

## CHAPTER 5: THE FLATHEAD ECONOMY

### Introduction

~~When this Growth Policy was originally adopted in 2007, the Flathead Valley and its economy were experiencing significant growth and development. Traditionally characterized by its diversity, northwest Montana's economy was stable and growing; a 2004 report on the 'State of the Rockies' identified Flathead County as having the most balanced employment composition in the Rocky Mountain West, with no one sector of the economy prevailing over another. That all changed in 2008, when the economic recession affecting the rest of the Country began to significantly impact Montana's economy. Numerous reports in the years since have characterized Flathead County as one of the hardest hit economies in the state, with some of the highest long-term unemployment rates and a significant reduction in economic diversity. And while the effects of the recession continue to be felt today, the Flathead Valley is beginning a slow recovery, building upon the natural resources and scenic qualities that have traditionally been part of the economic landscape while embracing new opportunities and supporting those economic sectors that have remained resilient throughout the recession.~~

~~Northwest Montana's economy is has traditionally been characterized by its diversity. A 2004 report on the "State of the Rockies" identified Flathead County as having the most balanced employment composition in the Rocky Mountain West, with no one sector of the economy providing the most significant employment or wages. Region specific export products such as Flathead Cherries, the tourism draw of Glacier National Park and Flathead Lake, and the growing areas of healthcare, specialized services, construction, and retail trade were identified as contributors to the Flathead County economy.~~

~~The county's natural environment is has always been one of its chief economic assets, contributing significantly to the high quality of life that draws visitors as well as potential employers and future residents to the Valley. This quality of life is characterized by natural scenic beauty, clean air and water and access to outdoor and recreational opportunities. Region specific export products such as Flathead cherries and timber products, as well as the tourism draw of Glacier National Park and Flathead Lake are prime examples of how Flathead County's natural environment has contributed significantly to the local economy. The county's growing population fueled mainly by in-migration is a sign of the area's attractiveness and confirmation that the quality of life is a major economic asset.~~

~~Rapid population growth between 2000 and 2005 served as a major driver in the county's economic vitality during the first half of the decade. The population of older, working, financially established adults has rapidly increased during this time period, as those in their early 40's to late 50's have chosen chose to relocate to Flathead County. Although population growth continued during the second half of the decade - primarily between 2005 and 2007- the national recession that began in 2008 had a dramatic affect on the rate of growth and overall composition of the population, particularly its civilian labor force. This is not, however, the first time Flathead County has found itself in an economic~~

recession. Cyclical changes related to the evolving needs of a local and regionally connected population will continue to influence and drive the economy. By recognizing this and planning in a way that not only will encourage but sustain future economic growth is one approach to the current issues facing the Flathead Valley.

~~With time and demographic changes, the economy has transitioned to reflect an increase in the number of incomes resulting in more business activity and job growth.~~

## **Goal**

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- G.21 A healthy and vibrant Flathead County economy that provides diversity and living-wage job opportunities and is comprised of sustainable economic activities and private sector investment.

## **Policies**

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- P.21.1 Provide adequate land area designated for commercial and industrial use to promote affordability, creating entrepreneurialism and/or businesses relocation to Flathead County.
- P.21.2 Develop methods to enhance a sustainable agricultural and timber industry through community-based incentives.
- P.21.3 Foster small business development as a method to provide employment and locally produced goods and services to meet the needs and demands of local communities and to provide region specific export goods.
- P.21.3 Promote education and work force development programs to better prepare current and future generations for high quality job opportunities and to provide employers with quality and dependable workers.
- P.21.4 Utilize economic development authorities to attract relocation or startup of businesses that offer competitive wages and job opportunities for those with a range of educational backgrounds.
- P.21.5 Preserve the natural amenities that characterize the county in order to attract industries and businesses that maintain the high quality of life that attracts visitors and new residents, and sustains the tourism sector of the economy.
- P.21.6 Support the continuation of traditional and existing industries to maintain economic diversity.

## **Goal**

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- G.22 Available, accessible, and adequate business infrastructure including facilities, utilities, services and transportation networks to facilitate new businesses and relocation of existing businesses to the County

### **Policies**

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- P.22.1 Identify infrastructure needs of the various business types and identify areas of the County which can best suit those needs.
- P.22.2 Promote business centers and industrial parks in areas served by sufficient infrastructure with consideration to proximity to population densities.
- P.22.3 Encourage the development of an airport industrial/business center to provide convenient access to Glacier International Airport and to foster a growing economy.
- P.22.4 Consider the infrastructure needs of local businesses when prioritizing development of new county facilities.

### **PART 1: Economic Composition (see Goals 21 and 22)**

The Flathead Valley was historically a natural resource based economy. Logging, mining and commodities production have decreased over time, and as a result the Flathead economy has had to diversify in order to accommodate this change (as shown in Figure 5.1 below). The County's economy has experienced significant restructuring over the past thirty years, with significant growth in the retail trade and service industries during the late 1990's and early 2000's. However, the economic downturn has tempered the diversification of the economy in the same way it has affected economic growth and stability. Those industries that experienced enormous increases in employment, labor earnings, and sales over the past decade have since experienced significant losses in these same indicator areas during the recession. The closure of the Columbia Falls Aluminum Company, coupled with the cyclical declines in the wood products and construction industry have added to these losses. However, the natural amenities and quality of life that contribute to the character of Flathead County continue to attract small businesses and technology companies that are becoming more prevalent in light of the new knowledge based, globalized economy. The city of Kalispell's evolution as a regional trade and service center has also contributed to the growth of the County's economic base, even during this period of economic decline.

Several types of indicators may be used to evaluate trends in sectors and sub sectors of the economy. Wages and income, employment, and sales are some indicators which show changes over time. All of these indicators are discussed throughout this chapter to contrast past and current trends and to provide a snapshot of today's economy. The data detailing the Flathead County economy are extensive. However, consistent information for inter sector comparisons per year is not always available. Information contained in

this chapter describes both basic and non basic sectors. Basic sectors are those sectors of the economy which are entirely dependent on export of their goods or services. Examples of basic sector goods are agriculture, manufacturing, and retail trade. Non-basic sectors are dependent on local consumption of goods and services, and include services such as healthcare and education. It is important to note that although the healthcare service industry has been a major contributor to the Flathead's economy over the past decade, it will not be considered a "base industry" until the provision of services expand to a regional level supported by non-localized spending.

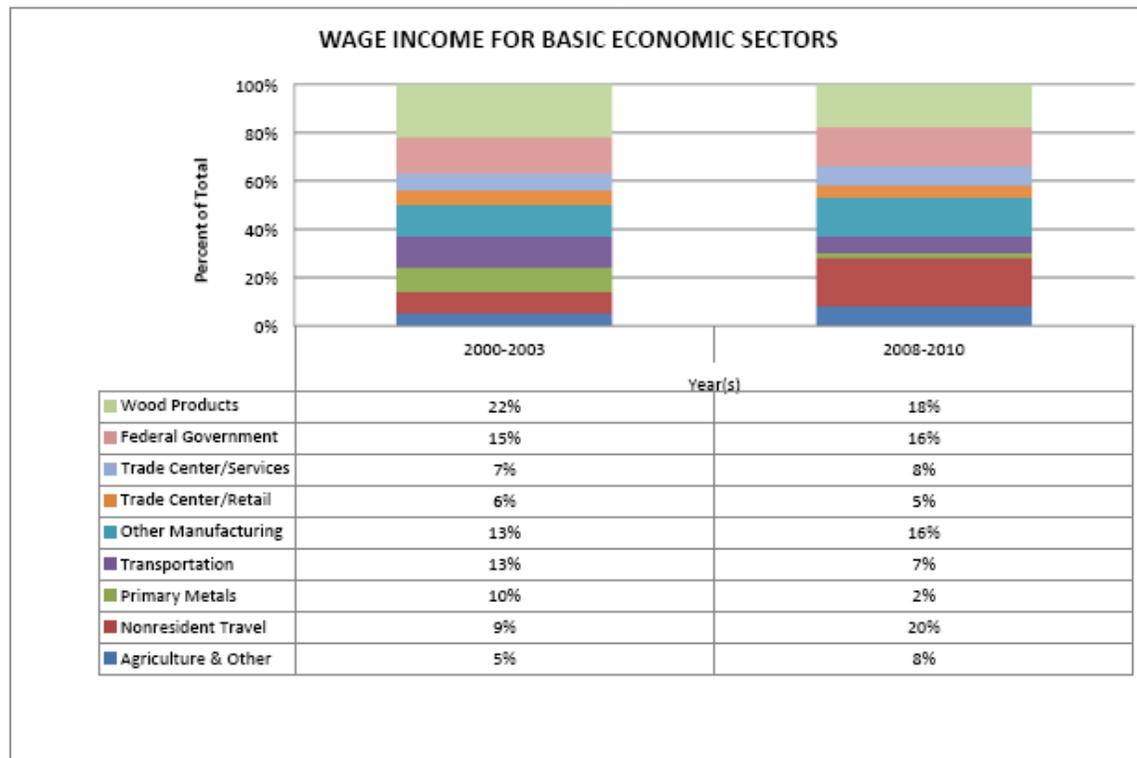
The While the county has grown in population over the past two decades, the labor force has experienced a slight decline in population in the last three years<sup>1</sup>. This decline is attributed in large part to the high unemployment rate and evolving economic base Flathead County is currently experiencing. The gGrowth in indicators such as wage income for basic economic sectors has vacillated between 1970 and 2000 show the change in the economic landscape since 2000. According to data provided by the Bureau of Economic Analysis and shown in Figure 5.1 below, sectors including wood product manufacturing, transportation, and primary metals all experienced significant decline in their percentage of total labor income over the past ten years. For bBasic economic sectors, manufacturing of wood products, primary metals refining, and high tech account for approximately 45% of the economic base of the county including trade services, other types of manufacturing, non-resident travel and agriculture experienced growth totaling 52% of the total labor income. Another major element in the economy is tThe federal government, which includes another major component of the County's economic base that includes the USDA Forest Service and the U.S. Park Service, transportation including railroads, and non resident travel as shown in Figure 5.1 grew slightly over this time period, comprising 16% of the labor income in 2010. Impacts to basic economic sectors as a result of the economic downturn have been particularly acute over the past three years. The construction industry was especially hard hit, a factor that may not be evident based upon the figure below. Many of the industries that experienced significant reductions in staffing and annual wages are not considered basic economic sectors, but are one component of those sectors upon which they rely. These impacts will be discussed in greater detail in the following sections of this chapter.

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<sup>1</sup> Historic Data for Unemployment Rate; Research & Analysis Bureau, MT Department of Labor & Industry

**FIGURE 5.1**

Labor Income in Basic Industries – 2000-2010 (percent of total)



Sources: Bureau of Business and Economic Research, The University of Montana;  
Bureau of Economic Analysis, U.S. Department of Commerce

The ~~economic sectors detailed in the~~ US Economic Census ~~is conducted every five years~~ and provides data for standard ~~industry~~ sectors ~~in important to~~ the county's economy. ~~(Construction is not included.)~~ From the Census information ~~The most recent census was conducted in 2007, and data collected indicates , the total a substantial increase in sales for all sectors equaled 6% over the five year period, increasing from \$2.24- \$2.86 billion in 2002 to \$2.40- \$3.62 billion during that period in 2007, an increase of nearly 20% over a five year period.~~ Retail trades were the largest portion of sales in the county equaling ~~over \$1 nearly \$1.6 billion in 2002 2007, while manufacturing sales totaled nearly \$646 \$9.2 million, and health care and social assistance equaled \$278 \$4.7 million.~~<sup>2</sup> ~~It is important to remember these significant sales increases do not reflect current economic conditions, but those conditions present in 2007; before the economic recession took hold. When the next Economic Census is completed in 2012, it is likely the economic landscape for the past five years will look much different than what the data from 2007 indicate.~~

~~In light of the current economic conditions, it is important that~~ Flathead County ~~should~~ take the appropriate measures to create a market friendly environment that promotes entrepreneurship and small business investment. Appropriate and compatible land uses, such as industrial parks near the airport and visible and accessible commercial lands, are

<sup>2</sup> US Bureau of the Census, 2002 and 2007 Economic Census

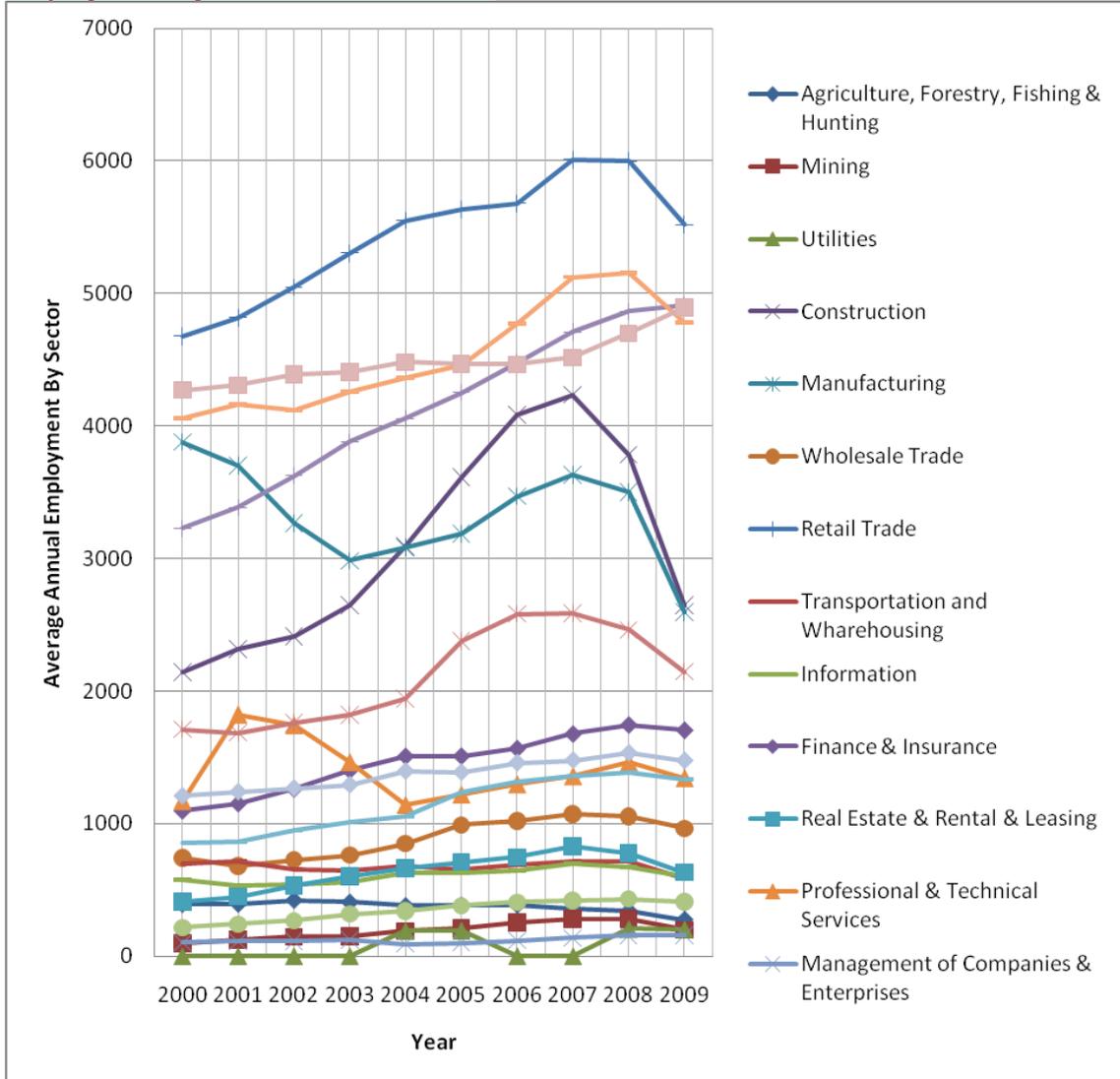
a critical component of rebuilding and maintaining a diverse economy. With a population projected to ~~continue increasing increase to over 111,000 by 2025~~ 125,980 by 2030, the Flathead economy will continue to grow, albeit at a slower rate than the growth experienced prior to 2008.<sup>3</sup> ~~A Having a plan in place~~ to promote ~~all~~ economic development in all viable sectors through appropriate, diverse and compatible land uses, ~~that preserve the integrity of the community~~ will ensure opportunities~~y~~ for diverse growth. The future creation of an economic development plan will be discussed in greater detail in Part 6 of this chapter.

## **PART 2: Employment (see Goal 21)**

From 1990 to 2000 approximately 15,700 new jobs were created in Flathead County, a reflection of the diversifying economy and population growth occurring during this time period. As shown in Figure 5.2 below, employment sectors including retail sales, accommodation and food service, construction, health care and social assistance continued to grow rapidly between 2000 and 2007. Other employment sectors such as mining, real estate, wholesale trade, finance and insurance continued to grow during this time period, albeit less rapidly. Following the economic downturn in 2008, most employment sectors suffered losses in their labor force, the most drastic of which occurred in the construction, manufacturing and retail trade sectors. Only the government and the health care and social assistance sectors have continued to experience modest gains in employment numbers during the economic recession, representing an increase of nearly 50%. ~~Dramatic increases occurred between 1980 and 2000~~ 2007 in areas of services and retail trade as shown in Figure 5.2

<sup>3</sup> Montana Population Projections; NPA Data Services, Inc.

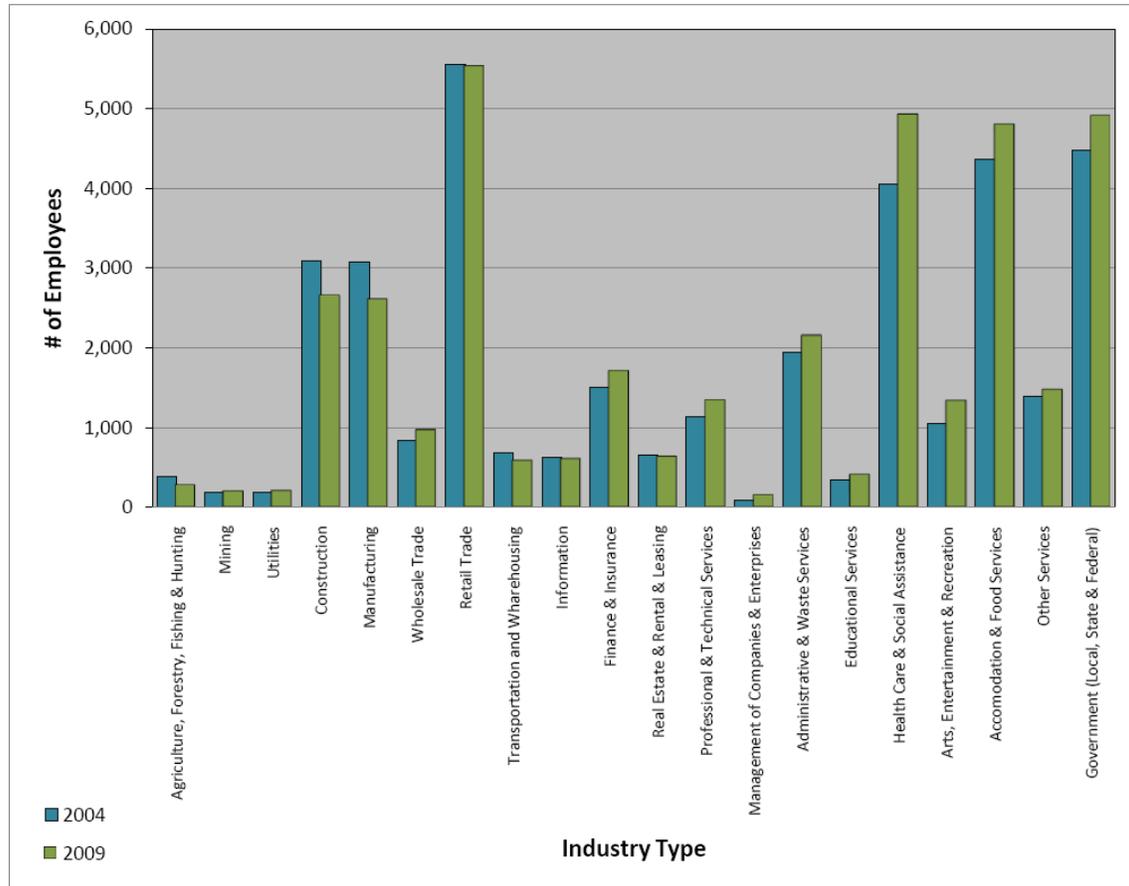
**FIGURE 5.2**  
Employment By Sector – 2000 to 2009



Source: Montana Bureau of Labor & Industry; Employment & Earnings (ES-202/QCEW)

Approximately 35,707- 37,388 persons were employed in private and public agencies in 2004-2009, up from 35,707 persons in 2004. The concentration of employment is spread over several sectors as shown in Figure 5.3. The sector with the largest number of employees is-remains retail trade with 5,551- 5,519 employees, followed by local, state and federal government services; accommodation and food services; and healthcare and social services. Over the past five years industry sectors including wholesale trade, finance and insurance, professional and technical as well as administrative and waste services have increased their annual employment levels compared to 2004. Conversely, traditional sectors such as agriculture and forestry, construction and manufacturing have reduced their annual employment levels. Those sectors with the least number of employees are company and enterprise management with 92, mining with 190, and utilities with 193.

**FIGURE 5.3**  
Employment by Industry – 2009



Source: Montana Department of Labor & Industry, Quarterly Census of Employment & Wages Program

Growth in the service and retail sectors including retail trade and finance, insurance, and real estate has notably increased to meet the growth in population. Service and retail trade sectors witnessed a 57% employment growth during the 1990s. The types of occupations that increased were mainly high quality jobs such as those in health care, engineering and management services, and business services. Service and retail occupations accounted for over 70% of the labor earnings during the 1990's. Between 1997 and 2000, the number of employees in health care and social assistance increased by 257%, followed by arts, entertainment, and recreation with an increase of 74% and employees in administrative ~~and support~~ and waste management ~~and remediation~~ services which increased by 70%.<sup>4</sup> These industry types are components of the service sector of the economy, characterized as providing a service (i.e. intangible good) instead of producing a tangible end product, through activities where people offer knowledge and time to improve productivity, performance, potential and sustainability. As evidenced in Figure 5.3 above, most service sectors continued to experience growth in the since 2004, primarily in the realm of healthcare and social assistance, accommodation and food as

<sup>4</sup> US Economic Census 1997, 2002 – update citation along with updated data

well as government services. Industrial sectors of the economy – those producing tangible goods instead of intangible services – generally experience a decline in employment in the years since 2004. Particularly hard-hit were the construction and manufacturing industries, with decreases in agriculture, forestry, fishing and hunting as well.

### **Unemployment Rates**

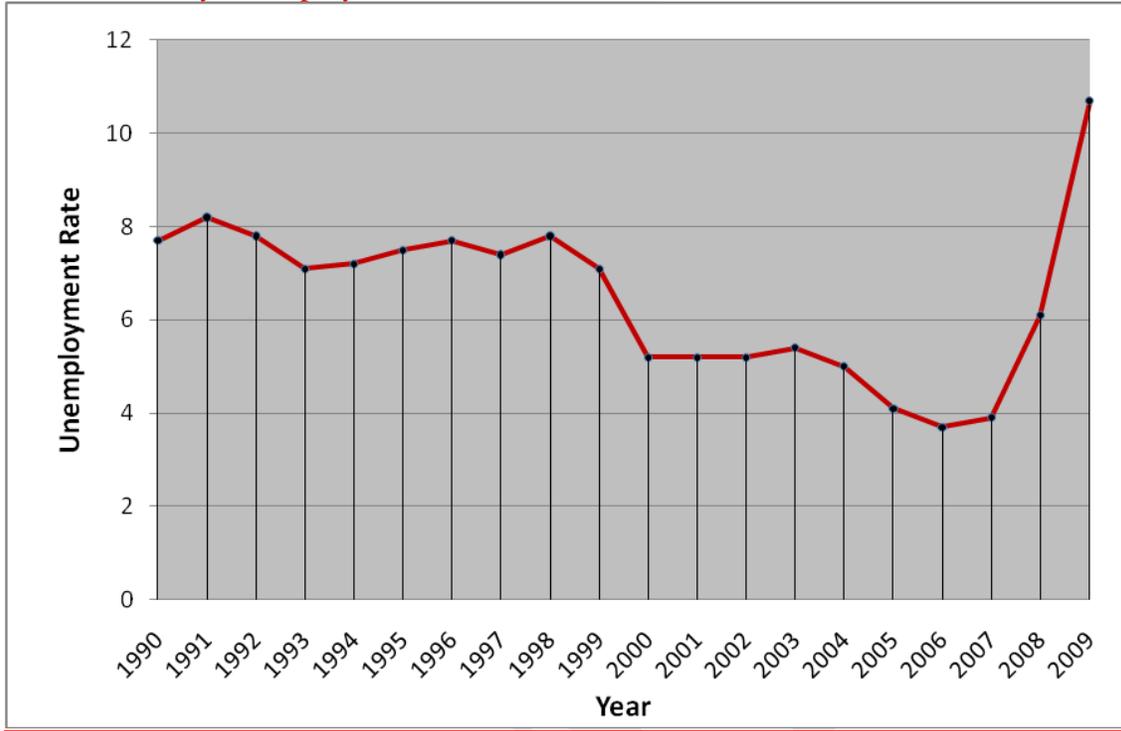
Flathead County is experiencing a low unemployment rate as seen in Figure 5.4. The Flathead County Job Service Workforce Center reports 600 job openings compared with 400 in spring 2005. Businesses in the service and retail trade sectors are experiencing difficulty hiring and maintaining dependable employees.

When the Growth Policy was written in 2007, Flathead County was experiencing low unemployment rates, as evidenced by Figure 5.4 below. Higher unemployment rates in the 1990's gave way to a relatively stable economy in 2000, and unemployment rates generally remained between 4% and 6% from 2000 to 2007. Over the past three years the unemployment rate has more than doubled, hitting 11.8% in December 2010.<sup>5</sup> Prolonged unemployment, combined with a reduction in diversity and prevalence of low-wage earning opportunities have resulted in the County experiencing a level of outmigration, as individuals seek career opportunities elsewhere in the state and region. Table 5.1 and Figure 5.5 below illustrate the impacts of the economic downturn on Flathead County's labor force.

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<sup>5</sup> Economic Outlook 2011; Bureau of Business & Economic Research, The University of Montana

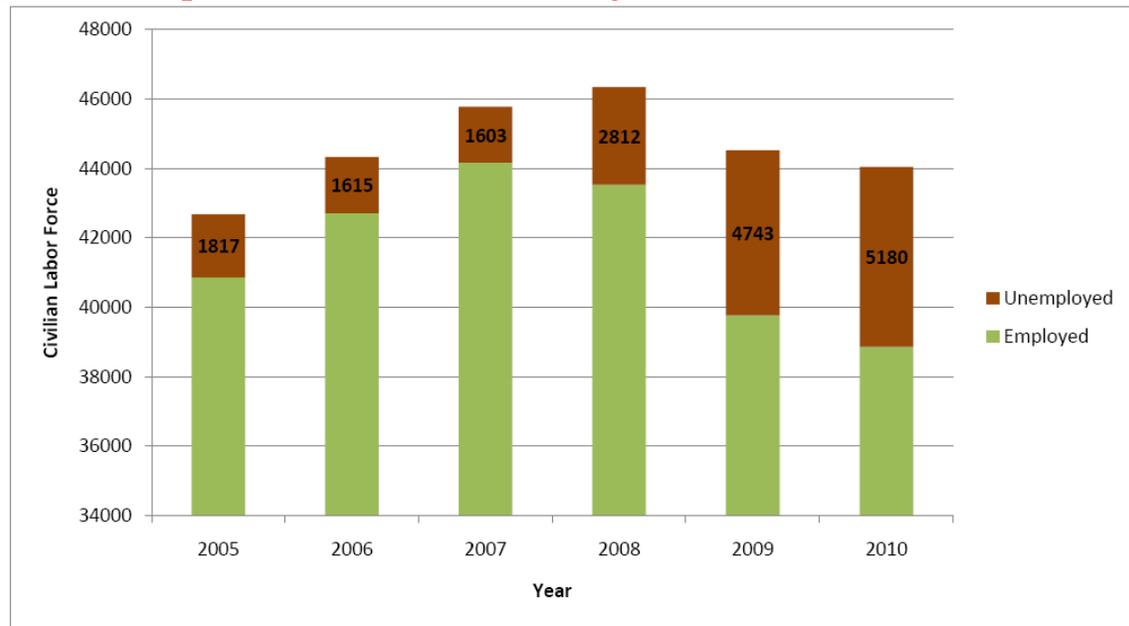
**FIGURE 5.4**  
Flathead County Unemployment Rate – 1990-2009



**TABLE 5.1**  
Annual Average Labor Force in Flathead County – 2005-2010

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2005	42685	40868	1817	4.3%
2006	44329	42714	1615	3.6%
2007	45777	44174	1603	3.5%
2008	46348	43536	2812	6.1%
2009	44516	39773	4743	10.7%
2010	44046	38866	5180	11.8%

Source: Montana Department of Labor & Industry, Unemployment Rates & Labor Force Statistics

**FIGURE 5.5****Annual Average Labor Force in Flathead County – 2005-2010**

Source: [Montana Department of Labor & Industry, Unemployment Rates & Labor Force Statistics](#)

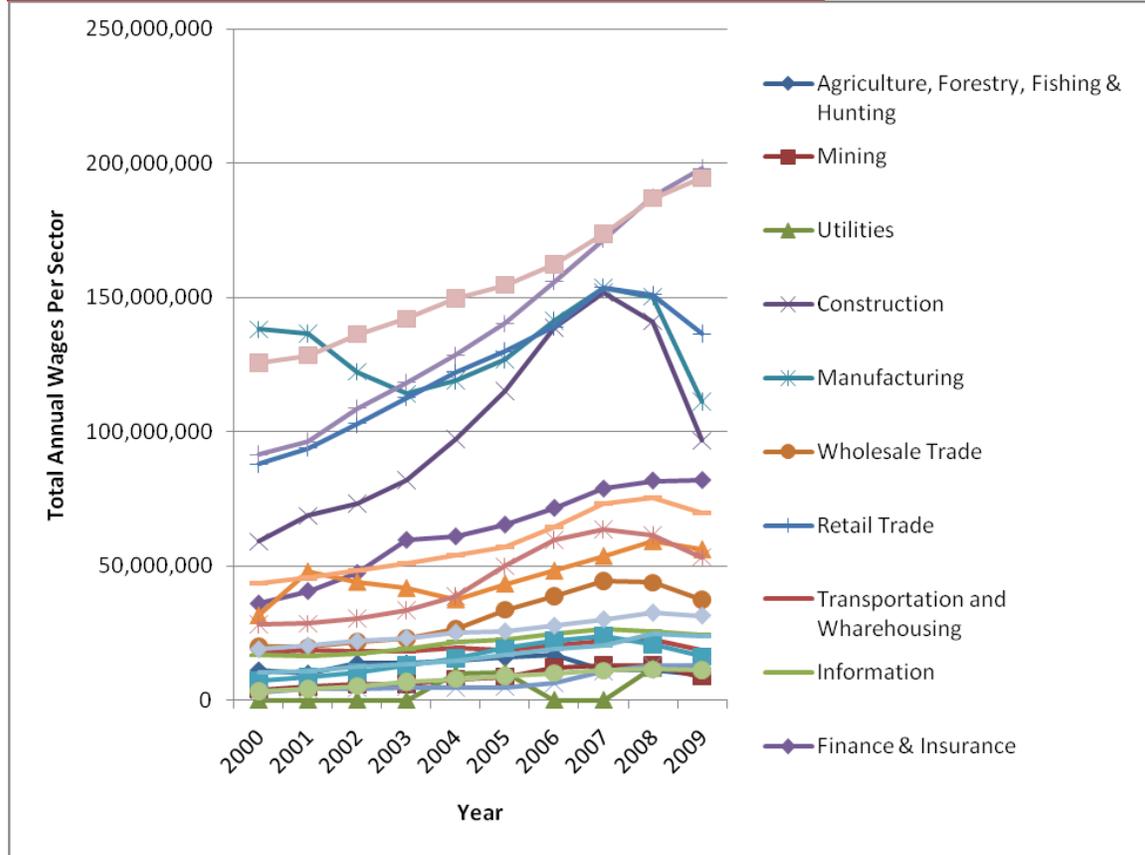
## Wages

Between 2000 and 2007, annual wages for most employment sectors were on the rise, as shown in Figure 5.6 below. Following the economic downturn in 2008 there was a significant decrease in annual wages in the construction, manufacturing and retail trade sectors of the economy, and moderate decreases were felt in other sectors including wholesale trade, administrative and waste services, professional and technical as well as accommodation and food services. Only the health care and social assistance, finance, insurance and government sectors have experienced increases in total annual wages since 2008.

County employers pay less than US employers on average, but are more competitive with average wages for the state of Montana across numerous sectors<sup>6</sup>. Wages rose by 7.4% from 2003-2004. Per capita personal income in 2004 was \$28,598 placing Flathead County as 10<sup>th</sup>-highest in the state;

<sup>6</sup>-Davis, Gregg, PhD and Lynette Smith. Flathead County Wage and Benefit Survey; Center for Business Information and Research, 2005 —update citation information based on current data sources, once above paragraph reworked and

**FIGURE 5.6**  
**Annual Wages Per Employment Sector – 2000 through 2009**



Source: Montana Bureau of Labor & Industry; Employment & Earnings (ES-202/QCEW)

The increasing cost of living in Flathead County has influenced what is defined as a “livable wage” or a wage which covers the costs of basic needs such as housing, food, transportation, healthcare, and insurance. The cost of housing in the county, as discussed in Chapter 3, is a major factor in determining a ‘livable’ wage since this cost has risen dramatically over the past decade. According to a report produced by the Montana West Economic Development, cost of living expenses related to groceries, transportation and healthcare all tend to be higher in the city of Kalispell (and surrounding environs) than the national average.<sup>7</sup> Job related benefits also factor into the cost of living equation. A recent report conducted by the Robert Wood Johnson Foundation indicates approximately 76% of Montanans are covered by some form of health insurance, be it public, private, or a combination of both. 55% of Montanans receive job based health insurance, a percentage that has remained steady over the past decade despite a decrease at the national level. 2009 estimates provided by the US Census Bureau indicate an elderly population (age 65 and over) of approximately 11,709 persons, or roughly 14% of the total population.<sup>8</sup> Affordable healthcare becomes particularly important when factoring in the cost of living for residents in this age bracket, but should be a considerable when

<sup>7</sup> ACCRA Cost of Living Index, Q3 2010, [www.coli.org](http://www.coli.org)

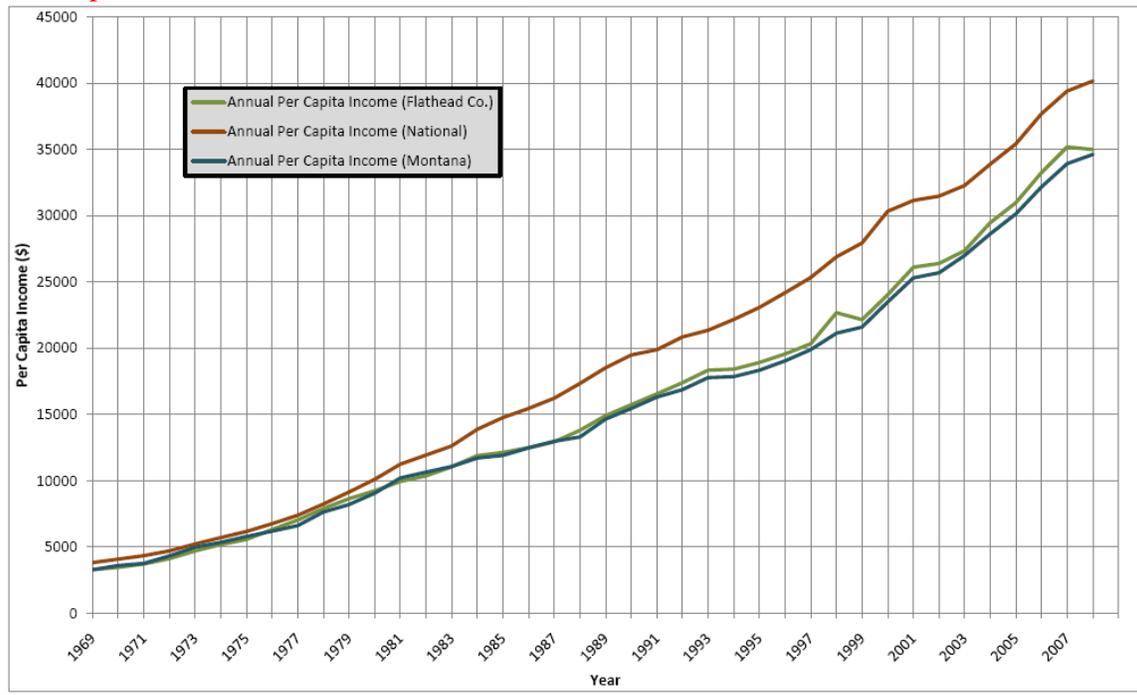
<sup>8</sup> ACS Demographic and Housing Estimates for Flathead County, Montana: 2005-2009

~~factoring wage and per capita income for all area residents. Approximately 51%<sup>4</sup> of private businesses offer medical benefits. This is probably because a majority of companies are small business, which have four or fewer employees and offer medical plans only 47% of the time. In addition only 20% of employers in the county provide pension plans, and 41% offer a 401(k) or savings plan<sup>4</sup>. This is an additional consideration when factoring wage and income for area residents.~~

~~Wages have g~~Generally speaking, personal wages and per capita income have increased since the latter part of the 1990s. ~~However,~~ when compared to the United States, ~~the average annual individual earnings per job~~ in Flathead County have steadily declined against the national average ~~as shown in Figure 5.6~~. In the early 1970s the earnings per job in the county were comparable to those nationwide. ~~In; in fact, in~~ 1973 the average earnings per job in the county was over 95% of the national average. ~~By 2004 the average earnings per job had dropped below 70% of the national average.~~ Over time, however, the rate of personal income increase slowed in Montana generally and Flathead County specifically, while annual per capita income continued to gain ground at the national level. ~~Figure 5.7 offers an evaluation of per capita income for residents of Flathead County compared to residents of Montana and the U.S. as a whole. It is apparent from the data that while Flathead County employers pay less than US employers on average, they are slightly more competitive than their counterparts across the state of Montana. In 2004, per capita personal income in Flathead County was \$29,471 placing Flathead County as 10<sup>th</sup> highest in the state; today per capita income for Flathead residents is \$34,982, on par with the state at \$34,622 but 23% below the national average of \$40,166.<sup>9</sup> Frustration with below average wages is evident from the residents of Flathead County. A goal commonly cited by participants in the 2005-2006 growth policy scoping meetings was jobs with adequate wages that include health insurance (see Appendix B: Public Involvement Summary). These sentiments continue today, as unemployment rates have risen dramatically, and those jobs that are available are often found in industry sectors like retail trades or accommodation and food services that offer lower pay with few or no benefits.~~

<sup>9</sup> [Montana Department of Labor & Industry: Income Report \(1969-2009\)](#)

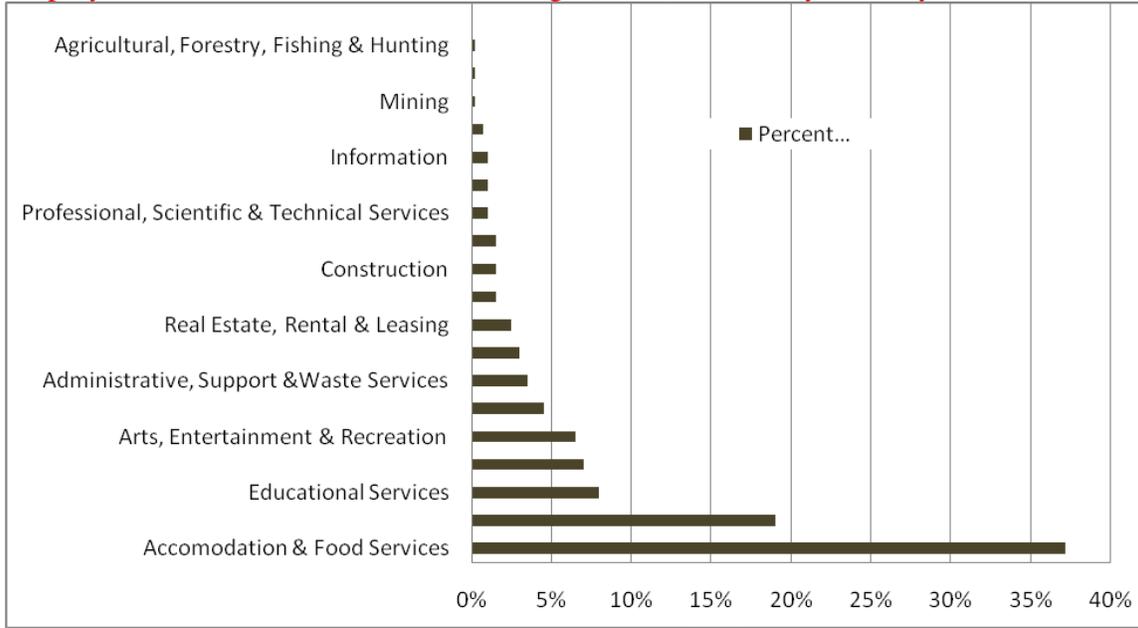
**FIGURE 5.7**  
Per Capita Personal Income – 1969-2008



Source: Montana Department of Labor & Industry; Income Report (1969-2009)

Growth in the service sector has resulted in an infusion of lower-wage employment opportunities in Flathead County during the second half of the decade. While any economic growth is typically considered positive, an increase in lower wage and often part-time jobs has its own unique impact on the economy. Figure 5.8 below shows the distribution of minimum wage jobs paying \$7.35 or less across key employment sectors; note accommodation and food services account for nearly 37% of the jobs paying minimum wage, with retail trades following as a close second. As previously touched upon, these types of jobs rarely offer employment benefits or insurance to help offset cost of living expenses, and minimum wage is rarely considered enough of an income for an individual to provide for themselves or for a family. Current economic conditions have led to the prevalence of underemployment, a situation where skilled workers are employed in low-wage jobs that fail to offer the financial security necessary to support themselves, which tends to affect regional economic stability as well.

**Figure 5.8**  
Employment Distribution at Minimum Wage (\$7.35) or Less by Industry - 2009



Source: Montana Department of Labor & Industry, 2009

Flathead County residents increasingly live on non wage incomes which include income from investments and transfer payments, such as social security, as the number of traditional retirees as well as people in the age group of between the ages of 40 to and 60 years has grown. In 2000 60% of incomes were wage based a 10% decrease from 1990. Nearly 25% of income in the county came from investments such as dividends, capital gains, and interest. The remaining 15% came from transfer payments sources such as social security, Medicare and Medicaid. Figure 5.7-9 shows the income composition in the county from 1977 through 2000-2010 comparing wage and non wage incomes. Update using most current economic census data, if possible.

**FIGURE 5.9**  
**Wage vs. Non-Wage Income – 1977 through 2010**



Source:

## Workforce

At one time there were a number of vacant positions in Flathead County, and employers were experiencing difficulty hiring. Today the County is experiencing the opposite problem – increased unemployment rates mean there are more people than there are jobs. The Whereas five years ago the lack of a sufficient workforce in Flathead County produces resulted in concerns about education, training and employee recruitment, today the high rate of unemployment and lack of jobs has resulted in concerns of significant outmigration and loss of a talented workforce. Creating and maintaining a local economy that is both diverse and sustainable relies equally upon the availability of jobs that pay a living wage and a qualified, able workforce to fill those positions. Historically the Flathead Valley suffered from an abundance of jobs and general lack of qualified professionals. When a region experiences a significant loss of employment opportunities offering a living wage, it is only a matter of time before the unemployed begin to look elsewhere for gainful employment. As the economy recovers, Flathead County may find itself again in the position where jobs are prevalent but a qualified workforce is not.

The majority of Flathead County residents 25 years or older have some education beyond high school, with 5%– 8.1% holding a two-year associate degree, 18.6% holding a four-year bachelor's degree, 6%–7.7% with graduate or professional degrees, and 29%–27.7% with some college but no degree.<sup>10</sup> This education trend is similar to that throughout Montana. An educated workforce is critical to a diverse economy. A major component of attracting business investments to the county is having a well trained ambitious workforce. Flathead Valley Community College provides a critical service in achieving

<sup>10</sup>American Community Survey Estimates, 2009; Selected Social Characteristics, Flathead County, Montana

this objective and should be supported. For more on Flathead Valley Community College, see Chapter 7: Public Facilities and Services.

~~In 2000 male workers comprised 54% of the workforce with female workers comprising the remaining 46%. Men held more jobs in labor intensive industries such as manufacturing and construction and retail trade while more women held positions in education, healthcare finance and insurance<sup>11</sup>.~~

**TABLE 5.2**

Workforce Education (population 25 years and older) – 2009

<u>Educational Attainment</u>	<u>Flathead County</u>	<u>Montana</u>	<u>United States</u>
<u>Less than H.S. Diploma</u>	<u>5.8%</u>	<u>9.1%</u>	<u>14.8%</u>
<u>H.S. Diploma/Equivalent</u>	<u>31.1%</u>	<u>31.5%</u>	<u>28.5%</u>
<u>Some College</u>	<u>27.7%</u>	<u>24.1%</u>	<u>21.3%</u>
<u>Associate's Degree</u>	<u>8.1%</u>	<u>7.9%</u>	<u>7.5%</u>
<u>Bachelor's Degree</u>	<u>20.5%</u>	<u>19.1%</u>	<u>17.6%</u>
<u>Master's/Professional Degree</u>	<u>6.8%</u>	<u>8.3%</u>	<u>10.3%</u>

Source: American Community Survey Estimates, 2009; Selected Social Characteristics, Flathead County, Montana

~~Based on 2009 projections, the workforce (age 18-65) appears to be evenly split with 50% of workers female and the remaining 50% male.<sup>12</sup> Although the current data available from the 2007 Economic Census does not specify which industry types each gender is prevalent in, data from the 2000 US Census indicated men held more jobs in labor intensive industries such as manufacturing and construction and retail trade while more women held positions in education, healthcare finance and insurance<sup>13</sup>.~~

### **PART 3: Business Characteristics (see Goals 21 and 22)**

The majority of businesses in the county are small businesses indicating entrepreneurship is significant. Advanced telecommunication and transportation infrastructure has allowed new business opportunities in the county to grow and thrive. ~~The attraction of a~~ high quality of living in the county is an advantage ~~in bringing when encouraging~~ relocation or ~~the start-up~~ of high tech and value added businesses, as these businesses produce high value goods with low environmental impact. Non employee businesses, or small businesses that employ only the business owner, are prevalent and compose a significant part of the Flathead County economy.

~~Approximately 3,986- 4,250 individual private businesses operated in the county in 2004-2009, 91% of which are small businesses with one to 19 employees<sup>14</sup>. Construction firms are were the most numerous with 743,869 construction businesses in operation, which include the construction of buildings, heavy and civil engineering construction, and as well as special trade contractors. Retail trade is was the second most numerous in regard to number of establishments with 534,484 businesses including motor vehicle and parts~~

<sup>11</sup> ~~www.census.gov~~ www.census.gov ~~update citation as necessary~~

<sup>12</sup> ACS Demographic and Housing Estimates for Flathead County, Montana: 2005-2009

<sup>13</sup> www.census.gov

<sup>14</sup> ~~2000 County Business Patterns for Flathead, MT; US Census 2000~~ update citation as necessary

dealers, furniture and home furnishing stores, gasoline stations, and general merchandise stores. Professional and technical services, accommodation and food services, and other services—service-based business establishments are the next most numerous sectors in regard to number of businesses as shown in Table 5.1 follow closely behind, as seen in Table 5.3 below. While there were only 325 health care and social assistance establishments in Flathead County in 2009, the Kalispell Regional Medical Center is remained the largest employer with roughly ~~1,600~~ 2,282 employees.

**TABLE 5.3**

Number of Establishments per Sector and Annual Wages Per Job – 2009

<u>Industry</u>	<u># of Establishments</u>	<u>Annual Wages Per Job</u>
<u>Agriculture, Forestry, Fishing &amp; Hunting</u>	<u>88</u>	<u>\$34,651</u>
<u>Mining</u>	<u>20</u>	<u>\$44,185</u>
<u>Utilities</u>	<u>11</u>	<u>\$62,227</u>
<u>Construction</u>	<u>869</u>	<u>\$36,473</u>
<u>Manufacturing</u>	<u>188</u>	<u>\$42,830</u>
<u>Wholesale Trade</u>	<u>142</u>	<u>\$38,598</u>
<u>Retail Trade</u>	<u>484</u>	<u>\$24,712</u>
<u>Transportation and Warehousing</u>	<u>124</u>	<u>\$32,240</u>
<u>Information</u>	<u>58</u>	<u>\$40,045</u>
<u>Finance &amp; Insurance</u>	<u>210</u>	<u>\$47,953</u>
<u>Real Estate &amp; Rental &amp; Leasing</u>	<u>236</u>	<u>\$25,641</u>
<u>Professional &amp; Technical Services</u>	<u>440</u>	<u>\$41,668</u>
<u>Management of Companies &amp; Enterprises</u>	<u>14</u>	<u>\$81,174</u>
<u>Administrative &amp; Waste Services</u>	<u>244</u>	<u>\$24,828</u>
<u>Educational Services</u>	<u>38</u>	<u>\$26,999</u>
<u>Health Care &amp; Social Assistance</u>	<u>325</u>	<u>\$40,332</u>
<u>Arts, Entertainment &amp; Recreation</u>	<u>121</u>	<u>\$17,967</u>
<u>Accommodation &amp; Food Services</u>	<u>326</u>	<u>\$14,523</u>
<u>Other Services</u>	<u>312</u>	<u>\$21,296</u>
<u>Government (Local, State &amp; Federal)</u>	<u>112</u>	<u>\$39,707</u>
-	-	-
<b><u>TOTAL Private</u></b>	<b><u>4,250</u></b>	-
<b><u>TOTAL All Industries</u></b>	<b><u>4,362</u></b>	-

Source: Montana Department of Labor & Industry, Quarterly Census of Employment & Wages Program

Larger private employers comprise a much smaller segment of the Flathead County economy. In ~~2000–2010 twenty-four~~ there were nineteen—businesses employed employing between 100 and 499 employees, while only ~~three-five~~ three-five businesses employed 500 or more employees<sup>6</sup>. Of the public sector employers listed in Table 5.5 below, two of the top five employ more than 500 employees. Some of the top private employers in the county are shown in Table 5.2.

**TABLE 5.4****Top Private Employers in Flathead Valley – 2010**

<b>Industry/Employer</b>	<b># Employed</b>
<a href="#"><u>Kalispell Regional Medical Center</u></a>	<a href="#"><u>2282</u></a>
<a href="#"><u>Teletech</u></a>	<a href="#"><u>850</u></a>
<a href="#"><u>Applied Materials</u></a>	<a href="#"><u>800</u></a>
<a href="#"><u>CenturyLink</u></a>	<a href="#"><u>580</u></a>
<a href="#"><u>WinterSports, Inc.</u></a>	<a href="#"><u>500*/80</u></a>
<a href="#"><u>Wal-Mart</u></a>	<a href="#"><u>411</u></a>
<a href="#"><u>Burlington Northern</u></a>	<a href="#"><u>375</u></a>
<a href="#"><u>L.C. Staffing</u></a>	<a href="#"><u>350</u></a>
<a href="#"><u>North Valley Hospital</u></a>	<a href="#"><u>305</u></a>
<a href="#"><u>Plum Creek</u></a>	<a href="#"><u>300</u></a>
<a href="#"><u>National Flood Service</u></a>	<a href="#"><u>260</u></a>
<a href="#"><u>Super 1 Foods</u></a>	<a href="#"><u>260</u></a>
<a href="#"><u>Immanuel Lutheran Home</u></a>	<a href="#"><u>250</u></a>
<a href="#"><u>Western Building Center</u></a>	<a href="#"><u>225</u></a>
<a href="#"><u>Glacier Bank Corp.</u></a>	<a href="#"><u>220</u></a>
<a href="#"><u>Costco</u></a>	<a href="#"><u>210</u></a>
<a href="#"><u>The Lodge at Whitefish Lake</u></a>	<a href="#"><u>180*/110</u></a>
<a href="#"><u>Flathead Electric Coop</u></a>	<a href="#"><u>165</u></a>
<a href="#"><u>Lowe's</u></a>	<a href="#"><u>160*/142</u></a>
<a href="#"><u>Target</u></a>	<a href="#"><u>137</u></a>
<a href="#"><u>Sportsman &amp; Ski Haus</u></a>	<a href="#"><u>131</u></a>
<a href="#"><u>Northwest Montana Human Resources</u></a>	<a href="#"><u>125</u></a>
<a href="#"><u>F.H. Stoltze Land &amp; Lumber</u></a>	<a href="#"><u>125</u></a>
<a href="#"><u>Grouse Mountain Lodge</u></a>	<a href="#"><u>125*/100</u></a>

\* Indicates seasonal employment figures

**TABLE 5.5****Top Public Employers in Flathead Valley -2010**

<b>Industry/Employer</b>	<b># Employed</b>
<a href="#"><u>School District #5 (Kalispell)</u></a>	<a href="#"><u>750</u></a>
<a href="#"><u>Flathead County</u></a>	<a href="#"><u>526</u></a>
<a href="#"><u>School District #6 (Columbia Falls)</u></a>	<a href="#"><u>339</u></a>
<a href="#"><u>School District #44 (Whitefish)</u></a>	<a href="#"><u>207</u></a>
<a href="#"><u>City of Kalispell</u></a>	<a href="#"><u>180</u></a>

Sources: Montana West Economic Development – Flathead County Profile

#### PART 4: Facilities and Infrastructure (see Goal 22)

Adequate business facilities and public infrastructure are necessary to promote a healthy business climate. Successful business communities often rely upon designated business districts to promote close proximity of businesses and services. Advances in transportation and communication technologies have enabled businesses to thrive in more remote areas of the nation. Important transportation infrastructure to support the county economy includes Glacier National Airport, road networks, and the railroad lines. Utilities such as those providing high speed internet and phone services are also essential. For an overview of land use considerations for commercial development see Chapter 2, and for more information on public facilities and infrastructure in the county, refer to Chapter 7.

Existing public facilities, utilities and infrastructure - and their availability for future growth - are key considerations when determining what types of commercial and industrial development can be accommodated and/or planned for into the future. These considerations also directly relate to the patterns of land use and planning for future growth and development based on where necessary infrastructure exists and where infrastructure should be expanded. One component of an Economic Development Plan would deal with these types of issues by inventorying available infrastructure, assessing the needs of future development and prioritizing likely improvements that may be necessary to accommodate certain types of industry in the future. This in turn provides a road map for economic development in the County, providing guidance as to what improvements may be necessary to promote economic growth in Flathead County, based on the types of commercial and industrial business desired and the County's ability to reasonably accommodate them.

#### PART 5: Economic Outlook

When the Growth Policy was originally developed, the economic outlook for Flathead County was essentially good; most estimates projected steady economic growth well into the future, with the possibility of only a slight deceleration late in the decade. As with all economic projections, this rosy outlook was based upon the significant growth and development the County was experiencing during the early 2000s; the impending national economic crisis and its far-reaching impact on the Flathead economy could not have been anticipated. Estimates projecting future economic activity in Flathead County include an increase in non farm labor income growing by 3.0 to 4.0 percent per year through 2008. Other projections had predicted slightly faster growth in 2005 with a deceleration in the following part of the decade. Both are shown in Figure 5.8.

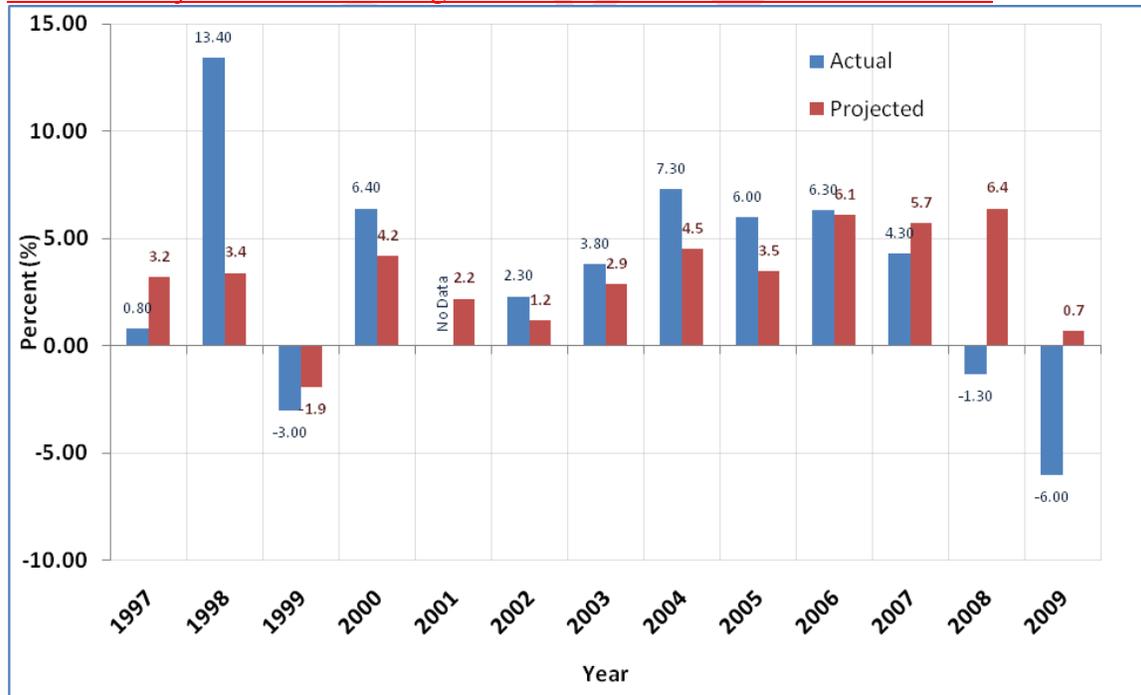
Predicting ~~the~~ future economic trends is a daunting task under the best of circumstances, and becomes particularly difficult when dealing with ~~the~~ a transitioning economy ~~in like that of~~ Flathead County. ~~If~~ As population growth slows in the future, sectors dependent on the growth itself, such as the construction industry, will experience decline ~~– this is precisely what has happened over the past three to four years.~~ The manufacturing sectors

of the economy has continued its decline since 2007, and retail trade – once a fast growing service sector of the economy – has experienced significant declines in employment levels and annual wages. Although the health care and government service sectors have remained solvent and, in some cases, continued to grow in the face of the recent economic downturn, future economic stability relies heavily on diversification and a stable, if not growing population. Growth in the service and retail trade is fast increasing, proving that the economy is clearly shifting to reflect the demographic changes. Success in creating and maintaining a sustainable economy will rely largely on the behavior of private markets.

As can be seen in Figures 5.10 and 5.11 below, the effects of the national recession significantly impacted economic projections at the County level. 2008 was the first year in almost a decade where the Flathead economy experienced negative growth in non-farm labor income; 2009 was even worse. Although projections show a modest increase in non-farm labor income by 2013, it will take the Flathead economy years of positive growth to regain the ground lost to the negative economic growth that occurred in 2008 and 2009. Even as the economy begins to recover, industry projections indicate it will be at least 2014 before real non-farm labor income – the overall measure of the economy – regains a level of growth comparable to 2007. It could take even longer for employment to rebound to levels similar to those pre-dating the economic downturn.<sup>15</sup>

**FIGURE 5.10**

**Actual & Projected Percent Change in Non-Farm Labor Income – 1997-2009**

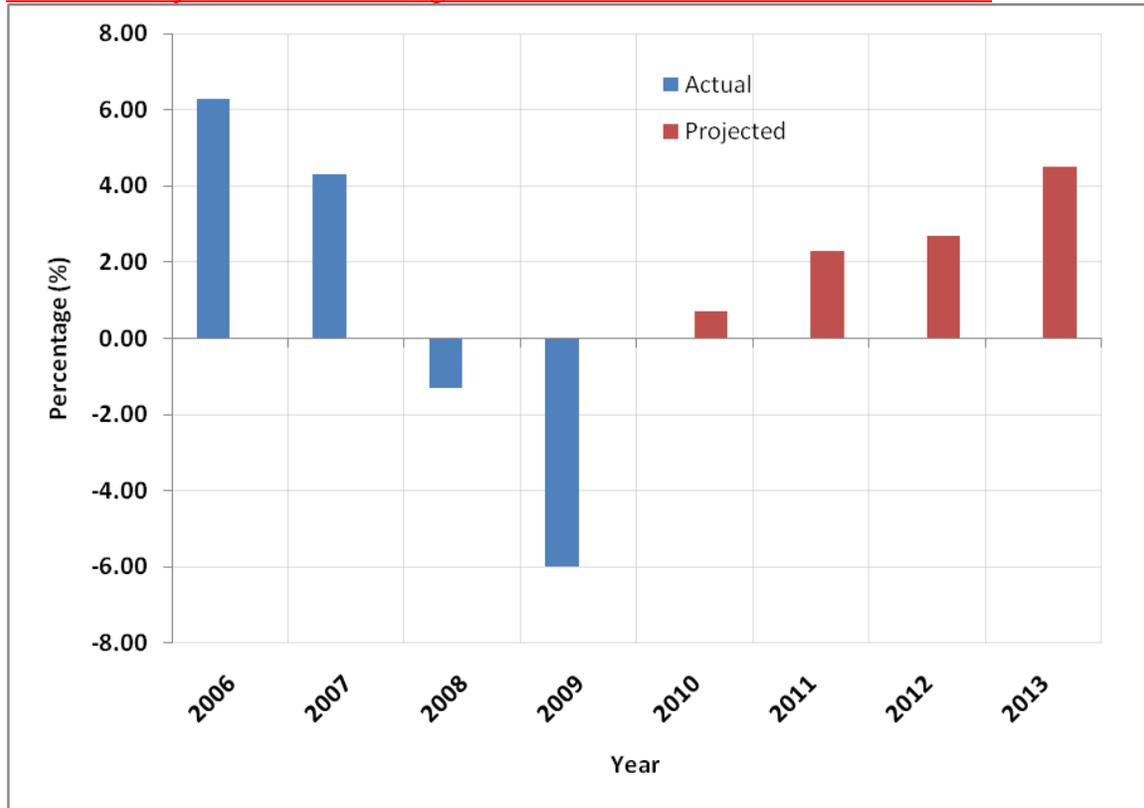


Sources: [Bureau of Business and Economic Research, The University of Montana;](#)  
[Bureau of Economic Analysis, U.S. Department of Commerce](#)

<sup>15</sup> Flathead County - Outlook 2011; Bureau of Business and Economic Research, The University of Montana.

**FIGURE 5.11**

Actual &amp; Projected Percent Change in Non-Farm Labor Income – 2006-2013



Sources: [Bureau of Business and Economic Research, The University of Montana](#); [Bureau of Economic Analysis, U.S. Department of Commerce](#)

Projections for the state of Montana through 2012 appear to reflect similar trends in the county economy. Continued and expanding investments in statewide energy and natural resource infrastructure programming, coupled with strengthened consumer spending levels and growth in exports appear to be setting the stage for a stable economy in 2012. These circumstances are projected to bolster Montana industries such as agriculture and natural resources, while forest products and construction are projected to experience little or no growth into the future. Real estate sales and development will continue to struggle into 2012, while service sectors including healthcare and the tourism industry (non-resident travel, accommodations and food services) are projected to grow moderately over this same time-period. These projected trends include employment declines in natural resource based industries such as mining, crop and animal production, forestry, and industries such as computer and electronic product manufacturing, wood product manufacturing, and primary metal. Economic predictions for the state foresee increases in service occupations, construction and retail trade.<sup>16</sup>

<sup>16</sup> [The Montana Outlook - Outlook 2011; Bureau of Business and Economic Research, The University of Montana.](#)

~~On January 1, 2011 the minimum wage for state of Montana workers increased from \$7.25 to \$7.35, exceeding the Federal minimum wage. While an increase in minimum wage is always a welcome one, the actual purchasing power afforded after adjustments for inflation is significantly reduced.<sup>17</sup> Based on current figures provided by the Montana Department of Labor and Industry, it is likely wage income for Flathead County residents will continue to increase moderately, reflecting overall trends at the state level. However, both state and County wage levels remain far below the current national average. This poses a significant problem for employers seeking to attract and maintain a quality workforce in the face of high cost-of-living expenses. Wages likely will continue to rise as the cost of living in the county continues to increase. Employers will be forced to provide adequate wages to meet the cost of living or be faced with a shortage of dependable employees. Any future influx and/or creation of new high value jobs would be expected to increase wages.~~

~~The economic outlook for the area is good with a diversifying economy which protects the county from suffering from sudden economic changes in any one sector. Flathead County's ability to attract and retain a sustainable employment base, with industries and jobs that will remain in times of slow or fast population growth, will determine the strength of the economy in the future. Flathead County can assist by encouraging safe, healthy, convenient, compatible and efficient land uses that allow a diverse number of businesses to flourish during the process of community development.~~

#### **PART 6: Plan for Economic Development (reference additional goals & policies)**

The goals and policies of this chapter call for a number of activities in support of business to be undertaken by the county. These include providing adequate land areas, fostering business and workforce development, supporting traditional industries, promotion of business centers and other efforts to support a growing economy. This can only be done in a satisfactory manner if the business community works with the county to produce an economic development strategy or plan. ~~Economic development organizations~~ Such a plan must clearly articulate the needs of existing businesses and employers, evaluate present conditions and future needs, identify goals and opportunities as well as set forth an implementation strategy to encourage and support the desired outcome – sustainable economic development. Efforts must be integrated so the county can send a unified message to prospective new businesses in a highly competitive climate. Land area needs must be demonstrated together with strategies for steering commercial growth to selected locations. Such a coordinated effort will help to assure that Flathead County's economic goals will be reached.

This chapter of the Growth Policy identifies key resources and data that will be useful in developing an Economic Development Plan for Flathead County. As the chapter serves as only a general overview of the current economic climate, the scope of the Development Plan will delve deeper into issues affecting the Flathead economy, providing a more comprehensive view and strategy for the future. Economic development plans may be purely informational; focused on fulfilling the particular needs

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<sup>17</sup> Minimum Wage Information; Montana Career Resource Network

of a community; or intent on identifying and capitalizing on opportunities based upon existing resources and workforce. A development plan may also include a target industry study, intended to identify particular industries a community ought to target; this provides the basis for a focused marketing strategy, should the County wish to pursue one. The scope of the Flathead County Economic Development Plan will be decided upon by the committee charged with its creation, dependent upon the goals and objectives identified at that time.<sup>18</sup>

A successful Economic Development Plan should be based upon inter-agency coordination, utilizing existing partnerships and developing new ones to share information, knowledge and expertise beneficial to the plan's development. Existing documents – such as the Flathead County Economic Development Strategy – may also be of use in the creation of a county-wide economic development plan. The following list of potential partners should be included in the development of such a plan, as part of a committee involved in the writing as well as implementation. This is by no means a comprehensive list, and additional organizations should be involved as necessary:

- Montana West Economic Development (MWED)
- Flathead County Economic Development Authority (FCEDA)
- Local Chamber(s) of Commerce
- Cities of Whitefish, Kalispell, Columbia Falls
- Montana Department of Labor & Industry

As with any planning document, implementation tools and strategies are key components in realizing the goals of an Economic Development Plan. Implementation strategies may include marketing and technical studies, small business support, cultivation of existing industry or job training. Implementation tools could include tax increment financing (TIF) districts, major financial incentives, development assistance from state and local governments, shell buildings and even the use of free (public) lands.<sup>19</sup> It is up to each individual community to determine which tools and implementation strategies suit there needs; this will be an important component of Flathead County's Economic Development Plan as it takes shape.

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<sup>18</sup> Kelly & Becker, *Community Planning: An Introduction to the Comprehensive Plan*; Island Press, 2000.

<sup>19</sup> Kelly & Becker, *Community Planning: An Introduction to the Comprehensive Plan*; Island Press, 2000.

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