

# MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

## INNOVATION & TECHNOLOGY KEY INDUSTRY NETWORK

### *Final Recommendations to Governor Bullock*

#### PROBLEM STATEMENT 1

##### **Critical need to cultivate a workforce in Montana with skills that better match the needs of the High-Tech Sector**

According to current Occupational Employment Statistics from the Bureau of Labor Statistics, over 7,000 Montanans are employed in computer and mathematical occupations.<sup>1</sup> Projections from the Montana Department of Labor & Industry (DLI) are for an additional 300+ jobs in the computer and mathematical occupational group annually through 2024.<sup>2</sup> There is a similar opportunity for growth over the long term in the biotech field which includes human, animal and agriculture segments.

This high rate of worker demand comes at the same time DLI is predicting a working shortage in Montana. DLI projections indicate there will be approximately 130,000 retirements in the next ten years but only 123,000 Montanans aged 16 to 24 as potential new labor force entrants - and not all of these young Montanans will choose to be in Montana's labor force.<sup>3</sup>

Coupled with a worker shortage, the Innovation & Technology KIN Sector is faced with employee skill shortages and lower average starting wages that makes it difficult to attract and retain talented workers. For people 25 years and older, 92.5% of Montanans have a high school degree – the highest percentage in the nation. However for bachelor's degrees (which is the minimum education needed for many high-tech industry jobs), Montana is about equal to the national average with 29.3% of people 25 and older holding bachelor's degrees, ranking 20th among the 50 states.<sup>4</sup> And the annual median wage for computer and math professions in Montana is \$54,970 compared to \$79,420 nationally.<sup>5</sup>

For the high-tech sector to thrive in Montana, the State and industry must align its goals and objectives to produce / attract enough workers with the necessary skills to fill the current and

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<sup>1</sup> U.S. Department of Labor, Bureau of Labor Statistics Occupational Employment Statistics  
[http://www.bls.gov/oes/current/oes\\_mt.htm#15-0000](http://www.bls.gov/oes/current/oes_mt.htm#15-0000)

<sup>2</sup> State of Montana Employment Projections 2015-2024, Montana Department of Labor & Industry  
<http://lmi.mt.gov/Portals/135/Publications/LMI-Pubs/Labor%20Market%20Publications/Projections%20Analysis%202015.pdf>

<sup>3</sup> State of Montana 2015 Labor Day Report

<sup>4</sup> 2014 American Community Survey 5-Year Data, U.S. Census Bureau

<sup>5</sup> Bureau of Labor Statistics Occupational Employment Statistics – May 2014

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anticipated shortfall; and find ways to offer competitive wages. To achieve this partnership, the KIN member's recommendation would increase collaboration, provide research on what is needed and what has worked, and develop a platform for exchanging ideas. It is these efforts the KIN members see as the best way Montana can address the critical workforce needs to keep this rapidly growing industry sector developing.

### **KIN RECOMMENDATION #1**

**Cultivate needed workforce in MT with skills for high tech sector by increasing and strengthening MT high-tech industry partnership with education including:**

- **Exploring the potential role of business in increasing MUS recruitment and retention**
- **Developing a program for businesses to engage within high schools and the Montana University System settings to build a workforce pipeline**
- **Developing best practice case study examples of educational and career training programs that have developed high-tech workers**
- **Conducting a job analysis (Dacum study) to identify needed curriculum / programs to determine the educational gaps for IT jobs and careers**
- **Creating an inventory of programs available for IT training (including funding training) and establish a web based platform to communicate the opportunities and process to keep the site updated**

### **ECONOMIC DEVELOPMENT BENEFIT**

Benefits of expanding the available high-tech workforce:

- Higher wages, profits, and revenues for Montana companies and workers
- Strengthens the ability of the State to grow and attract employers
- Fosters research and innovation across industry sectors

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### **PROBLEM STATEMENT 2**

#### ***Need for incentives and capital to spur business innovation***

Montana's economic development, finance, and tax organizations provide a range of incentive programs to initiate new business and commercial investment. According to the Council for Community & Economic Research, Montana has 35 state business incentive programs.<sup>6</sup> The KIN members felt it was important for the State to examine all incentives more closely to gauge the effectiveness and utilization of each; as well as review what is offered in other states for additional ideas

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<sup>6</sup>Council for Community & Economic Research (C2ER) State Business Incentives Database <http://www.stateincentives.org/>

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Innovation and Technology KIN members actively provided their support in the successful legislative efforts resulting in enhanced funding to the Montana Manufacturing Extension Service and support additional funding for this valuable program. The KIN members also see the Montana University System research and Department of Commerce business development programs as areas for more funding because of the proven successes.

The KIN recommendation is first to review existing incentives, work directly with the soon-to-be formed Financial Services KIN on developing an investment strategy and platform for opportunities, and providing more funding to the Montana programs with proven financing track records for Montana companies.

### **KIN RECOMMENDATION #2**

**Improve access and sources of capital for the high-tech industry and business innovation by:**

- **Identifying the current incentives (include tax incentives) for investing in MT business and determine ways to enhance those incentives**
- **Creating a platform where in/out-of-state investors can learn of opportunities and resources including: SBIR grants, and Montana Research, Technology and Commercialization Board grants**
- **Promoting angel fund opportunities**
- **Publicizing public dollars that are available**
- **Facilitating matchmaking opportunities**
- **Establishing a public investment strategy that supplements private venture capital**
- **Increasing funding of successful programs- Montana University System research, MBRCT, SBIR, WTG, BSTF**

### **ECONOMIC DEVELOPMENT BENEFIT**

Benefits of improved access to capital include:

- More successful business start-ups and more rapid expansions of existing firms
- Provides funding to create and retain jobs
- Allows companies to undertake or accelerate product development to better achieve a competitive advantage.

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### PROBLEM STATEMENT 3

#### ***Enhancements needed to improve the State's business climate for high-tech***

For 2015, Montana ranks No. 24 in Forbes' 10th annual Best States for Business and #18<sup>th</sup> for Economic Climate.<sup>7</sup> Along with the lack of accessible capital, a number of other issues were identified by KIN members that hamper high-tech business development.

A lack of adequate support for entrepreneurial efforts was identified as one weakness. A 2014 report from DLI indicates the average new business survivability rate of Montana business start-ups is 45% after five years which is slightly above the national average.<sup>8</sup> Along with investment capital opportunities, KIN members discussed how new high-tech companies were often not aware of resources and lacked the business networking connections available in larger states. KIN members felt having the State take the lead on the development of a mentoring program and providing more resources and expert support would enhance high-tech start-up success.

Another area that was seen as a deficiency in the business climate was a lack of incentives for creating high paying jobs. Currently, the Department of Commerce has a few programs that provide funding, but these programs are restricted to primary sector industries meaning information service companies are not eligible. Additionally, Montana has only a few tax incentives that are related to job creation (Empowerment Zone Tax Credit, Infrastructure Fee Credit, Expanding "Value-Added" Machinery and Equipment Local Option Abatement)<sup>9</sup> - and high tech companies mostly would not meet the qualifications. KIN members saw a need for the State and industry leaders to work together in developing incentives customized to support innovation by Montana companies.

KIN members saw a need for improvements in how Montana markets to the high tech industry. Members discussed the efforts of other states to aggressively attract companies and felt more could be done to let companies know the benefits of the State. The Innovation and Technology KIN saw the Governor's Office of Economic Development (GOED) campaign to "Choose Montana" as an excellent start.

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<sup>7</sup> Forbes Magazine 2015 annual Best States for Business

<http://www.forbes.com/sites/kurtbadenhausen/2015/11/05/montanas-business-competitiveness-where-it-ranks-best-and-worst/>

<sup>8</sup> Montana Department of Labor & Industry publication <http://www.ourfactsyourfuture.org/media/9652/eag-1114-art.pdf>

<sup>9</sup> MT Main Street Montana Project Manufacturing KIN Listing of Tax Incentives

<http://mainstreetmontanaproject.com/Portals/44/Montana%20Tax%20Climate%20and%20Incentives.pdf>

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Along with better marketing, KIN members identified several barriers that exist in Montana's business environment that impair growth of high-tech businesses. During the various meetings, KIN members discussed at length lacking infrastructure as one of the most significant barriers including sufficient broadband and adequate, affordable transportation.

Members also felt several Montana employment laws were a barrier as the laws are not structured for the high-tech sector and hampered the ability of high-tech companies to attract workers. The Innovation and Technology KIN also identified developing a statewide growth plan across industries as another area the Governor's Office should spearhead efforts to provide better predictability and resourcing for development.

### **KIN RECOMMENDATION #3**

#### **Cultivate a high-tech business environment in Montana**

- **Develop incentives to create high paying jobs including a tax credit**
- **Market Montana by enhancing state's efforts to grow/attract high tech talent/jobs/companies (GOED and DOC)**
- **Remove barriers to growth including:**
  - **Modifying restrictive employment laws**
  - **Providing available and sufficient broadband that is affordable (support KIN efforts)**
  - **Decreasing costs and increasing the availability of transportation (air, rail, intermodal)**
  - **Sponsor a statewide plan for growth**

### **ECONOMIC DEVELOPMENT BENEFIT**

The benefits of enhancing the State's business environment for high-tech include:

- Increased investment, revenues and job creation
- Business innovation creates new economic opportunities for existing companies