakota Department of Commerce is the lead agency for the state’s community and economic development initiatives. The agency has four divisions: tourism, economic development, workforce development (including talent attraction), and community services. North Dakota identifies its target industries as food & agriculture, energy & natural resources, autonomous systems, information technology, tourism, and advanced manufacturing. Strategies for developing these sectors are outlined in the state’s 2010–2020 Economic Development Strategic Plan. The department administers nearly 50 programs and 57 incentives that support business, workforce, and community development.

The Bank of North Dakota (BND) is the only state-owned, state-run bank in the United States. Its mission is to deliver quality, sound financial services that promote agriculture, commerce, and industry in North Dakota.
The bank offers numerous industry-specific programs that cater to the unique needs of businesses ranging from childcare facilities and startups to agriculture and technology. The bank’s profits are deposited into the state’s general fund. In 2018, the BND contributed $128.6 million.

The bank offers numerous low-interest loan programs in collaboration with a lead lender to meet the financing needs of most new or expanding business.

The Beginning Entrepreneur Loan Guarantee is designed to assist in business start-up financing by providing a financial institution with an 85 percent guaranty of a loan, not to exceed $100,000.

WORKFORCE DEVELOPMENT

Workforce development programs and initiatives, including talent recruitment, are administrated through the Department of Commerce and Job Service North Dakota. In addition to administering state-level workforce development programs, Job Service North Dakota oversees nine Workforce Centers across the state that serve businesses and job seekers. The North Dakota Workforce Development Council, the state’s workforce innovation and opportunity board, advises the governor’s office on the state’s workforce development needs.44

In 2014, the North Dakota Economic Development Foundation, a public-private partnership, launched the “Find the Good Life in North Dakota” talent attraction campaign to overcome negative perceptions about the state and highlight North Dakota’s quality of life. The campaign remains a public-private effort and is supported by the North Dakota Department of Commerce. In addition to advertising, the program also provides custom job search services and strives to support individuals and families during their relocation.45

COMMUNITY DEVELOPMENT

The community services programs and initiatives are administrated through the Department of Commerce, with the purpose of providing technical assistance to local governments and state agencies in the areas of community and rural planning & development, policy research & development, and grant program implementation.46 The agency administers 10 different programs, including Community Development Block Grant (CDBG), Main Street program, and Emergency Solutions Grants.

In addition to the community development programs, the Department of Commerce offers a number of rural-specific economic and community development programs.

Revolving Rural Loan Fund: Provides financing for primary sector businesses located in a community of less than 8,000 in population or located more than 5 miles outside city limits.

Rural Incentive Growth Program: A loan is made to the city, which loans money to a North Dakota business that provides the community with an essential service. Loans must be approved by the Department of Commerce commissioner.

North Dakota’s Main Street initiative is centered on three pillars of community development: creating healthy and vibrant communities; developing and supporting the 21st-century workforce; and planning for smart, efficient infrastructure. Communities engaged in this initiative receive direct and focused assistance with community planning and development, tailored support from participating state agencies, streamlined access to resources and learning opportunities, and enhanced access to select state resources. North Dakota has 74 communities engaged in the initiative and the state holds an annual summit for participating communities.47 The initiative also has a grant program funded through the Department of Commerce Momentum Fund, which
awards microgrants up to $1,500 with a one-to-one financial match to communities for small-scale vibrancy projects. The program was funded at $45,000 for the 2020–2021 biennium, with $22,500 available each year.

INFRASTRUCTURE

In 2019, North Dakota launched a statewide broadband strategic plan, with the goal of increasing availability and speeds in rural and underserved communities. In addition to quality-of-life improvements for residents, the state hopes broadband investments will further strengthen its growing unmanned aerial system (UAS) industry. To fund the network expansions, the state plans to leverage federal programs. The state also passed legislation exempting sales and use taxes on investments in telecommunications infrastructure to incentivize development.

In addition to state and federal funding tools, the state leverages the Bank of North Dakota for gap financing, along with loan and grant programs to fund infrastructure projects.

TOURISM

Tourism promotion and development in North Dakota is run through the Department of Commerce Tourism division. In January 2020, the department launched a new marketing campaign in line with the state’s brand slogan of “Be Legendary,” aimed at showcasing the diverse opportunities for visitors throughout the state. Funding for North Dakota’s tourism department comes entirely from the state’s general fund and the department expects to spend $2.9 million advertising the state in 2020.

PROFILE: SOUTH DAKOTA

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<td>Sioux Falls (190,750)</td>
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<td></td>
<td>Rapid City (75,433)</td>
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<td>Major universities</td>
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<td>University of South Dakota (Vermillion)</td>
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ECONOMIC DEVELOPMENT

The South Dakota Governor’s Office of Economic Development (GOED) is the primary economic development department in the state. The office has three divisions: Community Development, Economic Development, and Workforce Development. The state identifies its target industries as manufacturing, bioscience, value-added agriculture, livestock development, precision agriculture, and cybersecurity. GOED operates under a strategic plan launched in 2016 that focuses on four areas, including business development, workforce recruitment, economic development infrastructure, and community support & education. South Dakota does not fund local economic development offices. However, the state offers grants for development organizations (including tribal governments, municipalities, and counties) to fund new staff, commence or replenish local revolving loan funds, and assist with equipment and training needs. Most local and/or regional economic development offices are public-private nonprofits.
South Dakota offers a fairly narrow suite of 24 programs, tools, and incentives for economic and community development, including one specifically for rural communities.

- **Rural Development Loan**: The program participates with banks and borrowers to assist financing capital expenses associated with value-added production or processing projects and can lend up to 80 percent of the total up to $500,000.

- **Proof of Concept Fund**: Provides up to $25,000 to conduct research that demonstrates the technical and economic feasibility of an innovation before it is commercialized. The program is open to entrepreneurs, universities, existing South Dakota companies, and other entities.

- **Revolving Economic Development and Initiative (REDI) Fund**: South Dakota’s leading financing tool available to start-up firms and businesses, which are expanding or relocating in South Dakota, and economic development organizations. This low-interest loan can provide up to 45 percent of a project’s total cost and requires a 10 percent minimum equity contribution.

**WORKFORCE DEVELOPMENT**

Workforce development programs and initiatives, including talent recruitment, are administrated through the GOED and the Department of Labor and Regulation (DOLR). The DOLR operates the state’s workforce attraction campaign, Dakota Roots, and Job Service Offices, which oversees sixteen centers across the state that serve both businesses and job seekers.

- In response to South Dakota’s need to expand its workforce and stem the loss of college graduates, the Department of Labor launched Dakota Roots. This talent attraction effort focuses on connecting job seekers, especially those who grew up in South Dakota, with job opportunities in the state.

- GOED administers an innovative internship program, Dakota Seeds, that connects students with employers as a way to help fill temporary workforce needs and establish a pipeline for future permanent employment. Qualifying businesses can receive matching funds up to $2,000 per intern for internships in STEM fields, manufacturing, and accounting.

**COMMUNITY DEVELOPMENT**

Two significant community development programs are led by GOED, the Community Development Block Grant (CDBG) and the Local Infrastructure Improvement Program, which assists communities with infrastructure financing connected to economic development projects.

- South Dakota State University has a strong extension program focused exclusively on community development. Its leading program, Horizons, builds community capacity through individualized coaching and strategic planning. Services have been delivered in more than 40 rural South Dakota communities and over 900 citizens have completed leadership training through the program.

**INFRASTRUCTURE**

Infrastructure development is primarily run through the South Dakota Department of Transportation, however broadband initiatives are led by GOED. The South Dakota Department of Transportation offers a unique Community Access Grant for small, rural communities with populations less than 5,000 for the construction of major streets in the community. Grants are up to $600,000 and the state reimburses up to 80 percent of the construction costs.
In 2018, GOED was tasked with leading the state’s broadband development program, Connect South Dakota, with the goal of reaching 4,800 unserved and underserved households throughout the state and more than 100 businesses. In 2019, the state launched a formal statewide strategy with the goal of delivering quality broadband to 100 percent of residents by 2022.57

TOURISM

Tourism promotion and development in South Dakota is run through the Department of Tourism, which is comprised of two divisions, the Department of Tourism and the South Dakota Arts Council.58 Tourism is the second largest industry in the state behind agriculture. The department is currently operating under its 2018–2020 strategic plan, which focuses on five areas, including maximizing the visitor economy, enhancing and expanding sustainable industries, expanding South Dakota’s brand presence, advancing the development of the destination, and ensuring operational success.59 Funding for South Dakota’s tourism department comes from a combination of gaming taxes and a 1.5 percent industry tax on hospitality and tourism businesses.
PROFILE: UTAH

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**Major metros (2018 population est.)**
- Salt Lake City (200,544)
- West Valley City (136,401)

**Major universities**
- Utah Valley University (Orem)
- Brigham Young University (Provo)

ECONOMIC DEVELOPMENT

The Utah Governor’s Office of Economic Development (GOED) is the primary economic development department in the state. The office leads eight programs and initiatives, which include corporate recruitment & incentives, Utah Film Commission, International Business and Diplomacy, Office of Outdoor Recreation, Pete Suazo Utah Athletic Commission, Procurement Technical Assistance Center, Office of Rural Development, and Utah Office of Tourism. GOED leads the Talent Ready Utah initiative, which focuses on workforce development within the private sector, and the Office of Rural Development. Almost the entire budget for GOED comes from the state’s general fund, which is funded through the state sales tax. In addition to GOED, the governor has an Economic Development Coordinating Council, which is a public-private board that assists with coordinating economic development activities throughout the state. Members are either appointed by statute or the governor. The majority of local and regional economic development efforts are led by cities and counties, and initiatives are generally publicly funded. Utah identifies its targeted industries as aerospace & defense, energy, financial services, life sciences, outdoor products & recreation, and software & information technology.

In 2019, the state developed an Economic Development Strategic Plan in response to a request from the Utah legislature to provide for a detailed account of Utah’s economic development vision and policy priorities. The strategic plan focuses on four areas: strategic industry advancement; innovation & entrepreneurship; talent development; and “Uniquely Utah,” which focuses on quality of place, outdoor recreation, arts & culture, and tourism.

The state offers 40 different incentive tools to support businesses and economic development efforts in the state, 17 of which are administered by GOED.

In 2019, the Utah Foundation launched the first of a series of reports analyzing Utah’s incentive programs at the state and local levels. The preliminary report focused on a high-level overview about the fundamentals of incentive tools, including funding and analytical processes, whereas subsequent reports will address local and state incentives in more detail. Although the reports do not provide specific policy recommendations, they will be used to inform and guide economic development and policy leaders.

In 2016, the Utah legislature updated the state’s Technology and Life Science Economic Development Act tax credit to give GOED the authority to issue tax credits to qualifying life science and technology investors. This competitive incentive aligns with the state’s target sector and the strategic plan goal of building and supporting target industry growth.
WORKFORCE DEVELOPMENT

Utah’s workforce development efforts, called Talent Ready Utah, are led by a coalition of partners, including GOED, the Utah Department of Workforce Services, the Utah System of Higher Education, the Women Tech Council, the National Governors Association, the Utah State Board of Educators, and the Salt Lake Chamber. In addition to building apprenticeship programs across the state, the initiative focuses on strategic growth areas, including aerospace, diesel technology, life sciences, and technology.

Talent Ready Utah offers a grant to eligible educational institutions and trade associations to develop, implement, or enhance educational programs responsive to regional and statewide industry needs. For 2020, the grant has $1 million available and funding comes from the Job Growth Fund, which is part of Utah’s general fund.

The Utah Department of Workforce Services has a strong role in workforce development for the state, as it administers a number of employee skill development programs and provides direct assistance to both job seekers and employers. In addition, the Utah State Workforce Development Board (WDB), which is responsible for implementation of the state’s Workforce Innovation and Opportunity Act, is housed within the Department of Workforce Services. In 2020, the WDB will be updating its 4-year strategic plan.

COMMUNITY DEVELOPMENT

There are a number of different partners focused on community development in Utah. Utah’s Department of Workforce Services has a Housing and Community Development Division, which addresses issues ranging from affordable housing and homelessness programs to administering community development block grants and public services assistance.

As part of the state’s Economic Development Strategic Plan, the fourth area, “Uniquely Utah,” focuses on placemaking initiatives that improve the quality of life for residents and tourists. Specifically, two goals in the plan address the importance of leveraging unique community assets, such as trails and outdoor recreation infrastructure, and providing the systems, including community planning and grants, to support these efforts. Furthermore, the plan acknowledged the need for additional resources to help rural communities meet these goals by expanding the Utah Outdoor Recreation Grant and the Recreation Restoration Infrastructure to provide staff support to create and apply for outdoor recreation projects.

INFRASTRUCTURE

The Utah Broadband Advisory Council was formed in 2011 in response to the growing need to strengthen the state’s broadband infrastructure. It is housed within GOED. The council convenes regularly to coordinate and collaborate on broadband efforts and provide the governor and the legislature with recommendations and policy guidance. In February 2020, the council adopted an updated strategic plan with specific goals and metrics to expand broadband and 5G throughout the state, with a focus on education and the goal of enhancing workforce readiness.

TOURISM

The Utah Office of Tourism, which is housed under GOED, is the primary lead on tourism development efforts for the state. The office launched a new organizational 3-year strategic plan in 2020, which prioritizes five areas for the office, including an increased focus on rural and lesser-known destinations and improving the quality of the visitor experience. Funding for the Utah Office of Tourism comes from an industry tax on hospitality and tourism businesses.
The state offers a Utah Outdoor Recreation Grant, which helps promote Utah’s tourism industry through infrastructure funding for outdoor recreation amenities. Awards range from $1,000 to $150,000 for small to mid-size projects. In 2020, a special program for larger projects up to $2 million will be available, which can provide assistance up to $500,000 for up to two projects.72

PROFILE: WYOMING

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<td>Cheyenne (63,957) Casper (57,461)</td>
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<tr>
<td>Major university</td>
<td>University of Wyoming (Laramie)</td>
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ECONOMIC DEVELOPMENT

The primary economic development organization for the state of Wyoming is the Wyoming Business Council (WBC). The WBC was established in 1998 to serve as an independent authority to provide economic development in the state.73 Although the WBC is a part of the state government, it is structured like a corporation with a CEO and a board of directors appointed by the governor. The majority of the WBC funding (approximately $63.7 million) comes from the state government’s economic development fund, while an additional approximately $629,000 comes from the US government.74 Wyoming identifies seven target industries including agriculture technology & food products, blockchain technology, data center & information technology, firearms manufacturing, wind energy, outdoor recreation, and manufacturing.

In 2019, the WBC released an updated strategic plan, which narrowed the organization’s focus from a five-prong strategy to a three-prong strategy aimed at economic diversification, expanding core industries, and community-focused economic development.75

The WBC offers a planning grant for communities under the Business Ready Community Grant and Loan Program to develop a targeted industry strategy for economic development growth. The maximum award is $50,000 and requires a 25 percent cash match of the total project cost.76

In 2017, the state embarked on an extensive economic development strategic planning process to create a 20-year economic diversification strategy for Wyoming.77 The Economically Needed Diversity Options for Wyoming (ENDOW) initiative, launched in partnership with the office of the governor, the Wyoming Business Council, Travel Wyoming, and the University of Wyoming, coordinates and expands ongoing efforts throughout Wyoming in providing a comprehensive approach to diversifying the state’s economy.78

In response to the ENDOW initiative, the Wyoming legislature approved a slate of tools and programs to make meaningful gains in diversifying and growing Wyoming’s economy. Major areas to receive funding included air service, broadband, workforce training, industry & sector specific initiatives, and entrepreneurial opportunities.79
WORKFORCE DEVELOPMENT

Workforce development efforts in the state are primarily led by the Wyoming Department of Workforce Services, which includes programs and resources for both job seekers and employers. The Wyoming Workforce Development Council is charged with assisting the governor in directing Wyoming’s workforce development system, ensuring the system is fundamental in supporting robust regional and state economies and producing a high-quality, self-sufficient workforce valued by Wyoming employers. Members of the council include public sector and private sector representatives, and the council has the authority to promote, fund, and oversee sector strategies and career pathways and apprenticeship programs for the state.

In response to Wyoming’s commitment to growing entrepreneurship in the state, and as a part of the 2018 ENDOW initiative, the WBC launched Startup:Wyoming, which provides technical and financial assistance to entrepreneurs. Financial assistance includes an SBIR/STTR matching program, and a community grant of up to $25,000, with a one-to-one cash match, to host a pitch competition.

COMMUNITY DEVELOPMENT

Community development in Wyoming is primarily led by the Wyoming Business Council (WBC), although the Wyoming Community Development Authority is the state’s leading resource for housing finance. Community development programs administered by the WBC include Community Development Block Grant (CDBG), the Wyoming Main Street program, and the Business Ready Communities (BRC) program. While the CDBG and BRC programs have associated grant and loan programs designed to enhance community competitiveness through placemaking, infrastructure development, and planning initiatives, the Main Street program offers technical assistance to prepare communities to plan and leverage financial resources provided through the CDBG and BRC programs.

In partnership with Montana and Idaho, Wyoming participates in the Western Community Assessment Network, which is a 3-year, US Department of Agriculture–funded program to understand, evaluate, and improve community and economic development in small towns. Communities can apply for a mini-strategic planning process grant with economic development professionals and town leaders for an assessment and community review. Since the program’s inception, over 75 community reviews have been completed in Wyoming and an additional 8 are underway.

INFRASTRUCTURE

Wyoming has multiple organizations charged with developing the state’s infrastructure systems, including the Wyoming Department of Transportation, ENDOW initiative (broadband and air service), Wyoming Business Council (community infrastructure), and the Wyoming Infrastructure Authority (energy infrastructure).

A significant component of the ENDOW initiative was the establishment of a Broadband Advisory Council and the development of the 2018 Broadband Enhancement Plan. The ENDOW initiative underscored the critical need for the state to enhance broadband services, especially in rural areas, if the state wanted to improve competitiveness and expand economic diversification. As part of the 2018 ENDOW legislation, the state established a $10 million grant, to fund broadband infrastructure projects throughout the state, and $350,000, to establish a full-time broadband coordinator position.

TOURISM

Tourism and hospitality are the second largest industries in Wyoming. The Wyoming Office of Tourism (WOT) is the only statewide organization dedicated to growing Wyoming’s visitor economy. WOT identified four goals in its 2020–2021 strategic plan: growing Wyoming’s visitor economy, maximizing the impact of WOT
partnerships, championing the destination and the brand, and ensuring organizational excellence.\textsuperscript{84} Up until 2020, WOT was funded through the state’s general fund. However, a bill passed in 2020 will impose a 5 percent statewide lodging tax, effective 1 January 2021, to fund tourism promotion in the state. Of the 5 percent tax, 3 percent will be diverted to the Wyoming Office of Tourism account and the remaining 2 percent will go back to local communities as a replacement for a portion of the local option lodging taxes in each county or municipality. The 2 percent portion will not be enacted until current local lodging taxes expire. The impetus of the change was part of a promise to modernize the state’s tax structure without increasing taxes on Wyoming families, as 85 percent of the lodging tax collections comes from out-of-state visitors.\textsuperscript{85}
4. 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.

NEXiSTEPS

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.

1.1.2. 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.

1.1.3. 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.

Rationale: To ensure Montana’s tools and programs are meeting the state’s economic development goals.

SOUTH CAROLINA
South Carolina Council on Competitiveness

South Carolina takes a unique approach to industry cluster development, which is managed by the South Carolina Council on Competitiveness. The Council is a nonpartisan, business-led, nonprofit organization that drives South Carolina’s long-term economic growth by managing the state’s industry clusters and providing the research, network, and resources that industry clusters require to thrive. Additionally, the council supports multiple statewide education initiatives that work collaboratively to optimize existing resources, expertise, and ideas to develop world-class talent in South Carolina. Industries directly managed by the council include aerospace, logistics, and tech & cyber. The council also supports three additional industries, including creative industries, recycling, and engineering.

Source: https://sccompetes.org/industryclusters/.
the state needs to have a strategy and vision to guide economic development efforts and measure impact. Target industries should support living wage jobs and position Montana for statewide economic growth.

BEST PRACTICES: South Carolina Council on Competitiveness, Indiana Agriculture Strategy. (See “Appendix E. Best Practices” for details about these and other best practices listed in the “Recommendations” section.)

1.2. Establish a statewide talent recruitment and retention program.

NEXT STEPS

1.2.1. 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.

1.2.2. Leverage Travel Montana Now’s compelling tourism marketing and advertising campaign for talent recruitment.

1.2.3. Explore talent recruitment and retention incentives, especially for remote workers.

Rationale: Montana’s superb quality of life is unquestionable and more than ever, companies value a high-quality workforce and want to locate where talent is. To grow the state’s tax base and economy, the state needs to increase its workforce.

BEST PRACTICES: Michigan Reverse Scholarship Program, Vermont Stay to Stay, Vermont Remote Worker Grant Program.

1.3. Ensure the state’s economic development programs and tools are up to date and position the state to be competitive and meet industry needs.

NEXT STEPS

1.3.1. Reevaluate the Big Sky Economic Development Trust Fund 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.

VERMONT
Stay to Stay

The Vermont Stay to Stay program is a multifaceted tourism and talent attraction program developed in coordination between the Vermont Department of Economic Development and the Vermont Department of Tourism and Marketing. The program includes a marketing campaign, hosted weekends, and a remote worker relocation incentive. Stay to Stay encourages anyone who has considered moving to Vermont to visit for a weekend to connect with employers, real estate professionals, community leaders, and entrepreneurs, while experiencing the state’s amenities. In 2019, the state offered 14 different weekends in communities throughout the state. Participants are responsible for lodging and transportation costs, but programming and networking events are offered at no cost. If attendees are interested in relocating, they might qualify for the $10,000 Remote Worker Grant Program, which is designed to encourage remote workers to move to Vermont. Vermont is one of a few states that fund tourism efforts through the general fund, which might give it more programmatic flexibility than if tourism were funded through a lodging tax or other dedicated revenue stream.

1.3.2. 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.

1.3.3. Tailor incentives to align with target industry strategies; ensure incentives have thoughtful KPIs and metrics to measure impact.

1.3.4. Realign current incentives to factor in property and payroll tax relief.

**Rationale:** Compared to other states, Montana’s economic development incentives have been noncompetitive. Historically western states haven’t competed with other parts of the country for industry investment. With technology and communications advances, new investment opportunities will surface. Offering incentives that offset property tax and individual income tax encourages higher investments, more jobs, and higher wages.

**BEST PRACTICES:** Washington Aerospace Incentive.

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

**NEXT STEPS**

1.4.1. Advocate for a multiyear funding request for Certified Regional Development Corporations.

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

**Rationale:** It is important that all communities in Montana have dedicated economic development professionals serving and representing their interests—rural and urban.

**BEST PRACTICES:** Washington Associate Development Organizations (ADO).

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**WASHINGTON**

**Associate Development Organizations (ADO)**

Washington State is composed of 39 counties, each represented by one of 35 Associate Development Organizations (ADO) that furthers the county’s or region’s economic development goals. ADOs serve as an extension of the Washington State Department of Commerce and are the primary points of contact for local economic development activities, including recruiting/hosting new businesses and coordinating business retention and expansion efforts within its service area. The Washington State Department of Commerce contracts with ADOs to receive grant funding, which ranges from $35,000 to $204,267 annually, per county (ADOs that cover multiple counties receive a minimum of $70,000 annually). The ADO program is funded through the state general fund.

**Source:**
https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=COMMERCE-ADOs_30d742d4-bd5b-4620-b070-8fecf7cdef71.pdf
1.5. 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.

**Rationale:** To improve efficiencies, streamline economic development efforts and provide continuity, it is essential to have one centralized department to coordinate and deliver services. Montana is only one of three states that divides economic development services between multiple organizations.

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).

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

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

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

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

**Rationale:** Workforce programs and initiatives are dispersed through multiple organizations and institutions at the state and local levels. The current system can be challenging to navigate and confusing for economic developers and businesses. Expanding and formalizing the partnership between these essential fields will create greater efficiencies and establish connections to better serve industry and job seekers.

**BEST PRACTICES:** Texas Economic Development Council, Team Kentucky.
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.

Rationale: Access to capital has been a long-standing challenge for businesses, especially in rural and underserved communities throughout the state. Especially during uncertain economic conditions, this is vital to the longevity of Montana’s business community.
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.

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

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.

Rationale: Montana is at the forefront of cutting-edge technology development in public and private institutions. There is enormous competition among states to be the center of innovation, and Montana needs to take a proactive approach to encourage continuing research and development and ensure the investors are encouraged to make investments in early-stage Montana companies.

BEST PRACTICE: Indiana Venture Capital Investment Tax Credit

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.

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.

Rationale: Current demand for small business development services exceeds the capacity, especially in areas without an SBDC. Furthermore, statewide funding for SBDCs lags competitor states, despite recent increases.

INDIANA
Indiana Venture Capital Investment Tax Credit

The Indiana Venture Capital Investment Tax Credit program was started in 2002 after the Indiana Chamber of Commerce Foundation commissioned a study in 2000 to evaluate the state’s entrepreneurship ecosystem. The analysis found that Indiana lagged behind its competitor states in retaining startup companies and attracting venture capital investments. The tax credit program was formed to help address these issues by incentivizing investments into qualifying Indiana companies. Investors, individuals or businesses, who provide qualified debt or equity capital to Indiana companies receive a credit against their Indiana tax liability. In 2017, the chamber launched an effort to incorporate transferability to the program, to ensure the program remained competitive with neighboring states, and, in 2019, the legislature approved the update. The Indiana Chamber of Commerce Foundation continues to measure the impact of the program and update the report on a regular basis.

Source: https://www.iedc.in.gov/incentives/venture-capital-investment-tax-credit/home
2.5. Bring together public sector and private sector partners to address shortages in high-quality daycare and preschool facilities throughout the state.

NEXT STEPS

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

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

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

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

Rationale: Sixty percent of Montanans live in a childcare desert, which means that there are more than 50 children under the age of five with no childcare providers in their census tract or so few options that there are more than three times as many children as licensed daycare slots. Access to high-quality childcare is also identified as a top need and consideration for working parents in urban and rural communities across the state.

BEST PRACTICE: Southwest Washington Child Care Consortium

3. UPGRADE

Upgrade Montana’s economic and community structures.

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

NEXT STEPS

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

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.

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

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

Rationale: Montana ranks 44 (out of 51, including Washington, District of Columbia) in the US for percentage of the total population with competitive broadband service. Furthermore, Montana lacks a statewide strategy, which most of its neighboring states have, to improve competitiveness in this space. Strong broadband infrastructure is necessary to strengthen rural communities, attract more remote workers, and develop a more inclusive state.

WASHINGTON

Southwest Washington Child Care Consortium

The Southwest Washington Child Care Consortium (SWCCC) is a public-private partnership and the largest community-run childcare system in the US, operating 40 centers between two counties and serving over 2,200 children annually. SWCCC was started in 1989 when business, education, and civic leaders came together to address the growing need in the community for high-quality, affordable childcare in the region. When the program began, all SWCCC facilities were built on-site at private companies and operated by the school district. Although facilities were open to the general public (space permitting), companies often subsidized employee’s costs for childcare. Today, in addition to the on-site facilities, SWCCC also operates community-based centers and offers before and after school care at public elementary schools.

Source: https://www.esd112.org/swccc/
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.

NEXT STEPS

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.

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

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

Rationale: The economy is constantly evolving, so state revenue sources must be revisited and adjusted accordingly. Montana has a unique challenge due to its sheer geographic size and comparatively low population; costs are not as distributed as in other competitor states.


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

NEXT STEPS

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

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

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

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.

OHIO
JobsOhio Beverage System

Ohio has one of the most unique economic development funding models in the country, as it does not rely on any public funding mechanisms. JobsOhio is a private, nonprofit, wholly funded by the JobsOhio Beverage System (JOBS) liquor enterprise. In 2013, JOBS acquired the state-owned liquor franchise, financed through special-obligation private revenue bonds. Bondholders will be repaid over the 25-year term of the franchise and no public funds were used in the purchase. Although all state liquor taxes go to the Ohio Treasury Department, net profits from sales are granted from JOBS to JobsOhio to fund economic development activities.

Source: https://www.jobsohio.com/about-jobsohio/about-us/understanding-jobsohios-funding/.
Rationale: Montana’s suite of economic development tools for large-scale, multiphase projects is limited. To maximize return on investment, Montana should leverage federal programs and funding opportunities with new development projects. Economic development organizations need to be prepared to act when new opportunities arise, whether from grants or special funds (for example, EDA CARES Act Recovery Assistance).

**BEST PRACTICES:** Minnesota Public-Private Partnerships, Arizona Community Impact Loan Fund.

3.4. 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.

**NEXT STEPS**

3.4.1. 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.

3.4.2. Support investments in airports throughout the state, especially in rural communities.

Rationale: Infrastructure planning and investments play a critical role in community, business, and tourism development throughout the state. However, the demand for these programs exceeds the available funding. These programs also tend to be reactionary to immediate needs and not tools for proactive community development. Additionally, airports in rural communities provide essential access to healthcare services for residents and increase tourism and business opportunities.

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

**NEXT STEPS**

3.5.1. Support and maintain funding for the Montana Main Street Program.

3.5.2. Advocate for refunding the Montana Transportation Alternatives Program, which provided state funding for nonmotorized transportation.

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

Rationale: People are more likely to stay, return, and invest in communities that have a strong quality of place. Especially in today’s highly mobile society, where individuals prioritize quality of life, it is more important than ever to invest in public spaces, including downtowns, parks, and other assets, to maintain authentic and unique communities.

**BEST PRACTICE:** Utah Outdoor Recreation Grant Program.

3.6. 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.

Rationale: Rural hospitals are an essential part of a community; they are necessary for attracting and retaining residents, and they also provide lifesaving services. Montana already falls behind the US average in the number of physicians per capita. The closure or consolidation of rural hospitals would
likely further reduce this percentage. Furthermore, the impact of COVID-19 is projected to affect rural hospitals particularly hard and strain resources.
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 55. 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.
APPENDIX A. MEDA BUSINESS SURVEY

As part of the stakeholder outreach process, TIP Strategies conducted an online survey of businesses in the state of Montana. The survey was open over a three-week period from Monday, 24 February 2020, through Friday, 13 March 2020 and drew 106 respondents. (Readers should be aware that the survey period preceded the widespread national response to the COVID-19 outbreak.) The survey instrument included five descriptive questions about business location, size, and industry. An additional nine questions focused on the respondents’ perceptions of Montana’s business climate and their familiarity with state programs. All responses were confidential. Complete question-by-question survey results were delivered to the Montana Economic Developers Association (MEDA) and the Montana Chamber Foundation (MCF) in an interactive data visualization using Tableau Reader. The major findings of this survey, summarized below, were used to guide subsequent recommendations.

DIVERSITY OF RESPONSES. Responses to the business survey were drawn across 47 ZIP Codes that were widely dispersed across the entire state. The age cohorts of the respondents and the industries of their respective businesses were reasonably represented. Nearly two-thirds of respondents (68 of 106) indicated that their business location employed 10 or fewer people. Though not designed to be a scientific sample, the pool of 106 respondents was, nevertheless, an adequate representation of the region’s business and geographic diversity.

BUSINESS PROSPECTS AND BUSINESS ENVIRONMENT. Respondents were asked to rate Montana’s general business prospects on a one-to-five scale over the next 5 years. The average score of all respondents to this question was 3.5 out of 5.0. Across all age groups and business sizes, the average scores exceeded 3.0. This was also true in 8 out of 10 industry groups. A follow-up question asked respondents to similarly rate the environment for doing business in Montana. The average scores were slightly lower (3.2 out of 5.0, among all respondents) but generally more positive than negative. Notably, respondents from business locations with 200 or more employees gave the state’s business environment a strong average score of 4.3, whereas the averages for small and mid-size businesses tended to range from 3.1 to 3.3. Tech firms gave the business environment an average score of just 2.3, the lowest average score of the 10 industry groups included.

OPPORTUNITIES AND CHALLENGES. Survey respondents were asked in open-ended questions to share their views on opportunities for economic growth and the challenges for business success. The challenges highlighted by the respondents centered heavily on talent and workforce issues. In particular, respondents cited difficulty in finding qualified employees and bemoaned the complications of remoteness and uncompetitive pay scales when recruiting talent. When identifying opportunities, the responses were grouped heavily on specific sectors, such as agriculture, tourism, technology, and natural resources. Other opportunities repeatedly mentioned were quality of life, entrepreneurship and small business, and infrastructure investment (especially broadband).

POLICY PRESCRIPTIONS. A subsequent question, also open-ended, asked respondents to suggest government policies or actions that would positively affect their business operations. Reform of Montana’s tax structure was a recurring theme, with some respondents expressing their views in general terms and others offering specificity about implementation. Infrastructure investment was another theme that ran through many responses. Others singled out special groups for deeper inclusion in programs and policies, including small businesses, entrepreneurs, and tribal governments.

EXISTING PROGRAMS. Respondents were quizzed on their familiarity with 11 statewide business programs. While 94 percent of respondents were aware of small business development centers (SBDCs), at least one-quarter or more of respondents were unfamiliar with the other 10 programs. Those with familiarity or past use of a program were asked to rate its value on a one-to-five scale. The scores ranged from an average of 3.2 for Certified Regional Development Corporations (CRDCs) to 2.3 for Montana’s Office of Trade and International Relations.
APPENDIX B. MEDA PRACTITIONER SURVEY

As part of the stakeholder outreach process, TIP Strategies conducted an online survey of economic development practitioners in the state of Montana. The survey was open over a three-week period from Monday, 24 February 2020, through Friday, 13 March 2020, and drew 113 respondents. (Readers should be aware that the survey period preceded the widespread national response to the COVID-19 outbreak.) The survey instrument included three descriptive questions about practitioner location, age cohort, and the type of economic development organization the respondent represented. An additional seven questions were focused on perceptions about the state’s opportunities, challenges, business environment, policies, and existing programs. All responses were confidential. Complete question-by-question survey results were delivered to the Montana Economic Developers Association (MEDA) and the Montana Chamber Foundation (MCF) in an interactive data visualization using Tableau Reader. Findings from this survey, summarized below, were used to guide subsequent recommendations.

DIVERSITY OF RESPONSES. The 113 economic development practitioners who responded to the survey represented 45 different ZIP Codes across Montana. The geographic diversity of the feedback was notable, with responses coming from ZIP Codes bordering four neighboring US states and three Canadian provinces. Baby Boomers, Generation X, and Millennials—the three generations making up most of the state’s workforce—were well represented among the respondents. Just over half of respondents worked for economic development organizations. The rest cited 18 different types of affiliations, including government agencies, entrepreneurial support organizations, chambers, certified regional development corporations, downtown associations, universities, and consultants. Though not designed to be a scientific sample, the pool of respondents was, nevertheless, representative of the state’s economic development professionals.

OPPORTUNITIES AND CHALLENGES. Practitioners were asked about the challenges their clients face when doing business in Montana and economic opportunities the state might be able to harness. Talent and workforce issues emerged as a key challenge, and importantly, this aligned strongly with a separate business survey, which also singled out this issue. Some also expressed concerns about housing, commercial real estate, access to capital, and connectivity (remoteness). Practitioners tended to see opportunity in specific industries and sectors, including value-added agriculture, tourism, technology, and natural resources & renewables.

POLICIES AND ACTIONS. When asked about policies needed to support growth, economic development professionals served up a range of options. Addressing the state’s tax structure was at the top of the list, though the prescriptions for accomplishing this varied widely. Broadband infrastructure was mentioned by several respondents, as were entrepreneurship initiatives, childhood & early education, and rural support.

PROGRAM BENEFITS. Practitioners rated nine statewide programs on a one-to-five scale. The average scores ranged from 4.0 for Certified Regional Development Corporations (CRDCs) and the Big Sky Economic Development Trust Fund planning and technical assistance grants to 3.2 for the Office of Trade and International Relations. Two things were notable in the results. First, the relatively high scores for CRDCs and low scores for the Office of Trade and International Relations echoed the program values expressed separately in the business survey. Second, when survey responses were disaggregated by age, the younger practitioners (Millennials) tended to see higher beneficial value in these nine programs than did their older counterparts (Baby Boomers and Gen Xers), who were more skeptical. The average scores of Millennials ranged from 4.6 to 3.8 across the nine programs.

WISH LIST. The final question of the survey was open-ended and challenged practitioners to suggest programs, tools, or incentives that they wished were available. Unlike other questions in the survey, there was no dominant theme. Practitioners mentioned programs they saw as models in other states, with the specific examples varying from one respondent to the next. If any particular theme could be pinpointed, it was less of a desire for something new than for the existing economic development programs in Montana to be better funded and better supported.
APPENDIX C. FUNDING CONSIDERATIONS DETAIL

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

<table>
<thead>
<tr>
<th>AGENCY / DIVISIONS (SELECTED)</th>
<th>GENERAL FUND</th>
<th>STATE/OTHER SPECIAL</th>
<th>PROPRIETARY FUNDS</th>
<th>FEDERAL SPEC. REV. FUNDS</th>
<th>TOTAL FUNDS</th>
<th>GENERAL FUNDS AS % OF TOTAL</th>
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<td>GOVERNOR’S OFFICE - 31010</td>
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<td></td>
<td>$717</td>
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* 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 71) compares the change in revenues by major type across Montana and surrounding states from 2010 to 2019.

Figure 38 (page 73) 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

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)

- Corporate Net Income Taxes
- Individual Income Taxes
- Property Taxes
- Sales and Gross Receipts Taxes
- License Taxes
- Other Taxes
Note: See Notes for Figure 36 (page 70).
### FIGURE 38: TAX REVENUE VOLATILITY, FY 1998–2017

**COMPARISON OF MONTANA AND FIVE SURROUNDING STATES**

<table>
<thead>
<tr>
<th>State</th>
<th>Volatility</th>
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<td>37.6</td>
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<td>Delaware</td>
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<tr>
<td>Less volatile</td>
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<td>More volatile</td>
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### COMPARISON OF STATES WHERE SEVERANCE TAXES AVERAGE AT LEAST 5 PERCENT OF TOTAL REVENUES

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<th>State</th>
<th>Volatility</th>
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<tr>
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<tr>
<td>Wyoming</td>
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<td>Vermont</td>
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<tr>
<td>Less volatile</td>
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<tr>
<td>More volatile</td>
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</table>

APPENDIX D. POLICY FRAMEWORK

TIP reviewed 29 reports identified by MEDA and its partners. Significant findings and strategies were compiled in a searchable matrix that was presented to the client. This step enabled the TIP team to build on existing knowledge and gain an understanding of Montana’s challenges and opportunities.

<table>
<thead>
<tr>
<th>DATE</th>
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<th>PAGES</th>
<th>AUTHOR(S)</th>
<th>GEOGRAPHY</th>
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<td>2018-12*</td>
<td>The Economic Impact of Montana's Cooperatives</td>
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<td>Montana Cooperative Development Center &amp; Montana Council of Cooperatives</td>
<td>Montana</td>
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<td>2017</td>
<td>State of the Workforce 2017, Executive Summary</td>
<td>6</td>
<td>BillingsWorks Workforce Council</td>
<td>Yellowstone County</td>
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<td>2019-5</td>
<td>Bozeman Area Labor Report</td>
<td>64</td>
<td>Montana Department of Labor &amp; Industry</td>
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<td>2019-2</td>
<td>A Profile of Montana's High-Tech Industries</td>
<td>60</td>
<td>University of Montana Bureau of Business and Economic Research</td>
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<tr>
<td>2019</td>
<td>State Expenditure Report, Fiscal 2017 to 2019</td>
<td>129</td>
<td>National Association of State Budget Officers</td>
<td>Montana</td>
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<td>2020-1-21</td>
<td>State of Montana WIOA Combined State Plan</td>
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<td>WIOA Combined State Plan team</td>
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<td>2018</td>
<td>BID Brochure</td>
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<td>Great Falls Business Investment District (BID)</td>
<td>Downtown Great Falls</td>
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<td>2018</td>
<td>Envision 2026: A Plan for Montana’s Future</td>
<td>16</td>
<td>Montana Chamber of Commerce</td>
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<td>2017-10-31</td>
<td>Flathead County, Montana Comprehensive Economic Development Strategy (CEDS)</td>
<td>53</td>
<td>Montana West Economic Development, Flathead County Economic Development Authority</td>
<td>Flathead Valley/ Glacier Park region</td>
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<td>2018-8-31</td>
<td>Flathead County Trails Plan</td>
<td>95</td>
<td>People, Athletics, Travel, Health, &amp; Safety (PATHS) Advisory Committee</td>
<td>Flathead County</td>
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<td>2017</td>
<td>Big Sky Economic Development Strategic Plan, Building Remarkable with Momentum</td>
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<td>Big Sky Economic Development</td>
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<tr>
<td>DATE</td>
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<td>2019-1-25</td>
<td>One Big Sky District Development Plan</td>
<td>397</td>
<td>Landmark Development</td>
<td>Billings</td>
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<td>2018-7</td>
<td>MetraPark Montana’s Entertainment and Trade Center: An Economic Impact Analysis</td>
<td>18</td>
<td>Circle Analytics, Inc.</td>
<td>Montana</td>
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<tr>
<td>2019</td>
<td>MBAC/GEDD Tri-County Region Comprehensive Economic Development Strategy (CEDS) 2019–2023</td>
<td>113</td>
<td>Eric Seidensticker, Brian Obert, Reina Ishibashi, and Montana Business Assistance Connection (MBAC) Staff</td>
<td>MBAC Gateway Economic Development District (GEDD)</td>
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<td>2017-12</td>
<td>Northern Rocky Mountain Economic Development District Future by Design Creating Economic Vitality</td>
<td>45</td>
<td>Northern Rocky Mountain Economic Development District Strategy Committee</td>
<td>Northern Rocky Mountain Economic Development District</td>
</tr>
</tbody>
</table>

* Year is followed by the month and day in numeric form.
APPENDIX E. BEST PRACTICES

SOUTH CAROLINA COUNCIL ON COMPETITIVENESS

South Carolina takes a unique approach to industry cluster development, which is managed by the South Carolina Council on Competitiveness. The council is a nonpartisan, business-led, nonprofit organization that drives South Carolina’s long-term economic growth by managing the state’s industry clusters and providing the research, network, and resources that industry clusters require to thrive. Additionally, the council supports multiple statewide education initiatives that work collaboratively to optimize existing resources, expertise, and ideas to develop world-class talent in South Carolina. Industries directly managed by the council include aerospace, logistics, and tech & cyber. The council also supports three additional industries, including creative industries, recycling, and engineering.

https://sccompetes.org/industryclusters/

WASHINGTON OFFICE OF ECONOMIC DEVELOPMENT & COMPETITIVENESS

Washington identifies nine key industry sectors in the state, including aerospace, agriculture & food manufacturing, clean technology, forest products, information & communication technology, life science/global health, maritime, military & defense, and tourism. Industry sector development is led by the Washington State Department of Commerce, and each sector has an industry development strategy associated with it to support the cluster ecosystem. Each sector is supported by at least one full-time employee dedicated to existing business support, business recruitment, and serving as an advisor/liaison to industry-related groups.

http://choosewashingtonstate.com/why-washington/our-key-sectors/

INDIANA AGRICULTURE STRATEGY

Indiana has a robust statewide strategy in place to support and develop the state’s agriculture industry. The strategic plan identified seven priority areas, including economic & community development; education & career development; food & agricultural innovation; infrastructure; leadership development; natural resources, stewardship & environment; and public relations & outreach, to develop over a 10-year period. To ensure successful implementation, each strategy area includes a champion, timeframe, and resources required to complete the action.

https://www.in.gov/isda/3547.htm

MICHIGAN REVERSE SCHOLARSHIP PROGRAM

In 2013, the Huron County Community Foundation developed a reverse scholarship program in an effort to retain recent graduates from the region’s colleges and universities. While traditional scholarships are designed to offset college costs while a student is in school, a reverse scholarship offers students assistance in paying off college loans in exchange for staying and working in Huron County. The program is open to students with both 2- or 4-year degrees in the fields of science, technology, engineering, arts, or mathematics. Maximum scholarship award is $10,000 and the program is funded through private donations to the Community Foundation’s scholarship endowment.

http://www.huroncountycommunityfoundation.org/reverseschol
VERMONT STAY TO STAY AND VERMONT REMOTE WORKER GRANT PROGRAM

The Vermont Stay to Stay program is a multifaceted tourism and talent attraction program developed in coordination between the Vermont Department of Economic Development and the Vermont Department of Tourism and Marketing. The program includes a marketing campaign, hosted weekends, and a remote worker relocation incentive. Stay to Stay encourages anyone who has considered moving to Vermont to visit for a weekend to connect with employers, real estate professionals, community leaders, and entrepreneurs, while experiencing the state’s amenities. In 2019, the state offered 14 different weekends in communities throughout the state. Participants are responsible for lodging and transportation costs, but programming and networking events are offered at no cost. If attendees are interested in relocating, they might qualify for the $10,000 Remote Worker Grant Program, which is designed to encourage remote workers to move to Vermont. Vermont is one of a few states that funds tourism efforts through the general fund, which might give it more programmatic flexibility than if tourism were funded through a lodging tax or other dedicated revenue stream.


WASHINGTON AEROSPACE INCENTIVE

Washington State offers a robust suite of aerospace-related tax incentives to support the growth of one of the state’s most important industries, which includes reduction to the state’s business and occupation tax and breaks on sales and use taxes. Furthermore, the state offers workforce incentives to support the development of new and incumbent workers in the aerospace industry throughout the state. In 2013, the state legislature reauthorized the incentives program as part of an overall strategy to win the production of the Boeing 777X aircraft. However, the future of the incentives package remains unclear as the aerospace industry as a whole faces pressures from the World Trade Organization to reduce unfair government subsidies.87

https://dor.wa.gov/find-taxes-rates/tax-incentives/incentive-programs#1122

WASHINGTON ASSOCIATE DEVELOPMENT ORGANIZATIONS (ADO)

Washington State is composed of 39 counties, each represented by one of 35 Associate Development Organizations (ADO) that furthers the county’s or region’s economic development goals. ADOs serve as an extension of the Washington State Department of Commerce and are the primary points of contact for local economic development activities, including recruiting/hosting new businesses and coordinating business retention and expansion efforts within its service area. The Washington State Department of Commerce contracts with ADOs to receive grant funding, which ranges from $35,000 to $204,267 annually, per county (ADOs that cover multiple counties receive a minimum of $70,000 annually). The ADO program is funded through the state general fund.

https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=COMMERCE-ADOs_30d742d4-bd5b-4620-b070-b8ecf7c9f171.pdf

TEAM KENTUCKY

Team Kentucky, also known as the Kentucky Cabinet for Economic Development, is the primary state agency responsible for encouraging job creation and retention, along with new investment in the state. Team Kentucky provides support and resources for entrepreneurs, startups, small business owners, and helps prepare communities for economic development opportunities. Team Kentucky’s approach is to include all economic development-related initiatives, including workforce development, international investment, and export development, under a centralized agency to streamline the state’s business services.

https://www.thinkkentucky.com/
TEXAS ECONOMIC DEVELOPMENT COUNCIL

The Texas Economic Development Council (TEDC) is a statewide, nonprofit professional association dedicated to the development of economic and employment opportunities in Texas. TEDC has a full-time staff of five, which oversee the organization’s 10 committees. The committees focus on some of the state’s most pressing economic development issues, including workforce development, education, legislation, economic development sales tax, and economic development professional development. The TEDC has been effective at convening partners throughout the state to advance economic development goals and priorities, especially about workforce development and policy & legislation.

https://texasedc.org/about-tedc/committees

INDIANA VENTURE CAPITAL INVESTMENT TAX CREDIT

The Indiana Venture Capital Investment Tax Credit program was started in 2002 after the Indiana Chamber of Commerce Foundation commissioned a study in 2000 to evaluate the state’s entrepreneurship ecosystem. The analysis found that Indiana lagged behind its competitor states in retaining startup companies and attracting venture capital investments. The tax credit program was formed to help address these issues, by incentivizing investments into qualifying Indiana companies. Investors, individuals or businesses, who provide qualified debt or equity capital to Indiana companies receive a credit against their Indiana tax liability. In 2017, the chamber launched an effort to incorporate transferability to the program, to ensure the program remained competitive with neighboring states, and, in 2019, the legislature approved the update. The Indiana Chamber of Commerce Foundation continues to measure the impact of the program and update the report on a regular basis.

https://www.iedc.in.gov/programs/innovation-entrepreneurship/venture-capital-tax-credit

SOUTHWEST WASHINGTON CHILD CARE CONSORTIUM

The Southwest Washington Child Care Consortium (SWCCC) is a public-private partnership and the largest community-run childcare system in the US, operating 40 centers between two counties and serving over 2,200 children annually. SWCCC was started in 1989 when business, education, and civic leaders came together to address the growing need in the community for high-quality, affordable childcare in the region. When the program began, all SWCCC facilities were built on-site at private companies and operated by the school district. Although facilities were open to the general public (space permitting), companies often subsidized employee’s costs for childcare. Today, in addition to the on-site facilities, SWCCC also operates community-based centers and offers before and after school care at public elementary schools.

https://www.esd112.org/swccc/

TEXAS 4A AND 4B ECONOMIC DEVELOPMENT HALF-CENT SALES TAX

The state of Texas has two different local option sales taxes available to communities to fund economic development-related activities, including for project-specific initiatives and infrastructure. Communities have the option to utilize either the 4A program, the 4B program, or both, and voters must approve tax measures prior to going into effect. Monies from the programs must be overseen by the city’s development corporation’s board of director and the city council.

https://comptroller.texas.gov/economy/local/type-ab/
PUEBLO, COLORADO, ECONOMIC DEVELOPMENT HALF-CENT SALES TAX

In 1984, residents of Pueblo, Colorado, approved a half-cent sales tax to fund economic development initiatives, which has been renewed several times since its inception. Projects funded from the program range from infrastructure improvements and upgrades to industrial parks and equipment purchases for relocating and expanding businesses, with the ultimate goal of diversifying the city’s economic base.

https://livability.com/co/pueblo/careers-opportunities/pueblo-co-half-cent-tax-targets-economic-development

JOBSOHIO BEVERAGE SYSTEM

Ohio has one of the most unique economic development funding models in the country, as it does not rely on any public funding mechanisms. JobsOhio is a private, nonprofit wholly funded by the JobsOhio Beverage System (JOBS) liquor enterprise. In 2013, JOBS acquired the state-owned liquor franchise, financed through special-obligation private revenue bonds. Bondholders will be repaid over the 25-year term of the franchise and no public funds were used in the purchase. Although all state liquor taxes go to the Ohio Treasury Department, net profits from sales are granted from JOBS to JobsOhio to fund economic development activities.

https://www.jobsohio.com/about-jobsohio/about-us/understanding-jobsohios-funding/

MINNESOTA PUBLIC-PRIVATE PARTNERSHIPS

ROCHESTER DESTINATION MEDICAL CENTER

In 2013, Mayo Clinic approached the city of Rochester and the state of Minnesota with an ambitious plan to upgrade and increase the size of its Rochester campus. In addition to increasing the size of the Mayo campus, the plan also called for a new bioscience and life science campus, in addition to the infrastructure, hotels, restaurants, and housing developments needed to support the expansion. The project is estimated to cost over $6.5 billion, with $6 billion being contributed from the private sector and $585 million from state and local governments. The $585 million is expected to be generated through a sales tax increase that was approved in 2012 and from other state and local budgets.\(^{91}\) To reduce the investment risk for the state, the project will require that a certain threshold of private investment is made prior to the public investment.\(^{92}\) The project is expected to generate an additional 35,000 jobs and hopes to boost long-term tax revenue for the city and the state. The 20-year project broke ground in 2020 with the phase one public plaza component.

https://dmc.mn/

DULUTH MEDICAL DISTRICT

In addition to the Destination Medical Center in Rochester, two regional medical centers in Duluth, Minnesota, are planning significant redevelopment and expansion projects. The 10-year project is expected to begin in late 2020 or early 2021. The total cost of the two projects is over $1 billion, and the state of Minnesota invested an additional $100 million in infrastructure to support the project. Funding from the state for the project was included as part of Minnesota’s state budget for 2020. As a result of the medical center expansion, downtown is seeing additional investments. One such project, a mixed-use residential development, is located in an Opportunity Zone and also leveraging $6.2 million in tax increment financing to help offset infrastructure costs.\(^{93}\) The developers credited the incentive programs as being essential components to drive the project forward.

https://duluthmn.gov/planning-development/planning-development-news/duluths-medical-district/
ARIZONA COMMUNITY IMPACT LOAN FUND

The Arizona Community Foundation Community Impact Loan Fund offers loans to nonprofit community projects, often at or below market rates. As loans are repaid, funds become available for use with other projects, creating a continual recycling of charitable capital. Notable projects include a $1 million loan to the Phoenix Art Museum to make upgrades and expand storage capacities, a $500,000 loan to the Mariposa Community Health Center to expand the center and upgrade the facility’s technology systems, and a $375,000 loan to the Desert Botanical Garden to develop a new pumping system, which will save the organization $75,000 annually in irrigation costs. Major donors to the Arizona Community Foundation include Bank of America Charitable Foundation, Intel Corporation, Phoenix IDA, Carlisle Companies, and numerous other individual donors and family and company foundations.


UTAH OUTDOOR RECREATION GRANT

The Utah Governor’s Office of Economic Development Office of Outdoor Recreation created the Utah Outdoor Recreation Grant to help Utah communities build recreational infrastructure that provides low-cost opportunities to be active outdoors. The new trails and other outdoor recreational opportunities aid in local economic development and many Utah communities have found that having recreation opportunities adds to the quality of life of local citizens, which helps to attract new residents and can lead to an increase in local property values. Businesses, especially high-tech firms, consider having nearby outdoor recreation amenities as vital in attracting and keeping high-value employees. In 2019, the legislature reauthorized the program and increased the maximum grant amount to allow for larger, more impactful projects. Award sizes range from $1,000 microgrants to $500,000 significant project grants.

https://business.utah.gov/outdoor/uorg/
APPENDIX F. ENDNOTES


4 Schaefer, *Coal Industry Trends and Risks*.


17 Montana Department of Agriculture, “Food & Ag Development Centers,” https://agr.mt.gov/FADC.


47 North Dakota Department of Commerce, “Main Street,” https://www.communityservices.nd.gov/communitydevelopment/Programs/CommunityDevelopmentBlockGrant/Mainstreet/.


67 Utah Department of Workforce Services, Housing and Community Development, “Making Utah Communities Stronger,” https://jobs.utah.gov/housing/.

68 Utah GOED, “A Plan to Elevate Utah’s Economic Success.”


