

How Do Greater Investments in the Montana University System Lead to Greater Economic Success for Montana?

“We will be successful only to the extent that we cultivate, develop, and wisely deploy our intellectual capital. Education is everything.”

- Alan Greenspan
Federal Reserve Chairman

“It’s simple. We made the universities and community colleges top priority.”

- North Carolina President Pro Tem Marc Basnight,
in explaining the success of his state’s economy

“I’m a fiscal conservative. But I recognize that to attract good companies and raise the living standards of our citizens, we need to develop our human capital.”

- Republican Governor Mike Leavitt of Utah,
in explaining his support for strong levels of postsecondary
education funding

Many states have demonstrated the ability to improve their economies and expand job opportunities and income levels for their citizens by making greater investments in postsecondary education. In Montana, our public support for higher education, and our economy and income levels, are lagging behind other states in the region.

This is a trend that we must change.

To do so, we must promote a better understanding of the critical link between a strong higher education system and a strong State economy. In other words, we must answer the following question: “How do greater investments in the Montana University System lead to greater economic success for Montana?” The answer lies not in any single explanation, but rather in a combination of resulting benefits. Specifically, greater investments in Montana’s public colleges and universities will:

1. **Expand the direct economic impact of the Montana University System.** The State’s \$140 million investment in the MUS presently supports a total annual budget of more than \$800 million. Our campuses attract more than \$100 million a year in research grants from non-State sources. Non-resident students and their families bring more than \$110 million a year into the Montana economy. All of these are examples of the substantial direct economic impact of our colleges and universities – an impact that can be expanded with increased State funding.
2. **Improve the productivity of Montana’s workers, businesses, and agricultural operations.** Alan Greenspan and other economists have noted that the US economic expansion over the past twenty years has been largely attributable to improved productivity. Education, research, and workforce training have fueled this massive productivity gain. By making postsecondary education more accessible and affordable to Montanans, by expanding the responsive programs

and training activities of our two year and four year campuses, and by expanding research and development activities we improve our productivity. This in turn, leads to a more vibrant State economy and the ability of Montana employers to both pay and realize higher income levels.

3. **Better serve areas of local market demand.** In certain fields, such as nursing, dental hygiene, and specialty teaching, there is such a strong demand for employment in Montana (particularly in rural areas) that some positions are going unfilled or under-filled. While the MUS is trying to be responsive to these needs, the academic and clinical requirements of these programs are expensive. By expanding levels of State support, we can show greater responsiveness to these and other market needs. This will expand in-State economic activity by improving service levels and realizing higher dollar inflows to Montana from federal agencies, insurance companies, and other out-of-State sources.
4. **Better serve areas of national market demand.** By also expanding research activities and academic programs in areas of national market demand (such as information technology, business services, and bio-based technologies), we will expand business re-location, expansion, and start-up activity in those areas. The result will be more jobs, higher incomes, and a better alignment of Montana's economy with favorable labor and income trends.
5. **Expand research and commercialization activities.** We have an opportunity to build on our successful research effort and leverage incremental State dollars many times over with federal and corporate research projects. To do so effectively, we need State funds to help recruit and retain world-class professors and scientists. We also have a particularly compelling opportunity to help bridge the gap between basic research and the commercialization of promising MUS-developed technologies. Many states are focusing on this opportunity by committing State resources to technology transfer and commercialization efforts. In doing so, they not only stimulate business and agricultural expansion, they also develop a sustainable source of private funding for higher education through royalties and technology licensing arrangements.
6. **Establish Montana as a place where good companies want to locate and grow.** There is no question that good companies with high paying jobs are attracted to states with strong colleges and universities. In a 2001 survey of 400 growth companies in the western U.S., respondents identified their two most important location factors as: (1) access to a skilled, educated workforce; and (2) access to high quality research institutions. If we truly wish to improve Montana's prospects for business recruitment, retention, and expansion, we must listen to what the market is telling us.

Postsecondary Education and Regional Development - What the Economic Development Experts Have to Say -

Set forth below are excerpts drawn from professional papers that were circulated in connection with the February 24, 2002 Conference on Regional Development sponsored by the National Governors' Association. Complete copies of the materials are available upon request.

“States that hold onto the old view of competition and focus the lion’s share of their resources on a ‘low cost’ formula that ‘buys’ a competitive edge are likely to lose the economic development game in the future. On the other hand, states that recognize that competitive advantage have taken on a new meaning and deploy their resources accordingly can expect to be winners in the global economy”.¹

“The challenge for states in the future no longer is simply to create or “purchase” jobs for their current and future residents; rather, it is to make sure that the jobs they seek to create are quality jobs.”¹

“The private sector has the principal role in creating quality jobs and wealth and in raising living standards. Still, the public sector has the responsibility to assist by providing the environment and economic foundations that will support quality economic growth. **Education and job training programs are the major tools of states’ public policies for raising the living standards of their citizens.**” (emphasis added)

“Higher levels of innovation output lead to higher levels of prosperity. Maintaining, much less increasing, a region’s standard of living requires the steady growth of productivity, which in turn requires innovation.”²

“Universities and specialized research centers are the driving force behind innovation in nearly every region.”²

“Specialized talent and training are more important than abundant labor. It is not abundant, low-wage labor that attracts innovative companies, but rather highly talented, specialized, and often expensive labor.”²

[The first of five “action agendas” for state governments to pursue a successful regional development and business clustering strategy was identified as:]

“Invest in the foundations of science and technology.

- Recognize the state government’s important role in supporting R&D funding at state universities.
- Establish and maintain high levels of state support for community colleges and specialized training centers.
- Create a strong university or college presence in all major regions of the state.”²

¹ Mary Jo Waits, “The Added Value of the Industry Cluster Approach to Economic Analysis, Strategy Development, and Service Delivery”, *Economic Development Quarterly*, Vol. 14 No. 1

² Michael E. Porter, “Clusters of Innovation: Regional Foundations of U.S. Competitiveness,” *Council on Competitiveness*.