

MONTANA

BUSINESS QUARTERLY

SPENDING WAVE

The Economic Contribution of Grizzly Athletics



FALL 2016

MONTANA

BUSINESS QUARTERLY

FALL 2016
ISSUE 54 NUMBER 2

DEAN, SCHOOL OF BUSINESS ADMINISTRATION

Christopher Shook

DIRECTOR, BBER

Patrick M. Barkey

MARKETING DIRECTOR

Rob Van Driest

PUBLICATIONS DIRECTOR

Scott Hawk

PUBLICATIONS ASSISTANT

Zoie Koostra

ADVISORY BOARD

Julia Altemus
Dennis Beams
Kathy Boelter
Mike Foster
Diana Holshue
Matt Jones
Meg O'Leary
Tim Robertson

OFFICES

Montana Business Quarterly
Bureau of Business and Economic Research
University of Montana
Missoula, Montana 59812

PHONE

(406) 243-5113

WEBSITE

www.bber.umt.edu

EMAIL

info@business.umt.edu

The *Montana Business Quarterly* (ISSN0026-9921) is published four times a year as a service of the University of Montana. Contents reflect the views and opinions of the authors and do not necessarily represent those of the Bureau of Business and Economic Research, the School of Business Administration or the University of Montana.

Printed by University of Montana Printing and Graphic Services



06

What in the World is Going On?

Take a tour of the global economy in the wake of Brexit.

By **Paul Polzin**

08

The Economic Contribution of Grizzly Athletics

University of Montana athletics impact on the Missoula economy.

By **Patrick M. Barkey**



The Bureau of Business and Economic Research has been providing information about Montana’s state and local economies for more than 50 years. Housed on the Missoula campus of the University of Montana, the bureau is the research and public service branch of the School of Business Administration. On an ongoing basis, the bureau analyzes local, state and national economies; provides annual income, employment and population forecasts; conducts extensive research on forest products, manufacturing, health care and Montana Kids Count; designs and conducts comprehensive survey research at its on-site call center; presents annual economic outlook seminars in cities throughout Montana; and publishes the award-winning Montana Business Quarterly.

COVER

University of Montana students cheer on the Grizzlies during a home game.

INSIDE COVER

Participants unfold a giant American flag in Washington-Grizzly Stadium.

16

Curse of the College Town

College towns are nice places to live, but staying after graduation can be a struggle.

By **Bryce Ward**

20

Montana Lagging in Child Well-being

Despite improvements, Montana ranks 24th in child well-being.

By **Thale Dillon**

22

2020 Census Goes Digital

The United States census is moving online to save money and make participation easier.

By **Kyle Morrill**



Message from the Dean

I am excited and honored to have recently assumed the position of dean at the School of Business Administration at the University of Montana. It's an exciting time to lead the school.

In two years, we will celebrate our 100th anniversary. While technology and trends in business have changed considerably over the past century, one thing has stayed constant – our commitment to students and the state of Montana. That commitment, to offer a world-class education to students from within the state, region and from around the world, has not wavered – indeed, we have been the leader in business education in the state of Montana for nearly 100 years!

Research, service and outreach are important components of our mission, in addition to teaching. I am grateful for the outstanding faculty and staff that work here at the School of Business Administration. Our faculty are doing important research, where theory is applied to real world problems.

One of my priorities has been to assess the strengths of the business school. It became clear that our relationships with centers on campus, such as the Bureau of Business and Economic Research, are a key strength. We are able to maximize our impact on the state and region by cooperating with such partners.

I am proud of our affiliation with the Bureau of Business and Economic Research, which has been providing top-notch research to our state, region and nation since 1948. This issue of the Montana Business Quarterly is a great example of why cooperation between the bureau and the School of Business Administration is a source of pride.

I invite you to read the article about the tremendous economic impact of UM athletics on Missoula and the state's economies. I also invite you to read the article on the specialness of college towns.

Sincerely and Go Griz,

Christopher Shook
Dean, School of Business Administration
University of Montana

42ND ANNUAL MONTANA ECONOMIC OUTLOOK SEMINAR

Keynote Speaker



Bryce Ward
*Associate Director at
the Bureau of Business
and Economic Research*

FINDING MONTANA'S PLACE IN THE NEW GEOGRAPHY OF JOBS

Today, knowledge rather than natural resources, drive economic prosperity. What does this mean for Montana's economy? Can Montana develop a robust knowledge economy that allows more young and creative residents to remain in the state?

DATES: JANUARY 24th – MARCH 15th
CITIES: BILLINGS, BOZEMAN, GREAT
FALLS, HELENA, BUTTE, MISSOULA,
KALISPELL, SIDNEY, MILES CITY

This half-day seminar and luncheon will present local, state and national economic outlooks, along with forecasts for each seminar city and its important economic sectors.

Also Speaking

Patrick M. Barkey, Paul Polzin, George Haynes, Todd Morgan, Norma Nickerson & Terry Johnson

Seminar Topics

National & statewide economic outlooks, healthcare, manufacturing, energy, tourism, housing & real estate, wood products and agriculture.

Learn more at www.bber.umt.edu



CONTACT
Bureau of Business and
Economic Research

PHONE
(406) 243-5113

EMAIL
info@business.umt.edu



What in the World is Going On?

BY PAUL POLZIN

The world is buzzing with the news of the United Kingdom's withdrawal from the European Union (Brexit). Despite the talk and speculation, experts just don't know what will happen.

Whatever the outcome it could not have come at a worse time. Economic growth in most of the world is anemic, if occurring at all and global economic conditions are important for Montana because some of our major products, such as grain and certain minerals, are sold on the worldwide market. So what in the world is going on?

Let's start with Europe and the eurozone where the economic recovery remains lethargic. Throughout 2016, it will probably expand at the same slow rate experienced in 2015. The main culprit is stagnant domestic demand combined with tight credit conditions imposed by the European Central Bank, which leaves the economy vulnerable to external shocks. The influx of migrants

and Brexit certainly fall into that category.

The good news is Germany and France, where Moody's Analytics projects 2016 real GDP growth of 1.3 to 1.5 percent. At the other end of the spectrum is Italy, Greece, Portugal and Spain. These countries are seeing unemployment rates well into double digits, with Greece topping out at 24 percent, Spain at 20 percent and Portugal at 12 percent.

Hanging over the entire region is the potential for an energy crises. The unresolved situation between Russia and Ukraine could result in a sharp drop in energy supplies to Western Europe and a corresponding rise in prices.

In South America, there is not a lot of good news



either. The economy there continued to decelerate in 2015, making it the fifth year of slowing growth rates for the continent. The Brazilian and Venezuelan economies shrunk thanks to sluggish global demand, combined with falling commodity prices and political instability.

Brazil is the largest economy in South America. It declined almost 4 percent in 2015 and Moody's Analytics projects a further decline of roughly 3 percent this year. Meanwhile, Venezuela continues to be plagued by low oil prices and rampant inflation.

The Mexican economy continues to expand and inflation remains moderate. Low oil prices remain a concern, but seem to be the only major issue. Real GDP increased 2.5 percent in 2015 and Moody's Analytics projects a 2.2 percent rise in 2016. With predictable monetary and fiscal policies continuing to provide a stable financial environment, growth may reach 3 percent in 2017.

In India, growth looks good, but could be better. Moody's Analytics projects growth in 2015-16 to be 7.5 percent. That could go as high as 10 percent, but investment in infrastructure remains listless and low capacity utilization suggest that Indian factories could produce more.

The Chinese economy is slowing, but nobody really knows by how much. Official statistics show only a moderate deceleration to a 7 to 8 percent annual growth rate. But private non-government sources paint a much darker picture with estimates showing annual increases in the 2 to 3 percent range.

Japan may be heading into another recession. Interest rates are currently negative, the Yen is rising with negative impacts on exports and there is no inflation. The Bank of Japan is attempting a counter-cyclic monetary policy, but does not have many viable options. Government

forecasts are for 1.5 to 2 percent real growth in FY 2017, but private projections are far less optimistic.

Finally, the Canada economy is finding life after oil. Declining energy prices hit the economy hard and sent the Canadian dollar into a nosedive. In 2015, economic growth was barely positive, but improved worldwide prospects associated with the Canadian currency devaluation will switch the stimulus from oil and gas to manufacturing and other export sectors. The Royal Bank of Canada forecasts GDP growth in 2016 and 2017 to be in the 1.7 to 2 percent range, slightly slower than in the United States.

Right now, the major risks to the world economy are:

- Debt and refugee crises dominating the eurozone with the overhang of an energy crisis.
- Instability in the Middle East and North Africa that could further exacerbate refugee issues.
- The slowdown in the Chinese economy, which could be worse than expected by the government.
- The political instability and resource dependence in South America and Africa could hamper significant recoveries.

Overall, this outlook suggests more downside than upside risks. In other words, there is a greater chance that things will get worse rather than better. ■

Paul Polzin is the director emeritus at the Bureau of Business and Economic Research at the University of Montana.

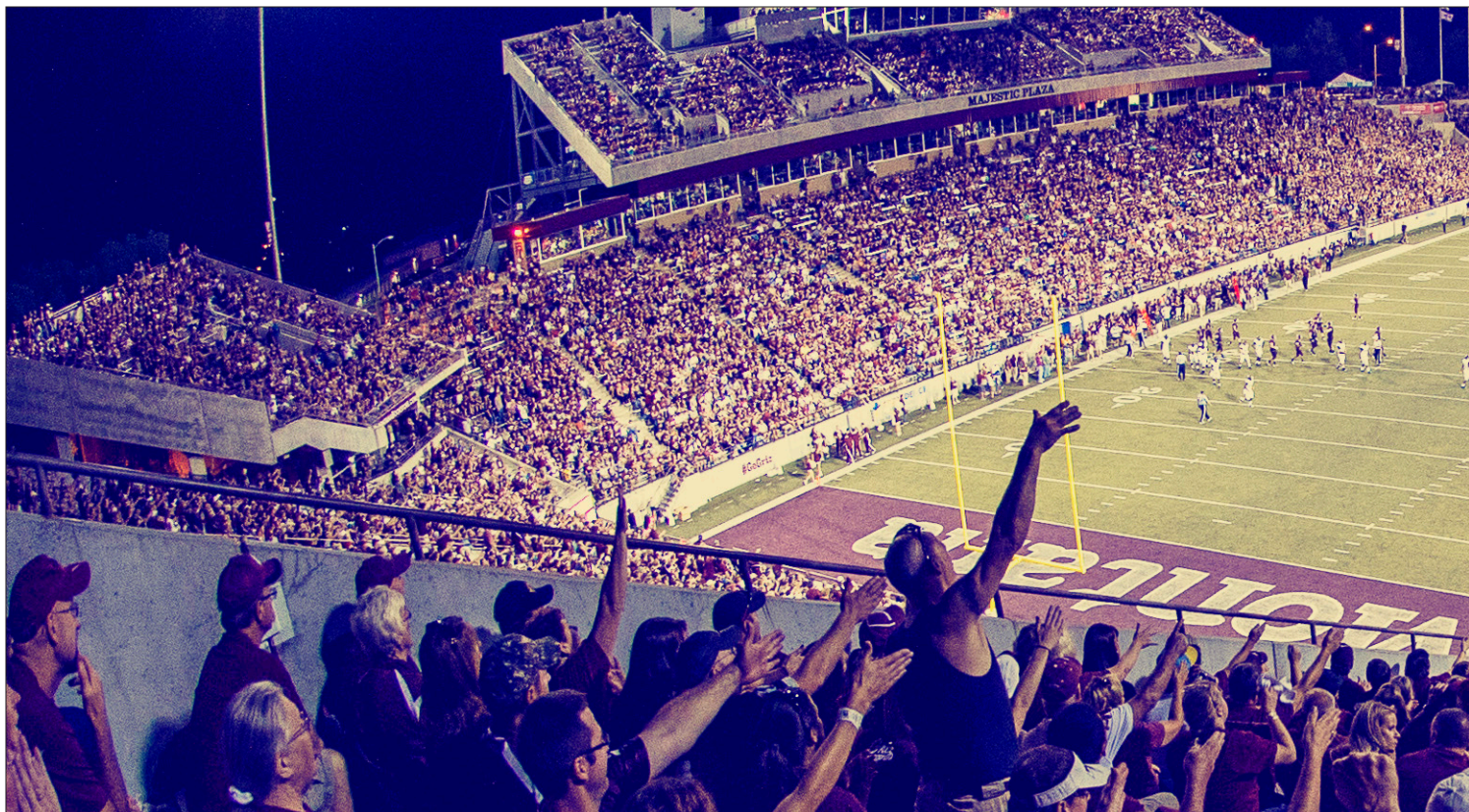
Global economics are important for Montana because our products are sold on the worldwide market.

The Economic Contribution of Grizzly Athletics

BY PATRICK M. BARKEY

Intercollegiate athletics play a major role in colleges and universities, individual communities and American culture. At the individual level, participation in intercollegiate athletics by student-athletes represents an opportunity for young men and women to grow, develop and ultimately realize their potential. The high visibility and popularity of organized sports activities have projected the brand of conferences and individual educational institutions into the limelight in ways that have benefited everything from student recruitment to alumni involvement. And the business activity surrounding college sports in the American economy has grown to support what has become a multibillion dollar industry.





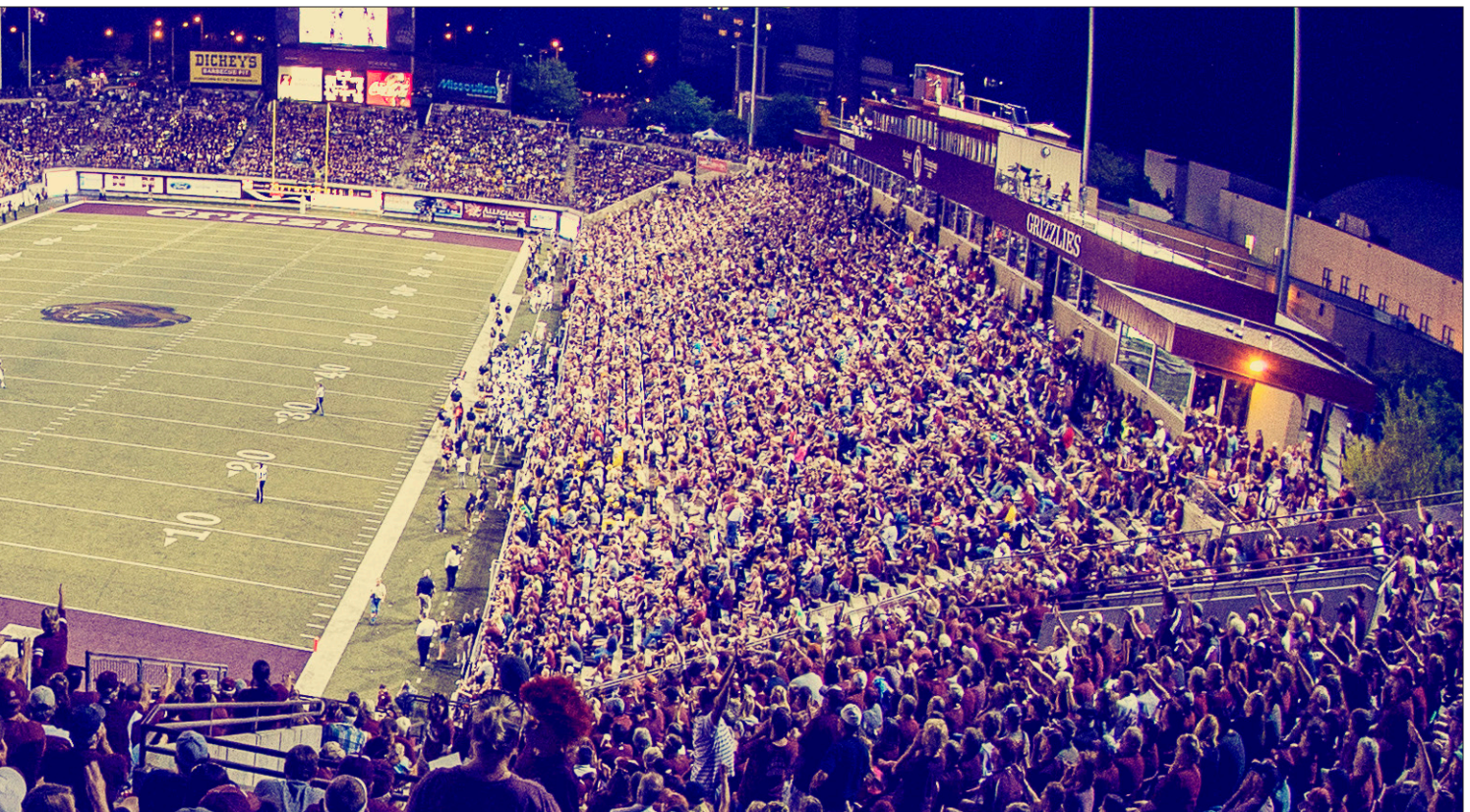
Communities that are home to colleges and universities that participate in intercollegiate athletics stand to reap considerable economic gain from those activities. These gains are both tangible and intangible. The spending and income flow that intercollegiate athletics at a local college or university add to the local economy can be directly measured and assessed. The ultimate benefits of media exposure, visitor impressions and branding that a community may experience due to its university athletic activities are harder to assess, but no less important.

This article summarizes a recent study conducted by the Bureau of Business and Economic Research on behalf of the University of Montana's Department of Athletics, which examined the contribution of Grizzly Athletics to the Missoula economy. The study utilized financial records, attendance records and a survey of spending conducted over the fall of 2015 to assess the financial footprint of UM's intercollegiate athletic activity. We then used an economic model to estimate how that activity translates into a larger economy.

About Grizzly Athletics

The University of Montana is a member of the Big Sky Conference and affiliated with Division I of the National Collegiate Athletic Association (NCAA). Grizzly Athletics has had a long history of success both on and off the field in men's and women's sports. With the addition of women's softball beginning competition in 2015, it now encompasses five men's and eight women's sports teams. In the fall of 2016, UM landed 58 student-athletes on the Big Sky Conference All-Academic teams and held a student-athlete wide grade point average of over 3.0. UM also announced and broke ground on a \$14 million training facility, the Washington-Grizzly Champions Center, that includes a state-of-the-art weight room, as well as a new locker room and meeting space for the UM football team.

According to a recently published ranking of college and university athletic programs, Grizzly Athletics' revenue of \$22.9 million in the academic year 2014-15 ranked no. 121 in the country, the highest in the Big Sky Conference.



How Athletics Makes the Economy Larger

From the point of view of the economy, Grizzly Athletics can be thought of as a spectator sports business whose “employees” include – in addition to paid coaches, administrators, trainers and staff – the hundreds of student-athletes whose compensation comes in the form of scholarships, housing and other aid.

As a \$22.9 million business, Grizzly Athletics is itself a significant enterprise, with payroll and vendor spending supporting a broad range of Missoula businesses. This study utilized University of Montana financial records to track and classify the spending of Athletics – down to the level of individual purchase orders – for the academic year 2014-15.

Of course, as a result of those activities, thousands of people visit Missoula to attend athletic events. Their spending, on everything from hotel rooms to health care, adds significantly to the local economy. From a survey conducted by the Bureau of Business and Economic Research based on season ticket holders for Grizzly football, we created a spending profile for

**Each home
football game
brings about
\$2.5 million of
spending into
Missoula from
out-of-area
attendees.**

Table 1. Profile of football visitor spending.

Category	Units	Amount
Group size	Persons	2.7
Nights in Missoula	Nights	1.98
Spending per group per day	\$	\$200.60
Total spending per game (excluding airfare)	\$ Millions	2.53

out-of-area visitors who attend games. This spending is substantial. For example, each home football game brings about \$2.5 million of spending into Missoula from out-of-area attendees, whose dollars would not be spent in Missoula if it were not for Grizzly Athletics. Spending by attendees of other sports adds to this total.

Because of Grizzly Athletics, non-resident student-athletes live in Missoula, and visiting teams come to Missoula, along with officials and sports media. All of these spending flows ultimately add to the Missoula economy.

Research Method

The fundamental question addressed by this study is, “What would the economy of Missoula look like if Grizzly Athletics did not exist?” This question requires us to construct a hypothetical economy, which removes all of the production, income and spending flows that are due to Grizzly Athletics’ existence. We accomplish this by (i) gathering data on the economic flows that are directly and indirectly associated with athletic activities, and (ii) presenting this information to an economic model to understand how those flows ultimately propel the economy to a new equilibrium – with less employment, income and output as a result. A comparison of the observed level of economic activity

and the outcome for this no-athletics scenario yields a measure of the contribution of Grizzly Athletics to the Missoula economy.

There are three essential components to estimating the ultimate impact of new investment:

- The direct impact (e.g., spending) the investment and activity itself represents.
- The indirect impacts, which are the spending of other entities (e.g., the visitor spending) which are carried out by others because of the original investments.
- The induced impacts that occur as the spending represented by the direct and indirect impacts propagates through the economy.

This study does not analyze a shutdown scenario for Grizzly Athletics – e.g., where existing buildings, facilities and other assets are sold or used for other purposes. Rather, we compare the economy as it is today, to how it would be if Grizzly Athletics had never existed. In the no-athletics scenario:

- No athletic teams exist, and student-athletes who were part of those teams attend other higher education institutions.
- Athletic events, such as football and basketball games

Grizzly Athletics results in 1,384 more jobs, \$120.8 million in gross sales and \$52.8 million in personal income added to the Missoula economy.

do not take place, and those who visit Missoula to attend those events stay home.

- The operations of the athletic department, which can be viewed as a spectator sports business with a \$22.9 million budget in academic year 2015, are no longer present in the economy.
- Construction and maintenance activities for athletic facilities does not take place.
- Any tax support for Grizzly Athletics is returned to taxpayers.

The data that were used to construct the hypothetical no-athletics scenario for the Missoula economy were drawn from a variety of sources.

Table 2. Impacts summary

Category	Units	Impact
Total employment	Jobs	1,384
Personal income	\$ Millions	52.8
Disposable personal income	\$ Millions	44.9
Output	\$ Millions	120.8
Population	People	1,334

- Operations data on the athletic department were obtained from administrative records, using the 2014-15 academic year as a baseline.
- A complete spending record for Grizzly Athletics was obtained from the purchase order records for 2014-15.
- A survey of football season ticket holders from outside Missoula was performed as part of this study to assess spending and other relevant information for football games.
- ZIP code information from ticket sales was used to derive out-of-area attendance at football and basketball events.
- Previous BBER survey results on student spending at the University of Montana was used to estimate spending of student-athletes.

The construction of the no-athletics scenario as

part of this study places emphasis on athletic-related spending that comes from sources outside of Missoula. This includes ticket sales from out-of-area, spending by visitors from other areas and the spending of student athletes. This spending is lost to the area economy if Grizzly Athletics did not exist. Spending by residents of Missoula connected to athletics and athletic events, in contrast, could be directed to other Missoula businesses and organizations in a no-athletics scenario.

Summary of Findings

The results of this research show that the Missoula economy is significantly impacted by the operations of Grizzly Athletics. We find that the presence of athletics

results in 1,384 more jobs, \$120.8 million in output or gross sales, \$52.8 million in personal income and 1,334 additional people added to Missoula County.

The impacts are significantly larger than the direct contributions of Grizzly Athletics described in the previous section. This is due to the nature of a prominent collegiate athletics program, which brings significant numbers of visitors to Missoula, as well as adding students to the local population. In the non-athletics scenario neither of these groups are present in the local economy and their spending on everything from accommodations to entertainment to food and beverages is absent.

These impacts are also larger in magnitude than athletics operations alone, due to the propagation of spending through the local economy. Simply put, the additional spending shows up as income to local merchants and vendors, some portion of which is spent again in the community.

Table 3. Employment Impacts

Industry	Impact
Construction	85
Retail Trade	116
Real Estate and Rental & Leasing	13
Professional and Technical Services	19
Health Care and Social Assistance	20
Arts, Entertainment and Recreation	886
Accommodation and Food Services	152
Other Private Employment	19
State and Local Government	76
Total	1,384

Employment Impacts

Jobs in the Missoula economy that are ultimately supported by the presence of Grizzly Athletics can be found in a broad spectrum of industries. While the industry most affected is the arts, entertainment and recreation classification, which includes the spectator sports industry in which Grizzly Athletics itself is classified, there are significant gains in other industries.

The 116 jobs with retail trade industry employers, come about in part through the spending of visitors to UM athletic events, as well as the vendor purchases made by Grizzly Athletics. But they also are induced through the overall growth in the economy that comes about because of athletic activities. The same can be said of the 152 jobs supported in the accommodations and food services, primarily restaurants, in Missoula.

The connections between the presence of Grizzly Athletics and other, less clearly related sectors of the local economy are made clear from the employment impacts shown in Table 3. Eighty-five permanent jobs for Missoula construction employers result from both the building and maintenance activities of athletics itself, as well as the indirect impacts of higher income and population. The increases in health care, professional services and other industry classification jobs, also illustrate the broadness of these employment impacts.

The increase in state and local government employment due to Grizzly Athletics are largely due to increases in the school-aged population and the increased demand for local public school workers. They also reflect population increases and increased tax capacity of the community.

Conclusion

Grizzly Athletics plays a major role at the University of Montana. It provides an opportunity for young athletes to both compete at a high level, as well as earn a college degree. The University benefits from the high profile nature of college sports in media exposure, branding and visitor impressions. As detailed in this report, all of these activities benefit the Missoula economy.

Using an approach that compares the actual Missoula economy to what it would look like if Grizzly Athletics did not exist, we find that:

- Athletics both increases the student body and staff at the university, plus hosting events draws visitors from outside Missoula.
- Athletic operations produce a total impact on the economy that is significantly larger than its own direct contribution.
- Grizzly Athletics supports permanent jobs and recurring income streams in the Missoula economy.

The conclusion of this study is that the operations of Grizzly Athletics provide a significant economic impact to Missoula resulting in a more prosperous local economy. ■

Patrick M. Barkey is the director of the Bureau of Business and Economic Research at the University of Montana.



MAKING it happen
under the BIG SKY

CONNECT:



October 5-7, 2016
Fairmont Hot Springs

JOIN

250-300 of Montana's top manufacturers and manufacturing allies.

3 Days

1 Dynamic Keynote Speaker

25+ Sessions

3 Multi-Plant Tours

3 Networking Events

30+ Allies / Exhibitors

100ft MT Products

PARTICIPATE

ATTEND | EXHIBIT | SPONSOR | SHOWCASE

Beginning nearly two decades ago, Montana's premier Manufacturing Conference provided attendees an opportunity to learn, network and grow. This year, we continue that legacy. *Rocky Mountain Bank & Montana Manufacturing Extension Center [MMEC]* invite you to the 2016 Compete Smart Manufacturing Conference. Compete Smart promises to strengthen your skills, grow your network and enhance the opportunities for your business. Join us October 5-7, 2016 at the recently remodeled Fairmont Hot Springs Hotel and Conference Center.



ATTEND

Network. Learn. Advance. Connect with 250-300 of Montana's top manufacturers and allies in our 3-day conference.

MT PRODUCT Showcase

FREE, but space is limited - showcase your product to 250-300 participants at Montana's premier manufacturing conference!

SPONSOR Opportunities

Reach your target audience as a conference sponsor! Various levels of sponsorships are available with unique acknowledgements and opportunities.

Be an EXHIBITOR

Being an exhibitor is the perfect way to connect with clients specific to your product and/or service!

Register Online:
www.etches.com/competesmart



JANYCE FADDEN, KEYNOTE SPEAKER

Janyce will speak on engaging talent in a digital manufacturing age, what it takes to be a leader in talent engagement, and why it is important to Montana manufacturers and economic development partners.



NEW! DOWNLOAD OUR APP

Have the conference events at your fingertips. Know where to be and when. Get immediate updates. Connect with fellow participants!

Download Now: Go to your App store: Download "Whova", Login with your social media profile or email, and use CS2016 as your "invitation code".

Questions?

JENNI WEST
Montana Manufacturing
Extension Center
jenniwest@montana.edu
406-994-3876

Meetings Northwest, LLC
info@meetingsnorthwest.com
406-273-7224

Hosted
by:



REGISTER TODAY: www.etches.com/competesmart



Curse of the College Town

University towns are nice places to live, but staying after graduation can be a struggle.

BY BRYCE WARD

College towns evoke images of brick buildings surrounded by expansive lawns and large old houses on wide, leafy streets. Look at any of the “best places to live” lists and you will see many college towns – small to mid-sized cities that are home to large universities. College towns offer an appealing mix of amenities, like events, restaurants and good schools, but they also tend to offer something else – a high cost of living and low wages, particularly for people with a college degree.

Montana’s two main college towns, Missoula and Bozeman, fit this pattern. Both rank high on various best places to live lists. For instance, Missoula currently ranks 32nd and Bozeman 34th on Livability.com’s Top 100 Best Places to Live. Yet, both have a high cost of living and low wages, particularly for people with college degrees.

Missoula’s cost of living is higher than most other places. It ranks 107th out of 382 metro areas and resembles the cost of living found in cities like Atlanta, Milwaukee or New Orleans. This may seem paradoxical, but it reflects the fact that large and expensive places exert disproportionate weight on the U.S. level.

While cost of living data is not available for Bozeman, data is available on housing costs, which drive differences in cost of living across places. Housing in Bozeman costs about 10 percent more than in Missoula. This suggests that Bozeman’s cost of living resembles that of Salt Lake City, Tampa or Houston.

Missoula and Bozeman’s high cost of living is not matched by high wages, particularly for people with college degrees. Median earnings for Missoulians over the age 24 with a bachelor’s degree is less than \$32,000. This ranks 907th out of 917 metropolitan and micropolitan areas in the United States. Bozeman’s college graduates earn a bit more – approximately \$36,000, but this still ranks 861st. Residents of both cities with graduate or professional degrees rank a little higher, 744th and 580th respectively, but their earnings are still well below the national average.

Low earnings in Missoula and Bozeman dispro-

portionately affect the college educated. On average, across the United States, college graduates earn 60 percent more than high school graduates. However, in Missoula college graduates earn only 23 percent more than high school graduates and in Bozeman its only 25 percent more.

In spite of their low wages, Missoula and Bozeman have large college educated populations. Forty percent of Missoulians and 47 percent of Bozeman residents over the age 24 have at least a bachelor’s degree. This ranks Missoula 39th and Bozeman 18th among the 917 metro and micro areas.

But Missoula and Bozeman are not unique. Their income and housing costs resemble places like Eugene, Oregon; Lawrence, Kansas; Gainesville, Florida; and State College, Pennsylvania – all college towns. A similar pattern repeats in college towns across the country. Relative to communities the same size, housing costs are 6 to 7 percent higher and median earnings for people with bachelor’s degrees are 8 to 10 percent lower in college towns.

Thus, at least part of the pattern observed in Missoula and Bozeman reflect their status as college towns. The important question is why? Why are incomes for college graduates low in college towns and why are housing costs high relative to income?

There are two simple answers for why wages are low. First, college towns have more students and students frequently work low wage, part-time jobs compatible with their school work. As such, part of lower median earnings for people with bachelor’s degrees may reflect

Every city wants to offer good jobs, an affordable cost of living and a great quality of life. But no place can have it all.

a higher share of graduate students in the area.

Second, and more important, low wages reflect basic forces of supply and demand. Many students fall for the city where they attend school and want to stay, while other college graduates enjoy living in college towns. These forces help explain why college towns tend to have 40 percent more college graduates than similar sized, non-college towns.

But not every place with a large supply of college-educated workers offers low wages for college graduates. Large and smart cities like Washington, D.C., and Boston; exclusive amenity/resort towns like Jackson Hole, Wyoming, and Hilton Head, South Carolina; and small state capitols like Concord, New Hampshire, and Juneau, Alaska, offer 15 to 18 percent higher median annual earnings for their college graduates.

To understand why, one must not only ask why supply is high, but also why demand is low. The presence of a university does not by itself depress demand. There are plenty of cities with universities that have many college graduates and high wages, like San Francisco or Seattle. But these places have other large industries that help define the regional economy – such places have colleges, but are not college towns.

Relative to these other educated places, college towns tend to have a lower share of workers in high wage occupations and industries. College town workers

also tend to earn lower wages for the “same” job. These forces reflect a weakness in their traded sector – the part of the economy that sells goods and services to people in other places.

Places with productive traded sectors tend to have higher earnings. While skilled creative workers are an important part of achieving this, other factors also matter. A strong traded sector reflects a combination of skilled workers, useful physical infrastructure, valuable natural resources, productive social norms and institutions, and talented entrepreneurs.

Low incomes are not by themselves the big



problem – cost also matters. People who live in a low income, low cost region, could end up consuming the exact same set of goods and services as people who live in a high income, high cost region. The problem facing college towns is that they combine high cost with low income. Residents of a college town may not be able to consume the same set of goods and services that they might be able to consume elsewhere.

The fact that wages are low relative to the cost of living speaks to the fact that college towns are nice places to live. When identifying areas with a high quality of life, economists look for places where



income is low relative to the cost of living. If people choose to live in a place with lower incomes and higher costs, that place must offer a desirable quality of life, otherwise people would move away.

No place is perfect. Every city wants to offer good jobs, an affordable cost of living and a great quality of life. But no place can have it all. Income will be too low, housing costs will be too high or quality of life will be threatened by congestion or crime. If a place offers something better than what is available elsewhere, people will move there and this will cause wages to fall, cost of living to rise or congestion to increase.

There is no singular best place, there is only the best place for you. Some people might prefer the bright lights of the big city, while others want the bright stars of the country. Ultimately, the existence of people in a place suggests that it is the best place for them; otherwise they would move to someplace better.

The question for college towns like Missoula and Bozeman is, “Are they the place they want to be?” That is, are they achieving their desired mix of jobs and income, cost of living and quality of life?

It is important to note that places cannot simply become what they want to be; they must also consider, what they can be. External forces like geography, history, state and federal policy and global economic trends limit what is possible. Furthermore, it is not always obvious what is possible or what is desirable. While I might hope that Missoula and Bozeman develop more high-wage jobs and increase their populations, others may fear the accompanying growth in housing costs or changes to their quality of life.

Thus, for college towns like Missoula and Bozeman, low income and high costs are only a problem to the extent they cannot achieve their desired mix of jobs, cost and quality of life. Perspectives of the ideal mix will differ and every path a college town might take comes with trade-offs. ■

Bryce Ward is the associate director at the Bureau of Business and Economic Research at the University of Montana.



Montana Lagging in Child Well-being

BY THALE DILLON

During the past few years, Montana families and children have experienced a range of positive developments. Montana children overall are doing better than they were 10 or even five years ago. Our state has seen improvements in a variety of areas, including better health insurance coverage, lower child and teen death rates, lower substance abuse rates, lower teen birth rates and higher graduation rates.

All groups of Montana kids have seen these improvements – white, American Indian and Hispanic/Latino. However, because initial levels of well-being vary by race and ethnicity, these improvements have not changed existing disparity gaps. Children of color continue to lag behind those of white youth.

Montana KIDS COUNT is part of the national KIDS COUNT network, funded by the Annie E. Casey Foundation, which tracks and ranks child well-being in all 50 states. AECF's 2016 data ranked Montana

24th out of 50 states, based on the status of the state's economic well-being, education, health, and family and community variables.

One solution to improving our state's ranking and closing the disparity gap is to ensure that children have the resources they need to succeed equally, not simply equal resources in order for all to succeed. Public dialogue is gradually shifting in this direction, from addressing inequality to addressing inequity, in the United States.

The two concepts reflect two different approaches to

A system that builds and maintains barriers for non-white families threatens our universal right to “justice for all.”

providing opportunity for America’s children. **Equality** means each child has access to the same resources, while **equity** means that each child has access to the particular resources they need to learn and thrive. Put differently, equality means that all children get a shirt, while equity means everyone gets a shirt that fits.

Inequity exists in all areas of the human experience. However, the main determinant of inequity in child well-being is a child’s race and ethnicity. In Montana, the consequences of inequity in the opportunities afforded to American Indian children and those available to white children are alarmingly noticeable.

These differences can be seen in the earliest years of a child’s life, where children of color grow up in environments that too often hinder healthy development. For example, health insurance coverage for white Montana children under the age of 5 is 96 percent, compared to 77 percent for American Indian children of the same age. This disparity results from the inequity in health care access and is evident in health outcomes, as more American Indian babies than white babies are born preterm, born at low birth weight and born to mothers who did not receive adequate prenatal care. Babies born preterm are also more likely to have health challenges as they grow older.

Inequity in educational opportunities maintain gaps in scholastic achievement. Only 13 percent of American Indian eighth graders test as proficient readers, compared to 41 percent of white youth. Children who struggle academically are less likely to graduate on time, pursue postsecondary education and obtain employment that pays well as adults. By extension, the unemployment rate for white adults is 4.3 percent, while for American Indian adults it is 20 percent.

Public systems designed to help children and

families succeed have not always succeeded in providing opportunity to people of color. Many of our institutions, beliefs and cultural norms also operate in ways that do not benefit children of color. And sadly, these forces have normalized and legitimized over time, through custom, practice and policy.

Ignoring the continued existence of these fundamental inequities will result in a continued weakening of our social fabric. Our country’s diversity is evolving, and so is the path to future prosperity, global competitiveness and community strength, depending more and more on the success of all children, rather than the success of just one group.

In Montana, success for all children relies on the equity of opportunity afforded them, including American Indian youth and our growing population of Hispanic/Latino children. A system that builds and maintains barriers for non-white families threatens our universal right to “justice for all.”

Montana KIDS COUNT envisions a future where improving the outcomes for ALL children is a top priority for our state. To achieve this, policy changes must be made. Planning, budget and policy decisions must be rooted in data and research, which is why KIDS COUNT works to provide state legislators, public officials and child advocates with the reliable data, policy recommendations and tools needed to advance sound policies that benefit children and families. ■

Thale Dillon is the director for Montana KIDS COUNT. For more information visit www.montanakidscount.org.

2020 Census Goes Digital

BY KYLE MORRILL

Every 10 years, the U.S. Census Bureau completes a survey of the population. If you participated in 2010, you likely remember filling out a paper form and may have wondered why you couldn't complete it online. Well, the future is here.

With worries about the scope of government and the deficit, the Census Bureau has been directed to conduct the 2020 Census at a lower cost per household while maintaining consistent data quality. One of the big ways to cut those costs is to move primary data collection onto the web.

The effort has been designed to incentivize a high self-response rate, using current technology, administrative records and third-party data to target advertisements and prepare the public to submit their information. You can expect to see ads promoting it in 2019. The Census Bureau also plans to complete extensive address canvassing in an effort to ensure data quality and make participation as easy as possible for the public.

Online self-response opens in March 2020 and runs through September. All you will need to do is login to the Census Bureau website to submit your information. The physical location of your computer or mobile device will be used to identify your response – no need for the unique identification number of previous years. And if you're not at home, you can simply provide your address.

But the paper form isn't going anywhere. Responses will be collected via the mode easiest for the participant – be it internet, paper or by phone.

Why is the census so important? Its principal mandate is to count each person, in the right place, and to report those results to the U.S. president, the states and the people. Its findings are used for a variety of functions within our government, including the allocation of seats to the House of Representatives, as well as redistricting.

Decennial censuses also establish sampling guidelines for further Census Bureau surveys and become the basis for all other Census Bureau operations, which appropriates roughly \$400 billion in federal funding to local communities.

The information collected is extremely useful

to economists, demographers and other researchers investigating various areas of interest, including poverty, health care, education, economic mobility and so forth. In short, this data supports many essential functions in our society.

Since the last census in 2010, Montana has broken 1 million residents (2012) and become slightly more racially diverse. Other trends show that a smaller share of residents are currently married and more are commuting farther to work.

Trends like these come from Census Bureau surveys conducted annually or even monthly, between the decennial censuses. But the results are merely estimates, as opposed to a census which is a count – no need for statistical extrapolation or confidence intervals. Nonetheless, these activities give us a good idea of where the population is headed.

Many of the trends we see nationwide are also present in Montana. We are becoming more populous, diverse, educated and connected to one another. We are also becoming more single, or more accurately, delaying traditional family choices in favor of further education, job prospects/security, as well as greater financial security. We are also commuting slightly farther for work as a whole, reflecting a tighter economy coming out of the recession.

While the days of a census worker knocking on your door is not completely gone, we can look forward to the convenience of the internet in 2020. But whatever mode of your choosing, be prepared to complete your census information on time and accurately. The more accurately we collectively complete the census, the less it will cost. And good, reliable data benefits everyone – its uses are as boundless as our curiosity in investigating it. ■

Kyle Morrill is a senior economist and director of forecasting at the Bureau of Business and Economic Research at the University of Montana.

Business Loans



We'll find the right financing so you can focus on providing a great product for your customers.

- Commercial Real Estate Loans
- Equipment & Vehicle Loans
- Construction & Development Loans
- Operating Lines of Credit
- SBA Financing
- Business Credit Cards

CALL US TODAY!



David Rook
3600 Brooks
523-3528



Darvin Rush
2610 N. Reserve
523-3339

All loans subject to approval.

missoulafcu.org

Bureau of Business and Economic Research
Callagher Business Building, Suite 231
32 Campus Drive
Missoula, Montana 59812-6840

Non-Profit
U.S. Postage
PAID
Missoula, MT
Permit No. 100