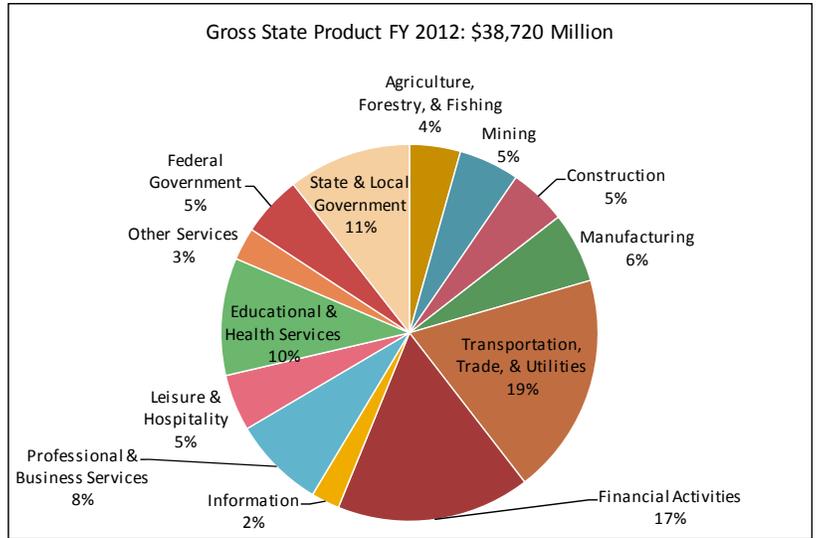


APPENDIX C - ECONOMICS AND DEMOGRAPHICS

State budget numbers are very large and sometimes difficult to keep in perspective and, without some context, the relative size of the numbers is nearly impossible to gauge. The following comparisons are meant to provide perspective on the state as a whole and how individual services or revenue fit within the whole. Most comparisons use state fiscal year 2012 (FY 2012), which is July 1, 2011 to June 30, 2012. When only calendar year information is available, the most recent calendar year information is used. Unless otherwise stated, the sources of information are from either IHS Global Insight (IHS), an econometric firm that the state contracts with for economic data or from the state accounting and budgeting systems.

GROSS STATE PRODUCT

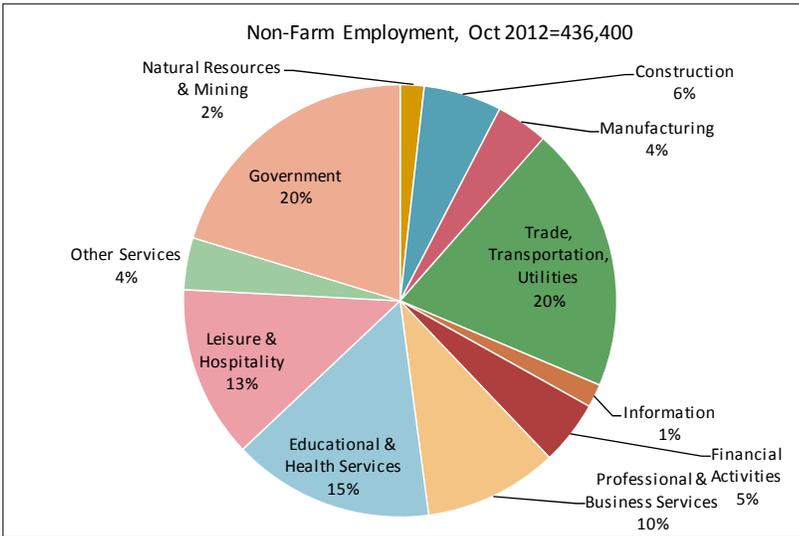
In FY 2012, Montana had an estimated gross state product (GSP) of \$38.7 billion. GSP is the value added in production by the labor and capital located in a state. An industry's GSP, or its value added, is calculated as the sum of incomes earned by labor and capital and the costs incurred in the production of goods and services. The breakdown by sector of Montana GSP is shown in the adjacent chart.



EMPLOYMENT

After experiencing small year over year (y/y) employment declines each month in calendar 2012, Montana returned to employment growth in October 2012, adding 9,700 jobs y/y, or 2.3%. Professional and business services is now the leading sector in employment growth, adding payrolls at a rate of

6.9% y/y in October 2012, followed by the wholesale trade sector, which expanded 5.1% y/y in October 2012.

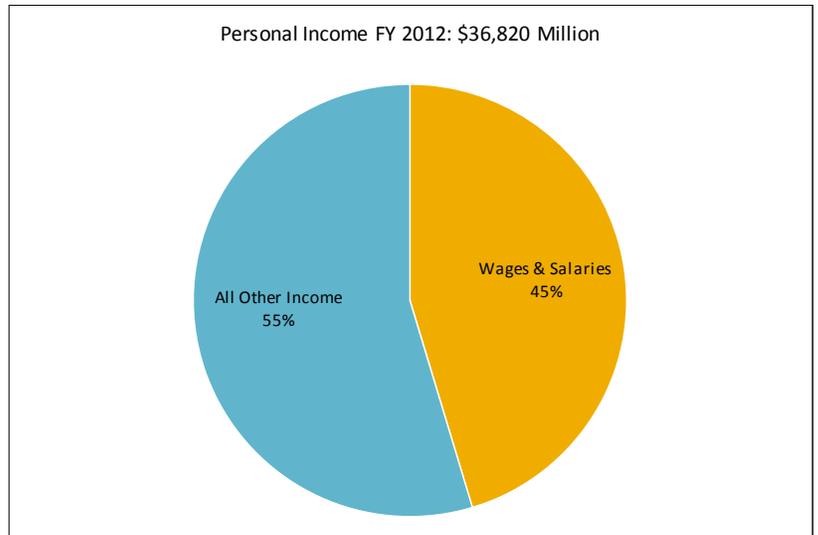


The construction sector has been expanding in 2012. In the six months leading to October 2012, the sector's compound annual growth rate was 11% due to tremendous growth in new housing construction. Consequently, housing prices have begun to rise. Most of the growth is happening in Billings and outside of Montana's major metropolitan statistical areas. Eastern Montana has been participating in the Bakken oil boom, specifically in refining, exploration, and administrative/support services, with natural resource employment picking up over the past six months.

PERSONAL INCOME

Personal income is the income received by all persons from all sources. It is the sum of net earnings by place of residence, property income, and personal current transfer receipts. Property income is rental income of persons, personal dividend income, and personal interest income. Net earnings is earnings by place of work less contributions for government social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal income is measured before the deduction of personal income taxes and other personal taxes.

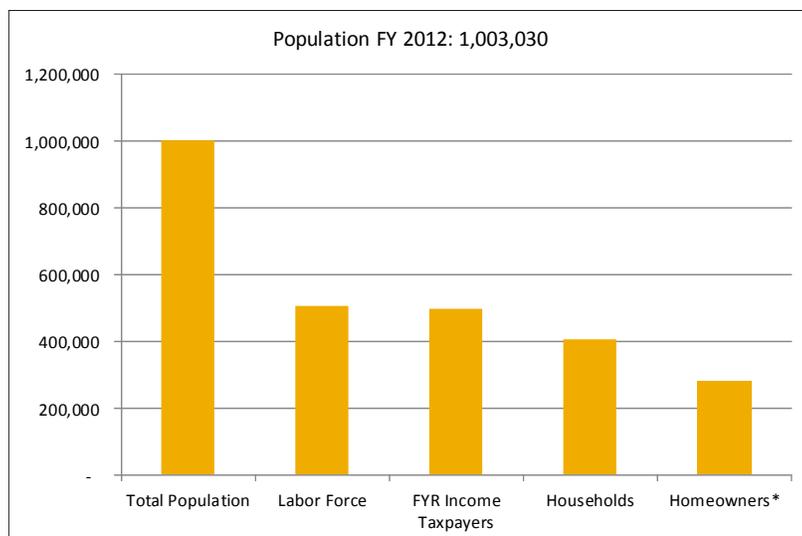
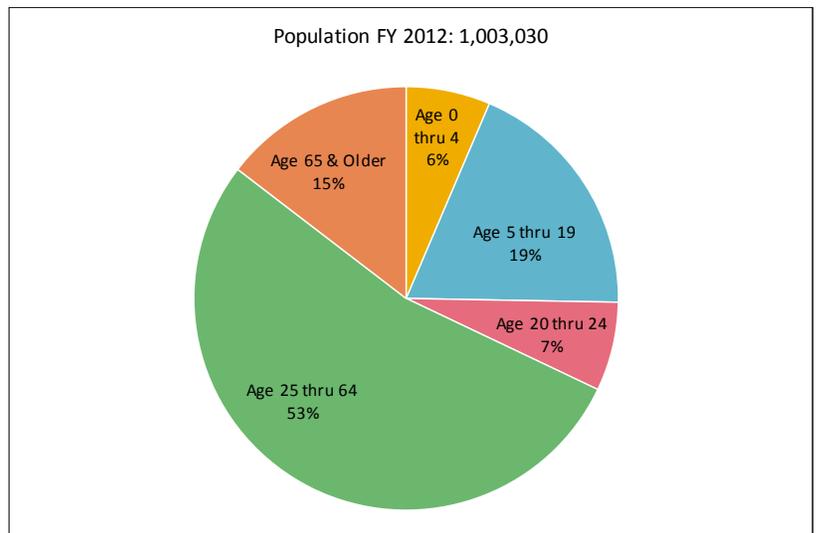
Personal income is typically averaged two ways: per capita income and average household income. Per capita personal income is estimated to be \$36,707 in FY 2012.



POPULATION

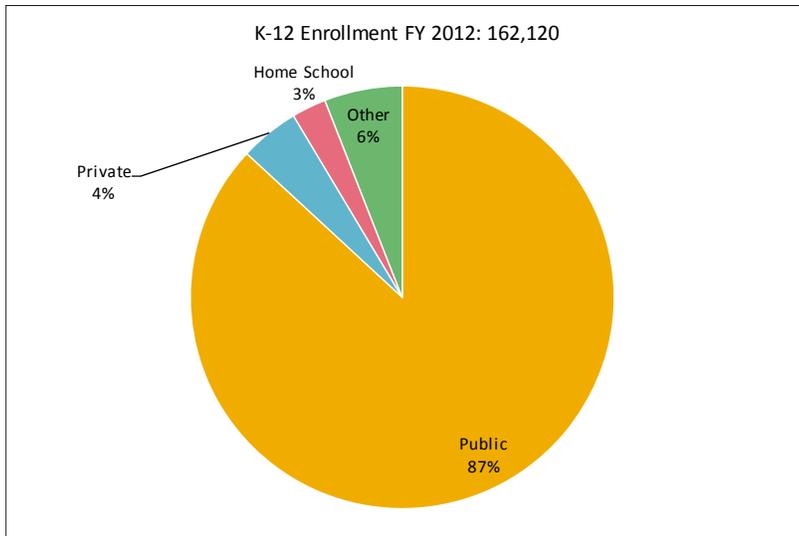
Montana, with a total area of 145,552 square miles, is the fourth largest state. Its population of 1,003,030 (FY 2012 estimate) places Montana 44th among all 50 states for population. Montana has an average of 6.9 people per square mile while the U.S. average is 82.1.

The labor force and full year income taxpayers are both about half the total population. There are on average 2.5 persons per household. Approximately 69% of households are owner occupied.



EDUCATION

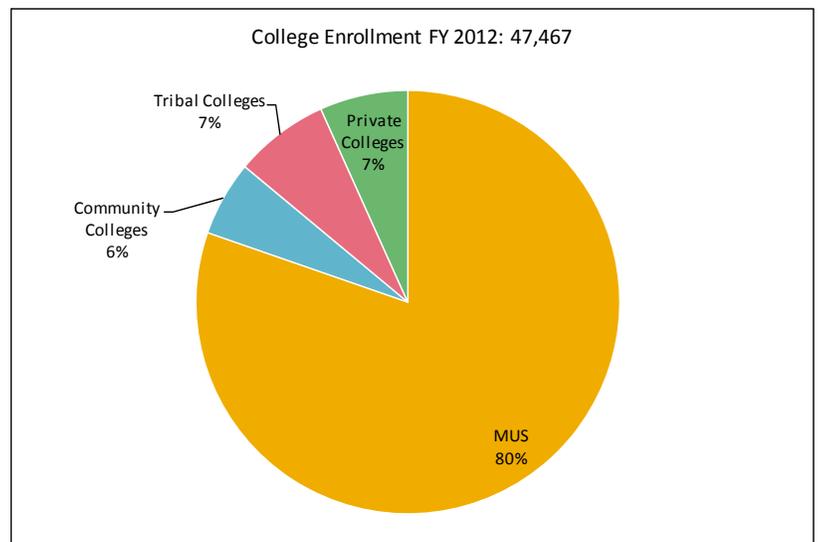
The FY 2012 enrollment in K-12 public education was 140,875 (OPI Enrollment report) or 86.5% of the estimated 5-to-18-years-old population (162,891). The private school enrollment was 7,347 or 4.5% and the home school enrollment was 4,260 or 2.6%. Others—drop out students or those enrolled at federal schools such as Job Core—accounted for an estimated 9,638 or 5.9% in FY 2012.



The state provides support to K-12 education. The average state support per student was \$4,800 in FY 2011, the last year for which spending data is available. State and local support was \$9,401 per student and total spending per student (including federal and other funds) was \$10,999. Montana combined state and local spending was \$1,275.7 million, or \$1,272 per capita and \$3,142 per household. Total spending on K-12 public education was 4.0% of GSP.

The state provides support to the Montana University System (MUS), community colleges,

and provides financial support to tribal colleges for serving non-beneficiary Montana students. The average state support per resident student was \$5,098 for MUS, \$4,458 for community colleges, and \$2,480 for tribal colleges in FY 2012. Total spending per student (general operating budget, including state funds, tuition, and other funds) was \$11,179 per student in the MUS and \$9,254 in the community colleges.



Total state support for higher education, including the MUS units, community colleges, and tribal colleges, was \$162.8 million in FY 2012. This is \$162 per capita or \$401 per household, and 0.4% of GSP. Total spending (general operating budget) at the MUS units and community colleges was \$451.4 million.

HEALTHCARE

The primary healthcare programs of the state are Medicaid and Healthy Montana Kids (HMK). HMK is comprised of two funding streams: Medicaid and Children's Health Insurance Program (CHIP). Other smaller programs include elderly prescription drug

	Medicaid	CHIP	Total	Population	% of Population
Age 0-18	69,353	20,783	90,136	239,740	38%
Age 19-64	31,734		31,734	613,679	5%
Age 65+	10,653		10,653	149,610	7%
Total	111,740	20,783	132,523	1,003,030	13%

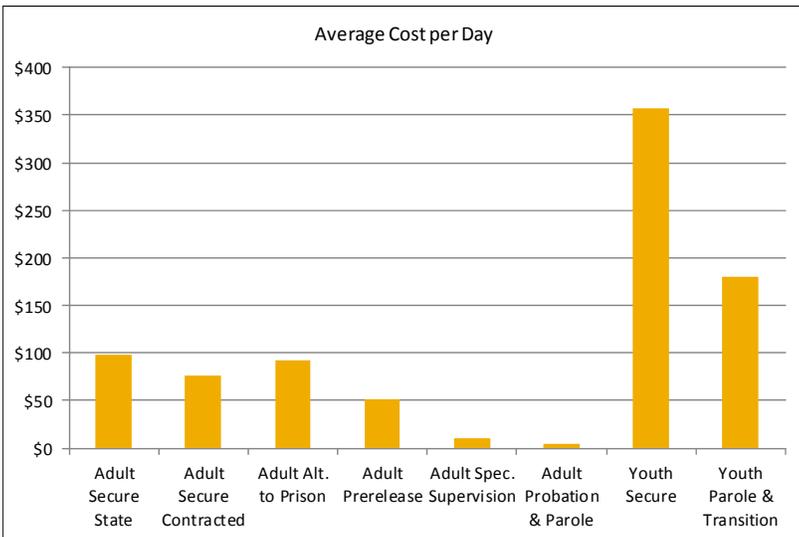
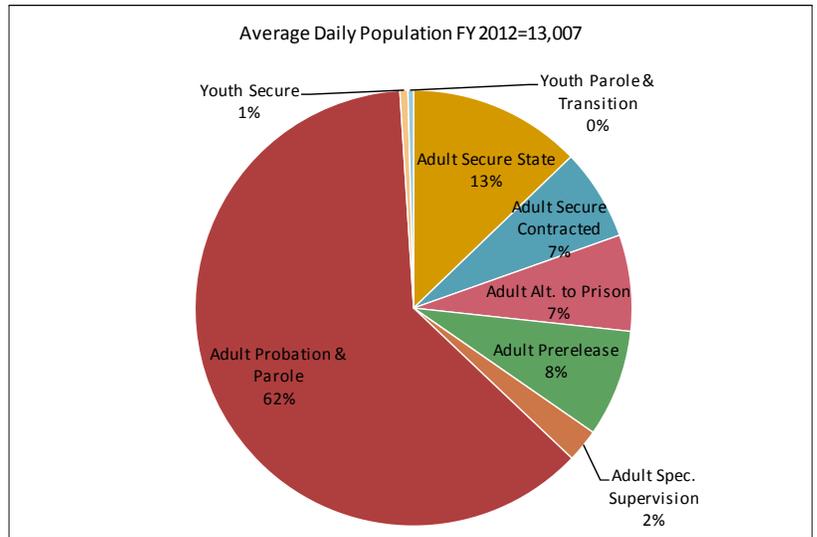
assistance and mental health services. The adjacent table shows the numbers of individuals in the two largest programs and the estimated portion of the population that each represents in FY 2012.

While most of the participants in state provided health care are children, the average cost per year for a child is substantially lower than the cost to provide healthcare for older Medicaid participants. The individuals eligible for Medicaid—those 65 or older—cost \$24,932 per year in FY 2009. The high cost of this age group is the result of nursing home care, and nursing home care substitutes like home and community based services. Of those in receiving Medicaid services in the age group 19-64, 57% are disabled. The disabled population has a higher than average care cost due to more intensive home and community based services provided to these individuals.

Total state spending in FY 2012 on Medicaid and Healthy Montana Kids was \$547.1 million, or \$545 per capita and \$1,347 per household. This represents 1.4% of GSP.

CORRECTIONS

About 80% of the approximately 13,000 adult offenders under supervision of the Department of Corrections are managed in programs outside of prison, up from 75% a decade ago. The goal is to supervise offenders in community-based programs to help them become productive, law-abiding citizens. The emphasis in recent years has been expanding programs that offer alternatives to prison. These programs include drug and alcohol treatment, and sanction and assessment programs. Most individuals under the custody of the Department of Corrections are in adult probation and parole. This service is the least costly of all the services provided by the Department of Corrections.



State funds are the primary source of support for corrections. Total spending in FY 2012 was \$175.4 million, or \$175 per capita and \$432 per household, and was 0.5% of the GSP.