



From the Governor

Those of us who have the opportunity to call this beautiful state home know first-hand the challenges and opportunities that businesses face on a daily basis. We cannot take our economy for granted. A vibrant economy, made up of strong businesses, lends itself to healthy communities and a high quality of life. However, if the economy falters, business, labor and communities are harmed, revenues decline and our ability to address social issues such as education and infrastructure becomes limited.

The state's new Chief Business Officer, Dave Gibson, has met with businesses and industry leaders throughout Montana for the past 5 months. During that time, he gained insight from entrepreneurs trying to start a business; small business owners trying to keep their doors open; companies interested in coming to Montana; and companies thinking of leaving the state.

From those meetings and discussions, we have learned that as we move down the road to ensuring that Montana is 'open for business', we must focus first on our existing businesses and their ability to stay and expand in Montana. Through the support of our current businesses and traditional industry sectors, we have the opportunity to expand our economy. Individuals throughout the state also suggested that we focus on business creation and incubation. Montanans have a wealth of ideas, and we will make every effort to foster the development of those ideas into good paying jobs for our citizens. Finally, it was suggested that we look to attract businesses into the state, especially those that complement either existing industries or the communities in which they reside.

From those discussions, we drafted the attached Framework for Economic Development in Montana. This is not a complete summary of what we have heard throughout the state, nor is it intended to be. Instead, it is a synopsis of common themes and ideas that were presented on a consistent basis.

The following document is not just an economic framework. It is a challenge to create a new and better Montana. It is a guide to economic expansion. It is a platform for creative initiatives. Above all else, it is a tool by which our progress toward long-term goals will be managed, monitored and evaluated. This plan does not seek to move our state up to 'average' in terms of quality of life, personal income, or business environment. It is instead built around the vision that our state can be among the top states in the nation in which to live, work, visit and do business. By working together, we will create an economy to match our unparalleled quality of life.

Over the next few months, we will travel throughout the state to meet again with Montanans as we work to finalize a Strategic Plan for Economic Development in Montana. I look forward to your advice and input as we move forward.

Sincerely,

JUDY MARTZ
Governor

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Overview of the Draft Framework

Introduction

In the 2001 Legislative Session, Governor Judy Martz proposed the formation of a statewide office to coordinate economic development. With legislative endorsement, the Office of Economic Opportunity was created within the Governor's office. Its mission is to guide the state's economic development efforts to create a stronger, more diversified economy in Montana.

The Process

The draft framework for economic development that follows is the culmination of Phase I of a two-phase process. Phase I began with a study of Montana's previous strategic plans, the plans of other cities and states around the country and discussions with many citizens across the state. This document presents a vision and serves as a guide to build a more detailed action plan.

With this completed draft, Phase II in building our strategic plan begins. Over the next several months, we will involve numerous stakeholders,

both in and outside state government, to include ideas from across the state.

The Governor will form an economic advisory group comprised of a small number of leaders from throughout the state. This advisory group will provide oversight for further development and implementation of Montana's plan. We will also form a number of small technical groups to recommend specific actions to address the needs of Montana's economy.

Phase II will conclude with a presentation of the finished strategic plan and the implementation of the specific programs to reach those goals. A major theme throughout our effort is accountability. The citizens of Montana will be able to measure the progress of each goal.

Like the draft framework, the final plan will not sit on the shelf. It will undergo continual assessment, refinement and evaluation as we move forward.

Overview

This draft is intended to provide a broad framework from which Montana's public sector can contribute to the state's economic vitality in the coming years. The goals and strategies set forth in this document were developed with one comprehensive end result in mind: to support,

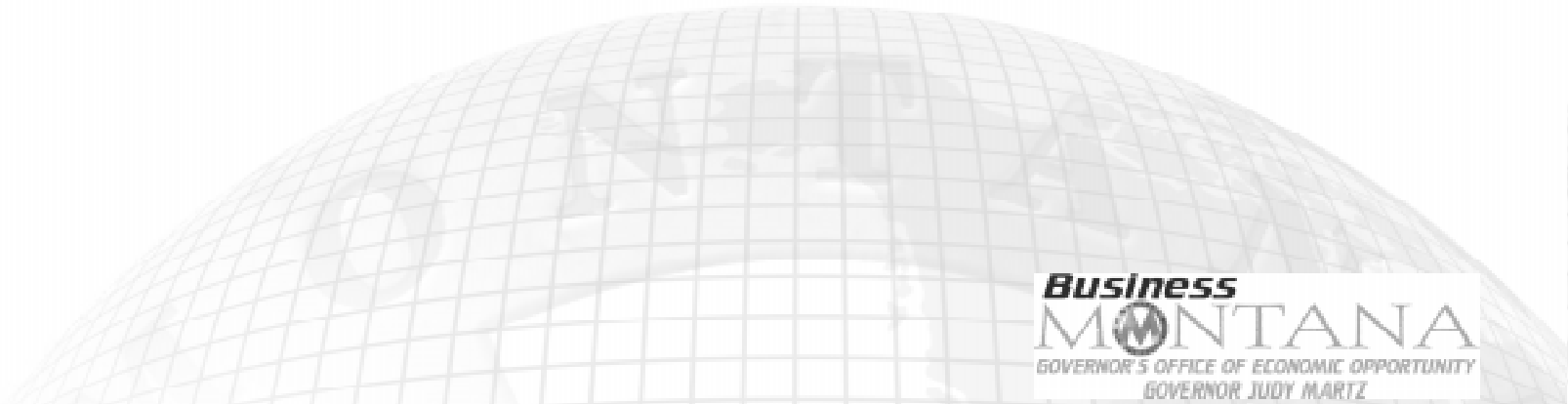
retain, expand and attract sustainable and environmentally responsible economic activity that makes Montana a better place to live and work.

We begin with an overview of Montana's economy and a discussion of the plan's vision — a discussion of the philosophy that guides our strategic planning process and describes the role of the public sector in the execution of this plan.

The draft includes five guiding principles that are essential for broad-based economic prosperity in Montana. One or more goals are associated with each guiding principle, and one or more strategies are associated with each goal.

Appendix A identifies the macro-level performance measures that will be a portion of the benchmarks used to measure the performance of each goal.

During the next several months, we will work with citizens, Montana businesses, public entities, and legislators to develop a strategic economic plan that represents the best ideas to move forward. If Montana is to succeed, we need ideas and commitment from all Montanans.





Assessment of Montana's Economy

Overall Economy

Between 1986 and 1999, the U.S. economy grew dramatically. Over this period, real dollar U.S. Gross State Product expanded by 54%.

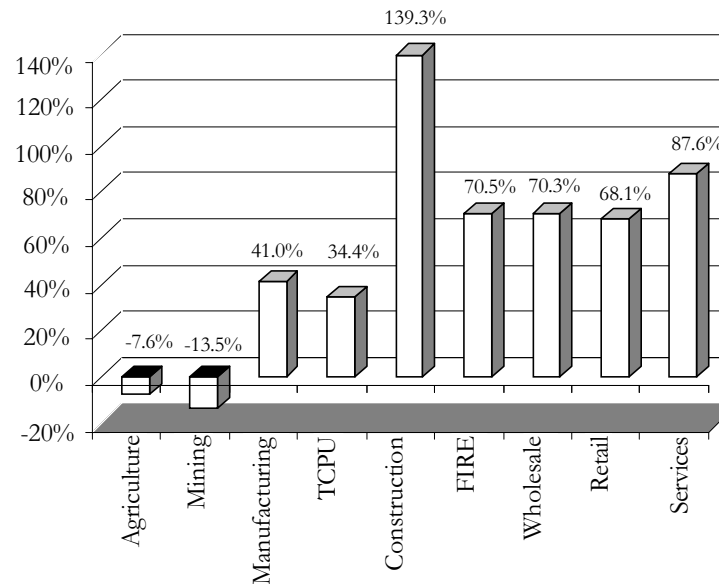
Unfortunately, Montana has not experienced similar increases in our economy and average annual income. Job growth has occurred disproportionately within the lower-paying, service industry occupations. Good paying jobs in mining and manufacturing have declined. Montana's national ranking has steadily declined from the top ten to the bottom five over the past forty years.

Value of Goods and Services

Gross State Product (GSP) is the broadest measure of the economy. It is the value of goods and services produced by a state. Montana's GSP was estimated at \$19.8 billion in 1998, ranking Montana 49th in the nation in per capita GSP. Montana's real dollar GSP from 1986 to 1999 expanded by only 35%. During the past five years our annual rate of growth of 1.2% was the 5th slowest GSP growth rate in the nation.

During the past five years in Montana, the value of goods and services produced from the construction and service sectors increased dramatically. Moderate growth was realized in finance, insurance and real estate (FIRE), wholesale trade, retail trade, manufacturing, and the transportation, communications and public utility (TCPU) sectors. The value of goods and services produced by agriculture and mining declined over this time period.

Percentage Change in the Value of Goods and Services Produced by Industry Sector in Montana, 1990-1999



Source: US Bureau of Economic Analysis

Assessment of Montana's Economy (continued)

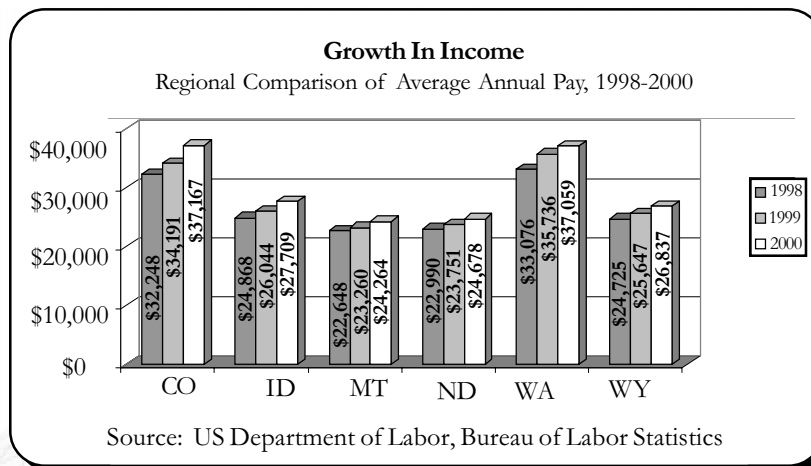
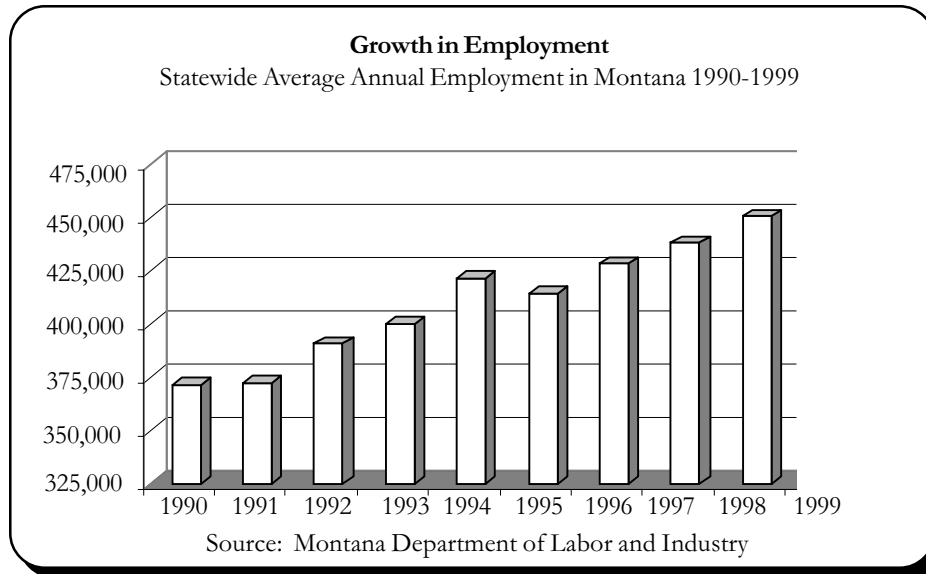


Employment

In the last decade Montana has realized significant population growth, expanding from a population of 799,065 in 1990 to 902,195 in 2000, a 12.9% increase, compared with a national increase of 13.2%. Along with an expanding population, job growth remained stronger than the national average, increasing 1.7% in 1999 to 2000. Montana has realized employment growth every year since 1995.

Income

In 1999, a Montanan's average annual pay was \$23,253, ranking 50th in the U.S. Montana ranked 42nd in percentage change in average annual pay from 1998 to 1999, with a 2.7% increase, compared with a national 4.3% increase.





A Vision For Economic Prosperity

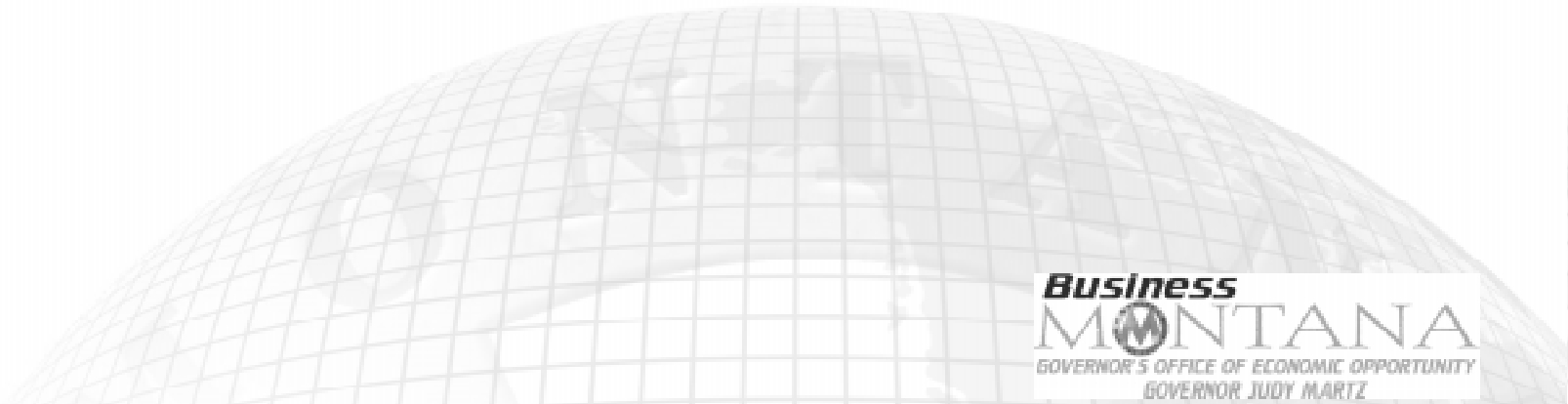
The Role of Government

Economic development occurs in the private sector. Actions taken by government must foster private development, not replace it. Government, in collaboration with private-sector leaders, must facilitate Montana's growth and competitiveness in the new economy.

Our rural heritage and sense of community make us who we are - resilient, resourceful and determined. If Montana is to grow in this new century, we must work together. Economic development efforts cannot be accomplished without active, responsive public/private partnerships. Partnerships among citizens, business, education and government are critical in addressing economic development, including areas such as education, transportation and growth management. Together, we will ensure that Montana is 'open for business.'

The State of Montana will work with the private sector and local communities to facilitate growth and diversity in our state's economy and to enhance the quality of life for all our citizens. Montana will become a leader in creating knowledge-based jobs, utilizing leading edge technology in all industries, and developing a globally competitive business environment.

This vision is a bold challenge demanding involvement and commitment. We must fully support existing Montana businesses, and the creation of new business opportunities for our citizens. It will take the commitment of everyone involved to join together to build new jobs and a better future for Montana.



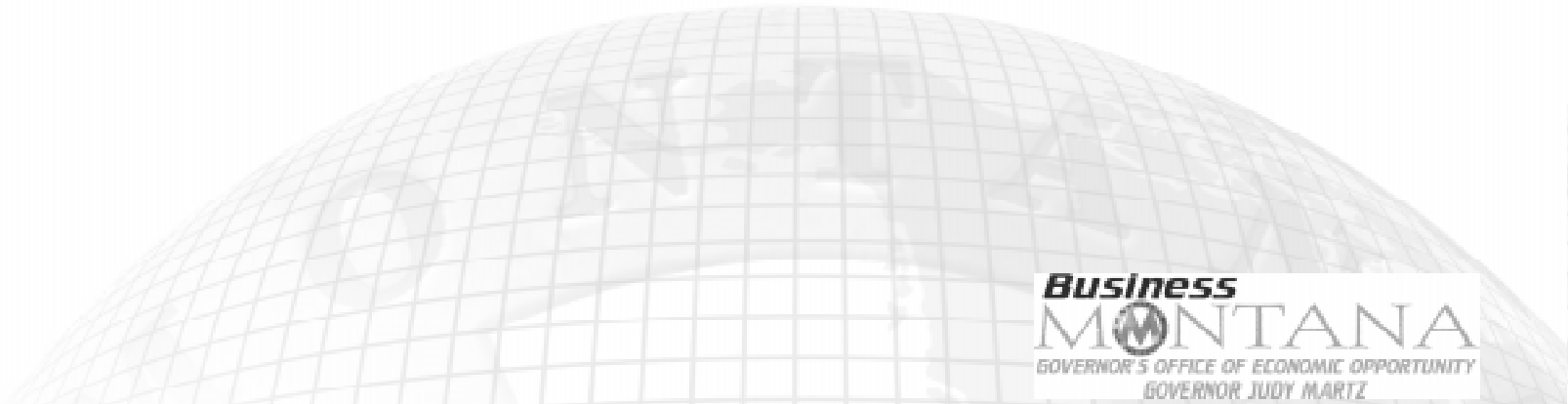
Business
MONTANA
GOVERNOR'S OFFICE OF ECONOMIC OPPORTUNITY
GOVERNOR JUDY MARTZ



Guiding Principles

To facilitate the development of a strong and effective economy in our state, it is essential that our efforts follow a coordinated plan. Government's role is to foster economic development. We must utilize public-private partnerships as we grow and diversify the economy. The State of Montana will:

1. Foster a globally competitive business environment by enhancing the private sector.
2. Provide the opportunity for all Montana citizens to share economic prosperity and a high quality of life in all regions of the state.
3. Enable economic development by increasing government responsiveness and efficiency, and by providing a competitive tax structure.
4. Grow our traditional and existing businesses and industries.
5. Encourage the startup, expansion and attraction of businesses that provide sustainable economic growth and good paying jobs.





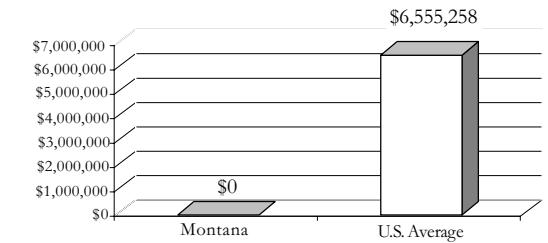
Globally Competitive Environment

Principle 1: Foster a globally competitive business environment by enhancing the private sector.

States and nations compete globally to retain and recruit businesses. In today's new economy, financial and intellectual resources are mobile. Businesses, employees and entrepreneurs can easily choose to relocate if they are dissatisfied with opportunities in their current environment. Innovative technologies, a skilled workforce and strong capital investment are critical components of competition in this new business environment.

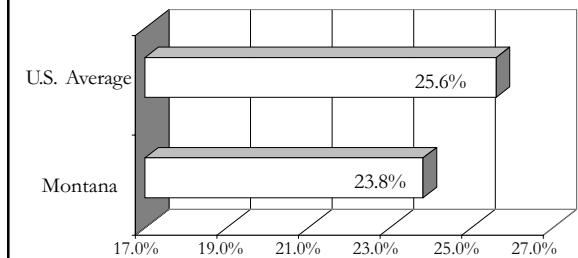
Doing business in Montana must not put organizations at a competitive disadvantage. We must continually evaluate and adjust government services to better meet the needs of businesses. When a company looks to stay or relocate in Montana, the environment for those businesses must meet their strategic needs and the needs of their workforce. Our financing, education, workforce development, physical infrastructure and research capabilities must all be of high quality and easily accessible.

Annual Venture Capital Investment - Seed and First Stage
Third Quarter Ending 2001



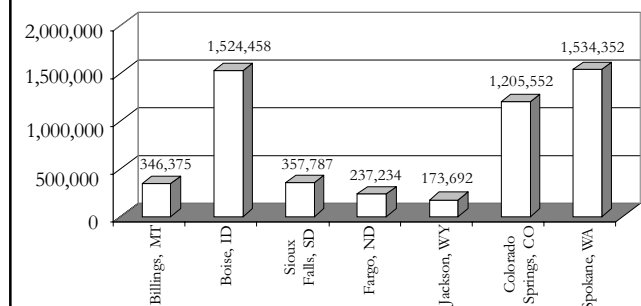
Source: National Association of Venture Firms

Percent of Population with College, University or Professional Degree
(25 yrs and older) 2000



Source: State Rankings 2001 by Morgan Quitno

Number of Airport Enplanements: Regional Comparison



Source: Federal Aviation Administration

Access to Capital




Whether it is a micro-business navigating its way through its initial growth spurt or a large, mature corporation entering or repositioning itself in growing markets, Montana businesses face multiple risks and uncertainties. Sufficient investment capital at affordable rates is a necessary ingredient, whether generated internally from retained earnings, borrowed from trade credit or financial institutions, or invested by stockholders or venture capitalists.

In 2001, according to the Corporation For Enterprise Development's (CFED) Report Card of the states, Montana received a "D" in Financial Resources. We must ensure that capital is more available and cost-efficient for Montana businesses. It is the responsibility of government to encourage overall availability of capital to facilitate the connection between businesses and capital providers.

In the new economy, capital tends to flow toward technology-oriented businesses. We must assist Montana businesses to utilize technology to increase efficiency, growth and profitability.

Goal

-  Montana businesses will have better access to competitive financial resources.

Strategies

- 1 Develop public/private partnerships and state incentives and investments to increase the formation of debt and equity capital in Montana.
- 2 Promote visibility between entrepreneurs and investors/lenders through state activities and support of private efforts.
- 3 Develop education and training programs to expand Montana businesses' knowledge of how to secure seed, venture and commercial financing.

- 4 Create a public/private "Access to Capital Task Force" to continually evaluate and improve the financial resources available in Montana.
- 5 Develop impartial and effective methodologies for evaluating state finance programs and incentives. Ensure at least annual evaluation and recommendations for change based on the results of these evaluations.






Education, Training and Workforce Development

A strategic goal is to create and retain good paying jobs for all Montanans. Montana's people –its workforce— are the most important ingredient for a competitive economic development environment. The new economy requires a highly skilled, educated, agile, and innovative workforce.

According to the 2000 Bragg/Lewis Report by the Montana Ambassadors, the overarching need of employers in Montana is finding trained and qualified workers. The report indicates that finding workers with a two-year vocational technical education from our two-year technical colleges is difficult. In addition, it is not easy for the private sector to understand and work through the process of developing workforce-training programs with educational institutions. Our existing and emerging workforce must have access to education and training opportunities that improve their earning potential across jobs and careers in our changing knowledge-based economy.

It is imperative that we facilitate a higher level of coordination and collaboration between the business community and the education community. In today's changing workforce marketplace, worker skills must evolve quickly to meet changes in technology, business needs, and the economy as a whole. This demands continuous reform and quick adaptation of public education and workforce training programs.

Goals

-  Facilitate and strengthen the state-wide integration of education, workforce, and economic development to maximize the return on investment in workforce and education spending.
-  Minimize the gap in skill between the current and future needs for skilled workers in dynamic regional based economies.
-  Ensure workforce access to job opportunities and educational choices that allow them to advance their skills and improve their earnings in their regional labor markets.

Strategies

- 1** Use industry associations to develop skill standards that meet the current and prospective needs of small, medium and large employers in the state. Ensure that assessment is continuously updated.
- 2** Develop partnerships between the private sector and the educational system (community colleges, tribal colleges, colleges of technology and the university system) to develop job training, curricula, and career counseling that are linked to business skill needs.
- 3** Improve access to education, training, and life-long learning in post-secondary, alternative, apprenticeship and vocational programs. Ensure this training and education is available in rural Montana.
- 4** Develop programs and provide incentives for Montana employers to provide current and prospective employees with job training and education.
- 5** Continue to support the Montana Ambassadors' Annual Job Retention and Expansion surveys as a means to track the changing needs of Montana businesses.




Transportation, utilities and other public infrastructure are basic support structures and are essential to the functioning of a vibrant economy. Modern communication and transportation networks distribute the products and services of the state's workforce to the world, and allow materials, people and information to flow into the state.

Montana is faced with a number of business infrastructure issues, including limited air and rail service, variations in transportation laws between states, and a lack of connectivity between different modes of transportation. These impede the flow of goods and increase transportation costs for businesses.

We must encourage the private sector's participation in providing these services.

Goal

-  Sustain and improve Montana's infrastructure, including transportation and public works to remove the physical obstacles to economic growth.

Strategies

- 1** Ensure that statewide economic development is an important element in planning highway infrastructure improvements and expansion.
- 2** Develop a statewide marketing plan targeted at air carriers to support the expansion of air service.
- 3** Utilize the State of Montana's Washington D.C. Office to enhance federal/state partnerships in an effort to lower transportation costs, expand air service and improve rail competition.
- 4** Utilize current state programs to assist communities in planning and developing adequate water, sewer, and solid waste disposal facilities to support economic growth and a healthful living environment.




Access to reliable, high-speed telecommunication services is one of the most important state infrastructure issues for the new century.

It is critical that we facilitate strategic partnerships to continually build and expand the telecommunication infrastructure.

We will work with the telecommunication industry to meet the needs of its current businesses and encourage high technology and e-commerce based businesses.

Goal

-  Montana's telecommunication services will meet the needs of its current businesses and encourage high technology and e-commerce based businesses to grow and thrive.

Strategies

- 1 Utilize the government's position as the largest telecommunication consumer in the state to drive expanded access to and continued upgrade of Montana's telecommunication infrastructure.
- 2 Ensure that Montana has a competitive telecommunication infrastructure that will promote the growth of high technology and e-commerce based businesses.
- 3 Partner with the Burns Telecommunication Center to mobilize resources to acquire, integrate, demonstrate, and teach applications for telecommunication and multi-media technologies that enhance education, business and personal growth.
- 4 Support and promote the development and implementation of a state government information technology (IT) strategic plan to ensure efficient and cost effective IT use.
- 5 Promote business and industry clusters that increase demand for advanced telecommunication infrastructure.
- 6 Develop a process for analyzing the state's current telecommunication infrastructure and identifying impediments to technology business growth in Montana.

Research and Development





A major challenge to business is to foster the ideas, knowledge, and technological advancements that are the “raw materials” of an innovation-based economy. The development of technology has revolutionized all types of businesses including manufacturing, agriculture, health-care, and even wholesale and retail trade. These changes show up in the way workers use machines and products, the way products are conceived and produced, the way markets are served, and the ways in which companies interact.

Public and private research institutions are major engines of economic growth. By commercializing the technology developed through research and development, these institutions can foster an environment of innovation.

Montana’s research and development institutions have already embraced the need to focus on research and development. We must encourage and accelerate these efforts.

Goals

-  Support Montana’s industries through responsive and effective technology development and an efficient means to commercialize that technology.
-  Increase the rate of public and private investment in innovative technology and industrial modernization utilized by Montana enterprises.

Strategies

- 1** Direct state resources, based on university system capabilities, toward a private-sector base where Montana has or could have a competitive advantage.
- 2** Utilize the State of Montana’s Washington D.C. office to support increased research and development activities and funding at Montana’s public and private institutions.
- 3** Develop or encourage initiatives that promote cooperation between Montana’s research institutions and the technical needs of the private sector.




Business Technical Needs

From drafting a business plan to improving the efficiency of a business process, all businesses benefit from technical assistance and networking. Assistance with workforce training and regulatory requirements is often the difference between success and failure.

Montana has a number of programs throughout state agencies geared toward helping businesses that need to be better publicized and coordinated.

All programs must work together to provide Montanans with high quality business assistance. We will work to ensure that businesses are aware of, and have “ready access” to the resources and opportunities of these programs.

Goal

-  Assure that technical assistance and support is accessible to all businesses in all regions.

Strategies

- 1** Develop partnerships between technical assistance providers and businesses by sponsoring or participating in trade shows and/or networking events.
- 2** Develop performance measures that evaluate the effectiveness of programs, funding levels and their delivery systems, and direct state resources to the most effective programs.
- 3** Create an initiative to improve business access to support programs and services within each region of the state.





State government does not have a direct role in all energy decisions, but it does have the ability to influence and promote energy policies that impact economic development. The siting and construction of new transmission and generation capacity, the implementation of cost-effective energy efficiency policies, and the use of new technologies to increase energy development, use, and efficiency are areas where the state can assist private business. We are committed to help business and citizens have access to affordable energy.

Currently a portion of Montana is transitioning from a regulated to a deregulated power market. With this transition comes the need to protect consumers while providing the choices that a deregulated market allows. These choices depend on competition. Montana currently has a number of proposals for new generation on the table. We must ensure that viable projects have the opportunity to succeed. We also must encourage existing generators to upgrade their facilities and expand generating capacities.

An adequate supply of energy is key to providing long-term, competitive rates. We will continue to encourage the development of new generation power facilities to meet changing demands of the 21st century. New power generation is only one piece of

the energy picture. New power generation only benefits customers if that power can be delivered to them. To utilize new energy production, we will work with the private sector, the Bonneville Power Administration (BPA) and the Federal Government to expand transmission capacities, both in Montana and throughout the West.

Goals

-  Ensure abundant, reliable, and affordable electricity, natural gas, and liquid fuels for Montana's current and future energy customers.
-  Encourage the development of a variety of new generation power facilities and transmission capacity to meet changing energy demands in the 21st century.

Strategies

- 1** Pursue policies to ensure that sufficient natural gas and liquid fuel pipeline capacity is available to serve Montana's citizens and businesses.
- 2** Participate in regional efforts to enhance electric system reliability and transmission capacity for both internal and export markets.
- 3** Pursue expedited energy facility siting processes that balance the demand for new energy facilities with environmental quality, safety, and concern for energy availability.
- 4** Support the development of Montana's low-sulfur-compliance coal and coal bed natural gas in a safe and environmentally responsible manner.
- 5** Encourage the development of Montana's alternative energy sources including wind, ethanol, solar, biomass, and fuel cells.

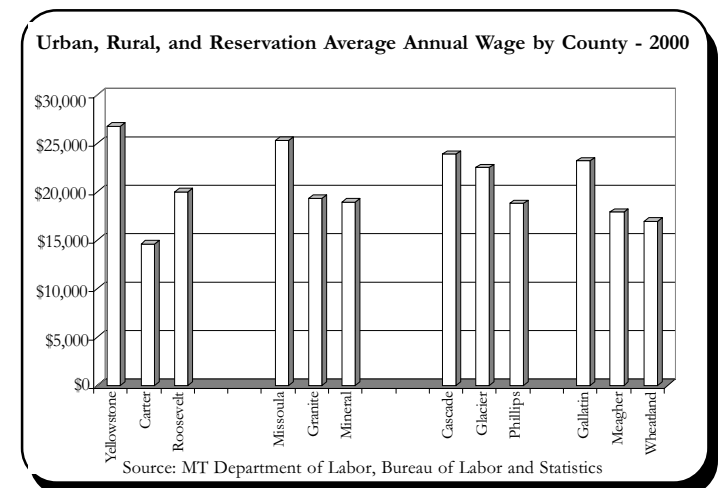
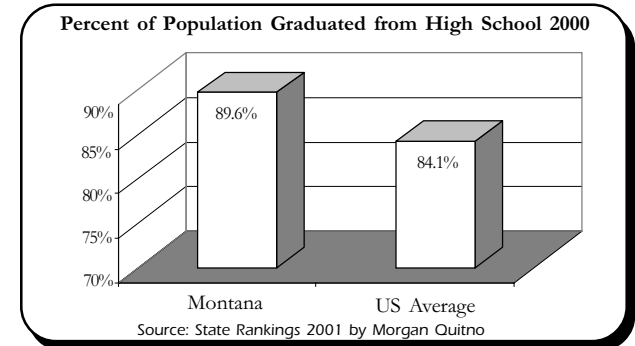
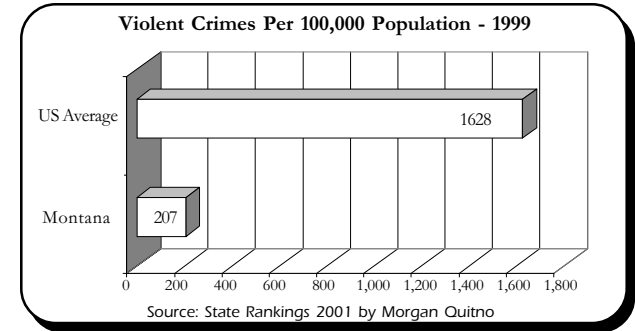


Shared Economic Opportunity

Principle 2: Provide the opportunity for all Montana citizens to share economic prosperity and a high quality of life in all regions of the state.

Even in times of strong economic growth, there is a sizable gap between job availability and economic prosperity in Montana's urban, rural, and Reservation areas. Several areas in the state are struggling with urban sprawl and population growth, while others are in search of basic economic development. Our goal is opportunity for all urban, rural and Native American people while maintaining our quality of life that includes a "Montana" natural environment, a strong educational system, affordable housing, well-maintained infrastructure, and safe neighborhoods.

The state's business development efforts will build upon regional strengths, and will include regional partnerships. We will partner with regions to identify economic development challenges, assess local infrastructure needs, develop local plans to meet those needs, and improve regional economic development efforts. All of these efforts will be accomplished while embracing our "Montana Way of Life."



Balanced Statewide Prosperity





Every region of the state faces unique challenges and opportunities. One economic development strategy does not work for all regions, but each region must be prepared for industries and businesses best suited to their particular area. However, basic needs are required for all industries – access to energy, basic infrastructure, business-friendly communities and a skilled and trained workforce.

It's difficult enough for Montana to compete with other states and countries without having to waste resources competing within its boundaries.

We will facilitate regional cooperation and recognize that new job opportunities within one political boundary will help potential employees and their communities in neighboring areas.

Goals

-  Assess economic opportunity challenges that are common to geographic regions and develop strategies to address challenges on a regional level.
-  Facilitate development of partnerships based on geographic advantages within regions for business creation, growth and attraction.

Strategies


- 1** Develop state-sponsored advisory councils to coordinate and communicate with regional leaders and policy makers to identify regional economic growth objectives and opportunities.
- 2** Define and coordinate state, regional and local economic development organizations' roles and responsibilities.
- 3** Create and implement processes that promote regional economic development.



A state's ability to compete in attracting and growing knowledge-intensive, high technology or entrepreneurial businesses depends on its workforce. Our educational systems must produce workers with the skills and abilities to thrive in the new competitive landscape. High quality K-16 public education is imperative.

Montana is fortunate to have a historically strong educational system. For years, we have ranked among the top states in K-12 student performance. Montanans value quality education. Education is a foundation of our economy. We will take specific steps to ensure that Montana's education system is capable of preparing our citizens for the 21st Century.

Goal

-  Ensure that all Montanans have access to a high quality K-16 education.

Strategies

- 1** Lead a broad-based, focused study to determine the needs of the state's education system and the funding it requires to maintain excellence. Reform the funding mechanism for education to be more fair and effective.
- 2** Work with the Board of Public Education and the Board of Regents to ensure a seamless system that allows movement between the K-12 system, colleges of technology, community colleges and universities.
- 3** Develop programs that encourage new teachers to stay in Montana, and encourage experienced teachers to remain in the classrooms.
- 4** Assist in programs that educate Montanans on the importance of a strong K-16 education system to the state's economy.




Quality of life is essential for a competitive economy. Successful development in the new economy requires an understanding of the mobility of resources, both financial and human. Businesses, employees and entrepreneurs can choose to relocate if they are dissatisfied with the quality of life in any particular area.

Montana has an unparalleled quality of life. In a recent survey of Montana businesses, quality of life was rated as the number one reason for locating in Montana. In addition, Montanans rate scenic beauty and open space, a safe place to raise their families, a good place for children to learn values, close-knit neighborly communities and outdoor recreation opportunities as the top reasons they live here. Montana must maintain and enhance the quality of life it provides.

We recognize that without a vibrant, competitive economy, we cannot support education, arts, basic infrastructure and the health & human services that are an integral component of a high quality of life. Our goal is to create economic growth while embracing our family-oriented communities.

Goal

-  Promote sustainable economic growth that balances the economic needs of Montanans with maintaining a healthy and attractive environment.

Strategies


- 1** Promote regional economic development to ensure that economic growth; local values, and quality of life are supported throughout the state.
- 2** Support policies and legislation that ensure continued support for Montana's public spaces.
- 3** Maintain a high quality K-12 educational and post-secondary education system.
- 4** Maintain the safety and security of Montana residents.
- 5** Enhance state programs and use the State of Montana's Washington D.C. office to gain support for improving access to affordable housing in Montana.



Approximately one out of every fourteen Montanans is living on one of our seven Reservations in Montana. Reservation unemployment, poverty, school dropout rates, and welfare levels are significantly higher than the Montana average. Basic infrastructure on our Reservations must be improved. All Montanans are significantly impacted by the economies of their neighboring Reservations. Improving the economies of Reservations means improving the economy for all of Montana.

In 1999, the Montana Legislature passed HB 670, which established the State Tribal Economic Development Commission (STEDC). This Commission is tasked with conducting a comprehensive assessment of the economic needs and priorities of each Reservation and providing recommendations for accelerating economic development on these Reservations. It is important that the STEDC work continues and the recommendations of this Commission are supported. The goals and strategies outlined in this framework will complement the work of STEDC.

Goal

-  Work with Native Americans to expand economic development opportunities on each of the seven Reservations in partnership with Tribal governments and the Federal government.

Strategies

- 1** Support STEDC in the development of detailed economic development priorities for all seven Reservations. Use these recommendations to prioritize the state's role in supporting economic development on Reservations.
- 2** Work to reduce government dependency by including Reservations in each of the goals and strategies described throughout this plan. Emphasize strategies that provide educational and workforce training programs and technical assistance for developing businesses.
- 3** Work government-to-government to promote and expand heritage tourism opportunities, particularly focused on the upcoming Lewis & Clark bicentennial.
- 4** Coordinate with Tribes to promote business development on the Reservations.





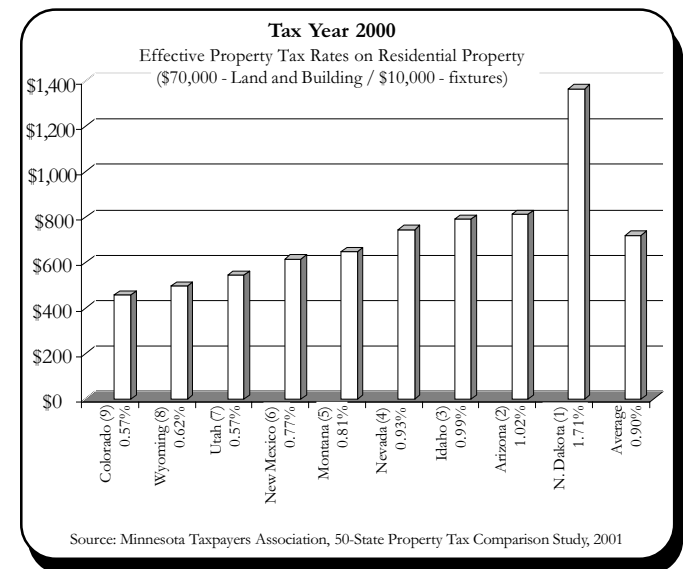
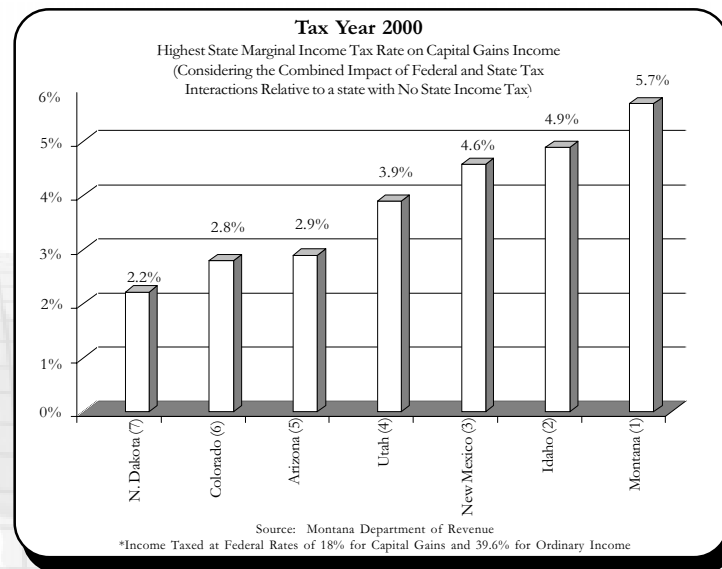
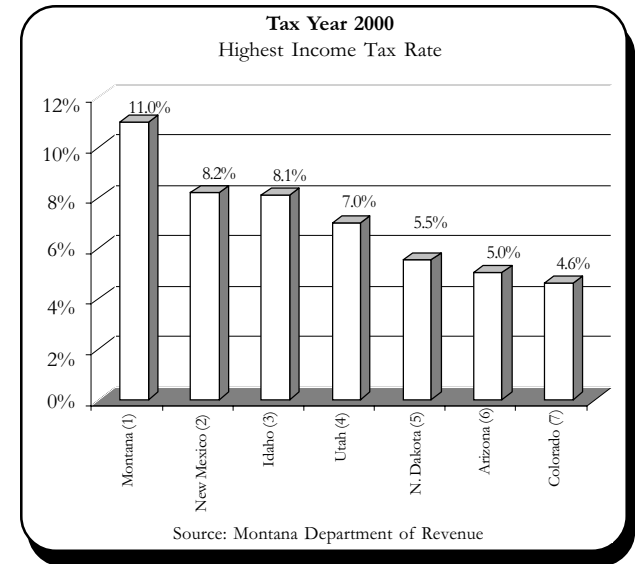
Regulatory and Tax Environment

Principle 3: Enable economic development by increasing government responsiveness and efficiency, and by providing a competitive tax structure.

Businesses recognize that equitable and efficient regulations and competitive and stable taxes are necessary and important to Montana citizens and our quality of life.

We are examining our regulatory structures with an eye toward modernization - instilling a presumption that regulated businesses desire compliance over violation. In addition, we must ensure that our tax structure is competitive and stable.

Regulatory processes and taxes that drive up the cost of doing business encourage businesses and individuals to locate in other states. As a result, good paying jobs leave or never locate in the state, the state's tax base is eroded, and investment capital and consumer spending is reduced.





Regulations



Government serves a vital role in establishing and enforcing regulations and statutes designed to protect the safety and health of our citizens, businesses and our environment. However, opportunities exist to streamline and focus regulations without decreasing their effectiveness. Businesses operate in a global economy. Any regulation or process imposed by state or local government adds to the cost of doing business and goes into the final price of products and services. This raises prices paid by Montanans and directly affects businesses' ability to compete in the global economy.

In the new economy, government must rethink what it does and how it operates. State government will become more responsive, cost conscious, and partnership oriented. We will develop effective systems to inform businesses about regulations and help them to achieve compliance. We will work continuously to improve the effectiveness and efficiency of business regulations designed to ensure public safety and protect the environment.

Goals

-  State government regulation and permitting will be more effective, efficient and responsive.
-  Maximize the amount of state information available online and the number of regulatory and permitting transactions that can be accomplished electronically.

Strategies

- 1** Create a public/private action team(s) to streamline the public sector and recommend functions that can be provided more effectively and efficiently by the private sector.
- 2** Develop standards and measures to continually gauge the efficiency of permitting and licensing.
- 3** Improve permitting and regulation processes so that they are predictable and cost efficient.
- 4** Continue to support the state's efforts to provide government services electronically.




Taxation is a basic cost of doing business and a frequent basis of comparison among states for business and individual location decisions. To improve economic opportunities for Montanans, our tax structure cannot impact businesses in a way that makes us less competitive with comparable states. Businesses and individuals also need to have confidence that the tax structure is stable and will not change dramatically.

Taxation supports education, infrastructure development and other government services that are essential to the economy and a high quality of life. As the economy grows, the tax base grows, enabling greater support of these essential services. The tax burden must be fairly distributed.

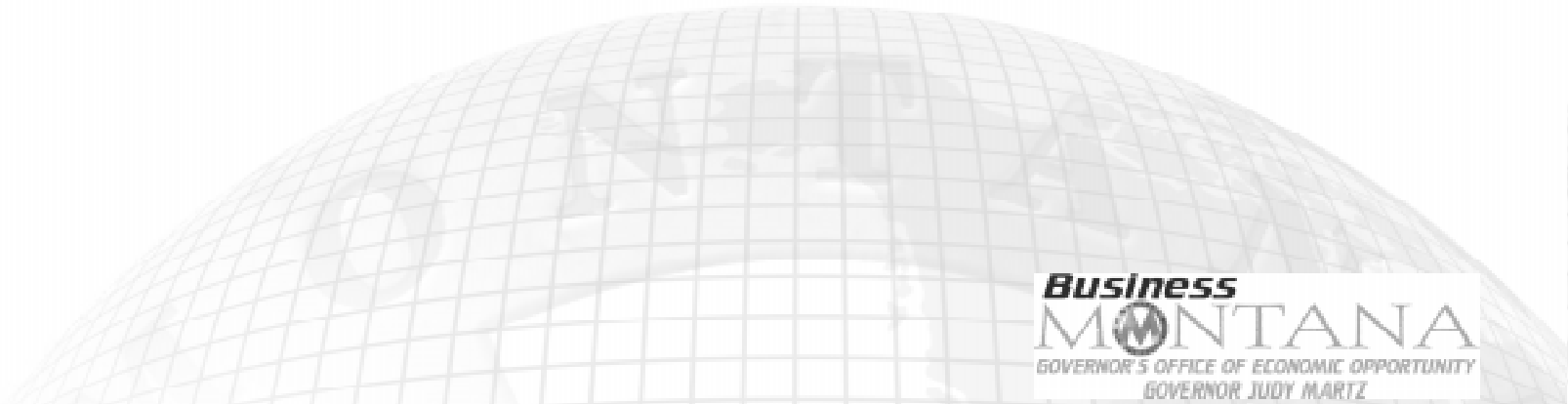
We will develop strategic opportunities for tax reform that will benefit working people and businesses in Montana – to stimulate our state's economy – and to put more money in the pockets of Montanans.

Goal

-  Ensure that the Montana tax structure is competitive and stable to promote business expansion and recruitment and encourage Montanans to stay in the state.

Strategies

- 1** Evaluate Montana's tax structure to determine whether it is competitive with competing states. Identify non-competitive taxes. Recommend steady, incremental change in non-competitive taxes to make them competitive.
- 2** Promote and facilitate access to existing tax incentives to ensure that they are accessible to businesses growing and locating in Montana. Monitor the effectiveness of existing tax incentives to maximize the return on the state's investment in these incentives.





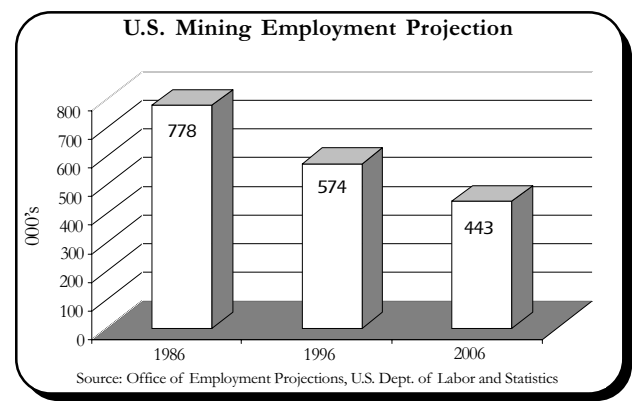
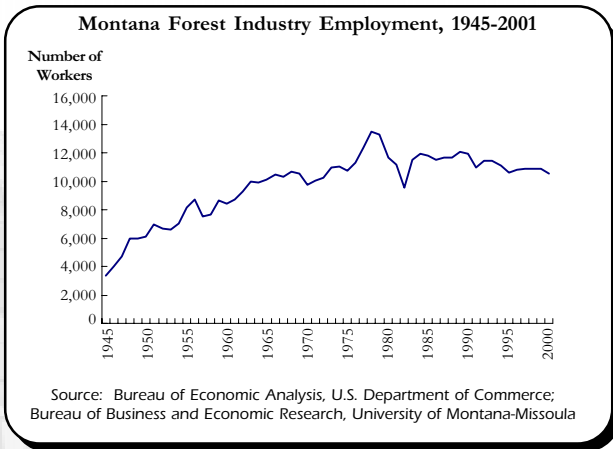
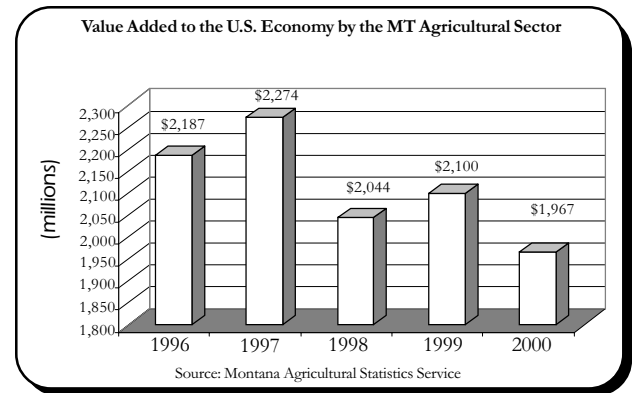
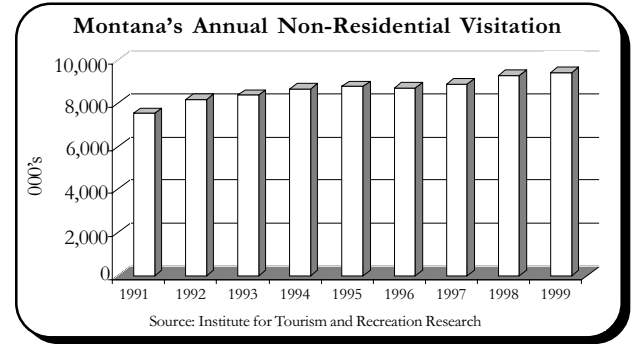
Strengthening Traditional Businesses

Principle 4: Grow our traditional and existing businesses and industries.

Montana's traditional industries employ large numbers of our residents and pay some of our highest wages. These foundation businesses are a fundamental component of our state's economy. Strategies focused on traditional industry development in the new economy must remain a key part of the state's economic development efforts.

Market access and global competition have fundamentally changed the marketplace. The challenge in these traditional sectors is to continue to support high quality production, while encouraging the development of value-added processing, and

facilitating entry and expansion in global markets. For all industry sectors in the state, we have worked in this document to address the fundamental business needs (e.g. workforce training alignment, taxes, regulations, etc.). However, this section focuses on specific needs and opportunities of our traditional industry segments.







Agriculture is Montana's leading industry and a major component of our economy. Our state's agricultural industry accounts for over one-third of Montana's basic employment, labor income and gross sales, and produces \$2.3 billion in annual commodity cash receipts. Little of that economic activity is derived from adding value to the raw product. Nearly 85% of our total raw agricultural production is transported out-of-state.

Over the past 50 years, the farmer's share has shrunk. In 2001, according to the Montana Department of Agriculture, agricultural producers receive less than 15 cents for every consumer dollar spent on food, down from nearly 40 cents in 1950. Changing markets, new research, and technology continue to affect agricultural businesses in this century - presenting challenges as well as opportunities.

Montanans have the chance to develop new and innovative ways to increase the bottom line for producers and processors. Building on recent successes and strategies proposed by our state's agricultural industry, we will work to build and enhance value-added opportunities for our state's farmers and ranchers.

Goals

-  Build upon the successes of Montana's existing agriculture industry.
-  Maximize returns for Montana's agricultural industry through encouragement of high value production, processing and marketing of commodities.

Strategies



- 1** Maintain and strengthen Montana's agriculture industry through continued support of the Final Report recommendations of Vision 2005 Task Force on Agriculture.
- 2** Encourage value-added processing in Montana for both existing and new generations of value-added agricultural products.
- 3** Expand the marketing resources available to Montana's agricultural producers and manufacturers to support increased sales to higher value markets.
- 4** Ensure Montana's agricultural economy is part of the new economy by accelerating the development and adoption of technology that maximizes value for Montana's natural resources and unique environments.
- 5** Expand training and education regarding new technologies and processes that add value.



Tourism is Montana's second largest industry. According to the Institute for Tourism and Recreation Research, nonresident travel expenditures totaled nearly \$1.6 billion in 1999 and Montana's tourism numbers have been steadily rising over the past dozen years. Approximately 9.4 million nonresidents visited the state in 1999. Even though Montana continues to draw more visitors each year, there is a vast wealth of untapped potential consumers. With parks, wilderness areas, wildlife, historic attractions and more, the state offers what more and more vacationers are looking for – an escape from their everyday lives.

For that trend to continue, Montana needs to ensure it has a strong marketing plan and adequate facilities and services to provide a positive experience for visitors. We continue to support efforts to strengthen Montana's economy through the promotion of the state as a vacation destination. The film industry is a valuable component of our state's economy and influences tourism. We have included the film industry with tourism in this framework document.

Goals

-  Build upon and strengthen Montana's market position as a travel destination for national and international visitors.
-  Improve Montana's competitiveness as a world-class film and entertainment industry business and production destination.

Strategies

- 1** Support the travel and film industries' development goals as identified in Travel Montana's 5-Year Marketing Plan.
- 2** Continue to develop tourism infrastructure in all regions of the state.
- 3** Evaluate and recommend targeted incentives to enhance Montana's competitiveness as a film location.
- 4** Promote rural regional eco-tourism and heritage tourism.

Other Industry Sectors



Construction, manufacturing, services, timber, mining, oil and gas, military services and other traditional industries in Montana are important components of our state's economy. We will work in concert with these and other respective industry sectors to refine or develop strategic plans. We will identify those areas where government can play a key role in industry growth and expansion.

Services

The service sector can include a variety of jobs, including hotel and lodging, health care, motion pictures, marketing, education, financial, legal and computer services. As reported by the U.S. Bureau of Labor Statistics, the market value for services in Montana increased 34% from 1994 to 1999 to \$4.2 billion.

Health care services generate the largest percent of the state's overall service sector GSP (39% according to the U.S. Bureau of Economic Analysis). Currently, the health care sector provides good paying jobs for Montanans. In 2000, the average health care worker earned \$29,412, approximately 21% more than the average Montanan.

Construction

Montana's Construction Industry continues to expand. According to the U.S. Bureau of Labor Statistics, the dollar value of construction in Montana increased \$350 million from 1994 to 1999 to \$1.2 billion.

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Manufacturing

The manufacturing sector includes traditional heavy industries as well as a broad array of other activities ranging from the production of high technology equipment to cottage industries producing jewelry or sporting goods. As reported by the U.S. Bureau of Labor Statistics, the state's manufacturing sector produced \$1.5 billion in output and directly employed 24,645 workers, which earned more than \$773 million in annual wages in 1999.

Natural Resources

For most of the last century, Montana's economy was based on our abundance of natural resources. From the first miners who came to Montana in search of gold, copper and silver; to today's high technology mining, timber harvesting, and oil and gas extraction methods; natural resources play a key role in our state's economy.

According to the Bureau of Business and Economic Research at the University of Montana, total sales value of Montana's primary wood and paper products in 2000 was about \$1.1 billion and estimated forest industry employment was 10,600.




Mining is a major provider of good paying jobs in Montana. As reported by the U.S. Bureau of Labor Statistics, in Montana 2,835 people were employed in metal and coal mining with an

average annual pay of approximately \$55,000. Total employment in oil and gas extraction was 1,367 with an average annual wage of \$40,395 in 2000.

Military Establishments

Montana has long been recognized as a beneficial area for the development and expansion of military facilities and establishments. As our nation looks to expand its defensive and offensive capabilities, we will market Montana's advantages as a location for expanded military logistical and training activities.

Goals

-  Ensure that Montana's business environment supports growth in our traditional industries.
-  Actively manage our resources with environmentally responsible practices to create and sustain good paying jobs.
-  Develop and evaluate environmental regulations to ensure the health and safety of our citizens, while rewarding companies who utilize sound resource management practices.

Business
MONTANA
GOVERNOR'S OFFICE OF ECONOMIC OPPORTUNITY
GOVERNOR JUDY MARTZ



Encouraging Economic Growth

Principle 5: Encourage the startup, expansion and attraction of businesses that provide economic growth and good paying jobs.

Small companies propel the new economy. Ninety-eight percent of Montana's businesses are defined as small businesses, based on statistics from the U.S. Small Business Administration. Small businesses are typically driven by entrepreneurs and account for nearly 70 percent of current economic growth in the United States. New and growing firms are a major source of new jobs. According to the National Commission on Entrepreneurship, fast-growth, high-risk companies created more than two-thirds of new jobs between 1993 and 1996.

For 2001, Montana received a "C" in Entrepreneurial Energy, a large component of the state's Business Vitality Index, according to the Corporation For Enterprise Development's (CFED) Report Card of the states. Montana ranked eighth in new company formation, thirty-third in new business job growth, forty-eighth in percentage of total wage and salary jobs in high technology industries, and thirty-fourth in initial public offerings.

Montana needs to improve its economic competitiveness in high-paying industry sectors. This includes improving access to capital; providing technical assistance; and improving the state tax, regulatory, and licensing environments. We must encourage the development of industry clusters by combining the market knowledge and expertise of businesses with the talents and resources of government, education and economic development organizations.


Business Attraction



The defining character of the new economy is the speed with which many businesses can move operations. Montana must embrace the need for a business climate that can attract businesses. We will build on existing entrepreneurial firms through the attraction of similar businesses that provide the potential for high growth, a higher than average wage, and the employment of a highly skilled workforce.

We will be aggressive in attracting quality employment opportunities in Montana while ensuring a significant and positive economic return for the citizens of Montana.

Goal

-  Diversify Montana's economy through attraction of targeted business sectors with potential for high growth, providing a higher than average wage, and the employment of a highly skilled workforce.

Strategies


- 1** Develop a program to educate regional leaders on economic development strategies, policies, and financing opportunities available for business recruitment.
- 2** Develop a business attraction strategy that emphasizes projects of regional significance or cluster development within a region.
- 3** Establish a formal State of Montana marketing plan to reinforce a consistent brand image throughout all state supported activities.



The new economy is an “economy of regions.” These regions are not defined by political boundaries, but by common economic interests. Industry clusters drive the new economy. A cluster is defined as a concentration of companies and industries in a geographic region, interconnected by the markets they serve and the products they produce, as well as the suppliers, trade associations and educational institutions. For example, similar manufacturing companies within a region can share research, collaborate on business problems and have greater access to a trained workforce. These synergies not only enhance competitiveness, but also are an essential ingredient for success in the new economy.

The role of the public sector is not to decide which industry or business clusters are appropriate in any given region of the state. However, it is important for our economic strategies to support the concentration of similar businesses. The state can also play an important role in educating Montanans on the value of clusters to our long-term economic vitality.

Goal

-  Through industry clustering, build a critical mass of companies that will collaborate, compete, and grow in each region’s identified key industries.

Strategies

- 1** Create a program to educate Montanans on the value of regional industry clusters and help to create financial and technical expertise that further support industry clusters.
- 2** Identify key industries that are, and will be, essential to each region’s competitiveness and leverage each region’s competitive advantage.
- 3** Align state resources to promote cluster development.

Conclusion



This draft framework is a roadmap that will help guide the state's economic development efforts to create a stronger, more diversified economy. Its content is the result of analyzing past economic efforts, listening to businesses and citizens around the state, and learning from other states' best practices. It is intended to provide a broad framework from which Montana's public sector can contribute to the state's economic vitality in the coming months and years.

As this framework is developed over the next few months and becomes Montana's economic strategy, we must all realize that our task has only begun. Constant performance review must occur to ensure we are aligned with our Montana values. Only with continual assessment, refinement, and evaluation of our goals and strategies can this framework benefit all Montanans in the long term.

We encourage all who read this document to comment on its contents. Input and participation from all regions and all citizens is essential for economic development. With guidance from the state's greatest resource, its citizens, we will develop a vibrant economy in Montana.



As we work to meet the goals and strategies outlined on the previous pages, it is essential that accurate benchmarks are in place to measure our progress.

Following is a list of the benchmarks that will be utilized as we move forward. When final, this listing will include a baseline analysis, as well as objective measurements for the years to come.

This is not a complete listing of benchmarks, as more will be added throughout the coming months as a part of the public input process. However, this listing provides a base from which to work.

Improve Montana's National Ranking in Gross State Product (GSP)

- ✓ Per Capita GSP: National Ranking
- ✓ Per Capita GSP Annual Growth Rate: National Ranking

Improve Montana's National Ranking as an Exporting State

- ✓ Per Capita Exports as % of GSP: National Ranking
- ✓ Per Capita Growth Rate of Exports as % of GSP: National Ranking

Improve Montana's National Ranking in Per Capita Personal Income

- ✓ Per Capita Personal Income: National Ranking
- ✓ Per Capita Income Annual Growth Rate: National Ranking

Increase Montana's High Wage Job Growth

- ✓ % of Employment in Jobs Paying 125% of the State Average Annual Wage

Increase Montana's Job Growth

- ✓ Employment Annual Growth Rate: National Ranking
- ✓ Unemployment Rate: National Ranking

Increase the Number of New Business Start-Ups and Incorporations

- ✓ Per Capita Number of Business Starts: National Ranking
- ✓ Per Capita Number of Business Incorporations: National Ranking

Increase Research & Development Expenditures

- ✓ Per Capita R&D Expenditures as % of State GSP: National Ranking
- ✓ Per Capita R&D Expenditures: National Ranking
- ✓ Per Capita Federal R&D Funding: National Ranking

