1. Has the Montana economy healed?

2. What are the biggest issues today in the economy?
   a. immediate issues
   b. medium/long run issues

3. What are the best strategies/actions to address those issues? (And which are the worst?)
Unemployment Rates, May 2021

Source: Montana Dept. of Labor and Industry
Wages and Employment, Montana, 2018Q1 – 2020Q4
Seasonally Adjusted Index, 2017Q1 = 100

Source: Quarterly Census of Employment and Wages
Montana Personal Income
Transfer Payments
Percent Change, Seas. Adj. Annual Rate

Percent

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Top Seven Sources</td>
<td>$1,538,275,203</td>
<td>$1,537,826,401</td>
<td>$1,705,970,777</td>
<td>$1,838,142,200</td>
<td>$1,756,106,044</td>
<td>$2,087,376,512</td>
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<tr>
<td>Corporation Tax</td>
<td>$91,138,103</td>
<td>$95,089,599</td>
<td>$133,391,689</td>
<td>$149,665,192</td>
<td>$142,465,561</td>
<td>$203,820,846</td>
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<tr>
<td>Individual Income Tax</td>
<td>$1,098,693,644</td>
<td>$1,087,463,402</td>
<td>$1,203,724,805</td>
<td>$1,301,096,094</td>
<td>$1,217,728,896</td>
<td>$1,474,282,414</td>
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<td>510101 Withholding Tax</td>
<td>$728,298,113</td>
<td>$754,417,435</td>
<td>$805,207,487</td>
<td>$855,745,191</td>
<td>$916,893,397</td>
<td>$996,172,574</td>
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<tr>
<td>510102 Estimated Tax</td>
<td>$228,310,002</td>
<td>$219,012,137</td>
<td>$200,701,032</td>
<td>$240,067,170</td>
<td>$235,735,910</td>
<td>$246,300,022</td>
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<tr>
<td>510103 Current Year I/T</td>
<td>$184,239,866</td>
<td>$164,248,267</td>
<td>$177,542,237</td>
<td>$220,781,449</td>
<td>$80,701,854</td>
<td>$124,238,290</td>
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<tr>
<td>510104 Prior Years to Income Tax</td>
<td>$3,260,548</td>
<td>$3,333,982</td>
<td>$3,662,495</td>
<td>$4,497,586</td>
<td>$4,677,831</td>
<td>$4,746,298</td>
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<tr>
<td>510106 Income Tax Refunds</td>
<td>($106,811,811)</td>
<td>($110,564,305)</td>
<td>($113,527,605)</td>
<td>($96,800,952)</td>
<td>($100,961,223)</td>
<td>($107,249,351)</td>
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<tr>
<td>510109 Income Tax-Penalties &amp; Interes</td>
<td>$9,108,627</td>
<td>$7,063,544</td>
<td>$6,900,449</td>
<td>$6,297,364</td>
<td>$6,813,455</td>
<td>$7,174,296</td>
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<tr>
<td>510110 Accrual Individual Inc Tax</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>510482 Mineral Royalty WH Tax</td>
<td>$6,514,481</td>
<td>$4,935,044</td>
<td>$3,838,140</td>
<td>$6,510,187</td>
<td>$8,035,820</td>
<td>$4,840,895</td>
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<tr>
<td>Insurance Tax</td>
<td>$52,042,233</td>
<td>$59,185,533</td>
<td>$54,986,503</td>
<td>$60,897,889</td>
<td>$66,420,946</td>
<td>$69,700,094</td>
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<td>Oil &amp; Natural Gas Tax</td>
<td>$21,570,720</td>
<td>$22,490,123</td>
<td>$25,170,661</td>
<td>$28,441,125</td>
<td>$23,700,177</td>
<td>$15,112,651</td>
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<tr>
<td>Property Tax</td>
<td>$149,179,831</td>
<td>$148,557,372</td>
<td>$161,932,055</td>
<td>$170,859,222</td>
<td>$177,362,592</td>
<td>$182,886,190</td>
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<tr>
<td>Vehicle Fee</td>
<td>$80,373,924</td>
<td>$80,386,185</td>
<td>$80,133,381</td>
<td>$81,112,841</td>
<td>$82,972,737</td>
<td>$87,581,931</td>
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<tr>
<td>Video Gaming Tax</td>
<td>$45,276,748</td>
<td>$44,654,177</td>
<td>$46,631,685</td>
<td>$47,049,836</td>
<td>$45,455,134</td>
<td>$53,992,385</td>
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<td>Other Sources</td>
<td>$38,146,465</td>
<td>$44,189,782</td>
<td>$112,046,629</td>
<td>$87,603,763</td>
<td>$45,833,436</td>
<td>$54,319,545</td>
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<tr>
<td>Interest Earnings Sources</td>
<td>$16,016,081</td>
<td>$18,837,114</td>
<td>$19,703,267</td>
<td>$28,103,098</td>
<td>$32,071,754</td>
<td>$14,133,415</td>
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<td>Consumption Sources</td>
<td>$53,002,616</td>
<td>$53,701,169</td>
<td>$52,475,697</td>
<td>$53,066,759</td>
<td>$52,573,169</td>
<td>$57,222,840</td>
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<tr>
<td>Business Sources</td>
<td>$41,474,057</td>
<td>$40,745,652</td>
<td>$43,354,168</td>
<td>$45,875,270</td>
<td>$54,785,478</td>
<td>$53,232,149</td>
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<tr>
<td>Total</td>
<td>$1,716,552,181</td>
<td>$1,725,585,251</td>
<td>$1,964,893,391</td>
<td>$2,088,849,784</td>
<td>$1,971,611,051</td>
<td>$2,293,014,691</td>
</tr>
</tbody>
</table>
BBER has addressed the two of the biggest issues in the Montana economy in recent years.
Voluntary Quits Signal Labor Market Health

Quits as a Share of Total Employment, Western Region

Percent

Quits as a Share of Total Employment, Western Region

Percent

2018  2019  2020  2021
Wage Growth Tilted Towards Startup Positions
Federal Reserve Bank of Atlanta U.S. Wage Tracker, Percent

Lowest 25% earning jobs

Highest 25% earning jobs
Montana has had more job openings since February 2020 than any other state

% change in job openings, Feb 2020 – July 2021

Source: Indeed.com
What Companies Can Do

• **Pay people more.** This is already happening. Does it grow the total workforce?

• **Search more broadly.** Relax requirements. Look at non-traditional workers. Look outside local area, especially if remote work is feasible.

• **Invest more in training.** Hiring less qualified workers requires more training to bring them up to acceptable skill levels, even if there is a risk they will leave and take work elsewhere.

• **Reconfigure job roles.** Find ways to make existing staff more productive to cover needed functions with existing workers.

• **Recruit future workers.** Connect with middle school-aged people to raise awareness of career opportunities.

• **Automation and outsourcing.**

• **Turning down work.**
What Policymakers Can Do
(But maybe not if they want to get re-elected)

- **Boost retirement age.** Social Security and Medicare need this change eventually anyway.
- **Increase female labor force participation.** More flexibility and a big expansion in child care availability is needed.
- **Fix immigration policy.** Has always been a U.S. strength.
- **Raise teenage participation.** Compatible with college prep?
- **Re-think drug testing policies.** This is quietly happening already.
- **Reconsider occupation licensing requirements.** These make it harder for two-earner couples to migrate to job opportunities.
- **Explore employment of incarcerated population.**
Housing Price Growth, Percent, 2019-2020

Source: Federal Housing Finance Agency.
What’s the Solution?

It Depends on What You Think is the Problem
The Market is the Problem

• “Hot” housing markets have high in-migration and high demand
• Land use policies and regulation reflect the “proper” pricing of the spillover effects of new housing
• Solution is to subsidize those who have difficulty paying
• Housing programs vs. poverty programs
The Problem is Regulation and Policy

• Local regulation constricts housing supply, pushing prices up beyond construction costs plus profit
• Federal policies inflate demand for larger, more expensive homes
• No single rule or regulation is the culprit
• Solution is rollback or override of local regulatory power – from the state?
Montana’s Economic Challenges

• Workforce shortages and housing costs are symptoms of the same issue – a supply-constrained economy with too much stimulus

• Other difficult issues remain:

  • Low wages
  • Aging/outmigration from rural areas/east
  • Rural poverty
  • Pension underfunding
  • Limited government capacity (including MUS)
What Approaches Will Work Best?

• Good motives vs. good outcomes
• Subsidizing demand in a supply-constrained economy
• In housing and workforce, expanding supply is the key
• Solutions to problems may require a lot of “selling” to Montanans (e.g., urbanization, more density, more government)
• Best use of one-time monies is to finance transitions, not new programs