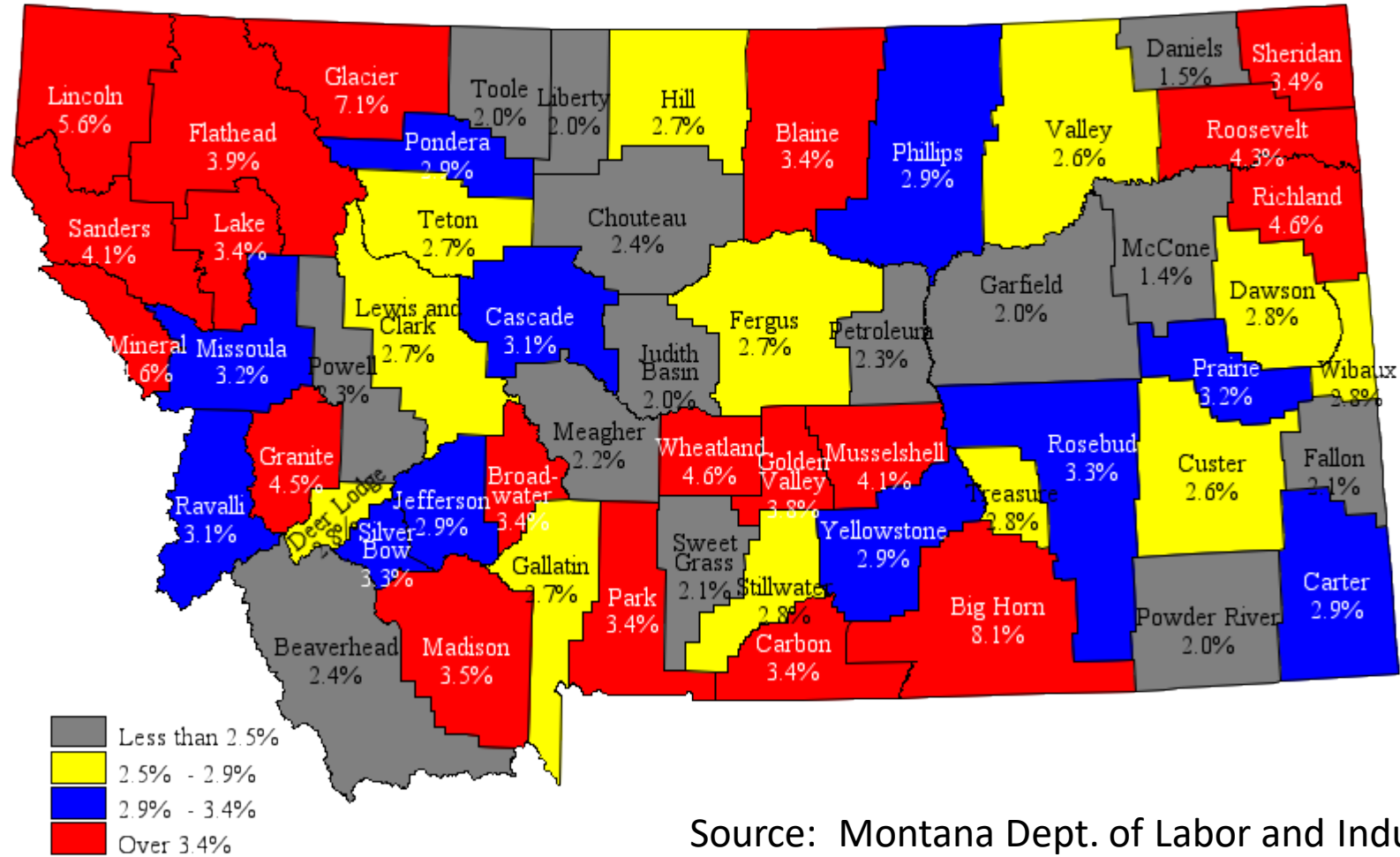


# Presentation from Patrick Barkey

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

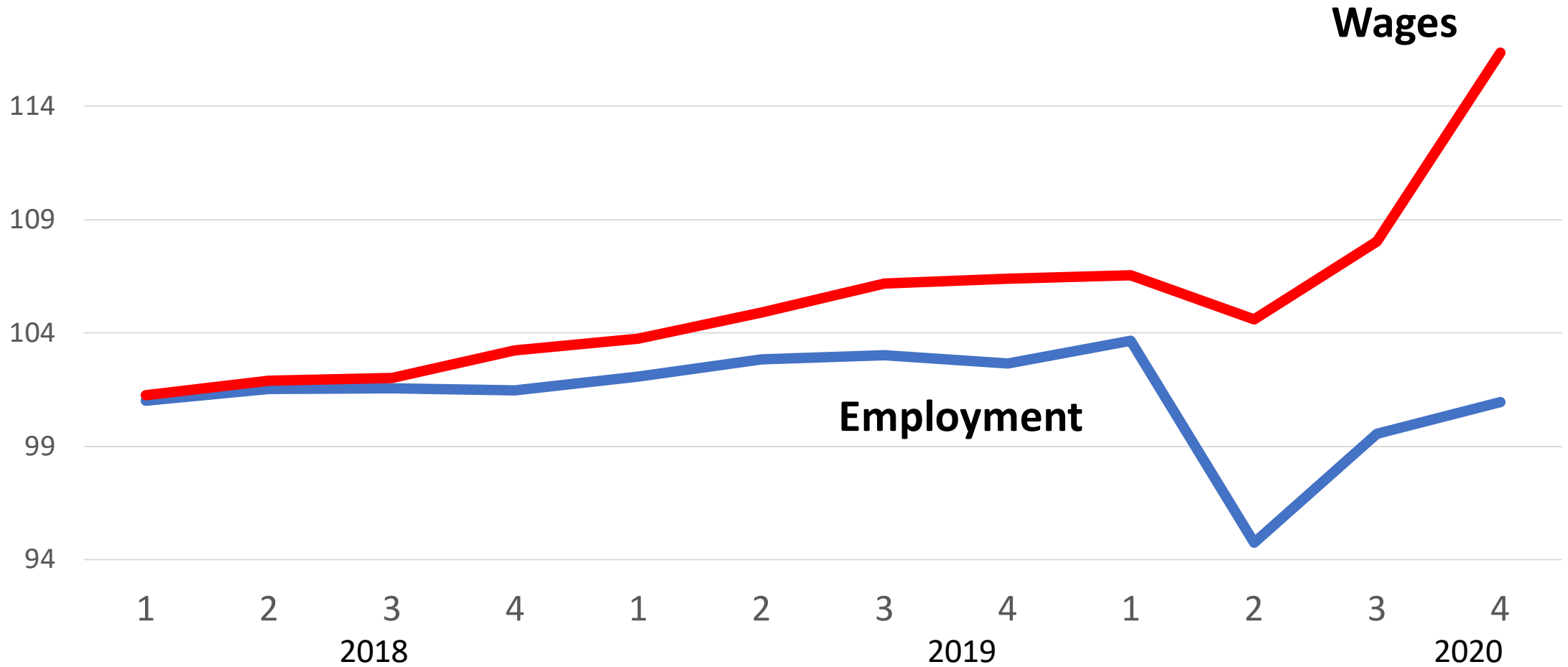


Source: Montana Dept. of Labor and Industry

# Wages and Employment, Montana, 2018Q1 – 2020Q4

Seasonally Adjusted Index, 2017Q1 = 100

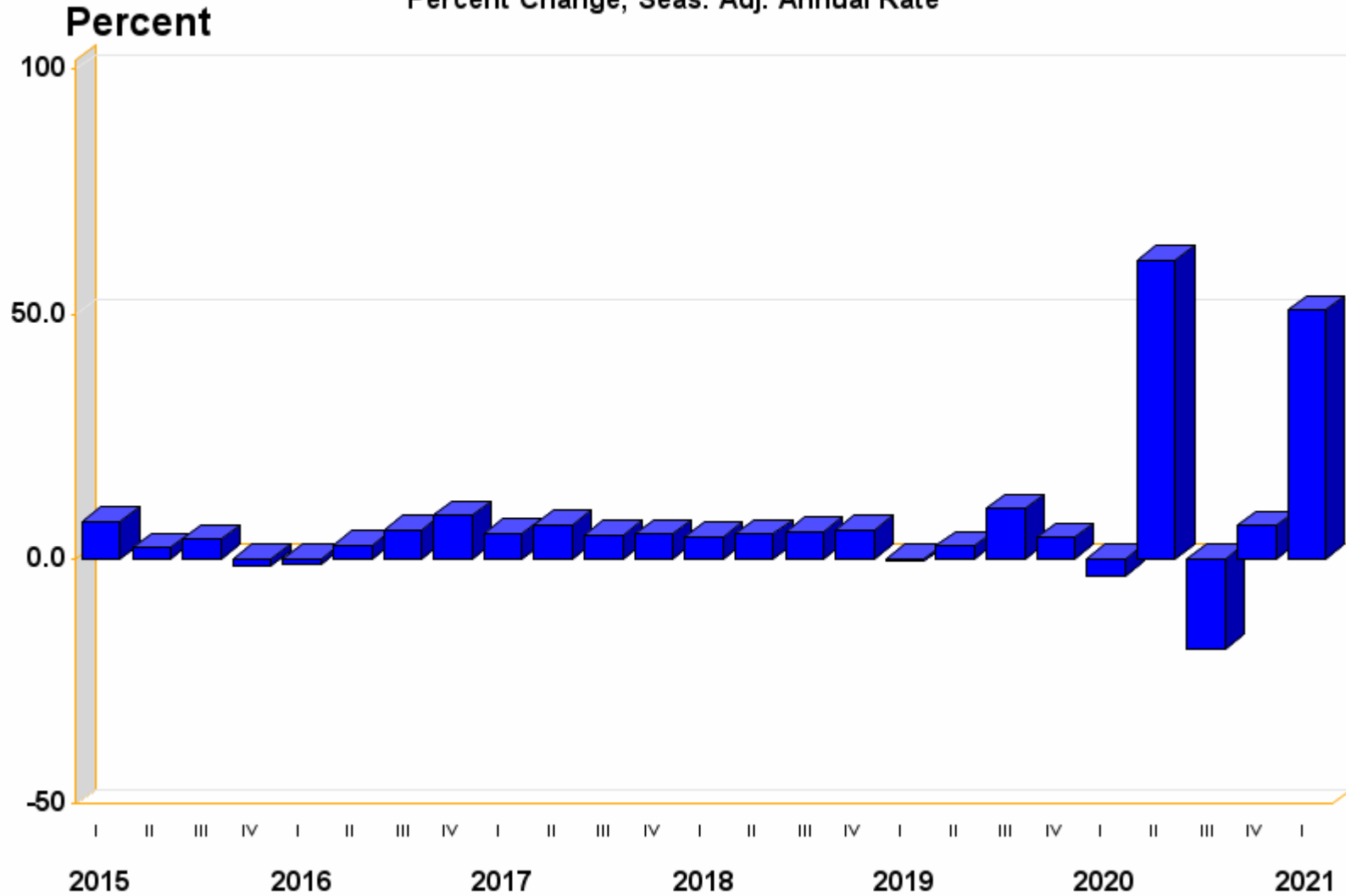
Percent



# Montana Personal Income

## Total Personal Income

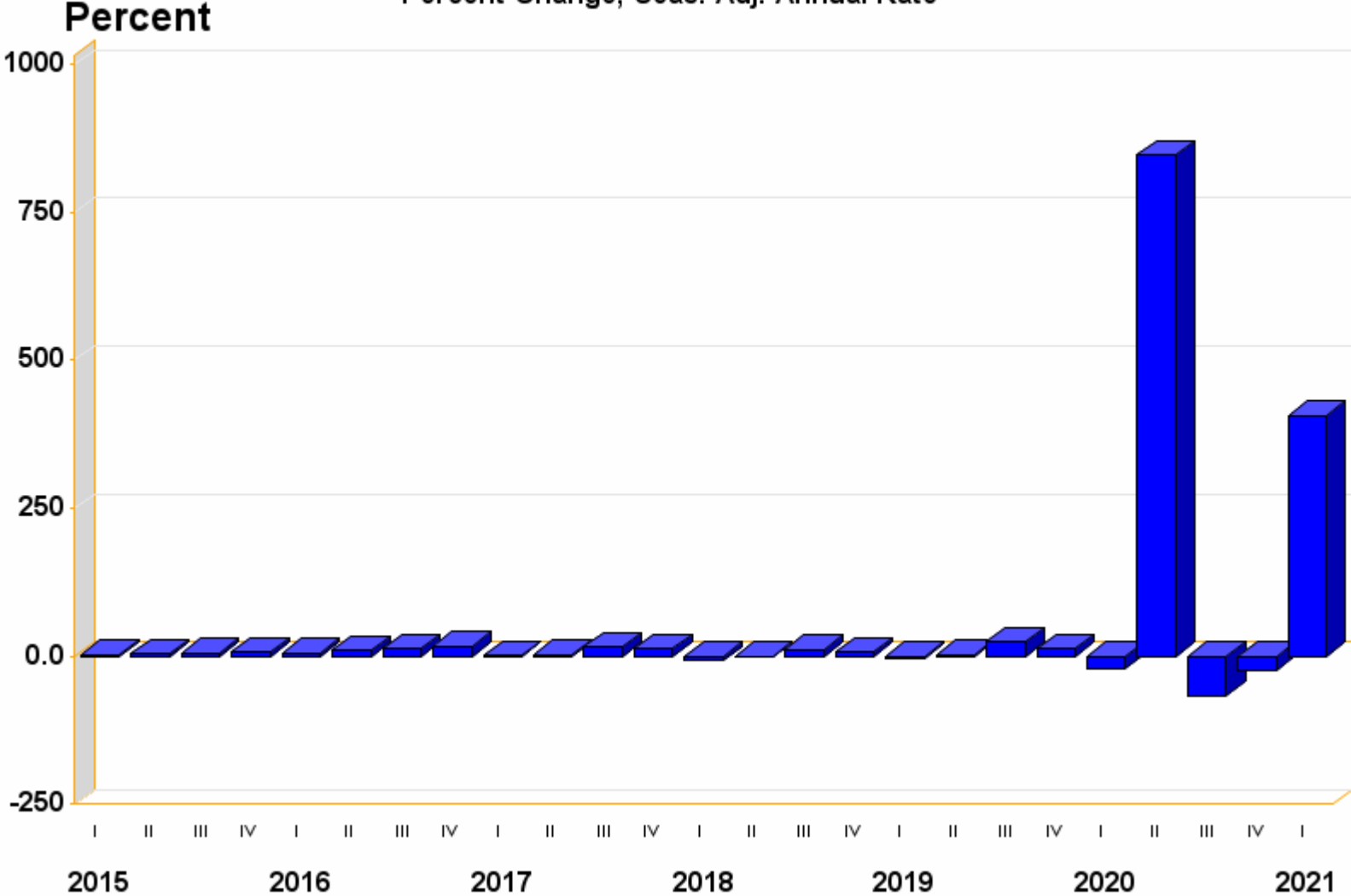
Percent Change, Seas. Adj. Annual Rate



# Montana Personal Income

## Transfer Payments

Percent Change, Seas. Adj. Annual Rate

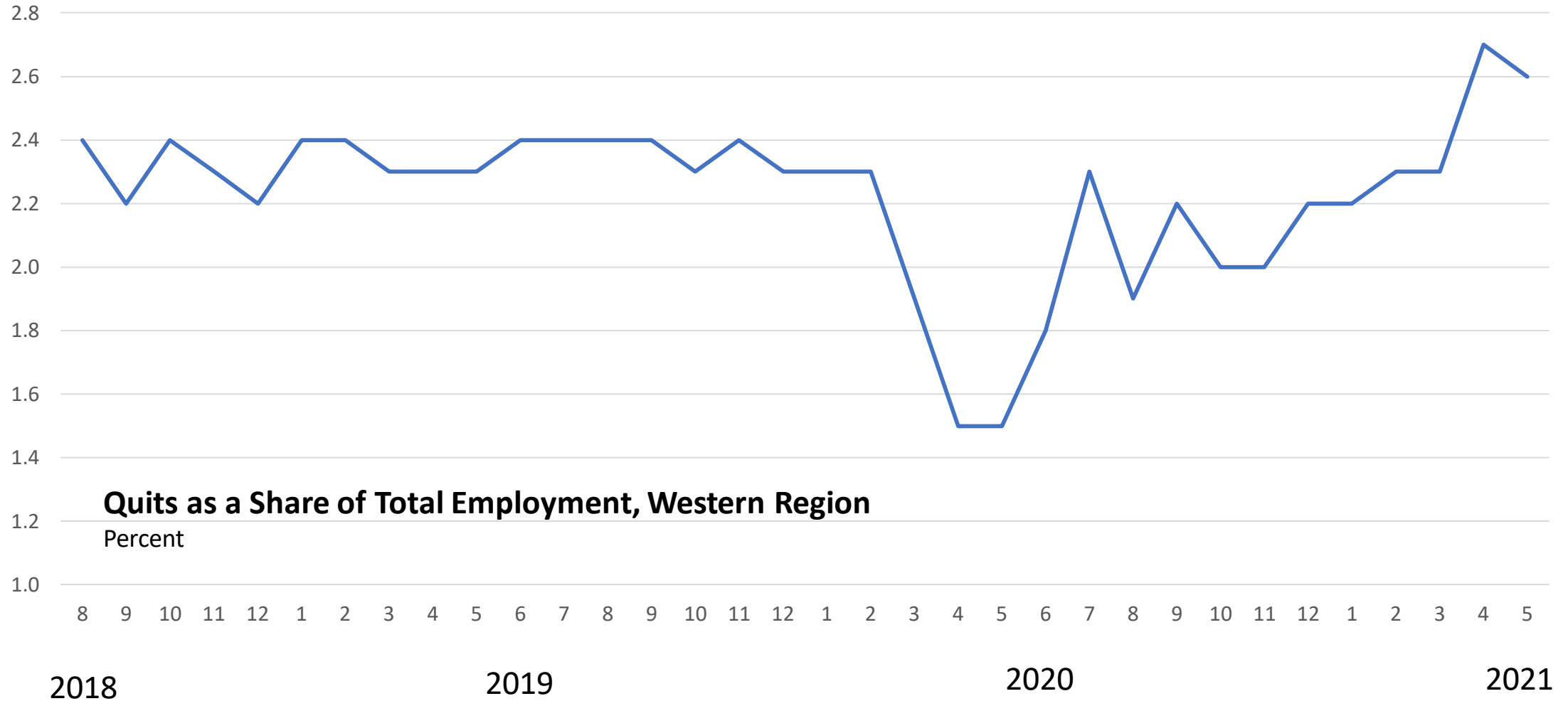


Categories	2016	2017	2018	2019	2020	2021
<b>Top Seven Sources</b>	<b>\$1,538,275,203</b>	<b>\$1,537,826,401</b>	<b>\$1,705,970,777</b>	<b>\$1,838,142,200</b>	<b>\$1,756,106,044</b>	<b>\$2,087,376,512</b>
<b>Corporation Tax</b>	<b>\$91,138,103</b>	<b>\$95,089,509</b>	<b>\$133,391,688</b>	<b>\$148,685,192</b>	<b>\$142,465,561</b>	<b>\$203,820,846</b>
<b>Individual Income Tax</b>	<b>\$1,098,693,644</b>	<b>\$1,087,463,482</b>	<b>\$1,203,724,805</b>	<b>\$1,301,096,094</b>	<b>\$1,217,728,896</b>	<b>\$1,474,282,414</b>
510101 Withholding Tax	\$728,288,113	\$754,417,435	\$805,207,487	\$855,745,191	\$916,893,597	\$996,172,574
510102 Estimated Tax	\$228,310,662	\$219,612,176	\$260,761,032	\$240,656,170	\$235,735,610	\$346,300,022
510103 Current Year I/T	\$184,239,866	\$164,248,267	\$177,542,237	\$220,781,449	\$80,701,854	\$124,236,290
510104 Prior Years to Income Tax	\$3,260,548	\$3,333,982	\$3,662,495	\$4,497,568	\$4,677,813	\$4,746,298
510105 Income Tax - Audit Collections	\$26,367,258	\$19,062,585	\$22,317,443	\$24,372,388	\$26,029,696	\$30,351,593
510106 Income Tax Refunds	(\$106,811,811)	(\$110,564,805)	(\$113,527,605)	(\$96,800,952)	(\$100,961,228)	(\$107,249,351)
510109 Income Tax-Penalties & Interes	\$9,108,627	\$7,063,544	\$6,900,449	\$6,297,364	\$6,813,455	\$7,174,296
510110 Accrual Individual Inc Tax	\$0	\$0	\$0	\$0	\$0	\$0
510111 Pass Thru Entity Tax	\$19,315,901	\$25,355,254	\$33,478,126	\$39,036,729	\$39,802,280	\$67,709,798
510482 Mineral Royalty WH Tax	\$6,614,481	\$4,935,044	\$7,383,140	\$6,510,187	\$8,035,820	\$4,840,895
<b>Insurance Tax</b>	<b>\$52,042,233</b>	<b>\$59,185,553</b>	<b>\$54,986,503</b>	<b>\$60,897,889</b>	<b>\$66,420,946</b>	<b>\$69,700,094</b>
<b>Oil &amp; Natural Gas Tax</b>	<b>\$21,570,720</b>	<b>\$22,490,123</b>	<b>\$25,170,661</b>	<b>\$28,441,125</b>	<b>\$23,700,177</b>	<b>\$15,112,651</b>
<b>Property Tax</b>	<b>\$149,179,831</b>	<b>\$148,557,372</b>	<b>\$161,932,055</b>	<b>\$170,859,222</b>	<b>\$177,362,592</b>	<b>\$182,886,190</b>
<b>Vehicle Fee</b>	<b>\$80,373,924</b>	<b>\$80,386,185</b>	<b>\$80,133,381</b>	<b>\$81,112,841</b>	<b>\$82,972,737</b>	<b>\$87,581,931</b>
<b>Video Gaming Tax</b>	<b>\$45,276,748</b>	<b>\$44,654,177</b>	<b>\$46,631,685</b>	<b>\$47,049,836</b>	<b>\$45,455,134</b>	<b>\$53,992,385</b>
<b>Other Sources</b>	<b>\$38,146,465</b>	<b>\$44,189,782</b>	<b>\$112,046,629</b>	<b>\$87,603,763</b>	<b>\$45,833,436</b>	<b>\$54,319,545</b>
<b>Natura Resource Sources</b>	<b>\$29,637,758</b>	<b>\$30,285,733</b>	<b>\$31,342,853</b>	<b>\$35,258,695</b>	<b>\$30,241,230</b>	<b>\$26,730,230</b>
<b>Interest Earnings Sources</b>	<b>\$16,016,081</b>	<b>\$18,837,114</b>	<b>\$19,703,267</b>	<b>\$28,103,098</b>	<b>\$32,071,754</b>	<b>\$14,133,415</b>
<b>Consumption Sources</b>	<b>\$53,002,616</b>	<b>\$53,701,169</b>	<b>\$52,475,697</b>	<b>\$53,866,759</b>	<b>\$52,573,109</b>	<b>\$57,222,840</b>
<b>Business Sources</b>	<b>\$41,474,057</b>	<b>\$40,745,052</b>	<b>\$43,354,168</b>	<b>\$45,875,270</b>	<b>\$54,785,478</b>	<b>\$53,232,149</b>
<b>Total</b>	<b>\$1,716,552,181</b>	<b>\$1,725,585,251</b>	<b>\$1,964,893,391</b>	<b>\$2,088,849,784</b>	<b>\$1,971,611,051</b>	<b>\$2,293,014,691</b>

# BBER has addressed the two of the biggest issues in the Montana economy in recent years



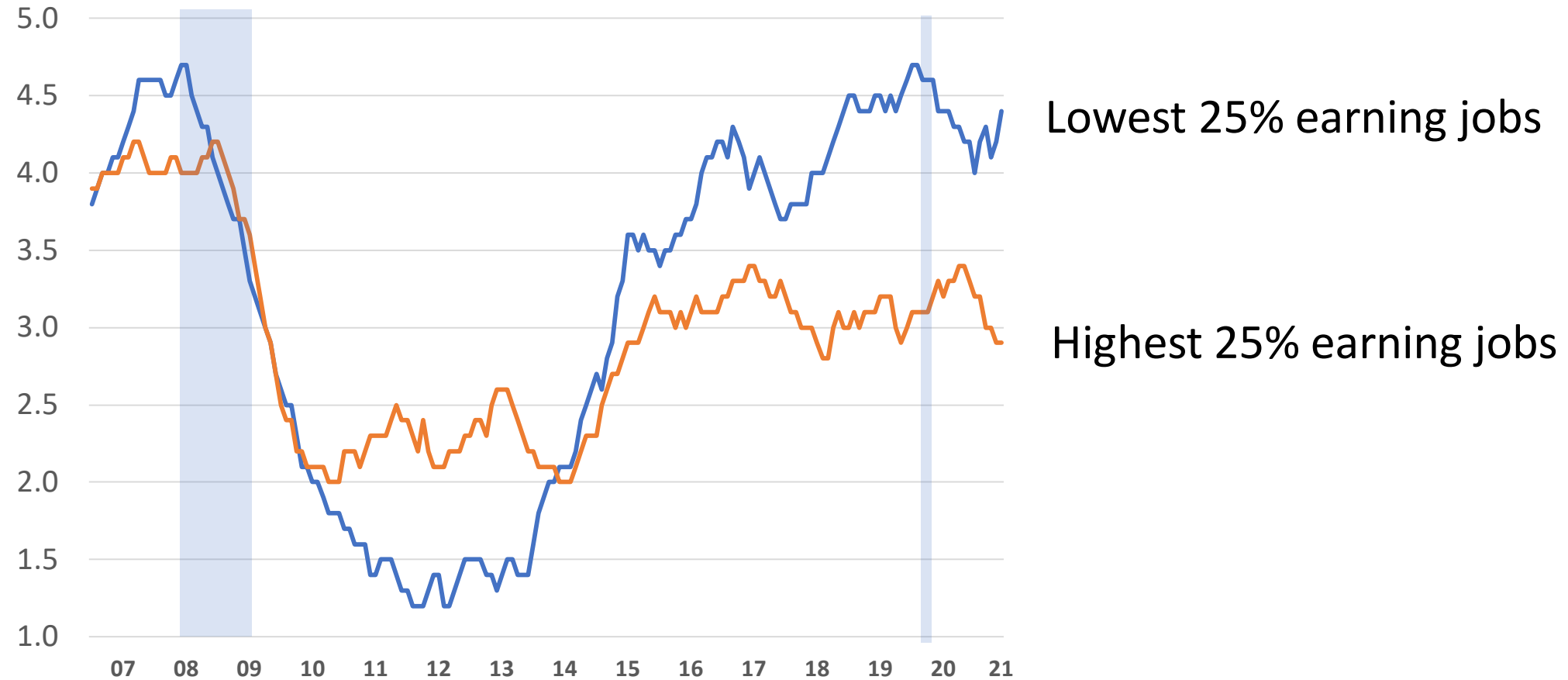
# Voluntary Quits Signal Labor Market Health

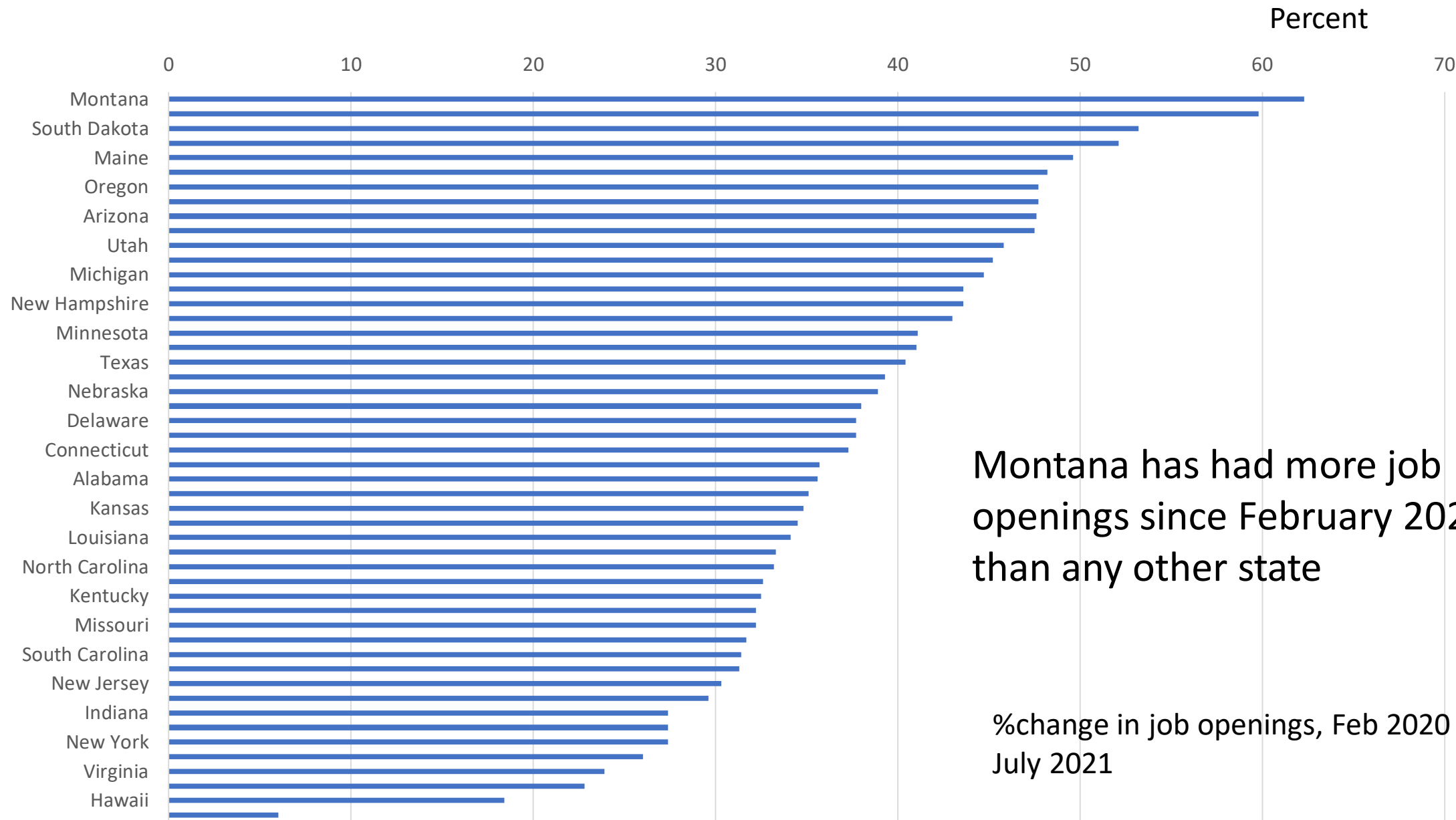




# Wage Growth Tilted Towards Startup Positions

Federal Reserve Bank of Atlanta U.S. Wage Tracker, Percent





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.**



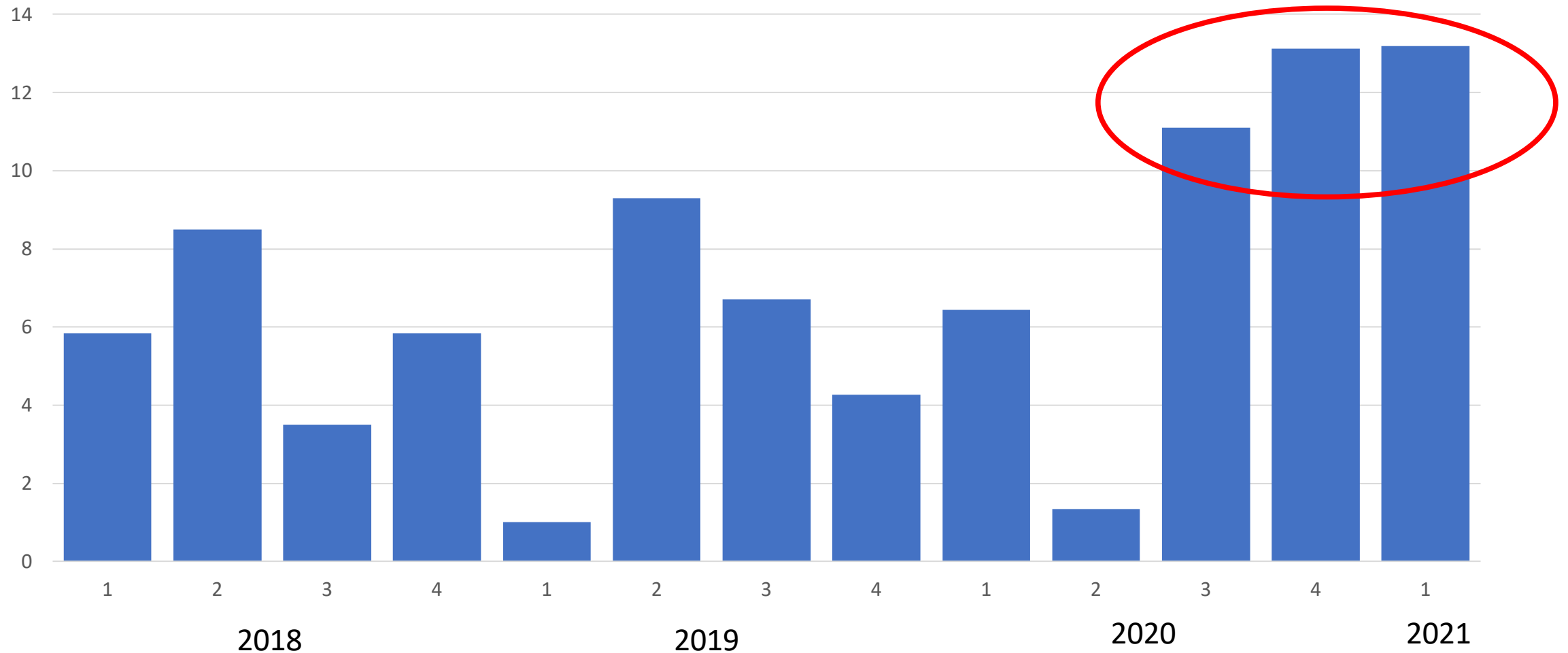
# What Policymakers Can Do

(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.**

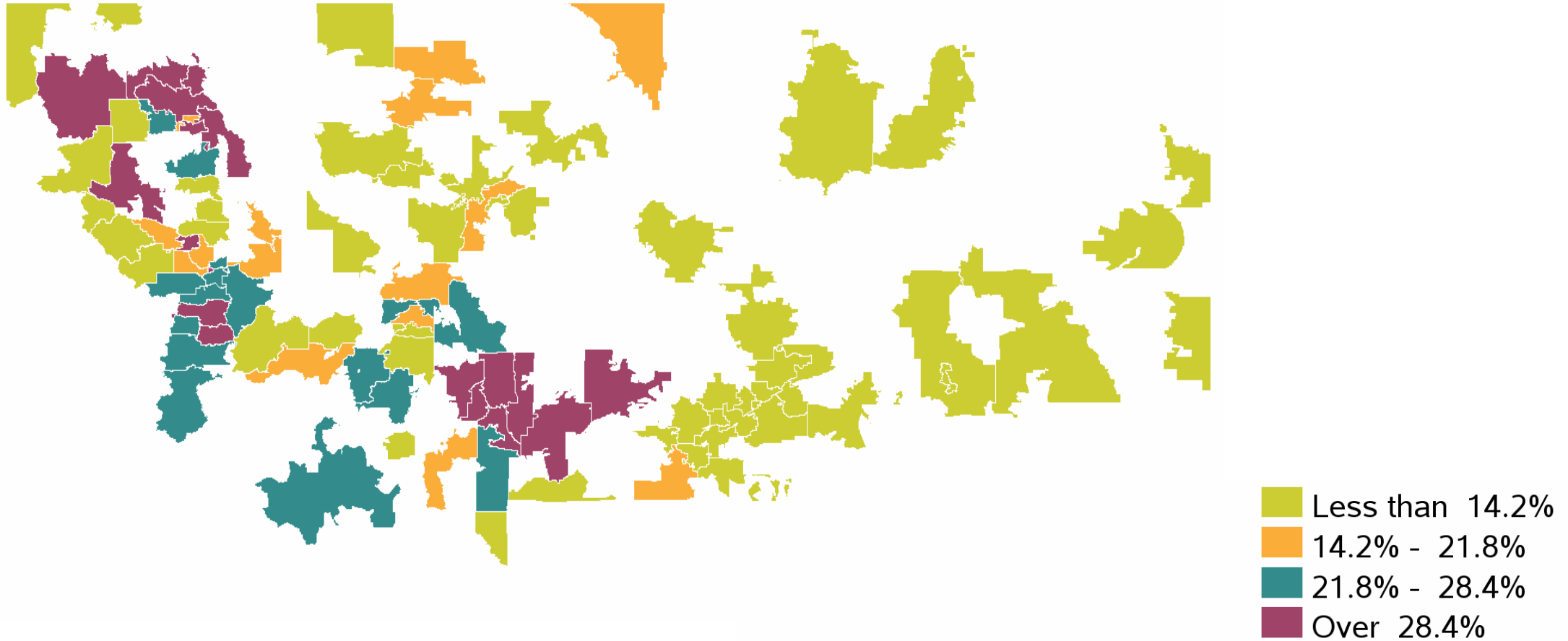
# All Transactions Housing Price Index, Montana

Percent Growth, Annualized Rate, Not Seasonally Adjusted



Source: Federal Home Finance Agency

# 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