

A Research Paper by



Montana's Rocky Mountain Front



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ABOUT HEADWATERS ECONOMICS

Headwaters Economics is an independent, nonprofit research group whose mission is to improve community development and land management decisions in the West.

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I. EXECUTIVE SUMMARY

The Rocky Mountain Front region is defined in this report as the roughly 100-mile stretch of land on the east side of the Continental Divide that includes Cascade, Lewis and Clark, and Teton Counties where the plains meet the mountains just south of Glacier National Park. A key question facing this region is how to best leverage the area's stability and existing economic assets—such as the stunning landscape, well-developed transportation hubs, and relatively high per capita earnings compared to other parts of Montana—to enhance economic prosperity and resiliency.

This study summarizes the recent history and current conditions for the Front's land, people, and economy. The economy of the Front and the American West has changed in important ways during the past several decades. These changes have led to a growing significance of public lands as a competitive advantage and as part of a larger amenity economy. This report also reviews the proposed Rocky Mountain Heritage Act and its potential impact on the Front.

The Front's economy is well-positioned for future economic performance and the region has experienced steady, and stable long-term growth during the last several decades, especially compared to many other parts of Montana and the West during the most recent recession. The region has avoided major employment swings associated with national recessions and has below average unemployment—5.7 percent in 2011. This is largely due to the predominance of a relatively diverse services economy, an above average share of government employment, and the growth of non-labor sources of income such as retirement and investments, which have been among the fastest growing sources of personal income and totaled \$2.3 billion or 38 percent of total personal income in 2010.

The economy of the Front can be measured a number of ways. From 1970 to 2010, employment along the Front grew from 57,260 to 100,203 jobs, a 75 percent increase, and real personal income grew from \$2.9 billion to \$6.0 billion, a 109 percent increase. Per capita income has grown steadily over the long term, rising in real terms from \$23,627 in 1970 to \$39,749 in 2010, a 68 percent increase, and is higher than the comparable figure for Montana, which was \$36,160 in 2010.

Services industries have been the primary drivers of employment growth in the region for some time—both in size and increase in employment share. From 2001 to 2010, the fastest growing private sectors were all services related industries that paid relatively well: health care and social assistance (2,126 new jobs), professional and technical services (822 new jobs), and finance and insurance (983 new jobs). In 2010, the largest sectors were: health care and social assistance (12,216 jobs), retail trade (11,290), and accommodation and food services (7,475).

Agriculture remains the Front's predominant land use. In 2009, there were 4,678 farm and ranch jobs in all three counties. The share of total employment held by farming and ranching varies by county: Cascade County 2.1 percent, Lewis and Clark County 1.5 percent, and Teton County 20.4 percent.

Travel, tourism, and recreation play a significant role in the area's economy. In 2009 along the Front, there were approximately 10,622 private wage and salary jobs in all travel and tourism sectors, representing 19 percent of total private wage and salary employment.

Along the Rocky Mountain Front itself, expenditures by hunters held steady through the past several years despite difficulties facing the broader economy. In 2006, at the peak of the last business cycle, sportsmen hunting along the Rocky Mountain Front spent \$9.8 million; growing to \$10.4 million in 2008 in the middle of the recession; and falling only slightly in 2011 to \$9.6 million. Of the \$9.6 million, Montana residents contributed roughly half, more than \$4.5 million, and out-of-state visitors spent more than \$4.9 million.

While travel and tourism and outdoor recreation activities are important in their own right, research increasingly shows that these activities are part of a larger amenity economy related to public lands that is an important driver of economic growth in both the rural West and along the Front. Increasingly, research has shown that the federal public lands and natural amenities found in western states provide the region an economic advantage—these lands attract people and business across a range of sectors critical to our economic future.

Today in the West, protected federal lands such as national parks, monuments, and wilderness areas are associated with higher rates of job growth. For example, from 1970 to 2010 non-metropolitan western counties with more than 30 percent of their land base in federally protected status increased jobs by 345 percent. By contrast, non-metro counties with no protected federal lands increased employment by 83 percent during the same period.

The proposed Rocky Mountain Front Heritage Act, which would designate 67,000 acres of United States Forest Service land as Wilderness and 208,112 acres of Forest Service and Bureau of Land Management land as a Conservation Management Area (CMA), would have a beneficial economic impact by helping to preserve the hunting, tourism, and recreation sectors that are an important part of the Front region's economy. The proposed legislation also would support current and continued ranching and commercial uses of the public lands, while helping to combat noxious weeds across multiple jurisdictions, an especially important consideration for Teton County where 20 percent of the total workforce is employed in agriculture-related activities and 79 percent of the county's land is in farm and ranch production.

In the context of considering the area's economic future, the Heritage Act is one of several factors that likely will influence the long-term economic health of the Front region. The spectacular public lands of the Rocky Mountain Front give the region a natural competitive advantage and provide considerable tourism and recreation income to the region. In addition, the Front's public lands serve as attractants for business owners, workers, and retirees—either as a reason to remain in the area or to move to the Front region. As the services sector continues to drive growth in the West, an increasing number and share of workers will be more “footloose” and able to perform their jobs from a variety of locations, including the Front.

The Front region, in addition to emphasizing its strength in public lands and recreation, also should market the area's high quality of life—and the area's economic stability. Such efforts could include targeting business owners when they first come to the Front as tourists. Such outreach would encourage “visit and stay” situations where workers, employers, or retirees visit Great Falls, Choteau, or Augusta, enjoy their stay, and decide to invest in, or move to, the community. Some of this effort can and must come from local officials and business leaders who make a consistent effort to promote the opportunities and advantages of the Front region relative to the rest of Montana and the West.

The Front region also benefits from its ability to serve as a gateway to the area's recreation opportunities. Recent efforts to improve air service in both Great Falls and Helena, for example, are important for tourism and are vital for a growing number of local businesses seeking access to clients and customers.

Finally, improving educational opportunities and retaining people must remain a priority. The Front region's educational attainment for a bachelor's degree is on par with national and state averages. Equally important, the region has a lower than average percentage of residents who have no high school diploma. Education levels closely correspond to unemployment rates and future earnings potential and the Front region should work to make sure its workforce is adequately prepared to succeed in our rapidly changing economy.

II. INTRODUCTION

Montana's Rocky Mountain Front is an exceptional landscape. Soaring mountains, pristine waters, and abundant wildlife make this region of the state one of the most iconic vistas in the United States.

The larger Front region includes five counties—Cascade, Glacier, Lewis and Clark, Pondera, and Teton—which encompass federal, private, state, and tribal lands along the 100-mile stretch of land on the east side of the Continental Divide where the plains meet the mountains just south of Glacier National Park. This economic report focuses on three counties—Cascade, Lewis and Clark, and Teton—as representative of the opportunities and challenges facing communities along the Rocky Mountain Front.

This report reviews the land, people, and economy of the Front region, providing a general overview and also a more specific look at economic drivers of the area—such as agriculture, services sectors, outdoor recreation, energy, and non-labor sources of income such as retirement and investment income.

The study compares the Front to Montana and to the West. It shows how the economy of the American West has changed dramatically during the past several decades; along with the growing importance of public lands as one part of a larger amenity economy that is an important driver of economic health in both the rural West and on the Rocky Mountain Front. In this context, the report examines how the Rocky Mountain Front Heritage Act proposal would impact the region's economy.

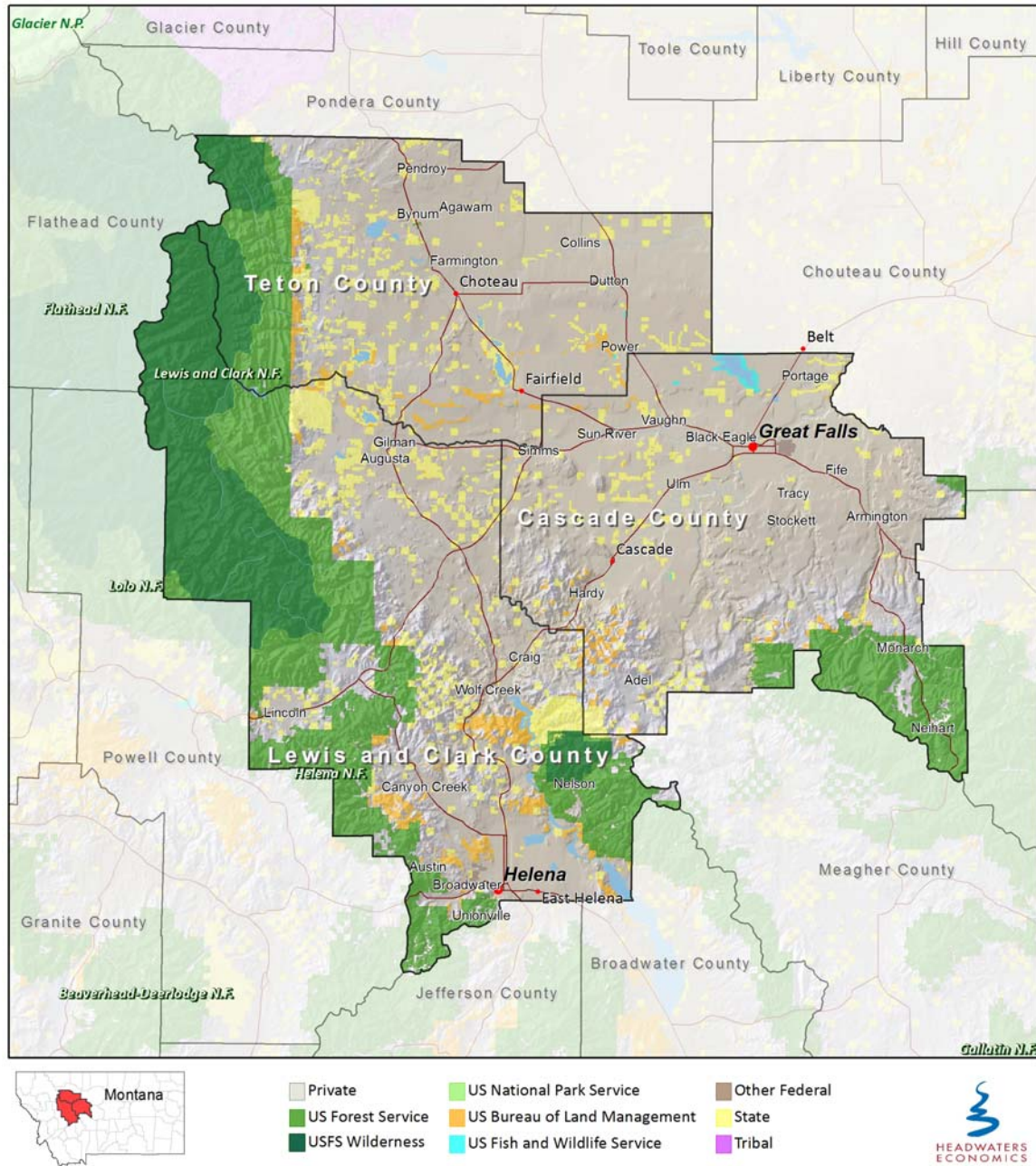
The report also contains a Discussion section that describes the economic opportunities and identifies the challenges facing future prosperity, diversity, and resiliency in the region; and how residents and communities can best harness the economic potential of the Front while also maintaining the area's cultural, traditional, and natural values.

III. THE LAND, PEOPLE, AND BROADER ECONOMY

The Land

Montana’s Rocky Mountain Front region is in one of the most picturesque landscapes in the country. In this report, the Rocky Mountain Front (or simply Front) refers to the three counties of Cascade, Lewis and Clark, and Teton, located near the geographic center of Montana.

Figure 1: The Rocky Mountain Front Region



The Front region, where the short-grass prairie of America’s northern plains meets the towering Rocky Mountains, is abundant with outstanding public lands and associated tourism and world-class recreation

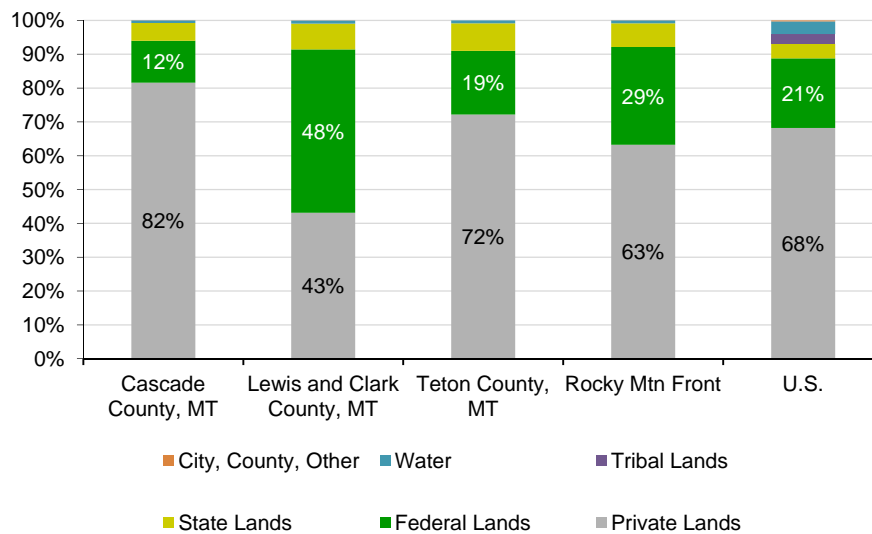
opportunities. Parts of the Bob Marshall wilderness complex, the fishing of the Blackfoot, Missouri and other rivers, the Great Falls in their namesake city, and the beauty of the Montana plains are all encompassed within this three-county region.

As is often noted, much of the region remains similar to when Lewis and Clark journeyed through the area more than 200 years ago, and the land and waterways—because of their beauty and extensiveness—have directly shaped and influenced the region’s economic performance for generations.

Today, the region encompasses the two relatively large cities of Helena and Great Falls and a number of smaller communities spread across the three counties that serve the agriculture community and cater to tourists on their way to hunt or recreate on the Rocky Mountain Front or to visit Glacier National Park.

Land ownership varies between counties along the Front. Lewis and Clark County has the most federal public land (48% of total area), followed by Teton County (19% of total area) and Cascade County (12% of total area). Cascade County has the largest share of private lands (82% of total area), followed by Teton County (72% of total area), and Lewis and Clark County (43% of total area).¹

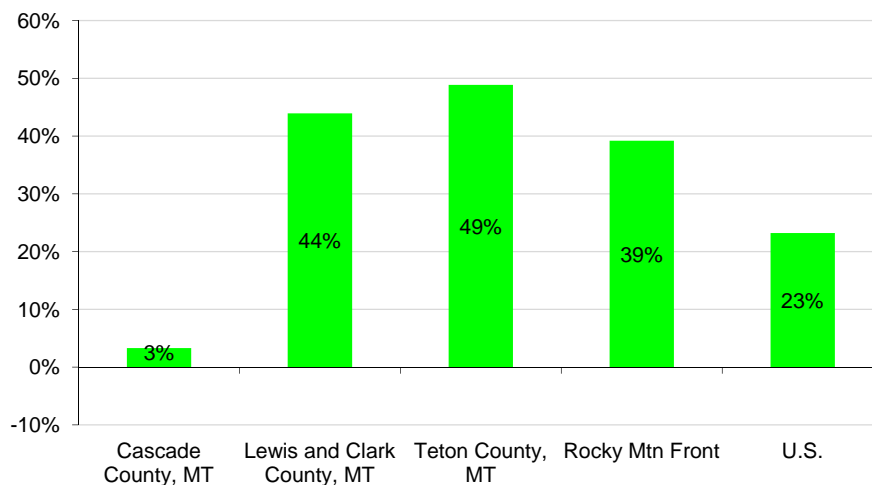
Figure 2: Land Ownership, Percent of Total Land Area, Rocky Mountain Front



¹ Montana Natural Heritage Program, 2008.

There is also variation between counties in the current share of federal lands that are in protected status (designated as Wilderness, National Wildlife Refuges, etc.). As Figure 3 shows, Teton County has the largest share of federal lands in protected status (49%), followed by Lewis and Clark County (44%), and Cascade County (3%).²

Figure 3: Federal Public Land Area, Percent in Protected Status, Rocky Mountain Front



The People

The population surrounding the Rocky Mountain Front is characterized by cities on the south (Helena) and east (Great Falls) with smaller communities closer to the mountains and the public lands themselves.

The U.S. Census Bureau considers Cascade County to be Metropolitan (at least one urbanized area of 50,000 or more in population), Lewis and Clark County Micropolitan (at least one urban cluster of at least 10,000 but less than 50,000 in population), and Teton County Rural (not designated as either Metropolitan or Micropolitan).³

In 2010, the three-county population was 151,201. A majority of people live in Great Falls and Helena, whose combined population that year was 86,695, and the total population when including those who live near or adjacent to Great Falls and Helena is even larger.⁴

The population along the Front has grown slowly in recent decades. From 1970 to 2010, total population grew from 121,844 to 151,201 people, a 24 percent increase. This rate of population growth is slower than for the state of Montana as a whole, which experienced a 40 percent increase over the same time period.⁵

² Ibid. See also the Headwaters Economics socioeconomic software EPS-HDT which was created in cooperation with the Bureau of Land Management and the United States Forest Service: <http://headwaterseconomics.org/tools/eps-hdt>.

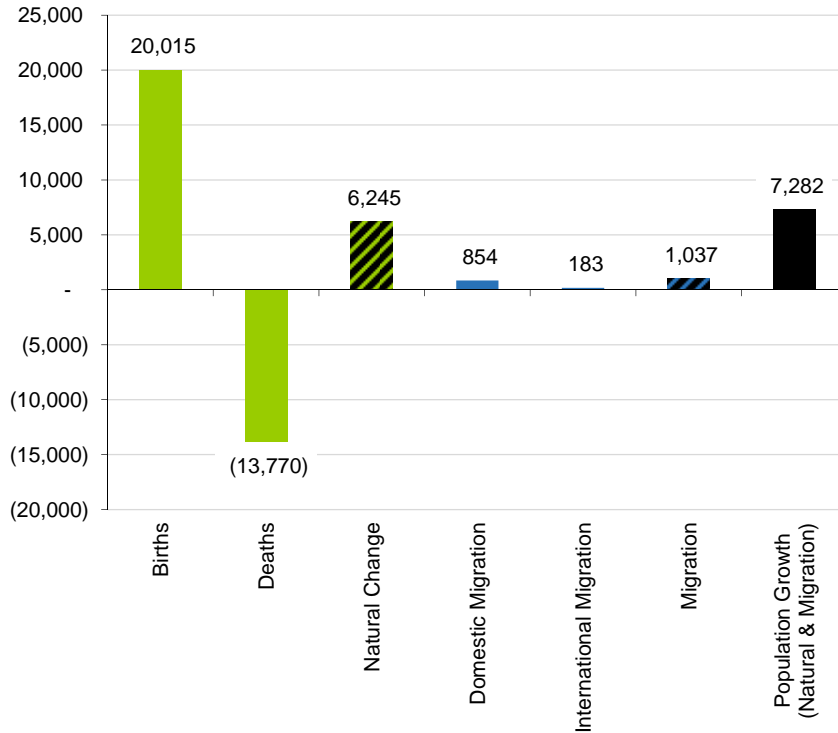
³ U.S. Department of Commerce, United States Census Bureau. <http://www.census.gov/population/metro/>.

⁴ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA30.

⁵ Ibid.

More recently, from 2000 to 2011, the Front population added 8,561 new people in net terms. As shown in Figure 4, little of this growth came from in-migration (+1,037 people) and was instead the result of natural change (+6,245 people).⁶

Figure 4: Components of Population Growth, Rocky Mountain Front, 2000 to 2009

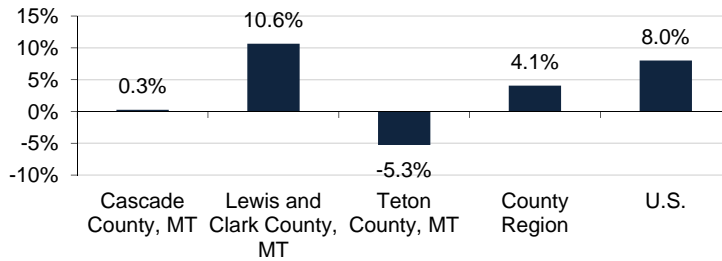


The rate of population growth varies between counties. From 1970 to 2011, all of the net new population growth in the region occurred in Lewis and Clark County, which saw a 90 percent increase in population. In contrast, Teton County (-1.0%) and Cascade County (-1.0%) were relatively stable with minor population losses. The population figures for the last decade follow a similar pattern. As Figure 5 shows, Lewis and Clark County experienced relatively strong growth (10.6%), while Cascade County was relatively flat (0.3% population gain), and Teton County lost population (-5.3%).⁷

⁶ U.S. Department of Commerce. 2010. Census Bureau, Population Division, Washington, D.C.

⁷ U.S. Department of Commerce. 2012. Census Bureau, American Community Survey Office, Washington, D.C.; U.S. Department of Commerce. 2000. Census Bureau, Systems Support Division, Washington, D.C.

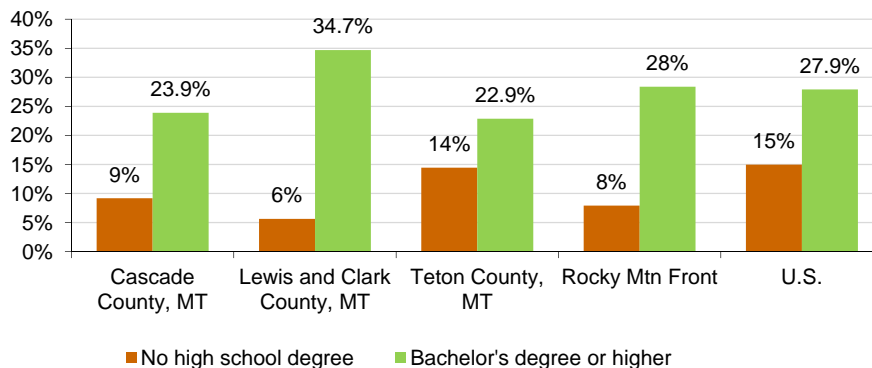
Figure 5: Population Percent Change by County, Rocky Mountain Front, 2001 to 2011



The population along the Front is predominantly white (91.8%). A small portion of the population is American Indian (3.3%). The largest age cohort in the region is Baby Boomers (age 45-64), which make up 30 percent of total population, while the second largest cohort is comprised of people less than eighteen years of age, which make up 21 percent of total population. The median age in all counties is growing. It is highest in Teton County (45.3) and lowest in Cascade County (39.2).⁸

The Front has levels of educational attainment that match the state of Montana and the United States. In the region, only eight percent of adults have no high school diploma while 28 percent have a bachelor's degree or higher. Across Montana, nine percent of adults have no high school diploma and 28 percent had a bachelor's degree or higher. For the United States, 15 percent have no high school diploma and 28 percent have a bachelor's degree.

Figure 6: Educational Attainment, Rocky Mountain Front, 2010



Education levels vary between counties. Lewis and Clark County has the smallest share of adults without a high school diploma (6%) and the largest share of adults with a bachelor's degree or higher (35%). Teton County has the largest share of adults without a high school diploma (14%) and the smallest share of adults with a bachelor's degree or higher (23%).⁹

⁸ U.S. Department of Commerce. 2012. Census Bureau, American Community Survey Office, Washington, D.C.

⁹ U.S. Department of Commerce. 2012. Census Bureau, American Community Survey Office, Washington, D.C.

The Broader Economy

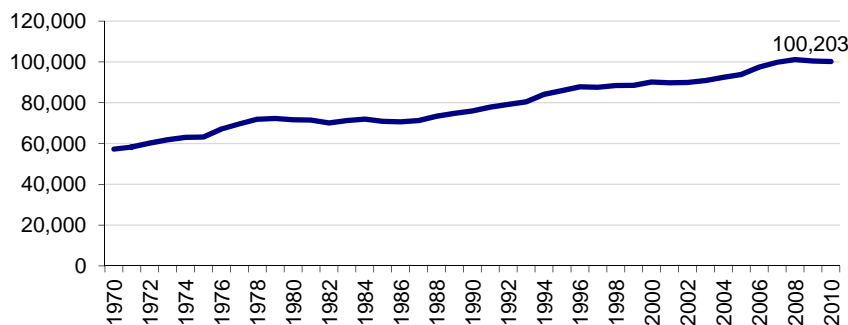
The economy on the Rocky Mountain Front has grown faster than the population over the last four decades, but slower than the state as a whole in terms of employment and real personal income. That said, the Front's performance has been steady. The region has avoided major employment swings associated with national recessions. As some other parts of the state have experienced, these swings can be large in economies that are more narrowly focused on timber and related wood products manufacturing, real estate, or energy production.¹⁰ Compared to other parts of Montana such as the Flathead region, for example, the Front has relatively low unemployment with a steady population and per capita income.

In addition, the report describes how the region's economy has shifted to a greater reliance on services related industries. This shift, combined with a relatively large share of government employment and an increase in non-labor sources of income such as retirement and investment income, has supported slow and steady economic growth. These trends also have contributed to growing real earnings per job in the last decade and above average earnings in the region, both of which performed better than compared to the state.

The economy of the Front region varies geographically, both between counties and in comparing larger and smaller communities. This section looks at the Front region mostly as a whole, and contains a sidebar with more specifics on Teton County illustrating how the rural economy in the region is performing. The section of the report immediately after this one examines specific economic sectors such as agriculture, energy, travel and tourism, and outdoor recreation and their impacts on the Front region.

Looking first at employment and real personal income, from 1970 to 2010, employment along the Front grew from 57,260 to 100,203 jobs, a 75 percent increase. By comparison, employment for the state as a whole increased by 107 percent in this period.¹¹

Figure 7: Employment Trends, Rocky Mountain Front, 1970 to 2010



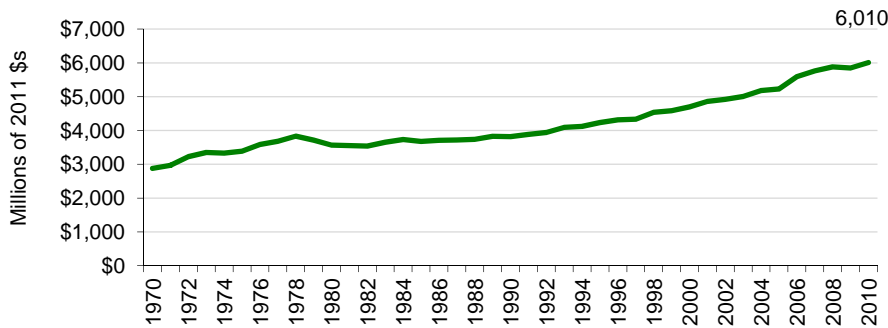
From 1970 to 2010, real personal income (meaning adjusted for inflation) along the Front grew from \$2.9 billion to \$6.0 billion, a 109 percent increase. By comparison, real personal income for the state as a whole increased by 145 percent in this period.¹²

¹⁰ U.S. Department of Labor. 2012. Bureau of Labor Statistics, Local Area Unemployment Statistics, Washington, D.C.; National Bureau of Economic Research. 2009. U.S. Business Cycle Expansions and Contractions, Cambridge, MA.

¹¹ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA30.

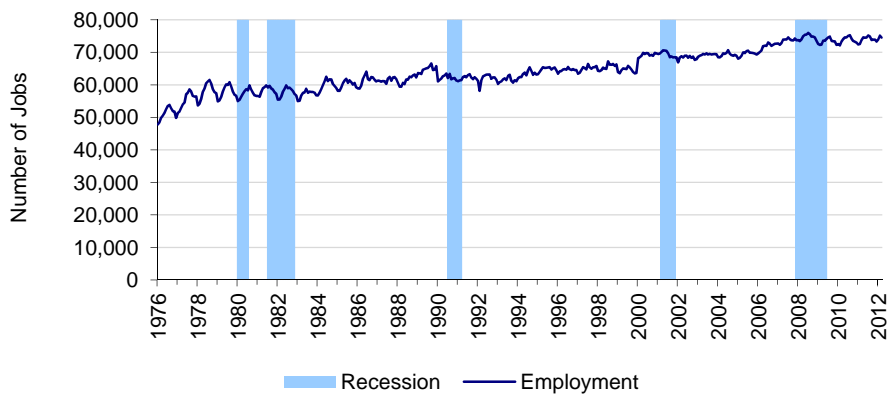
¹² U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA30.

Figure 8: Real Personal Income, Rocky Mountain Front, 1970 to 2010



By comparison to many other parts of the state and the West, the Front’s employment levels remained relatively steady and rising during the past several decades.

Figure 9: Employment and National Recessions, Rocky Mountain Front, 1976-2012



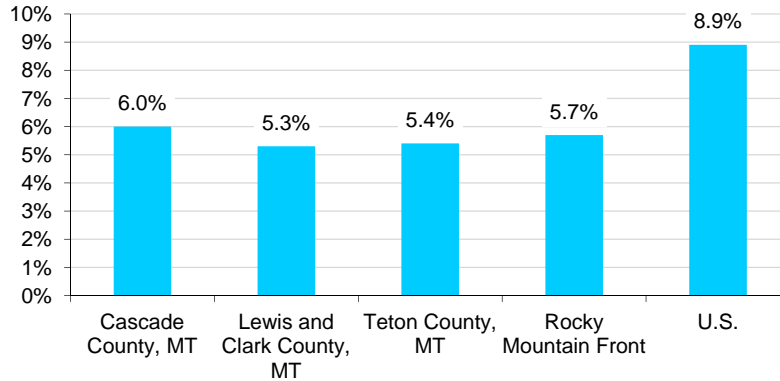
The Front region’s relatively stable performance during the recent recession is worth emphasizing. Recent peer-reviewed analysis by Headwaters Economics examined all 413 counties of the 11 contiguous western states and looked at how the most recent economic downturn, which ran from December 2007 to June 2009, varied from earlier business cycles.¹³

The results showed that the most diverse economies—and those with high levels of educated workers and government jobs as a share of employment—weathered the recent recession best. Fast-growing economies that relied heavily on real estate and related industries, as well as economies overly dependent on timber and related wood products manufacturing, suffered the greatest job losses.

¹³ Gude, P., et al. In Press. “The Recession and the New Economy of the West: The Familiar Boom and Bust Cycle?” Journal of Growth and Change. Available at: <http://headwaterseconomics.org/land/reports/western-counties-recession>.

Another result of slower and steadier growth is lower unemployment on the Front after the most recent recession. In 2011, the annual unemployment for the region was 5.7 percent. This compares favorably to Montana, which had an unemployment rate of 7.2 percent in the same year, and to the United States which had an 8.9 percent unemployment rate that year. The Front counties ranged from a high of 6.0 percent unemployment in Cascade County to a low of 5.3 percent unemployment in Lewis and Clark County that same year.¹⁴

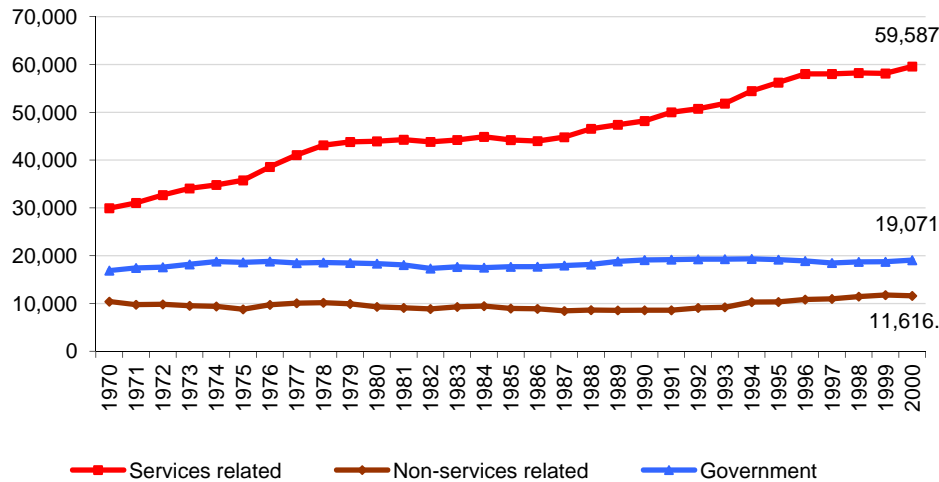
Figure 10: Annual Unemployment Rate, Rocky Mountain Front, 2011



¹⁴ U.S. Department of Labor. 2012. Bureau of Labor Statistics, Local Area Unemployment Statistics, Washington, D.C.

To understand what is driving economic growth and why the economy has avoided volatility it is necessary to look at the shifting industry mix in the region. The graph below (Figure 11) shows employment from 1970 to 2000 using the Standard Industrial Classification System (SIC) to describe trends in services-related and non-services-related industries.¹⁵ Services sectors include a mix of occupations ranging from doctors, architects, and lawyers to hotel maids and retail clerks, and non-services sectors include goods-producing activities such as agriculture, manufacturing (including the wood products industry), and construction.

Figure 11: Employment by Major Industry Category, Rocky Mountain Front, 1970 to 2000



The majority of job growth in this three-decade period occurred in services-related industries, while non-services (i.e., goods producing sectors) and government grew modestly. From 1970 to 2000, services-related industries increased from 29,954 to 59,587 jobs, a 99 percent increase. At the same time, non-services grew by 12 percent and government by 13 percent. In other words, services-related industries are driving economic growth on the Front, while the rest of the economy is holding relatively steady. This importance of services-related industries is also seen statewide in Montana. During the same time period, the state saw a 133 percent increase in services-related jobs, a 30 percent increase in non-services jobs, and a 43 percent increase in government jobs.¹⁶

More recently, using the newer North American Industry Classification System (NAICS) to describe industry-level employment changes from 2001 to 2010, these same patterns continue for Front counties (Table 1). In this time period, services-related industries added 7,504 new jobs, while non-services added 584 and government 2,360 new jobs.¹⁷

¹⁵ We use the date range 1970 to 2000 because the U.S. Department of Commerce replaced the Standard Industrial Classification (SIC) system in 2001 with the North American Industry Classification System (NAICS). NAICS is not backward compatible with SIC. We show data after 2001 using NAICS.

¹⁶ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA25.

¹⁷ Ibid.

Table 1: Employment by Industry, Rocky Mountain Front, 2001 to 2010¹⁸

	2001	2010	Change 2001-2010
Total Employment (number of jobs)	89,767	100,203	10,436
Non-services related	<i>10,532</i>	<i>11,116</i>	584
Farm	2,674	2,496	-178
Forestry, fishing, & related activities	<i>378</i>	<i>382</i>	4
Mining (including fossil fuels)	<i>181</i>	<i>472</i>	291
Construction	5,172	5,794	622
Manufacturing	2,127	1,972	-155
Services-related	<i>60,005</i>	<i>67,510</i>	7,504
Utilities	335	339	4
Wholesale trade	2,458	2,378	-80
Retail trade	11,429	11,290	-139
Transportation and warehousing	2,460	2,434	-26
Information	2,054	<i>1,903</i>	-151
Finance and insurance	4,938	5,921	983
Real estate and rental and leasing	2,693	3,501	808
Professional and technical services	4,528	5,350	822
Management of companies and enterprises	<i>183</i>	<i>395</i>	212
Administrative and waste services	<i>2,749</i>	3,689	940
Educational services	<i>1,490</i>	<i>1,726</i>	236
Health care and social assistance	<i>10,090</i>	12,216	2,126
Arts, entertainment, and recreation	2,204	2,779	575
Accommodation and food services	6,954	7,475	521
Other services, except public administration	5,441	6,114	673
Government	19,091	21,451	2,360

Estimates for data that were not disclosed are shown in italics in the table above.

From 2001 to 2010, the fastest growing private sectors were all services-related industries: health care and social assistance (2,126 new jobs), professional and technical services (822 new jobs), and finance and insurance (983 new jobs). In 2010, the largest sectors were: health care and social assistance (12,216 jobs), retail trade (11,290), and accommodation and food services (7,475).

Some of the fastest growing sectors in the Front region—such as health care and professional services—also pay good wages. Education and health care related wages, for example, paid an average of \$36,662 in 2010 and professional services that same year paid, on average, \$42,090.

¹⁸ The small scale of subsectors of some industries on the Front results in non-disclosure of industry-level data by government agencies. Using disclosure estimation techniques reviewed and approved by the U.S. Forest Service and Bureau of Land Management, we were able to estimate employment details at the county and regional level. In this table, numbers in gray italics are estimates. Documentation explaining methods developed by Headwaters Economics for estimating data disclosure gaps is available at: www.headwaterseconomics.org/eps-hdt.

Table 2: Employment & Wages by Industry, Rocky Mountain Front, 2010 (2011 \$s)

	Employment	% of Total Employment	Avg. Annual Wages	% Above or Below Avg.
Total	71,594		\$37,009	
Private	54,381	76.0%	\$33,737	-8.8%
Non-Services-Related	5,708	8.0%	\$41,929	13.3%
Services-Related	48,673	68.0%	\$32,776	-11.4%
Government	16,764	23.4%	\$47,920	29.5%

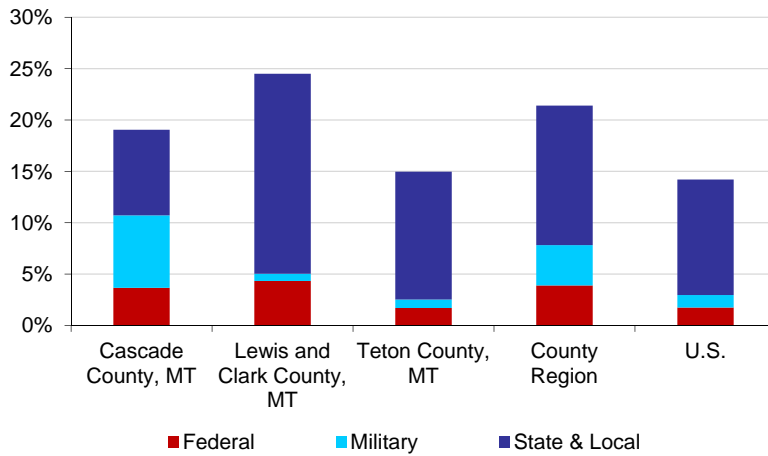
This table shows wage data from the Bureau of Labor Statistics, which does not report data for proprietors or the value of benefits and uses slightly different industry categories than those shown on previous pages of this report.

Government jobs grew as well and constitute a relatively large share of total employment in the region. From 2001 to 2010, government jobs grew from 19,091 to 21,451 jobs, a 12.4 percent increase. Though growing, government employment has not increased as a share of total employment in the last decade. It represented 21 percent of total employment in both 2001 and 2010. By comparison, government employment was 15.6 percent of all jobs in the state of Montana in the same year.

The bulk of government employment in the region is made up of state and local jobs. Government employment as a share of total jobs is highest in Lewis and Clark County (24.5% of total jobs in 2010), mostly because of the state capital in Helena. In Cascade County, a large number of military jobs are located at the Malmstrom Air Force Base in Great Falls (3,570 jobs in 2010).¹⁹

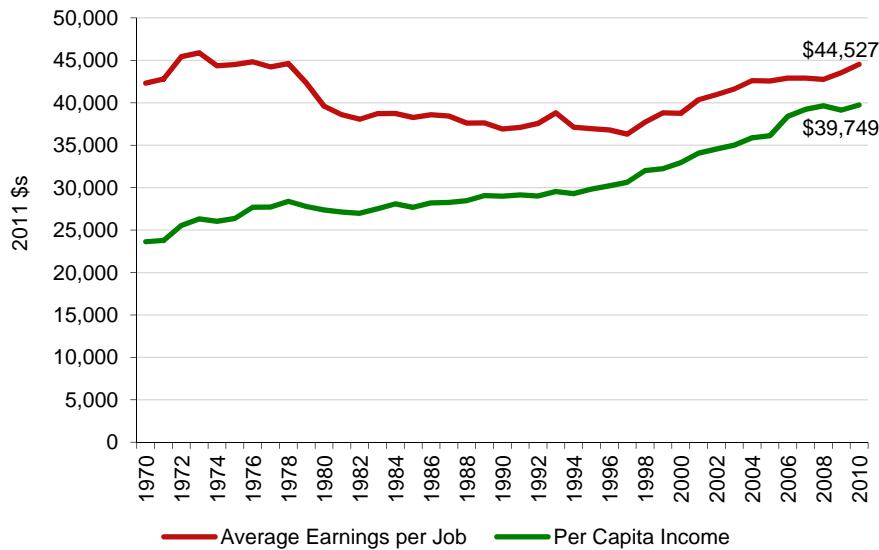
¹⁹ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA25N.

Figure 12: Percent of Total Employment in Government, Rocky Mountain Front, 2010



The shift in the region’s economy to a primary reliance on services related industries and relatively large share of government employment has supported slow and steady economic growth as noted above. These trends also have contributed to growing real earnings per job in the last decade and above average earnings in the region, both of which performed better than compared to the state.

Figure 13: Real Avg. Earnings per Job & Per Capita Income, Rocky Mountain Front



Average earnings per job declined in the 1970s, stabilized in the later 1980s and 1990s, and then began increasing substantially beginning in the late 1990s. Average earnings rose from \$38,770 in the year 2000 to \$44,527 in 2010, in real terms, a 15 percent increase. By comparison, during the same time period

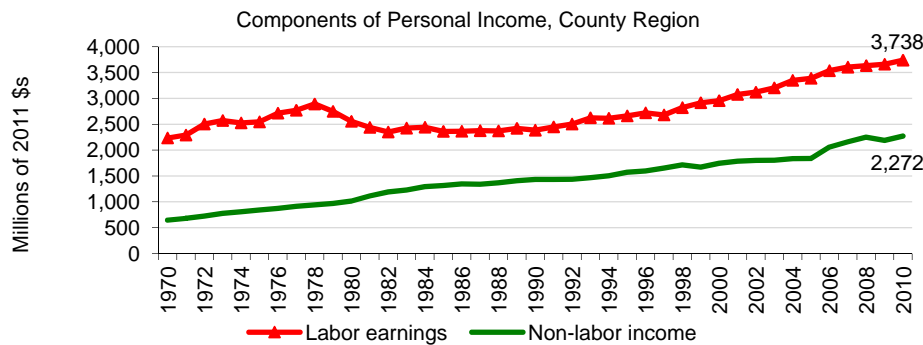
average earnings for the state as a whole rose from \$34,842 in 2000 to \$38,690 in 2010, in real terms, an 11 percent increase.²⁰

Average earnings per job is a measure of the compensation of the average job. It is total earnings divided by total employment. In contrast, another gauge of well being, per capita income, is a measure of income per person. It is total personal income divided by total population.

Unlike earnings per job, per capita income includes labor earnings as well as non-labor income. Non-labor income is a mix of government transfer payments to individuals and investment income. Both sources of non-labor income are closely related to an aging population and the migration of people to the region with retirement and investment income.

Per capita income has grown more steadily over the long term, rising in real terms from \$23,627 in 1970 to \$39,749 in 2010, a 68 percent increase. Today, per capita income for the Front region is higher than the comparable figure for the state as a whole, which rose from \$21,011 in 1970 to \$36,160 in 2010, in real terms, a 72 percent increase.²¹

Figure 14: Components of Personal Income, Rocky Mountain Front



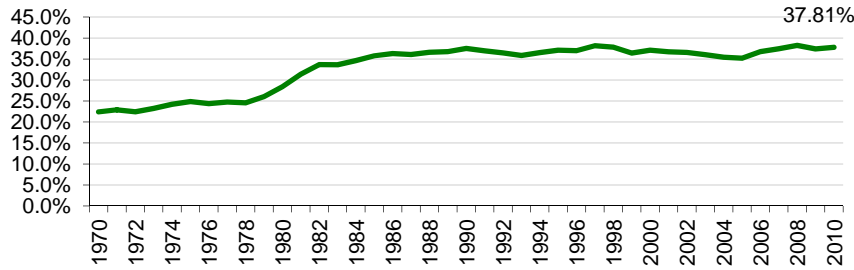
Non-labor sources of income have been among the fastest growing sources of personal income and in 2010 were the single largest source of personal income on the Front, totaling \$2.3 billion and accounting for 38 percent of total personal income. Statewide, non-labor income is 41 percent of total personal income, totaling \$14.8 billion.²² Non-labor income also has contributed to the stability of total personal income on the Front.

²⁰U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA30.

²¹ Ibid.

²² U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Tables CA05 & CA05N.

Figure 15: Non-Labor Income Share of Total Personal Income, Rocky Mountain Front



A Closer Look at Teton County

The rural economy of Teton County understandably varies from the larger communities of Great Falls (in Cascade County) and Helena (in Lewis and Clark County), while having a similar performance as the rural and smaller town communities found in those two counties. Earlier in this report, several key indicators—such as land ownership, population change, age, education, and unemployment—are broken out by county. This sidebar provides a brief review of several additional economic indicators for Teton County alone that otherwise would be lost when looking at the Front region as a whole.

Overall, Teton County’s economy has grown and has been relatively stable during the past several decades. For example, Teton County employment grew from 2,646 to 3,634 jobs from 1970 to 2010, a 37 percent increase. In addition, total personal income during the same time period grew from \$151 million to \$240 million, in real terms, a 59 percent increase.

Other indicators are mixed, with some decreasing and others rising. For example, from 1970 to 2010 average earnings per job shrank, in real terms, from \$41,934 to \$34,088, a 19 percent decrease. Across the state, non-metro counties in Montana saw a four percent decrease. Per capita income, however, grew over the same time period from \$24,632 to \$39,371, in real terms, a 60 percent increase; compared to a 70 percent increase for non-metro counties across the state.

Turning to non-labor income, this measure grew from \$41 million to \$113 million, in real terms, a 176 percent increase, and in 2010 non-labor income represented 47 percent of total personal income in Teton County. Across the state, in non-metro counties, 43 percent of total personal income was non-labor income.

Summary

- The population along the Front has grown slowly in recent decades. From 1970 to 2010, total population grew from 121,844 to 151,201 people, a 24 percent increase. Most recent population gains are due to natural change (births minus deaths) and not in-migration. The population along the Front is getting older and is relatively well-educated.
- The economy of the Front also has experienced slow and steady long-term growth. From 1970 to 2010, employment along the Front grew from 57,260 to 100,203 jobs, a 75 percent increase. Over the same time period, real personal income along the Front grew from \$2.9 billion to \$6.0 billion, a 109 percent increase.

-
- The region has below average unemployment—5.7 percent in 2011—and its stability is due to the predominance of a relatively diverse services economy, an above average share of government employment, and the increase in non-labor income.
 - During the past decade, the fastest growing private sectors were all services-related industries: health care and social assistance (2,126 new jobs), professional and technical services (822 new jobs), and finance and insurance (983 new jobs). In 2010, the largest sectors overall in the Front region were: health care and social assistance (12,216 jobs), retail trade (11,290), and accommodation and food services (7,475).
 - Established measures of economic well-being are rising on the Front. Real earnings per job rose from \$38,770 in the year 2000 to \$44,527 in 2010, in real terms. By comparison, average earnings for the state as a whole were \$38,690 in 2010. Per capita income has grown more steadily over the long term, rising in real terms from \$23,627 in 1970 to \$39,749 in 2010. It is also higher than the comparable figure for the state as a whole, which was \$36,160 in 2010.
 - Non-labor sources of income have been among the fastest growing sources of personal income for all three counties of the Front region. In 2010, non-labor income was the largest source of personal income on the Front, totaling \$2.3 billion and accounting for 38 percent of total personal income.²³
 - Teton County’s economy has grown and has been relatively stable during the past several decades. Employment grew from 2,646 to 3,634 jobs from 1970 to 2010, and total personal income during the same time period grew from \$151 million to \$240 million. Other indicators are mixed. Average earnings per job shrank, in real terms, from \$41,934 to \$34,088, a 19 percent decrease—but per capita income grew over the same time period from \$24,632 to \$39,371, in real terms, a 60 percent increase. Non-labor income grew from \$41 million to \$113 million, in real terms, a 176 percent increase, today representing 47 percent of total personal income in Teton County.

²³ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Tables CA05 & CA05N.

IV. SPECIFIC ECONOMIC SECTORS: AGRICULTURE, ENERGY, TRAVEL, TOURISM, AND OUTDOOR RECREATION

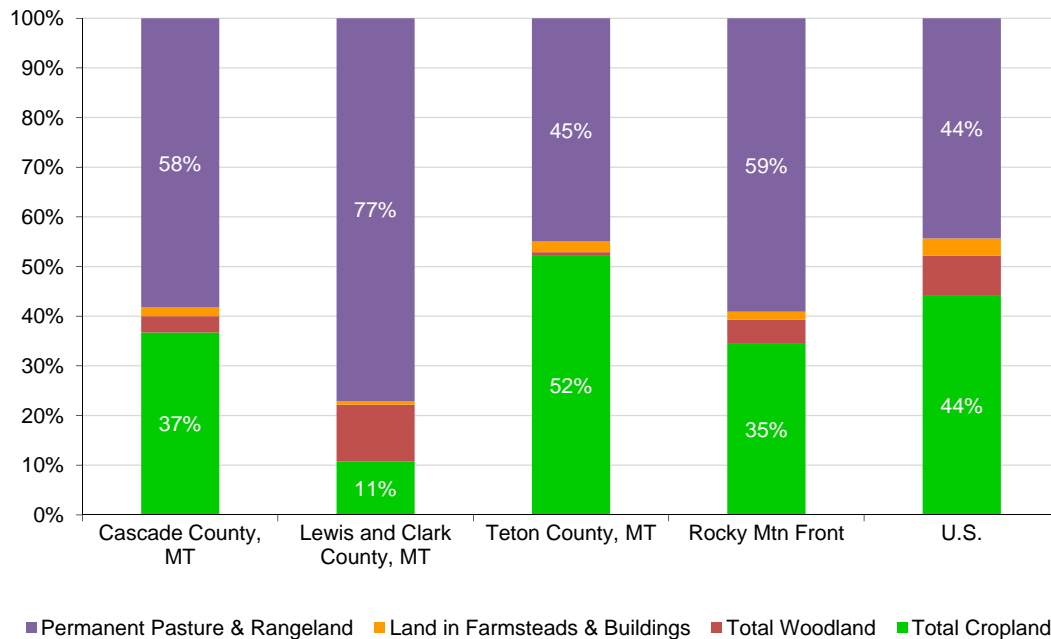
Agriculture

This section examines the agricultural economy, which supports smaller communities along the Front, and is the predominant land use adjacent to public lands in the region.

The three counties along the Front all have a significant percentage of their private land area in farm and ranch production: in 2007, the latest year available, Cascade County had 80 percent, Teton County 79 percent, and Lewis and Clark County 44 percent.

Of the private land used for agriculture, the predominant uses are pasture and rangeland, and cropland. Lewis and Clark County has the largest share of agricultural lands devoted to pasture and rangeland (77%) and Teton County has the largest share dedicated to cropland (52%).²⁴

Figure 16: Land Area in Farms According to Use, 2007



From an employment standpoint, the farm and ranch economy on the Front is a small part of the overall economies of the Cascade and Lewis and Clark counties, but a much larger part of the Teton County economy.

In 2010, there were 4,635 farm and ranch jobs in all three counties. These include 2,496 wage and salary jobs and 2,139 proprietors (i.e., self-employed). The share of total employment held by farming and ranching varies by county. In 2010, in Cascade County it was 2.1 percent, in Lewis and Clark County 1.5 percent, and in Teton County 20.1 percent.²⁵

²⁴ U.S. Department of Agriculture. 2009. National Agricultural Statistics Service, Census of Agriculture, Washington, D.C., Table 8. The figures from 2007 are from the most recent survey available.

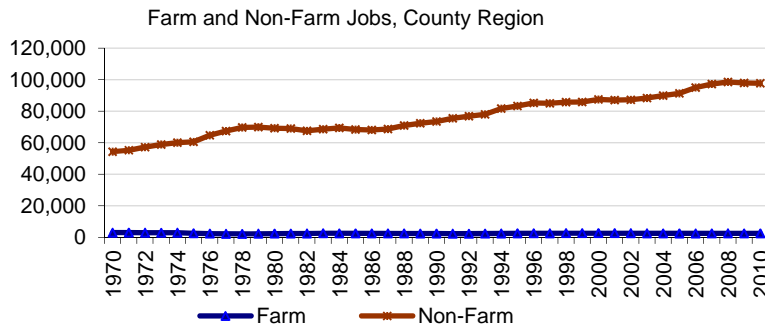
²⁵ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Tables CA25 & CA25N.

Table 3: Farm and Ranch Employment, Rocky Mountain Front, 2010

	Cascade County, MT	Lewis and Clark County, MT	Teton County, MT	Rocky Mtn Front Region
Total Employment	50,598	45,971	3,634	100,203
Farm Employment	1,081	684	731	2,496
Farm Proprietors Employment	952	585	602	2,139
Non-Farm Employment	49,517	45,287	2,903	97,707

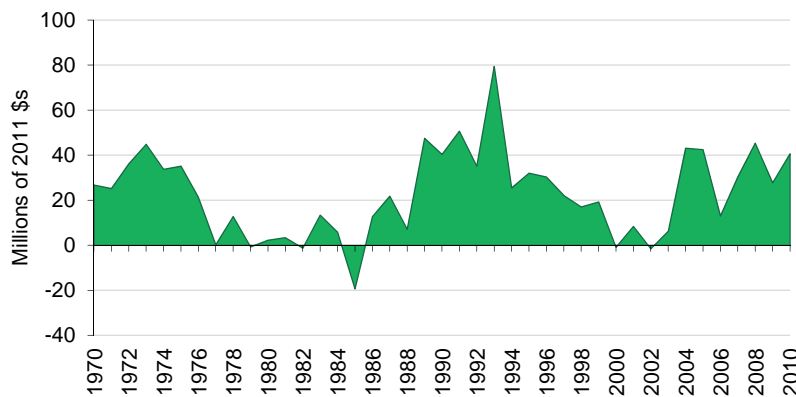
Over the long-term, farm and ranch employment has declined while the broader economy has expanded. From 1970 to 2010, farm and ranch employment shrank from 2,951 to 2,496 jobs, a 15 percent decrease. Over the same time period, non-farm and ranch employment grew from 54,309 to 97,707 jobs, an 80 percent increase.²⁶

Figure 17: Farm and Ranch Compared to Non-Farm and Ranch Jobs, Rocky Mountain Front



In contrast to the larger economy on the Front, the agricultural economy is volatile. This is largely explained by swings in production expenses and prices for agricultural commodities such as livestock and crops. Over the last four decades, farm and ranch business income has ranged from a low of -\$20 million in 1985 to a high of \$81 million in 1996.²⁷

Figure 18: Total Net Farm and Ranch Business Income, Rocky Mountain Front, 1970-2010



²⁶ Ibid.

²⁷ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA45.

Energy

This section explores the mining economy, which also includes energy development such as oil and natural gas, on the Rocky Mountain Front. Employment in mining and energy development on the Front is quite small. Federal measurements from the U.S. Department of Commerce in 2009, the latest year available, show no jobs in these sectors in Teton County, and only an estimated 7 in Cascade County and 32 in Lewis and Clark County.²⁸

Table 4: Employment in Mining (and Energy), Rocky Mountain Front, 2009²⁹

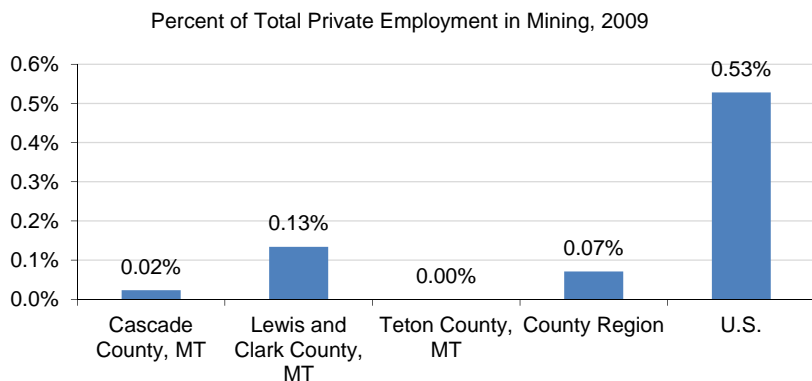
	Cascade County, MT	Lewis and Clark County, MT	Teton County, MT	Front Region	U.S.
Total Private Employment	29,975	23,930	1,114	55,019	114,509,626
Mining	7	32	0	39	604,653
Oil & Gas Extraction	3	2	0	5	384,777
Oil & Gas Extraction	3	2	0	5	107,394
Drilling Oil & Gas Wells	0	0	0	0	80,005
Support for Oil & Gas Operations	0	0	0	0	197,378
Coal Mining	0	0	0	0	93,577
Coal Mining	0	0	0	0	83,961
Support Activities for Coal Mining	0	0	0	0	9,616
Metal Ore Mining	0	7	0	7	39,707
Metal Ore Mining	0	7	0	7	34,545
Support Activities for Metal Mining	0	0	0	0	5,162
Nonmetallic Minerals Mining	4	21	0	25	86,592
Nonmetallic Minerals Mining	4	19	0	23	84,151
Support for Nonmetal Minerals	0	2	0	2	2,441
Mining Related	5	12	0	17	184,762
Oil & Gas Pipeline & Related Const.	2	2	0	4	143,150
Pipeline Transportation	3	10	0	13	41,612
Non-Mining	29,963	23,886	1,114	54,963	113,720,211

²⁸ U.S. Department of Commerce. 2011. Census Bureau, County Business Patterns, Washington, D.C.

²⁹ This table reports only private wage and salary jobs; it excludes employment in government, agriculture, and railroads, and excludes the self-employed and as a result under-counts the size of industry sectors. The small scale of subsectors in some mining industries on the Front results in non-disclosure of industry-level data by government agencies. Using disclosure estimation techniques reviewed and approved by the U.S. Forest Service and Bureau of Land Management, we were able to estimate travel and tourism sector employment details at the county and regional level. In this table, numbers in gray italics are estimates. Documentation explaining methods developed by Headwaters Economics for estimating data disclosure gaps is available at: www.headwaterseconomics.org/eps-hdt.

As a result of these small employment figures, the mining and energy development employment share of total private wage and salary employment is small to none.

Figure 19: Percent of Total Private Jobs in Mining (Including Energy), Rocky Mountain Front, 2009



While current energy employment and activity is relatively low, energy-related activity in the Front region—especially in Teton County—could soon increase dramatically. Intensive drilling began roughly two years ago to the north of the Front region on the Blackfeet Reservation and has since also occurred in Pondera and Teton counties where seven exploratory wells were drilled recently.

Statewide, energy exploration and production is starting to increase. Montana is on pace, through the first half of this year, to complete a record number of oil drilling permits, having issued 228 oil permits through June, roughly the same amount as in all of 2011. At the same time, natural gas permits have nearly stopped completely.³⁰

Energy exploration and production respond primarily to price, geology, and technology. The current global oil price—along with fracking technology and favorable geology in the Bakken play—is responsible for increased regional interest in that fossil fuel; while the depressed North American price of natural gas is responsible for the decline of natural gas exploration across Montana and the country.³¹

Locally, the Front has experienced energy exploration in the past, but the energy sector has never been a sustained economic contributor to the region and the activity that has occurred has been relatively small in the context of the overall economy. The first oil exploration work occurred roughly 90 years ago, and energy activity has continued intermittently since then.

Today, federal lands along the Rocky Mountain Front are off-limits to future leasing and a number of lease holders have sold or traded their Front leases on federal lands. Speculation on non-federal lands, however, continues and local communities are beginning to consider the benefits and challenges of energy development.

For now, however, the size and attractiveness of the energy play in the Front region—as well as issues such as oil pricing and other economic factors—remain uncertain and there are more questions than answers concerning the potential impacts of future local drilling and energy production.

³⁰ Flathead Beacon, *State Issuing More Oil Drilling Permits*, July 23, 2012.

³¹ See the Headwaters Report, *Benefitting from Unconventional Oil*, for a longer discussion of this issue. <http://headwaterseconomics.org/energy/western/unconventional-oil-and-north-dakota-communities/>

Speculating in detail about the impact of energy development is beyond the scope of this paper, but revenue from leases already has benefited some families and businesses in Teton County, although any significant money for counties or schools would not occur until a lease went into production.

How much future energy revenue will come to the region depends largely on the amount of production, as well as Montana's taxation and revenue distribution policies. The oil and gas revenue going to Teton County schools has varied widely in recent years. In 2011, Teton County schools received \$53,868 in oil and gas revenues, but the figure was \$40,722 in 2010, \$65,164 in 2009, and \$40,184 in 2008.³² For comparison, in 2009, Teton County spent \$1.2 million on elementary and secondary education.³³

Last year, Headwaters Economics completed a report, *Fossil Fuel Extraction and Western Economies*, that reviewed the fossil fuel economy in the five Rocky Mountain energy-producing states—Colorado, Montana, New Mexico, Utah, and Wyoming—and the relative success that states and communities have had in maximizing benefits and minimizing the costs of energy development.³⁴

That report and many other studies point to concerns about whether energy development could “swamp” the local economy, especially in rural Teton County. Increased truck traffic and infrastructure demands such as water and sewage systems; wage inflation; housing shortages; crime; and remediation of other impacts to the landscape from energy development could be difficult for local governments and communities to manage.³⁵

A final broader question about energy development is its impact on local quality of life and whether energy development could potentially conflict with other economic sectors in the region such as travel and tourism, recreation, and outfitting. Teton County has been remarkably stable in both population and economic performance for a number of decades and it is not clear what a surge in energy activity—especially depending how large and how long it lasted—would mean for the region's culture and traditions, and broader economic health.

Travel, Tourism, and Outdoor Recreation

This section examines travel and tourism industries because they are closely tied to public lands resources and have the ability to be affected by the draft legislation for the Rocky Mountain Front.

There is no single industrial classification for travel and tourism businesses. Several sectors, however, at least in part provide goods and services to visitors to a local economy. We reviewed the published literature to discern how other research identifies industries that are part of travel and tourism.³⁶

These sectors provide goods and services to visitors as well as to the local population. It is not known, without additional research such as surveys, what exact proportion of the jobs in these sectors is

³²See the Headwaters Economics report, “Fossil Fuel Extraction and Western Economies,” for details on Montana's tax policy toward energy as well as a thorough discussion of how much money is returned to counties and schools, and the timing of that funding to meet the infrastructure and social costs associated with today's drilling technologies and development. April 2011. http://headwaterseconomics.org/wphw/wp-content/uploads/Fossilfuel_West_Report.pdf.

³³<http://www.govistics.com/MT/TETON>.

³⁴See: <http://headwaterseconomics.org/energy/western/maximizing-benefits/>.

³⁵Montana's Hard Rock Mining Impact Act, for example, requires mining companies to commit to pay local governments for energy impacts. The Act, however, does not apply to oil and natural gas production.

³⁶The list of NAICS codes associated with travel and tourism were obtained from: Marcouiller, D.W. and X. Xia. 2008. “Distribution of Income from Tourism-Sensitive Employment.” *Tourism Economics*. 14(3): 545-565. See: <http://www.ingentaconnect.com/content>. For a similar definition of travel and tourism, see: Wilkerson, C. 2003. “Travel and Tourism: An Overlooked Industry in the U.S. and Tenth District.” *Economic Review*. Federal Reserve Bank of Kansas City. Third Quarter: 45-71. See: <http://kansascityfed.com/publicat/econrev/PDF/3q03wilc.pdf>.

attributable to expenditures by visitors—including business and pleasure travelers—compared to expenditures by local residents.

In the Front region in 2009, the latest year of statistics available, there were approximately 10,622 private wage and salary jobs in all travel and tourism sectors. These included retail trade (1,642 jobs); passenger transportation (92 jobs); arts, entertainment and recreation (1,627 jobs); and accommodation and food services (7,261 jobs). Together, all of the travel and tourism sectors represented 19 percent of total private wage and salary employment in the region.³⁷

Table 5: Travel and Tourism-Related Sectors Private Wage and Salary Employment, Rocky Mountain Front, 2009³⁸

	Cascade County, MT	Lewis and Clark County, MT	Teton County, MT	Rocky Mtn Front
Total Private Employment	29,975	23,930	1,114	55,019
Travel & Tourism Related	6,151	4,306	165	10,622
Retail Trade	1,038	547	57	1,642
Gasoline Stations	462	192	48	702
Clothing & Accessory Stores	333	131	2	466
Misc. Store Retailers	243	224	7	474
Passenger Transportation	36	53	3	92
Air Transportation	36	51	3	90
Scenic & Sightseeing Transport	0	2	0	2
Arts, Entertainment, & Recreation	888	730	9	1,627
Performing Arts & Spectator Sports	60	53	1	114
Museums, Parks, & Historic Sites	55	8	2	65
Amusement, Gambling, & Rec.	773	669	6	1,448
Accommodation & Food	4,189	2,976	96	7,261
Accommodation	701	454	16	1,171
Food Services & Drinking Places	3,488	2,522	80	6,090
Non-Travel & Tourism	23,824	19,624	949	44,397

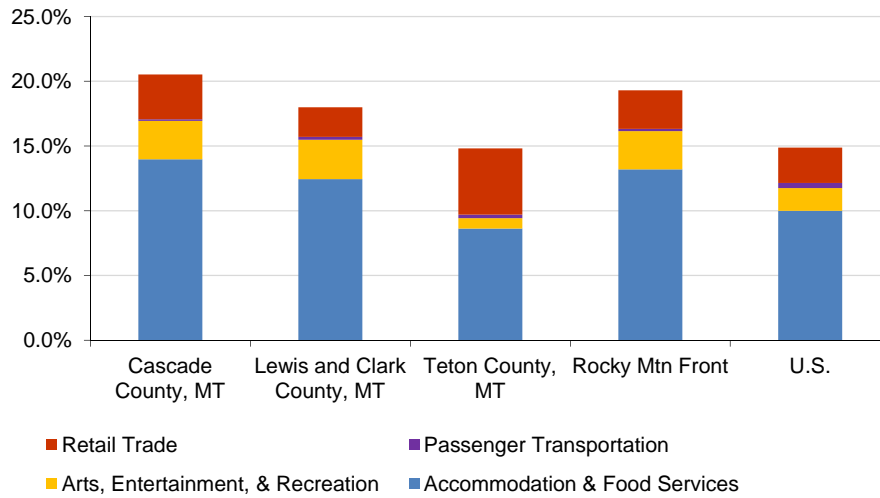
The share of total private wage and salary employment for travel and tourism sectors is high in each of the three counties and ranges from 21 percent in Cascade County and 18 percent in Lewis and Clark County to 15 percent in Teton County. Accommodation and food services make up the largest share of travel and tourism jobs in each of the counties. Travel and tourism's actual share of total employment of the full economy is lower than shown here because these data do not include government employment or the self-employed in the share of total calculation.³⁹

³⁷ U.S. Department of Commerce. 2011. Census Bureau, County Business Patterns, Washington, D.C.

³⁸ This table reports only private wage and salary jobs; it excludes employment in government, agriculture, and railroads, and excludes the self-employed and as a result under-counts the size of industry sectors. The small scale of subsectors in some travel and tourism industries on the Front results in non-disclosure of industry-level data by government agencies. Using disclosure estimation techniques reviewed and approved by the U.S. Forest Service and Bureau of Land Management, we were able to estimate travel and tourism sector employment details at the county and regional level. In this table numbers in gray italics are estimates. Documentation explaining methods developed by Headwaters Economics for estimating data disclosure gaps is available at: www.headwaterseconomics.org/eps-hdt.

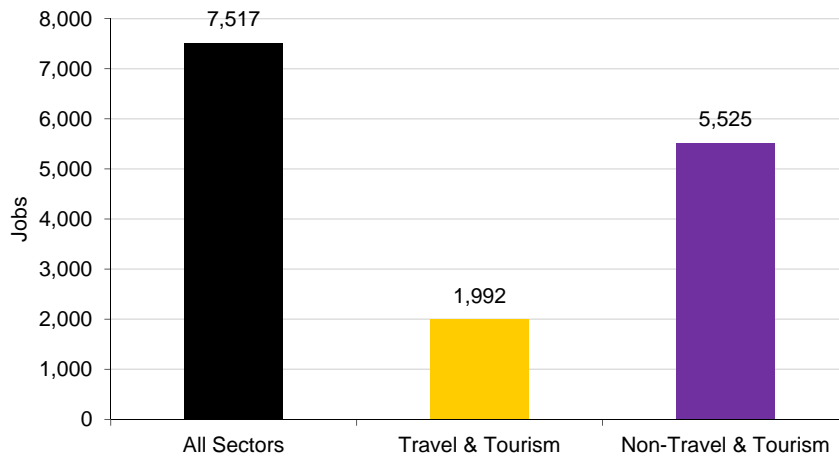
³⁹ U.S. Department of Commerce. 2011. Census Bureau, County Business Patterns, Washington, D.C.

Figure 20: Percent of Total Private Jobs in Travel and Tourism-Related Sectors, Rocky Mountain Front, 2009



Travel and tourism jobs have contributed to private sector job growth in the last decade. As the figure below shows, from 1998 to 2009 these businesses added 1,992 new jobs, or 26 percent of all new private wage and salary jobs, contributing to overall private sector job growth of 7,517 new jobs in the region.

Figure 21: New Jobs in Industries that Include Travel and Tourism, Rocky Mountain Front, 1998 to 2009



More broadly across the state, the University of Montana’s Institute for Tourism and Recreation Research indicates that travel expenditures by nonresident visitors in 2009 totaled more than \$2.7 billion, with nearly 10 million nonresident visitors to the state. From this activity, state and local governments received an estimated \$153 million in taxes (and the federal government collected roughly \$142 million).⁴⁰

⁴⁰ Grau, Kara. (2010). “The Economic Review of the Travel Industry in Montana: 2010 Biennial Edition.” University of Montana, The Institute for Tourism and Recreational Research, Missoula, Montana.

Outdoor Recreation Economy

This section reviews research findings on the significance of the outdoor recreation economy, both nationally and for the Front.

Nationwide, tourism and recreation sectors play a substantial role in the economy, especially in rural communities. The Outdoor Industry Association earlier this year released a national study, *The Outdoor Recreation Economy*, which reviews the broad impact of outdoor recreation, including these highlights: 6.1 million American jobs, \$646 billion in outdoor recreation spending each year, \$39.9 billion in federal tax revenue, and \$39.7 billion in state and local tax revenue. In addition the 2012 report notes that the outdoor recreation industry grew at roughly five percent annually during 2005-2011, while many other industries and sectors struggled during the latest recession.⁴¹

A recent study by the Economic Research Service of the U.S. Department of Agriculture found that “recreation and tourism development contributes to rural well-being, increasing local employment, wage levels, and income, reducing poverty, and improving education and health.” Job earnings in rural recreation counties such as Teton County, are on average \$2,000 more per worker than for those in other rural counties.⁴² In addition, research published in the *American Journal of Agricultural Economics* has shown that, nationwide, protected natural amenities—such as pristine scenery and wildlife—not only attract outdoor recreation but also help sustain property values and attract new investment.⁴³

Montana’s wildlife-related industries annually contribute \$2.5 billion to the state’s economy through hunting, fishing, and all forms of outdoor recreation. These activities sustain 34,000 jobs (roughly equal to farming and forestry combined) and generate more than \$118 million in state tax revenue.⁴⁴

Wildlife viewing is one of the most popular activities in Montana, and the U.S. Fish and Wildlife Service estimates that an astonishing 755,000 Montanans engage in this practice annually. This participation rate brings in significant amounts of local revenue, and USFWS notes that, in 2006, wildlife watching and expenditures and economic impacts totaled 9,772 jobs, \$376 million for retail sales, and \$213 million in wages, salaries, and business income in Montana.⁴⁵

Looking at hunting, fishing, and wildlife-viewing on only U.S. Forest Service lands in Montana, another study from 2007 found that these activities generated \$383 million in retail sales and 8,851 jobs.⁴⁶

Parts of two national forests, the Helena and the Lewis and Clark, are found within the study region. For the Helena National Forest, a visitor use survey showed that there were 456,000 visits to the national forest during fiscal year 2008, of which 78 percent were Montana residents. The top five activities for participation were hiking/walking (31%), viewing natural features (25%), and viewing wildlife (21%). By

⁴¹ Outdoor Industry Foundation. (2012). “The Outdoor Recreation Economy: Take it Outside for American Jobs and a Strong Economy.”

⁴² The information for this paragraph comes from Reeder, R.J., D.M. Brown (2005). “Recreation, Tourism, and Rural Well-Being.” Economic Research Service. U.S. Department of Agriculture. Washington, D.C.

⁴³ Deller, S. C., T.-H. Tsai, et al. (2001). “The Role of Amenities and Quality of Life in Rural Economic Growth.” *American Journal of Agricultural Economics* 83(2): 352-365.

⁴⁴ The habitat employment and taxation statistics from this paragraph all come from Outdoor Industry Foundation. (2006). “The Active Outdoor Recreation Economy: A \$730 Billion Annual Contribution to the U.S. Economy.” Note that the 2012 OIA report mentioned earlier does not have state-by-state breakdowns like the 2006 report. The farm and forestry information comes from the U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA25N.

⁴⁵ U.S. Fish and Wildlife Service (2008). “Wildlife Watching in the U.S.: The Economic Impacts on National and State Economies in 2006.” Washington, D.C.

⁴⁶ American Sportfishing Association (2007), “State and National Economic Effects of Fishing, Hunting, and Wildlife-Related Recreation on U.S. Forest Service-Managed Lands.” Prepared for the U.S. Forest Service, Washington, D.C.

comparison, the top recreation activities in terms of primary use were hunting (17%), motorized water activities (11%), and hiking/walking (11%).⁴⁷

In 2007, 443,000 visitors participated in an activity on the Lewis and Clark National Forest. Respondents listed hunting as their primary purpose (24%), with top activities including viewing natural features (49%), viewing wildlife (32%), and hiking/walking (30%).⁴⁸ Other activities, but not a primary purpose of visiting the National Forest, included viewing wildlife (80%), viewing natural features (75%), and relaxing/escaping noise (64%).⁴⁹

Each trip to a national forest generates local spending and economic activity. For 2005, the Forest Service estimates that each person visiting the Helena National Forest on a day trip spent \$39 per day, while overnight visitors spent \$148 on average per day. Balancing for all types of trips, the report conducted for the Forest Service found that an average visitor to the Helena National Forest spent \$83.⁵⁰

For the Lewis and Clark National Forest each person visiting on a day trip spent \$41 per day, while overnight visitors spent \$116 on average per day. Balancing for all types of trips, the report conducted for the Forest Service found that an average visitor to the Lewis and Clark National Forest spent \$71.⁵¹

Along the Rocky Mountain Front itself, we reviewed expenditures for outfitting and hunting. Despite the recent recession, expenditures by hunters held steady through the past several years despite difficulties facing the broader economy.

Reviewing data covering the years 2006 to 2011 from Fish, Wildlife & Parks (FWP) reinforces this trend. In real terms, during 2006, at the peak of the last business cycle, sportsmen hunting along the Rocky Mountain Front spent \$9.8 million; growing to \$10.4 million in 2008 in the middle of the recession; and falling only slightly in 2011 to \$9.6⁵² million. Of the nearly \$9.6 million, Montana residents contributed roughly half, more than \$4.5 million, and out-of-state visitors spent more than \$4.9 million.

Using a well vetted formula, FWP determines the approximate dollar amount spent directly related to hunting opportunities. No other expenditure data from other outdoor activities such as hiking, camping, summer outfitting, or fishing is included in their analysis. These numbers indicate that the high quality of the hunting resources on the Rocky Mountain Front is known not only to local residents but also to hunters from across the region and the country. In 2011, the Montana Department of Fish, Wildlife & Parks measured more than 81,000 hunter days on its districts along the Rocky Mountain Front.

According to Fish, Wildlife & Parks most hunters visit the Front for upland game birds, deer, and elk while a smaller number of sportsmen hunt antelope, big horn sheep, moose, and mountain goats. In 2011, sportsmen hunting upland game birds spent \$3.8 million in Region 4, which includes the Rocky Mountain Front. Those hunting deer and elk along the Front spent slightly more than \$5.6 million.

Montana's outfitting industry also plays an important economic role, attracting additional visitors and income to the state. A 2007 University of Montana research paper found that 82 percent of non-Montana

⁴⁷ U.S. Forest Service. "National Visitor Use Monitoring Results: Helena National Forest." Washington, D.C.

⁴⁸ U.S. Forest Service and Montana Fish, Wildlife & Parks, "Recreation and Tourism." Helena, Montana. In late 2011, the Lewis and Clark National Forest initiated a new visitor use survey. The results should be available late this year.

⁴⁹ Montana Fish, Wildlife & Parks, "Recreation and Tourism." Helena, Montana. In late 2011, the Lewis and Clark National Forest initiated a new visitor use survey. The results should be available late this year.

⁵⁰ Stynes, D. and E. White. 2005. "Spending Profiles of National Forest Visitors." Michigan State University, East Lansing, Michigan and U.S. Department of Agriculture, Washington, D.C.

⁵¹ Ibid.

⁵² Total expenditures are calculated as expenditures per day times the number of hunter days. FWP calculates expenditures to determine the net economic value of hunting associated with various species. Note that expenditures per day are calculated on a per-species basis, while some hunters may hunt multiple prey on the same day.

hunters visiting the state came specifically for an outfitted trip. Statewide, outfitters in Montana annually serve more than 318,000 clients, resulting in \$120 million in client expenditures and \$40 million in direct income to outfitters and employees.⁵³

Summary

- The agricultural economy plays a significant though shrinking role along the Front. All three counties have a significant percentage of their land area in farm and ranch production: in 2007, Cascade County had 80 percent, Teton County 79 percent, and Lewis and Clark County 44 percent.⁵⁴ There were 4,678 farm and ranch jobs in all three counties in 2009. The share of total employment held by farming and ranching varies by county. In 2009, Cascade County it was 2.1 percent, in Lewis and Clark County 1.5 percent, and in Teton County 20.4 percent.⁵⁵
- The energy sector today is small in the Front region. Speculation, leasing, and exploratory drilling has begun in the area, mostly just to the north in the Blackfeet Reservation, but the extent and profitability of an energy play on the Front remains to be determined.
- By comparison, the travel and tourism sector plays a significant role in the area's economy. In 2009 along the Front, there were approximately 10,622 private wage and salary jobs in all travel and tourism sectors, representing 19 percent of total private wage and salary employment in the region.⁵⁶
- Outdoor recreation also continues to play a substantial role in the economy, both for smaller communities closer to public lands and also for the gateway cities of Great Falls and Helena. The Helena National Forest had 456,000 visits during fiscal year 2008 and the Lewis and Clark National Forest had 443,000 visitors. In 2005, the Forest Service estimated that an average visitor to the Helena National Forest spent \$83. An average visitor to the Lewis and Clark National Forest spent an estimated \$71.⁵⁷
- Expenditures by hunters held steady through the past several years despite difficulties facing the broader economy. In 2006, at the peak of the last business cycle, sportsmen hunting along the Front spent \$9.8 million; growing to \$10.4 million in 2008 in the middle of the recession; and falling only slightly in 2011 to \$9.6 million. Of the nearly \$9.6 million, Montana residents contributed roughly half, more than \$4.5 million, and out-of-state visitors spent more than \$4.9 million.
- A 2007 University of Montana research paper found that 82 percent of non-Montana hunters visiting the state came specifically for an outfitted trip, and that outfitting in Montana annually results in \$120 million in client expenditures and \$40 million in direct income to outfitters and employees.⁵⁸

⁵³ Nickerson, N. et al. (2007) "Montana's Outfitting Industry" Institute for Tourism and Recreation Research, University of Montana. Missoula.

⁵⁴ U.S. Department of Agriculture. 2009. National Agricultural Statistics Service, Census of Agriculture, Washington, D.C., Table 8. The figures from 2007 are from the most recent survey available.

⁵⁵ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Tables CA25 & CA25N.

⁵⁶ U.S. Department of Commerce. 2011. Census Bureau, County Business Patterns, Washington, D.C.

⁵⁷ Stynes, D. and E. White. 2005. "Spending Profiles of National Forest Visitors." Michigan State University, East Lansing, Michigan and U.S. Department of Agriculture, Washington, D.C.

⁵⁸ Nickerson, N. et al. (2007) "Montana's Outfitting Industry" Institute for Tourism and Recreation Research, University of Montana. Missoula.

V. THE CHANGING WEST AND THE ECONOMIC ROLE OF NATURAL AMENITIES

While travel and tourism and outdoor recreation activities are important in their own right, research increasingly shows that these activities are part of a larger amenity economy related to public lands that is an important driver of economic growth in both the rural West and along the Front.

The economic role of public lands in the West has been a hot-button issue for many decades, and the recent recession and ongoing recovery have accentuated the discussion concerning the “best use” of federal lands and the level of protection they should enjoy.

The research that Headwaters Economics and others have conducted leads us to believe that the federal public lands and natural amenities in western states provide the region an economic advantage—these lands attract people and business across a range of sectors critical to our economic future.

Today, protected federal lands such as national parks, monuments, and wilderness areas are associated with higher rates of job growth. Headwaters Economics produced economic profiles of every non-metropolitan county in the West from 1970 to 2010, looking at how each of them created jobs during that time frame. We found that non-metropolitan western counties with more than 30 percent of their federal land base in protected status increased jobs by 345 percent during this time frame. By contrast, non-metro counties with little or no protected federal lands increased employment by 83 percent during the same period.

Services industries that employ a wide range of people—from doctors and engineers to teachers and accountants—are driving economic growth and now make up the large majority of jobs, even in rural areas. At the same time, non-labor income, which consists largely of investment and retirement income, is the fastest growing source of new personal income in the region.

West-Wide Trends

The West’s economy is vibrant and has changed significantly during the past several decades. From 1990 to 2010, the population in the West grew by 36 percent. By comparison, during the same time the population of the U.S. grew by 24 percent, and that of the second fastest growing region, the Southeast, grew by 32 percent. Some western states experienced very fast growth. From 1990 to 2010, the population of Montana grew by 42 percent. By comparison, Nevada grew by 122 percent; Arizona grew by 74 percent; Colorado, Utah, and Idaho all saw their populations grow by more than 50 percent; and the state of Washington grew by 38 percent.⁵⁹

Much of the recent growth was due to in-migration. According to the 2000 Census, the West had the fastest migration rates during the 1990s (20 percent, compared to 13 percent for the nation).⁶⁰ The U.S. Census Bureau estimates that this growth will continue. Compared to 2000, by 2030 the West’s population is projected to grow 46 percent, the fastest of any region in the nation, and faster than the 29 percent growth projected for the nation.⁶¹

⁵⁹ U.S. Department of Commerce. 2012. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C.

⁶⁰ Travis W.R. 2007. “New Geographies of the American West: Land Use and the Changing Patterns of Place.” Washington, D.C.: Island Press.

⁶¹ U.S. Department of Commerce 2010. Census Bureau, Population Division, Washington, D.C.

The economy of the West has also grown faster than the nation. From 1990 to 2010, employment and real personal income in the West grew by 32 percent and 65 percent, respectively. By comparison, employment and real personal income in the U.S. grew by 26 percent and 53 percent, respectively.⁶²

A number of reasons have been offered for the West's rapid growth. One reason is the restructuring of the global economy, wherein some professions, such as software developers, financial consultants, engineers, architects and other so-called "knowledge-based" service occupations have been able to "de-couple" from the city and the factory floor, thereby becoming "footloose," able to live almost anywhere.⁶³ These transformations of conventional constraints on business location opened up parts of the country that were historically excluded from national and international business networks, including much of the rural West.

A broad economic shift is clearly evident in regional economic statistics. Of the approximately 9 million new jobs created in the West from 1990 to 2010, 94 percent were in services-related industries, with the fastest growth occurring in health services (17% of new jobs) and professional and technical services (12% of new jobs).⁶⁴ Importantly, some of the fastest growth in employment took place in high-wage jobs such as professional and technical services (with average annual wages of \$77,000) and medium-wage jobs such as health services (with average annual wages of \$44,000).⁶⁵

In contrast, the perceived traditional staples of the economy of the rural West shrank slightly and played a smaller and smaller role in the overall economy. Cumulatively, farming, ranching, forestry, lumber and wood products manufacturing, hard rock mining, and fossil fuel development saw a six percent decline in employment from 1990 to 2010.⁶⁶ In 2009, these sectors combined constituted roughly five percent of all private employment in the non-metro West, and one percent in the West as a whole.⁶⁷

Retirees have also played a role in economic development in the West, as in-migrants that bring in non-labor income and spur demand for housing and services. Areas of the West with amenities desirable among retirees, such as affordable housing and fair climates, were among the fastest growing parts of the country during the 1990s.⁶⁸

Other researchers point out that public lands in the West, along with wild rivers, lakes, mountains and plentiful recreational opportunities, serve as attractants to both business owners and retirees.⁶⁹ As a recent review of the amenity migration literature from around the world observed, "the American West is

⁶² U.S. Department of Commerce. 2012. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C.

⁶³ Beyers, W.B. and D.P. Lindahl. 1996. "Lone Eagles and High Fliers in Rural Producer Services." *Rural Development Perspectives*, 11(3): 2-10. McGranahan, D.A., and T.R. Wojan. 2007. "Recasting the Creative Class to Examine Growth Processes in Rural and Urban Counties." *Regional Studies* 41(2): 197-216. Johnson, J. D. and R. Rasker. 1995. "The Role of Economic and Quality of Life Values in Rural Business Location." *Journal of Rural Studies* 11(4): 405-416. Gude, P.H., A.J. Hansen, R. Rasker, B. Maxwell. 2006. "Rates and Drivers of Rural Residential Development in the Greater Yellowstone." *Landscape and Urban Planning*, 77: 131-151. Cromartie, J. and P. Nelson. 2009. "Baby Boom Migration and its Impact on Rural America." Economic Research Service, Report Number 29. Washington, D.C. Vias, A. C., & Carruthers, J.I. 2005. "Regional Development and Land Use Change in the Rocky Mountain West." 1982-1997. *Growth and Change*, 36(2), 244-272.

⁶⁴ U.S. Department of Commerce. 2012. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C.

⁶⁵ U.S. Department of Labor. 2011. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Washington, D.C.

⁶⁶ U.S. Department of Commerce. 2012. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C.

⁶⁷ U.S. Department of Commerce. 2011. Census Bureau, County Business Patterns, Washington, D.C.

⁶⁸ McGranahan, D.A. 1999. "Natural Amenities Drive Rural Population Change." *Agricultural Economic Report No. (AER781)* 32 pp. Frey, W.H. 2006. "America's Regional Demographics in the '00 Decade: The Role of Seniors, Boomers and New Minorities." The Brookings Institution, Washington, D.C. Vias, A.C. 1999. "Jobs Follow People in the Rural Rocky Mountain West." *Rural Development Perspectives*, 14(2), 14-23.

⁶⁹ Winkler R., D.R. Field, A.E. Lulogg, R.S. Krannich and T. Williams 2007. "Social Landscapes of the Inter-Mountain West: a Comparison of 'Old West' and 'New West' communities." *Rural Sociology* 72 (3): 478-501.

perhaps the most often-cited example of a region experiencing high rates of population growth related to amenity migration.”⁷⁰

The powerful attraction of amenities has helped to transform the economy of many parts of the rural West from a dependence on resource extractive industries to growth from in-migration, tourism, and modern economy sectors such as software development. This transformation has been aided by the advancement of telecommunications technology, efficient delivery services (e.g., FedEx, UPS), and the growth of regional transportation networks.⁷¹ While in the past the vast distances of the West were an impediment to business trying to get products to markets, in today’s economy these wide-open spaces are for some communities an asset that attracts people and business.⁷²

However, environmental amenities are not the only element needed for economic success, and an emerging literature has established a more complex picture of the links between natural amenities and other drivers of growth.⁷³ For example, recent studies have shown that it is easier to capitalize on environmental amenities if the local economy also has access to larger markets, especially via air travel.⁷⁴ Some research has found that 40 percent of world trade moves by air, and two-thirds of U.S. air cargo is transported via 24 to 48 hour door-to-door express shipments.⁷⁵ Air travel is especially important for technology workers, who travel by air between 60 and 400 percent more frequently than those in the general workforce.⁷⁶

The structural shift in the economy towards a primarily services-based economy also underscores the importance of education. If almost all new jobs are in services, the key to economic success, and what will differentiate one county from another, is the ability to capture the relatively higher-wage component of services industries. According to analysis by the Bureau of Labor Statistics, jobs that are projected to be in highest demand and are growing the fastest also require a college degree. These include the fields of health care and education, and occupations in management, engineering, and business and financial services.⁷⁷

Education rates also make a difference in earnings and unemployment rates. In 2011, the national median weekly earnings for a person with an undergraduate degree were \$1,053, compared to \$638 per week for

⁷⁰ Gosnell, H. and J. Abrams. 2009. “Amenity Migration: Diverse Conceptualizations of Drivers, Socioeconomic Dimensions, and Emerging Challenges.” *GeoJournal*. Published online 8 July 2009. Rudzitis, G. and H.E. Johansen. 1989. “Migration into Western Wilderness Counties: Causes and Consequences.” *Western Wildlands*. Spring, Pages 19-23. Rudzitis, G. 1999. “Amenities Increasingly Draw People to the Rural West.” *Rural Development Perspectives*. 14(2), 9–13. Rudzitis, G. 1993. “Nonmetropolitan Geography: Migration, Sense of Place, and the American West.” *Urban Geography*. Vol. 14(6): 574-585.

⁷¹ Levitt, J.N. 2002. “Conservation in the Internet Age: Threats and Opportunities.” Washington, D.C.: Island Press. Booth, D.E. 1999. “Spatial Patterns in the Economic Development of the Mountain West.” *Growth and Change* 30(3): 384-405. Beyers, W.B. and D.P. Lindahl. 1996. “Lone Eagles and High Fliers in Rural Producer Services.” *Rural Development Perspectives*. 11(3): 2-10.

⁷² Deller, S.C., T. Tsai, D.W. Marcouiller, and D.B. English. 2001. “The Role of Amenities and Quality of Life in Rural Economic Growth.” *American Journal of Agricultural Economics* 83(2): 352–365. Nelson, P.B. 2006. “Geographic Perspective on Amenity Migration Across the USA: National-, Regional-, and Local-Scale Analysis. *The Amenity Migrants: Seeking and Sustaining Mountains and Their Cultures*.” Trowbridge: Cromwell Press. p. 55-72. Lorah, P. and R. Southwick. 2003. “Environmental Protection, Population Change, and Economic Development in the Rural Western United States.” *Population and the Environment* 24 (3): 255-272. Duffy-Deno, K.T. 1998. “The Effect of Federal Wilderness on County Growth in the Intermountain Western United States.” *Journal of Regional Science* 38(1): 109-136.

⁷³ Deller et al. 2001. Green, G.P., S.C. Deller, D.W. Marcouiller, eds. 2005. “Amenities and Rural Development: Theory, Methods, and Public Policy.” Cheltenham, U.K.: Edward Elgar Publishing. Gude et al. 2006. Rasker, R., P.H. Gude, J.A. Gude, J. van den Noort. 2009. “The Economic Importance of Air Travel in High-Amenity Rural Areas.” *Journal of Rural Studies* 25(2009): 343-353.

⁷⁴ Rasker et al. 2009.

⁷⁵ Kasarda, J.D. 2000. “Aerotropolis: Airport-Driven Urban Development. *Cities in the 21st Century*.” Washington D.C.: Urban Land Institute. p. 32-41.

⁷⁶ Kasarda 2000. Erie, S., J.D. Kasarda, A. McKenzie, and A.M. Molloy 1999. “A New Orange County Airport at El Toro: Catalyst for High-Wage, High-Tech Economic Development.” Orange County Business Council. September.

⁷⁷ Liming D. and M. Wolf 2008. “Job Outlook by Education, 2006-16.” *Occupational Outlook Quarterly* Fall: 2-29.

a high school graduate. While in 2011 the unemployment rate among college graduates was 4.9 percent, for high school graduates it was 9.4 percent.⁷⁸

It is important to emphasize that the shift of the West to a services-based economy is not limited to the big cities. In the non-metro counties of the West, more than 1.2 million jobs were created from 1990 to 2009, with 84 percent of them in services-related jobs. The bulk of the remainder of the job growth was in government.⁷⁹

Rocky Mountain Front Region

Compared to many parts of the West, some parts of Montana—such as Gallatin and Flathead counties—saw a significant shift in their economies, including dramatic increases in services sector employment and a real estate boom in the past decade.

The Front region also shifted toward more services sectors such as health care, architects, and retail trade, (the majority of job growth has been in services, far outpacing growth in non-services and government), but the area did not undergo as significant an economic shift or see explosive growth. The Front region has been remarkably stable—with lower unemployment rates than both the state and the nation.

Looking ahead, the Front's public lands, economic diversity, and stability are all advantages. Counties in the Front region are characterized by significant public lands and benefit from compelling natural features that include dramatic mountains, clean water, free-flowing rivers with vital fisheries, and a nearby signature national park.

In addition, much of the Front's landscape remains largely agricultural, and each of the three Front counties has a significant percentage of their land area in farm and ranch production: in 2007, Cascade County has 80 percent, Teton County 79 percent, and Lewis and Clark County 44 percent; with the predominant uses as pasture and rangeland, and cropland.⁸⁰ While agriculture-related employment is low in Cascade County (2.1%) and Lewis and Clark County (1.5%), in Teton County 20.4 percent of total employment in 2009 was agricultural.⁸¹

Travel and tourism also remains important, ranging from 21 percent of total employment in Cascade County and 18 percent in Lewis and Clark County to 15 percent in Teton County.

As noted earlier, while the Front region did not grow as rapidly as some other parts of the West or Montana in terms of population, the area has retained much of its cultural, traditional, and natural values while still performing well economically. The Front region's average earnings per job compared to the rest of the state was significantly higher and rose from \$38,770 in the year 2000 to \$44,527 in 2010, in real terms, a 15 percent increase. Per capita income has grown steadily over the long term, rising in real terms from \$23,627 in 1970 to \$39,749 in 2010, a 68 percent increase. It is also higher than the comparable figure for the state as a whole, which was \$36,160 in 2010.⁸² The Front's relatively well-educated population also is a key asset.

⁷⁸ U.S. Department of Labor. 2012. Bureau of Labor Statistics, Current Population Survey, Washington, D.C.

⁷⁹ U.S. Department of Commerce. 2012. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C.

⁸⁰ U.S. Department of Agriculture. 2009. National Agricultural Statistics Service, Census of Agriculture, Washington, D.C., Table 8. The figures from 2007 are from the most recent survey available.

⁸¹ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Tables CA25 & CA25N.

⁸² U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA30.

In addition, as the population ages, non-labor sources of income have been among the fastest growing sources of personal income and in 2010 were the single largest source of personal income on the Front, totaling \$2.3 billion and accounting for 38 percent of total personal income.⁸³ Non-labor income also has contributed to the stability of total personal income on the Front.

These trends suggest that the Front is already benefiting from the presence of natural assets as business assets. In this light, the region's public lands generate value well beyond their tourism and recreation output. They are also a likely reason people and businesses are remaining on, and attracted to, the Front. The region's public lands will continue to represent a major part of the region's economy for the foreseeable future.

Summary

- While the Front did not undergo as significant an economic shift as some parts of the West or Montana, the region's public lands, economic diversity, and stability make it well-positioned for coming years. The Front region has remained remarkably stable, avoiding much of the volatility experienced in other regions during the recession, and the area has retained much of its cultural, traditional, and natural values while still performing well economically.
- The economy of the American West has been changing dramatically, as has the role of nearby public lands. Traditional activities on public lands—ranching, energy development, tourism, and recreation activities—remain important in their own right, but these activities are only one part of a larger amenity economy that is an important driver of economic growth in both the rural West and on the Rocky Mountain Front. As a result, today commodities play a much smaller role than in the past, and for the past two decades people—their knowledge, skills, and innovation—have been the cornerstone of the economy.
- Two factors contributed to the West's growth before the most recent recession. First, changes in the economy's structure were caused by new competitive strengths and the dispersal of business activities fostered by telecommunications advances and relatively inexpensive transportation costs to reach important markets. Second, many Americans changed locations to seek a higher quality of life and natural amenities.
- Of the nearly nine million new jobs created in the West from 1990 to 2010, 94 percent were in service sectors. Some of the fastest job growth occurred in sectors such as professional, business, and health services in both large cities and small towns. Importantly, many of these jobs are in high-wage professions such as professional and business services (with average annual wages of \$77,000) and medium-wage jobs such as health services (with average annual wages of \$44,000).
- Retirees have also played a role in economic development in the West. Non-labor income has helped to increase per capita income levels and to provide stability to local economies.
- These trends suggest that the Front is already benefiting from the presence of natural assets as business assets. In this light, the region's public lands generate value well beyond their tourism and recreation output. They are also a likely reason people and businesses are remaining on, or attracted to, the Front. The region's public lands will increasingly play a major role in the region's economy for the foreseeable future.

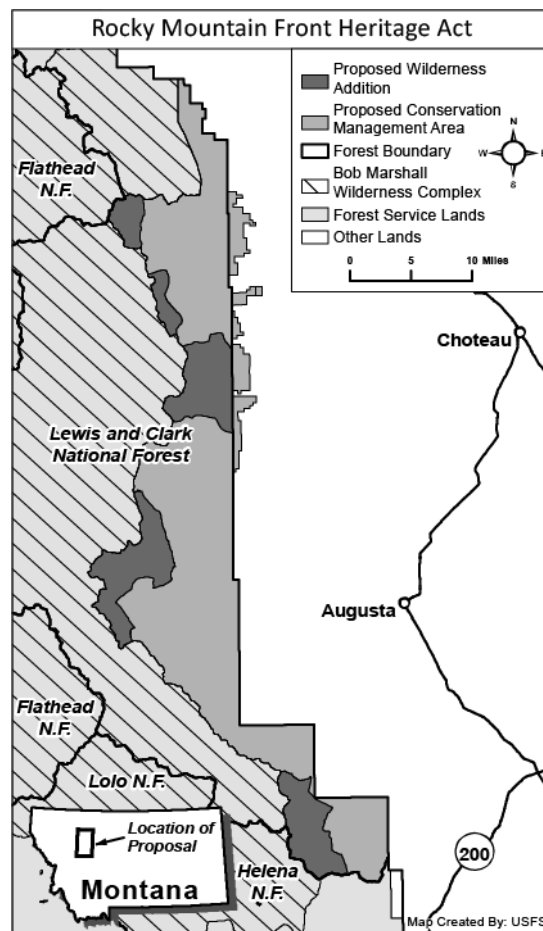
⁸³ U.S. Department of Commerce. 2011. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Tables CA05 & CA05N.

VI. POTENTIAL IMPACT OF THE ROCKY MOUNTAIN FRONT HERITAGE ACT

This section briefly discusses the Rocky Mountain Front Heritage Act, its size, details, and potential economic impact on the Front region.

The Heritage Act, introduced in October, 2011 by Montana’s senior U.S. Senator Max Baucus, would designate an additional 67,000 acres of United States Forest Service land as Wilderness to both the Bob Marshall and Scapegoat Wilderness areas. The proposed Wilderness acreage is part of the more than 90,000 acres that the Forest Service has recommended for Wilderness. The federal agency currently is managing this land to maintain its wilderness characteristics and the proposal would have little or no impact on current activities.

Figure 22: Heritage Act Proposal⁸⁴



The Baucus bill also would designate 208,112 acres of Forest Service and Bureau of Land Management land as a Conservation Management Area (CMA). Senator Baucus describes the CMA as “a home-grown designation that would limit road building but protect current motorized recreation and public access for

⁸⁴Map from the official website of U.S. Senator Max Baucus.

hunting, biking, timber thinning, and grazing.”⁸⁵ Other currently allowed activities in the CMA that would continue include chainsaw use, outfitting, hunting and game carts, fishing, and temporary road building within a quarter mile of existing roads.

The legislation also would require the Forest Service and the Bureau of Land Management to prioritize noxious weed management on approximately 405,000 acres of public lands (including all of the CMA, proposed Wilderness, and the Badger-Two Medicine area of the Lewis and Clark National Forest). While not directly appropriating funds, the legislation’s noxious weed provisions are expected to set the stage for increased government or private funding for weed efforts on the Front.

Weeds harm farm and ranch productivity, can degrade water quality, and threaten wildlife numbers and outdoor recreation opportunities. Public agencies and private organizations spent more \$1 million on weed management along the Front in 2009—and private ranchers spent an unknown additional amount on their adjacent private lands. The highest need is for mapping, detecting and tracking infestations, public awareness, and better understanding and application of effective treatments—which would increase costs to at least \$1.9 million.⁸⁶

Both the Forest Service and Bureau of Land Management endorsed the Heritage Act at a Senate hearing in Washington, D.C. on March 22, 2012. U.S. Senator Jon Tester also supports the legislation but there currently is no companion bill in the U.S. House of Representatives and prospects for a Senate floor vote or passage into law remain unclear.

The federal lands proposed for Wilderness designation within the Heritage Act are currently managed for their roadless characteristics and because the Act allows for current uses to continue, the proposed legislation largely would leave economic activity as it is now. Outfitting, grazing, and hunting, for example, all would continue as before on both the proposed Wilderness and CMA lands. There are no existing energy leases on the lands covered by the proposed legislation, and existing law and policy already have permanently closed the federal lands on this portion of the Front to new leasing and energy development. The Heritage Act also would not impact energy development on private or state lands. So while its legislative future remains uncertain, the proposed Heritage Act would have little negative impact on local businesses, the economy, or county budgets.

For the longer term, the Heritage Act could have a beneficial economic impact by helping to preserve the hunting, tourism, and recreation sectors that are an important part of the Front region’s economy. As noted earlier, hunting along the Front has a roughly \$10 million annual impact, and travel and tourism is a major economic activity in all three counties. The proposed legislation also would allow current and continued grazing of livestock and horses on the public lands, while helping to combat noxious weeds—an especially important consideration for Teton County where 20 percent of the total workforce is employed in agriculture-related activities and 79 percent of the county’s land is in farm and ranch production.

The three counties each receive payments related to federal public lands such as Payments in Lieu of Taxes (PILT), Secure Rural Schools (SRS), and other Forest Service payments. State and local government cannot tax federally owned lands the way they would if the land were privately owned. A number of federal programs exist to compensate county governments for the presence of federal lands. In

⁸⁵Senator Baucus web page, “Rocky Mountain Front Heritage Act: Montana Resource Guide.”

http://www.baucus.senate.gov/?p=general&id=86#_Protecting_Montana_Ranching. Accessed March 6, 2012.

⁸⁶Montana Weed Control Association, <http://www.mtweed.org/index.php> and Save the Front, <http://www.savethefront.org/noxious-weeds.html>.

Montana, county governments receive most of the federal funding—85 percent or higher—and local school districts, Resource Advisory Councils (RACs), and grazing districts also receive federal payments.

In 2010, Cascade County received \$378,506 in PILT and \$166,633 in Forest Service payments; Lewis and Clark County received \$2.03 million in PILT and \$892,936 in Forest Service payments; and Teton County received \$507,997 in PILT and \$211,586 in Forest Service payments. As a share of total county government revenue, the federal payments were 0.8 percent in Cascade County; 3.9 percent in Lewis and Clark County, and 6.6 percent in Teton County.⁸⁷

The draft legislation—given its limited size, minimal change to existing management, and existing levels of logging, grazing, and other activities on these federal lands—would likely have little to no effect (positive or negative) on federal land payments from the Forest Service and PILT. For the long term, future national policies concerning SRS and PILT will have a far greater impact on local government finances than any revenue changes due to the Heritage Act.

Even if Congress does not reauthorize SRS for more than the current one-year extension, PILT would rise in response to lower Forest Service payments in all three counties and would fully offset lost SRS payments. However, as with SRS, PILT faces its own contingencies. If Congress does not fully fund PILT before it expires at the end of this federal fiscal year (by September 30, 2012) federal land revenues will decrease. The future of both SRS and the PILT programs are now being debated before Congress.

Summary

- The 67,000 acres of proposed Wilderness acreage is part of the more than 90,000 acres that the Forest Service has recommended for Wilderness and is currently managed to maintain its wilderness characteristics. The Heritage Act also would designate 208,112 acres of Forest Service and Bureau of Land Management land as a Conservation Management Area (CMA) that would protect current motorized recreation and public access for hunting, biking, timber thinning, grazing, chainsaw use, outfitting, game carts, fishing, and temporary road building within a quarter mile of existing roads. Both the Forest Service and Bureau of Land Management have endorsed the Heritage Act.
- The legislation also would require the Forest Service and the Bureau of Land Management to prioritize noxious weed management on approximately 405,000 acres of public lands (including all of the CMA, proposed Wilderness, and the Badger-Two Medicine area of the Lewis and Clark National Forest). Public agencies and private organizations spent more than \$1 million on weed management along the Front in 2009—and private ranchers spent an unknown additional amount on their adjacent private lands. To that end, the bill could help incentivize additional government or private funding for weed eradication.
- Because the proposed legislation largely would leave economic activity as it is now, the Heritage Act would have little negative impact on local businesses, the economy, or county budgets. In addition, there are no existing energy leases on the lands covered by the proposed legislation, and existing law and policy already have permanently closed the federal lands on this portion of the Front to new leasing and energy development.

⁸⁷ U.S. Department of Commerce. 2009. Census of Governments Survey of State and Local Government Finances, Washington, D.C.; U.S. Department of Interior. 2009. Payments in Lieu of Taxes (PILT), Washington D.C.; U.S. Department of Agriculture. 2009. Forest Service, Washington, D.C.; U.S. Department of Interior. 2009. Bureau of Land Management, Washington, D.C.; U.S. Department of Interior. 2007. U.S. Fish and Wildlife Service, Washington, D.C.; U.S. Department of Interior. 2009. Bureau of Ocean Energy Management, Regulation and Enforcement, Washington, D.C.; Additional sources and methods available at www.headwaterseconomics.org/eps-hdt.

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- For the longer term, the Heritage Act would have a beneficial economic impact by helping to preserve the hunting, tourism, and recreation sectors that already are an important part of the Front region’s economy, while improving the ability of the Front communities to attract people and businesses across a range of sectors in the future.
 - The draft legislation—given its limited size, minimal change to existing management, and existing levels of logging, grazing, and other activities on these federal lands—would likely have little to no effect (positive or negative) on federal land payments from the Forest Service and PILT.

VII. DISCUSSION

A key question facing the Rocky Mountain Front region of Cascade, Lewis and Clark, and Teton Counties is how to best leverage the area's existing economic assets—such as the landscape, viable transportation hubs, relatively high average earnings and per capita income, and overall stability—to enhance future economic growth and prosperity.

The economy of the Front has been described in detail earlier in this paper. The region is evolving into a more diverse services economy and is also benefitting from growing non-labor sources of income, primarily from retirement and investment sources.

At the same time, the Front's outdoor recreation sector continues to play a substantial role in the economy, especially for smaller communities closer to public lands. The strong and stable numbers for hunting along the Front—nearly \$10 million in expenditures in 2011 with more than half from out-of-state visitors—indicate that the high quality of the hunting and recreation resources on the Rocky Mountain Front is a long-term economic advantage for nearby communities.

Today, protected federal lands such as national parks, monuments, and wilderness areas are associated with higher rates of job growth. Looking at non-metropolitan counties in the West from 1970 to 2010, those counties with more than 30 percent of their land base in federally protected status increased jobs by 345 percent during this time frame. By contrast, non-metro counties with no protected federal lands increased employment by 83 percent during the same period.

Public lands, however, are only one part of a larger economic strategy. The Front region, while it has a number of strengths, also shows several warning signs such as the slow pace and unevenness of population growth, lack of in-migration, and loss of young people. The once large agriculture sector is stagnant and shrinking as a share of the economy, and future military employment across the Front region remains in doubt.

In the context of considering the area's economic future, a crucial question is how the Front region is going to succeed in what is a competitive environment. Or put another way, how will the Front region continue to retain and attract people in the area while improving its ability to lure additional investment and businesses? What follows is a brief discussion of a number of factors that likely will influence the long-term economic health of the Front region.

The Heritage Act and the Front's Natural Competitive Advantage: The spectacular public lands of the Rocky Mountain Front give the region a natural competitive advantage and provide considerable tourism and recreation income to the region. In this context, the proposed Rocky Mountain Front Heritage Act, which would designate 67,000 acres of United States Forest Service land as Wilderness and 208,112 acres of Forest Service and Bureau of Land Management land as a Conservation Management Area (CMA), likely would have a beneficial economic impact by helping to preserve the existing hunting, tourism, and recreation sectors that already are an important part of the Front region's economy.

In addition, the proposed legislation also would support current and continued agriculture uses of public lands, while helping to combat noxious weeds, an especially important consideration for Teton County where 20 percent of the total workforce is employed in agriculture-related activities and 79 percent of the county's land is in farm and ranch production.

The Heritage Act also is likely to be a positive influence on the future long-term economic health of the Front region. The Front's public lands serve as attractants for business owners, workers, and retirees—

either as a reason to remain in the area or to move to the Front region. As the services sector continues to drive growth in the West, an increasing number and share of workers will be more “footloose” and able to perform their jobs from a variety of locations, including the Front.

While public lands unequivocally aid growth in today’s economy, they often are insufficient by themselves, and Front communities should explore a number of additional steps to help ensure the economic health of the region.

Branding: The Front region, in addition to emphasizing its strength in public lands and recreation, also should market the area’s high quality of life, the area’s economic stability, and its relative affordability. Part of such a branding effort would include targeting business owners when they first come to the region as tourists. Such outreach would encourage “visit and stay” situations where workers, employers, or retirees visit Great Falls, Choteau, or Augusta, enjoy their stay, and decide to invest in or move to the community. Some of this effort can and must come from local officials and business leaders who make a consistent effort to promote the opportunities and advantages of the Front region relative to Montana and the West.

Benefit of Being Gateway Communities: The Front region has two types of gateway communities. The larger cities of Helena and Great Falls, in addition to being retail and government service centers, also derive economic benefit from being entryway cities to recreation, not just along the Front but for many parts of Montana. Recent efforts to improve air service in both communities are important for tourism and are vital for a growing number of businesses seeking access to clients and customers. Towns such as Augusta and Choteau also serve as more immediate gateways to the Front’s spectacular beauty and outdoor opportunities. These towns capture some of the tourism and recreation dollars spent on the Front each year and have the opportunity to attract additional residents and businesses because of their high quality of life.

Education, Health Care, and Retaining More People: Improving educational opportunities and retaining people must remain a priority. The Front region’s educational attainment for a bachelor’s degree is on par with national and state averages. Equally important, the region has a lower than average percentage of residents who have no high school diploma. Education levels closely correspond to unemployment rates and future earnings, and the Front region should work to make sure its workforce is adequately prepared to succeed in our rapidly changing economy. As aging Baby Boomers make up a greater share of the population across the country, and especially in rural areas like Teton County, local leaders should consider additional health care and other services to meet the needs of this growing demographic.

