Local employment and housing markets and their impact on MSU as a quality employer
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Local employment and housing markets and their impact on MSU as a quality employer

Introduction

Montana State University (MSU) within the Community Context is researched, updated, and published annually by MSU Staff Senate as a detailed description of the regional economy as it relates to MSU classified employees.

The 2010 MSU within the Community Context provides a comprehensive description of the regional economy with an emphasis on housing, cost of living, employment, recruitment and retention of classified employees at MSU Bozeman. Since 2007, Staff Senate has been tracking these issues and their impact on MSU as a quality employer. This history is available on the Staff Senate web page under Recruitment and Retention Research (http://www.montana.edu/staffsenate/Recruitment&Retention/RECRUIT&RENTENTIONpage.htm).

About Staff Senate

The Classified Employees Personnel Advisory Committee (CEPAC) was established by MSU’s President in 1976 as a means of facilitating communication and cooperation among classified staff, and communication with administration in the development of general decisions and policies which affect classified employees. CEPAC was renamed in November 2007 to Staff Senate. The Senate is intended to promote collaborative efforts by classified staff with others on campus in mutual efforts to effectively and efficiently carry out the land-grant mission of Montana State University.

Staff Senate participates fully in all aspects of MSU’s shared governance. It promotes and provides for improved working conditions and professional welfare of the staff, assists in the development of staff training programs and policies, and carries out such other goals and activities deemed to be consistent with the overall purpose of Staff Senate and the Administration of MSU.

Staff Senate serves MSU Bozeman’s classified staff, both union-affiliated and non-union personnel working locally and remotely in five categories: Classified Professional, Secretarial/Clerical, Skilled Crafts, Service/Maintenance, and Technical/Paraprofessional.

Collaborative efforts include the Association of Shared Governance Leaders (ASGL) where leaders from Staff Senate, Associated Students of Montana State University (ASMSU), Faculty Senate, and Professional Council meet. Staff Senate also works with our peer organizations on other campuses through our participation in Montana University System Staff Association (MUSSA).

As a shared governance partner, Staff Senate shares its research in a collaborative effort with the Office of the Commissioner of Higher Education (OCHE) and the Board of Regents. For additional information, visit www.montana.edu/staffsenate or call 406-994-6895.

About Staff Senate’s Research

Staff Senate used published reports, newspapers, constituent input, participation in community events, and local organization interviews to: examine MSU within the community context, currently and in relation to Staff Senate’s previous research; describe ways in which MSU’s standing as a quality...
employer may have changed; make recommendations as to how MSU might improve its employer status and offer more to the community; and suggest areas of future focus.

About Gallatin County and Bozeman
Gallatin County, with Bozeman as its county seat, covers a land area of 2,606 square miles and has population density of 35 people per square mile. Gallatin County is the most populated and fastest growing county in southwest Montana. According to 2009 Census estimates, Gallatin County is the fastest growing county in Montana and is the third largest county in the state.

Bozeman’s population has grown 33.2% between 2000 and 2009. Bozeman is the fourth largest city in Montana with a population of 39,282. Bozeman’s economy is largely supported by construction, government, manufacturing, retail, service, and agriculture sectors with tourism and technology on the increase.

The average annual wage in Gallatin County is $33,254. MSU is the largest employer in the region. MSU and state and local government account for 40% of the economic base in Gallatin County. MSU is competing for employees with private sector companies such as Bozeman Deaconess Hospital, Right Now Technologies, Kenyon Noble Lumber & Hardware, Murdoch’s Ranch & Home Supply, Wal-Mart, Zoot Enterprises, Bioscience Laboratories, and Printing For Less.

Issues that affect MSU employees are workforce housing, state funding of the University System, and public debt, growth, and infrastructure. Since 2008, the national economic crisis, sometimes referred to as the "Great Recession", is having a positive impact on retention at MSU; employees who have jobs are staying put. However, low salaries and the high cost of housing make MSU vulnerable in the recruitment market. In addition, once the national economic crisis abates and the local economy returns, retention will most likely be negatively impacted.

About MSU and our 'One University'
President Cruzado, since taking office in January 2010, has stressed "the importance of our land-grant mission and our 'One University': with four campuses, one museum, seven agricultural centers, and Extension offices serving all 56 counties, and that the state of Montana is our campus". MSU has campuses located in Bozeman, Billings, Great Falls, and Havre; each with their own faculties, staffs, and community concerns. This report includes data regarding employment, housing, and the economic needs of these communities in addition to Bozeman.

Employment Overview
Employment in the year 2010 has been significantly affected by the national and regional economies, the cost of living, the availability of employment and wages.

Unemployment
The Bureau of Labor Statistics defines unemployment as "people who do not have a job, have actively looked for work in the past four weeks, and are currently available for work". The unemployment rate is a lagging indicator that gauges the economy’s growth rate.

The national unemployment rate peaked at 10.2% in October 2009. It rose steadily from its low of 4.4% in March 2007. The rate did not become a concern until it climbed above 5% in March 2008. Unemployment rose rapidly, breaking 6.2% in August 2008, 7.2% by November 2008, 8.1% by February 2009, 9.4% June 2009, finally reaching 10.2% in October 2009. Unemployment had not reached 10% nationally since the 1983 recession, when it was above 10% for 10 months.

According to the Montana Department of Labor and Industry, employment losses have been greatest in the construction, retail and wholesale trade, and manufacturing industries. From 2007 to 2009, the construction industry lost over 8,300 jobs or 24.2% of its workforce. Retail and wholesale trade lost over 3,700 jobs (5.0%), while manufacturing job declined by 3,000 (14.8%) over the two year
timeframe. Over half of the manufacturing job losses occurred in the wood products industry and were related to the downturn in the housing market.

**Unemployment Rate**

Source: Montana Department of Labor and Industry, Research and Analysis Bureau

Unemployment rates for counties with MSU campuses, for the month of October, were: Gallatin County, (MSU Bozeman) 6.7%; Yellowstone County, (MSU Billings) 5.10%; Hill County, (MSU Havre) 4.80%; and Cascade County, (MSU Great Falls) 5.7%. The average unemployment rates through the month of October 2010 were 9.65% nationally, 7.88% for the state of Montana and 7.88% for Gallatin County.

**Unemployment Rate - Counties with MSU Campuses**

Source: Montana Department of Labor and Industry, Research and Analysis Bureau

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Economists Toby Madden and Rob Grunewald of the Federal Reserve Bank of Minneapolis predicted a gradual recovery in 2010 for most sectors of the Montana economy according to their recent survey. "We’re not dropping anymore. It looks like we’re slowly on the mend," Madden said. "It appears the recession is over." The only sector of the region’s economy to see job growth in 2009 was education and health services, according to the Bureau of Labor Statistics. Madden and Grunewald said, "They think Gallatin County’s economy is one of the strongest in Montana". Paul Polzin, former director of the University of Montana’s Bureau of Business and Economic Research reported, "We were most optimistic about the Bozeman economy last year, and we continue to be most optimistic about Gallatin County."

Candidate Pool
New job vacancies posted with the Bozeman Area Job Services Workforce Center in October showed an increased number of posting over the previous year. Postings continue to be lower than the 2007 postings.

![Job ads with Bozeman Job Services](chart.png)

Source: Bozeman Job Service Workforce Center

The trend of more applicants for fewer jobs holds true not just at MSU Bozeman but other Montana campuses and local private employers as well.

Economic Forecast
The economy added 151,000 jobs in the month of October 2010, but only about half of what it would take to put a noticeable dent in unemployment according to Mark Zandi, chief economist at Moody’s Analytics. “Big and midsize companies are very profitable but they need to get over the shock of the recession and regain the confidence to start hiring again. That will probably take another year or so”, according to Zandi. He thinks net job creation won’t consistently hit the magic 300,000-a-month mark until 2012. Zandi further stated, “Job creation used to bounce back faster after recessions. When manufacturing occupied a bigger part of the economy, factories would quickly revive the labor market by recalling laid-off workers once conditions improved. After the 1981-82 recession, for instance, the economy generated 287,000 jobs a month in 1983 and 323,000 in 1984.”

According most economists, the Great Recession has been over since June 2009, with an average gain of 87,400 jobs a month. In spite of the fact that the recession is over according to economists, unemployment is at a record 16-month high of 9.5% or higher (June 2009 to November 2010). At that pace, according to these economists, it would take until the end of 2017 to replace the 7.5 million jobs wiped out by the downturn that began December 2007. The White House’s Office of Management and Budget (OMB) projects by the end of 2011 unemployment will fall significantly, to 8%. After that, it will decline slowly, falling to 7.5% in 2012, 6.5% in 2013, and 5.7% in 2014. How quickly people will become employed and what timeframe the economy will recover depends on the source.
According to Patrick Barkey, an economics professor at the University of Montana a delayed decline in home prices and drops in manufacturing and tourism have caused unemployment in western mountain states to rise faster in the past year than in any other region. The lagging pace represents a sharp turnaround for a region that had been growing at a healthy pace before the recession. Montana has seen its unemployment rate rise by the most in the country since September 2009, to 7.4 percent from 6.5 percent. The state has lost jobs in the timber and tourism industries. According to Barkey, “People aren’t spending as much even when they do visit popular sites like Yellowstone Park”. Larry Swanson, an economist at the University of Montana and director of the Center for the Rocky Mountain West, said in October 2010, “We got pulled in a little bit later than the rest of the country. And now we are catching up”.

Stuart Leidner, executive director of Prospera, said in the Prospera Business Network’s 2010 Economic Profile report “Gallatin county is growing at the fastest rate in the state at 13 percent higher than the second-fastest, Flathead County. And that growth probably won’t drop off any time soon.”

**MSU Recruitment and Retention Issues**

Prospera Business Network’s 2010 Economic Profile reported that Montana State University and state and local government account for nearly 40 percent of the economic base in Gallatin County. MSU is also the region’s largest employer with 3,004 permanent positions. Cost of living is an important consideration for taking employment or continuing employment with MSU. In December 2010, Governor Brian Schweitzer unveiled his budget proposal that will be brought to the Legislature at the start of the session in January 2011. The proposed budget includes a 1 percent pay increase for state employees in fiscal year 2012 and a 3 percent increase in fiscal year 2013. MSU President Cruzado stated, “After two years of faculty and staff pay freezes, funding of the state pay plan is important for retaining the quality faculty and staff who serve Montana students so well”.

The cost of living in Bozeman has gone down, for the first time in three years according to Leidner. The cost of living index, for the first two quarters of 2010, is averaging a little over 2 percent higher than the national average. Bozeman’s cost of living is lower than it has been since the first quarter of 2007, when it was 1.8 percent above the average. ACCRA’s Cost of Living Index data is recognized by the U.S. Census Bureau, US Bureau of Labor Statistics, CNN Money, and the President’s Council of Economic Advisors, Prospera is a local participant in the study. From 2007 until now, the cost of the living in Bozeman has wavered between 3 and 9 percent above national averages. "Atypically lower housing costs" contributed most to the dip in cost of living in the second quarter of 2010.

From April to June this year, housing prices were about 2 percent higher than national averages. But in the past three years, they have ranged from 8 percent to 20 percent above U.S. averages. "Our housing costs, in the past, have been higher (than other areas of the state), simply because there was a big building boom," Leidner said. "With the recession, some of those prices have been pushed down a bit."

<table>
<thead>
<tr>
<th></th>
<th>Composite Index</th>
<th>Grocery Items</th>
<th>Housing</th>
<th>Utilities</th>
<th>Transportation</th>
<th>Health Care</th>
<th>Goods &amp; Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1st Quarter</td>
<td>102.9</td>
<td>106</td>
<td>105.8</td>
<td>90.1</td>
<td>97.5</td>
<td>99.8</td>
<td>105.4</td>
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<td>2nd Quarter</td>
<td>102</td>
<td>107.8</td>
<td>102.1</td>
<td>86.1</td>
<td>104.5</td>
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<td>103.8</td>
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<td>na</td>
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<td>Annual Average</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td><strong>2009</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1st Quarter</td>
<td>105.2</td>
<td>105.5</td>
<td>113</td>
<td>101.8</td>
<td>84.1</td>
<td>102.3</td>
<td>106.6</td>
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<tr>
<td>Quarter</td>
<td>2nd Quarter</td>
<td>3rd Quarter</td>
<td>Annual Average</td>
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<td></td>
<td></td>
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<tr>
<td>103.3</td>
<td>109.6</td>
<td>107.3</td>
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<td>105.7</td>
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<tr>
<td>104.4</td>
<td>108.3</td>
<td>109.3</td>
<td>94.5</td>
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<td>99.5</td>
<td>102.4</td>
<td>100.5</td>
<td>102.6</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>107.9</td>
<td></td>
<td></td>
<td>100.9</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: ACCRA Cost of Living index is compiled and published quarterly by Prospera Business Network and is ACCRA’s local participant in the study.

**Housing Overview**

Beginning in 2007 with the first MSU within the Community Context, Staff Senate aims to study real estate sales and rental prices in the cities or counties where Montana University System campuses are located. Montana State Universities are MSU Bozeman, Gallatin County; MSU Billings, Yellowstone County; MSU Northern in Havre, Hill County; and MSU Great Falls College of Technology, Cascade County. University of Montana are UM Missoula, Missoula County; UM Helena College of Technology, Lewis & Clark County; Montana Tech in Butte, Silverbow County; and UM Western in Dillon, Beaverhead County. Based on information provided by the Montana Association of REALTORS®, Kalispell, Bozeman, Missoula and Hamilton have the least affordable housing in Montana.

**Home Ownership**

The median home cost in Bozeman and surrounding areas has depreciated from 1.96 to 18.35 percent. The median home cost in Bozeman is $266,900 with a negative appreciation last year of -1.96 percent. The median home cost in Belgrade is $198,200, a -8.31 percent appreciation; in Three Forks is $155,230, a -18.35 percent appreciation, and Livingston is $135,630, a -2.36 percent appreciation. The number of units sold, as of 11/15/2010, is higher than all homes sold in 2009, in most cases.

**Single Family Residential Sales**

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>to 11/15/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bozeman &amp; surrounding area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units sold</td>
<td>703</td>
<td>728</td>
<td>815</td>
<td>652</td>
<td>552</td>
<td>502</td>
<td>462</td>
<td>464</td>
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<tr>
<td>Average price</td>
<td>$263,846</td>
<td>$308,962</td>
<td>$365,146</td>
<td>$435,809</td>
<td>$419,995</td>
<td>$413,853</td>
<td>$331,261</td>
<td>$354,489</td>
</tr>
<tr>
<td>Belgrade &amp; surrounding area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units sold</td>
<td>214</td>
<td>280</td>
<td>282</td>
<td>284</td>
<td>269</td>
<td>157</td>
<td>158</td>
<td>144</td>
</tr>
<tr>
<td>Average price</td>
<td>$160,813</td>
<td>$185,809</td>
<td>$236,136</td>
<td>$285,919</td>
<td>$289,725</td>
<td>$280,889</td>
<td>$234,484</td>
<td>$193,480</td>
</tr>
<tr>
<td>Manhattan &amp; surrounding area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units sold</td>
<td>32</td>
<td>37</td>
<td>43</td>
<td>55</td>
<td>49</td>
<td>27</td>
<td>14</td>
<td>27</td>
</tr>
<tr>
<td>Average price</td>
<td>$173,467</td>
<td>$205,693</td>
<td>$265,124</td>
<td>$399,452</td>
<td>$296,874</td>
<td>$256,759</td>
<td>$224,680</td>
<td>$215,058</td>
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<tr>
<td>Three Forks &amp; surrounding area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Units sold</td>
<td>42</td>
<td>42</td>
<td>46</td>
<td>37</td>
<td>31</td>
<td>22</td>
<td>23</td>
<td>25</td>
</tr>
<tr>
<td>Average price</td>
<td>$123,254</td>
<td>$154,046</td>
<td>$176,447</td>
<td>$206,519</td>
<td>$245,632</td>
<td>$184,161</td>
<td>$184,473</td>
<td>$172,681</td>
</tr>
</tbody>
</table>

Source: Gallatin Association of Realtors
Bozeman has the highest median home cost of all the cities with Montana University System campuses. Furthermore, all communities are reporting a negative appreciation of home values.

**2010 Median Home Cost**

<table>
<thead>
<tr>
<th>City</th>
<th>$0</th>
<th>$50,000</th>
<th>$100,000</th>
<th>$150,000</th>
<th>$200,000</th>
<th>$250,000</th>
<th>$300,000</th>
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</thead>
<tbody>
<tr>
<td>Dillon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Havre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Butte</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billings</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Great Falls</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Helena</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missoula</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bozeman</td>
<td>$99,400</td>
<td>$103,750</td>
<td>$138,900</td>
<td>$166,820</td>
<td>$145,630</td>
<td>$158,500</td>
<td>$154,840</td>
</tr>
</tbody>
</table>

Source: Montana Association of Realtors

The fallout from the Great Recession has cut deeply into housing security in America. Some parts of the country are clearly faring better than others. Gallatin County has a moderate foreclosure rate with one in every 1,136 housing units receiving a foreclosure filing in October 2010 according to RealtyTrac Inc. Foreclosures in Billings, 1 in 2,193, and Great Falls, 1 in 1,731, are also moderate. Havre has one of the lowest foreclosure rates in Montana with 1 in 7,124. In addition to Bozeman having the highest median priced home of all the communities with MUS campuses, Bozeman also has the highest number of homes currently under foreclosure; a reflection of the impact of unemployment and the construction bust in Gallatin County.
Foreclosure Listing as of 11/30/10

Dillon, Beaverhead County
Havre, Hill County
Butte, Silver Bow County
Billings, Yellowstone County
Great Falls, Cascade County
Helena, Lewis & Clark County
Missoula, Missoula County
Bozeman, Gallatin County

Source: RealtyTrac Inc.

Rental Housing
Renters of apartments and houses make up 52.46% of Bozeman’s population. Missoula has the second largest number of renters with 46.39%. The rental market for rental units in cities or counties with Montana University System campuses vary mainly by size of the communities and availability of units. Vacancy rates range from a low of 4.10% in Billings to a high of 14.04% in Butte.

Percent of Renters - Houses and Apartments

<table>
<thead>
<tr>
<th>City</th>
<th>Renters %</th>
<th>Unoccupied %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dillon</td>
<td>39.80%</td>
<td>9.30%</td>
</tr>
<tr>
<td>Havre</td>
<td>36.67%</td>
<td>8.04%</td>
</tr>
<tr>
<td>Butte</td>
<td>24.98%</td>
<td>14.04%</td>
</tr>
<tr>
<td>Billings</td>
<td>33.45%</td>
<td>4.10%</td>
</tr>
<tr>
<td>Great Falls</td>
<td>34.09%</td>
<td>6.16%</td>
</tr>
<tr>
<td>Helena</td>
<td>41.32%</td>
<td>3.26%</td>
</tr>
<tr>
<td>Missoula</td>
<td>46.39%</td>
<td>4.88%</td>
</tr>
<tr>
<td>Bozeman</td>
<td>52.46%</td>
<td>5.79%</td>
</tr>
</tbody>
</table>

Source: RealtyTrac Inc.

The rental market is relatively flat from community to community in the Gallatin County area. There is no advantage to the cost of rent by living in the donut area around Bozeman like there is with home ownership. Apartment renters will pay an average of $657 in Bozeman, $596 in Belgrade, and $683 in Three Forks or Manhattan. Renters who prefer renting a home will pay an average of $1,219 in Bozeman, $1,136 in Belgrade, and $1,167 in Three Forks or Manhattan.

When looking at apartment and house rental costs in Bozeman from 2007 to 2010 the trend shows a rise from 2007 to 2008. The rental market for houses is more variable from year to year.
The advertised cost of renting an apartment decreased between 2009 and 2010 in Bozeman, Missoula, Helena, Great Falls, and Billings. Apartment rentals stayed the same in Havre and increased in Butte and Dillon. Comparing 2009 and 2010 advertised rental costs for houses show an increase in Bozeman, Missoula, and Billings. Housing rental costs decreased in Helena, Great Falls, Butte, Havre, and Dillon.

**Source:** Advertisements in the local community newspapers on 11/10/2010

**MSU Employees and the Housing Market**

Whether classified employees rent or purchase, the average house price remains far from affordable in relation to most MUS classified salaries. Even the cost of renting an apartment can be a challenge to classified employees. The lowest entry level salary, as published on the MSU Human Resources web page titled “MSU Classified Position, Titles and Entry Rates, effective January 1, 2009”, show the lowest salary to be $8.506 per hour or $1,480.04 per month assuming a 40-hour work week. The lowest entry level worker would have $444.01 per month, 30% of their monthly salary, to spend on either rent or a mortgage payment.
The average advertised apartment rent in all locations with a MUS campus would be more than the 30% typically allowable in a budget. Bozeman, with 47% of an entry level workers salary required for renting an apartment is the highest percentage, followed by Missoula and Helena at 45%. An employee would need to earn a minimum of $12.59 per hour to afford an apartment in Bozeman. This translates to 74% of MSU Bozeman’s classified staff that would be able to afford the rent on an average apartment as of 11/10/10. The remaining 26% of would need to have roommates or other income sources to make renting in Bozeman affordable.

With the average advertised rent of $1,219 for a house in Bozeman, an employee would need to earn a minimum of $23.35 per hour to afford a rental house in Bozeman. This translates to 10% of MSU Bozeman’s classified staff that would be able to afford the rent on a house.

Below the average advertised rents were calculated from ads appearing in local newspapers on 10/29/10. When a comparison between 2010 average apartment and house rents to 2009 is calculated it shows the market increases and decreases from year to year and the affordability or lack of affordability from year to year. Dillon, Butte, and Havre have seen the largest increase in the average apartment rent from 2009 to 2010. Billings, Bozeman, and Missoula have seen the greatest increase in the average house rent in the same time period.
Salaries earned by classified staff stretch to pay rent or mortgage, many classified staff work a second or third job to make ends meet. Housing security is an issue for classified employees who are the most vulnerable to a budget crisis like medical bills, auto repair costs, and increases to the cost of utilities.

**Recruitment Overview**

MSU Human Resources noted that classified job searches are down from the previous year mainly because there were few positions open. In FY10 there were 145 classified searches with an average of 13 applications per search. In FY09 there were 180 classified searches, with an average of 15 applications per search, and in FY08 with 279 searches, with an average of 6 applications per search. The trend of more applicants for fewer jobs holds true not just at MSU Bozeman but other Montana campuses and local private employers as well.

**MSU Bozeman Classified Job Searches**

Source: MSU Bozeman Human Resources the number of searches does not reflect new hires (e.g. aborted searches, multiple hires).

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**% of Rental Costs Comparisons 2009 to 2010 and Hourly Pay Required to be Affordable**

<table>
<thead>
<tr>
<th>City</th>
<th>2010 average Apartment rent as % of 2009 average rent</th>
<th>2010 average House rent as % of 2009 average rent</th>
<th>Newspaper Ads a Average House Rent 2010 b</th>
<th>Hourly Pay needed for Av Rent to be Affordable c</th>
<th>Newspaper Ads a Average Apartment Rent 2010 b</th>
<th>Hourly Pay needed for Av Rent to be Affordable c</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bozeman</td>
<td>95%</td>
<td>111%</td>
<td>$1,219</td>
<td>$23.35</td>
<td>$657</td>
<td>$12.59</td>
</tr>
<tr>
<td>Missoula</td>
<td>97%</td>
<td>100%</td>
<td>$1,116</td>
<td>$21.38</td>
<td>$650</td>
<td>$12.45</td>
</tr>
<tr>
<td>Helena</td>
<td>98%</td>
<td>91%</td>
<td>$931</td>
<td>$17.84</td>
<td>$663</td>
<td>$12.70</td>
</tr>
<tr>
<td>Great Falls</td>
<td>91%</td>
<td>94%</td>
<td>$1,015</td>
<td>$19.44</td>
<td>$563</td>
<td>$10.79</td>
</tr>
<tr>
<td>Billings</td>
<td>74%</td>
<td>111%</td>
<td>$1,121</td>
<td>$21.48</td>
<td>$475</td>
<td>$9.10</td>
</tr>
<tr>
<td>Butte</td>
<td>107%</td>
<td>88%</td>
<td>$718</td>
<td>$13.75</td>
<td>$571</td>
<td>$10.94</td>
</tr>
<tr>
<td>Havre</td>
<td>100%</td>
<td>81%</td>
<td>$750</td>
<td>$14.37</td>
<td>$538</td>
<td>$10.31</td>
</tr>
<tr>
<td>Dillon</td>
<td>121%</td>
<td>89%</td>
<td>$875</td>
<td>$16.76</td>
<td>$576</td>
<td>$11.03</td>
</tr>
</tbody>
</table>

a snapshot date, b unfurnished 2-4 bed, c 30% of salary

Source: Advertisements in the local community newspapers on 10/29/09 and Banner reports. a snapshot date, b unfurnished 2-4 bed, c 30% of salary
Employment Market

MSU and area private employers are seeing dramatic increases in applicants. The number of “registered active job seekers” and “new registrants” at the Bozeman Area Job Services Workforce Center continues to increase significantly. According to Bozeman Job Services, “Active Job Seeker” data has been gathered from 01/01/2007 through 10/31/2010. “Active Job Seekers” are defined as “people registered with the Bozeman Job Service at some time during the time frame captured and that they were active in our system as ‘seeking employment’. It does not mean they were all unemployed, as many people who are currently employed are registered because they are seeking a new job, or a second or third job.”

Registered with the Bozeman Job Service

<table>
<thead>
<tr>
<th>Date Range</th>
<th>Active Job Seekers</th>
<th>New Registrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/01/08-10/31/08</td>
<td>1967</td>
<td>96</td>
</tr>
<tr>
<td>10/01/09-10/31/09</td>
<td>2426</td>
<td>354</td>
</tr>
<tr>
<td>10/01/10-10/31/10</td>
<td>4056</td>
<td>352</td>
</tr>
</tbody>
</table>

Source: Bozeman Area Job Services Workforce Center

The number of active job seekers increased 67% from October 2009 to 2010 compared to 23% from October 2008 to 2009. The number of new registrants decreased by less than 1% from October 2009 to 2010 but showed a significant increase 269% from October 2008 to 2009.

MSU as a Local Employer

The number of jobs advertised in both the Bozeman Daily Chronicle and Bozeman Area Job Services Workforce Center has increased from 2009. Bozeman Job Services reported “open job orders” of 350 in September 2010; 232 in September 2009; and 291 in September 2008. However, “new job orders entered” during the same time were 276 in September 2010; 156 in September 2009; 243 in September 2008. The number of jobs has fluctuated widely from year to year with an increasing number of applicants.

Source: U.S. Census Bureau and Bozeman Area Job Services Workforce Center 11/9/10
The number of MSU Bozeman job postings, all employment types, is up 44% in October 2010 (198) over October 2009 (111). The number of MSU Bozeman job posting in the same October time frame in 2008 was 197, 2007 was 111, 2006 was 108 and 2005 was 93. Overall, all Montana University System locations are showing increases in the number of job postings, all employment types, as well.

Source: Montana University System

In an annual snapshot of Montana University System job postings, the number of job postings peaked in 2007 and has declined ever since for MSU Bozeman. Both MSU Bozeman and private employers have seen an increased number of applicants, allowing freedom of choice as to who they hire. In theory, this would mean that there is the opportunity to hire candidates with the highest credentials.
and work expertise. With the current job market, many individuals may accept a lower salary in order have a job. But as mentioned in the Employment Overview section, MSU has the lowest salaries in the area. This creates a potential issue with retention.

Retirement Overview

Since December 2007, the beginning of the national economic downturn or Great Recession, both MSU and private sector businesses have seen very low turnover in personnel. According to the U.S. Dept. of Labor, Bureau of Labor Statistics, the national turnover rate in October 2010 was 2.5%, with Government reporting 1.5% turnover rate, Education and Health Services at 3.1%, and the western region reporting 2.1%. The jobless rate is creating a culture of employees who want to hold onto their jobs because finding a new one is very difficult. This is a trend that will most likely continue into 2011 and beyond.

Head Count

Each fall the Office of Planning and Analysis (OPA) publish MSU Bozeman Quick Facts as an overview of MSU's enrollment, employment, and programs for the current year. The fall 2010 Quick Facts Employee snapshot reported 1,014 full-time equivalent classified staff. Classified employees include both union and non-union/bargaining unit affiliations who work either locally or throughout the state. Classified employees are categorized into five groups with the following head count break down: Service/Maintenance, 266; Skilled Crafts, 50; Technical/Paraprofessional, 248; Secretarial/Clerical, 230; and Classified Professional, 220.

MSU Quick Facts - Full time equivalent Classified Staff

Source: MSU Office of Planning and Analysis, Quick Facts-Fall snapshot Employees

MSU Quick Facts - Classified Staff

Source: MSU Office of Planning and Analysis, Quick Facts-Fall snapshot Employees

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Head count numbers fluctuate depending on the date of the snapshot; therefore, in an effort to standardize employee head count numbers, this report will use the OPA Quick Facts data to produce reliable, reproducible statistics. We can compare year over year fluctuations in classified staff head counts. Head counts from fall 2006 to fall 2010 show that the classified work force has been reduced by 75 jobs or 7.4%. In the same fall 2006 to fall 2010 time period, the number of students enrolled at MSU Bozeman has increased 1,221 students or a 9.01% increase. The classified staff to student ratio from the fall snapshots shows 11.3:1 in 2006, 11.5:1 in 2007, 11.5:1 in 2008, 12:1 in 2009 and 13.4 to 1 in 2010.

Source: MSU Office of Planning and Analysis, Quick Facts- Registrar's Enrollment Reports

MSU classified employees who are continuously employed for five years or more receive a wage longevity bonus. Additional wage longevity bonuses are awarded in increments depending on years of service. According to MSU Human Resources, on 11/15/10, there were 636 classified employees who have achieved longevity. Fifty-nine percent (59%) of the total classified employees, both full and part-time, have achieved longevity.

In the age distribution snapshot provided by OPA on 11/30/10, the change in classified staff position from 2009 to 2010, all employment types, decreased by 59 positions. This number of vacated positions is smaller than previous years (FY09 124, FY08 115, and FY07 134). Twenty-five percent (25%) of those leaving MSU had less than three years’ service in FY10 which is down as compared to FY09 at 26%, and significantly less than FY08 71.3% and FY07 64.9%.

Source: MSU Office of Planning and Analysis

MSU Bozeman Enrollment-All Students

MSU Bozeman Enrollment-All Students

Age Count Percent Age Count Percent
1 Under 21 5 0%
2 21-29 184 16%
3 30-45 315 28%
4 46-55 334 29%
5 56+ 299 26%
Total 1137 100%

MSU Bozeman Enrollment-All Students

Age Count Percent Age Count Percent
1 Under 21 2 0%
2 21-29 173 16%
3 30-45 291 27%
4 46-55 320 30%
5 56+ 292 27%
Total 1078 100%
Wages and Recruitment

According to the 11/18/10 "Median Salary by State" report compiled by Payscale Inc., Montana has a median salary of $47,434. Median salaries in surrounding states are 18% to 40% higher than Montana (Idaho $57,556 or 18%, Oregon $67,959 or 30%, Washington $69,359 or 32%, Colorado $71,382 or 34%, and California $79,096 or 40%). The average annual wage in Gallatin County is $33,254 which is below the state average. MSU salaries continue to be less than competitive in relation to Bozeman area private employers. Classified staff remains at the lowest end of the pay scale. Issues such as pay rate freezes by the state contribute to this situation. The Governor has proposed a 1 percent pay increase for state employees in fiscal year 2012 and a 3 percent increase in fiscal year 2013.

Although the cost of housing dipped 4% in 2009 and another 2% in 2010 in the Bozeman area, purchasing a home is still unaffordable for most classified staff. Once the economy recovers, the cost of housing will most likely recover the 6% loss and continue to increase in value. The cost of renting an apartment has gone down slightly in an effort to keep vacancy rates as low as possible. In this respect the downturn in the economy has made apartment rentals more affordable.

All employees are seeing erosion of their wages by increased out of pocket expenses within the University System. An example is the prescription plan change that appears to have increased out of pocket expenses by employees to purchase prescribed medications. In an informal survey of MSU Bozeman classified staff 16% or 37 of the 300 respondents had stopped or discontinued using their prescribed medications due to affordability and an additional 149 or 63% were considering stopping their prescribed medications. According to the Inter Unit Benefits Committee – IUBC December report, the cost of providing both the prescription and medical benefits have increased by 11.9% from last year to this year. IUBC is anticipating increases to employee, spouse/dependent and retiree premiums and increases in deductibles, co-pays and coinsurance. At the end of November, the Parking Services Advisory Committee brought a schedule of parking rate increases to the President’s Executive Council for approval; the Council did not approve the increases. The Council helped employees to salary erosion in 2011 by their veto of the increased parking rates.
Retention Tools
Since there are fewer jobs and those with jobs are holding onto them, the new challenge is retaining employees. Maintaining and raising morale and being creative about employee compensation will become a more central issue in the short term. Reducing or eliminating expenses such as health insurance premium increases that erode salaries will also be essential. But more importantly, it will be a challenge to retain employees once the economy begins its recovery, and private companies lure MSU employees away with higher salaries.

Human Resources experts state the key to retaining key employees starts with a satisfied employee that knows clearly what is expected from him or her every day at work. Other retention tools include: the quality of the supervision an employee receives; the ability of the employee to speak his or her mind freely within the organization; talent and skill utilization; the perception of fairness and equitable treatment; and frequent opportunities to learn and grow in the job place, expand knowledge and improve skills. The bottom line is that staff members must feel rewarded, recognized and appreciated.

MSU has retention tools such as the employer sponsored Choices Health Benefit plan, Employee Tuition Waiver for reduced cost education, Dependent Partial Tuition Waiver, Employee Assistance Programs like Counseling, Financial and Legal Services, and the RN Health line providing free or reduced cost, Wellness Programs, and the Recreation and Sports Fitness Center. Also, the longevity pay bonus for classified employees with five or more years of continuous employment helps extend the Legislative pay scale.

In an effort to expand knowledge and improve skills, MSU Human Resource and MSU Extension offered an education series called 'Solid Finances', an employee education project created to help MSU employees make informed decisions about their current and future finances. The series allows employees across campus to build high-quality knowledge of family finances. Marsha A. Goetting, Ph.D., Professor and Extension Family Economics Specialist and Joel B. Schumacher, Associate Extension Economics Specialist, presented the series. Starting fall 2010, MSU Human Resources began the process of revamping their employee education and professional development opportunities. During the summer of 2010, MSU Bozeman Staff Senate formed a Training Task Force to explore training and professional development opportunities for classified staff. The Task Force is working with Human Resources to expand and enhance training prospects for classified staff.

Area Relations Overview

The Community
The City of Bozeman Economic Development Plan calls "Montana State University in Bozeman an economic anchor to the region’s economy since the early 1900s. The impact on the economy and larger community is huge. MSU’s biggest contribution to Montana’s economy comes from the estimated $178 million spent by its students, faculty, and staff population. The next largest contribution to the Montana economy comes from the $100 million spent each year by MSU research operations.” MSU also makes an impact as Bozeman’s largest employer.

In a February 8, 2010 article in the Bozeman Daily Chronicle, Dennis Dixon, president of Zoot Enterprises, and Greg Gianforte, founder and CEO of Right Now Technologies agreed that having Montana State University in Bozeman helps foster a thriving tech economy. “Tech centers do tend to coalesce around universities,” Dixon said. “There was a time when almost 100 percent of our employees were MSU graduates,” Gianforte said MSU is “key” for providing Right Now the brain power it needs.
The Montana University System

The Board of Regents, Office of the Commissioner of Higher Education and each campus work collaboratively and effectively in their management of the University System. The campuses are sensitive to the financial constraints faced by students and their families. The Universities needed more legislative funding; however, that funding is not available due to the national economic downturn. Although the needs differ from campus to campus, each are working their budgets to provide quality education on less money, just like many families across the nation.

As part of the collaborative effort, Staff Senate and our MUS Staff Association (MUSSA) are vested in shared governance, and diverse and innovative problem-solving. We firmly believe in the significance of the classified staff role in student recruitment, retention and success, and look forward to promoting enhanced student service through the challenges ahead and beyond.

Conclusions

Montana State University is a strong participant, both within the University System and its local communities.

The economy is recovering slowly. The national unemployment rate jumped to 9.8%, with 16 straight months above 9.5%, and the 19th straight month above 9%. Similarly since September 2009, Montana’s unemployment rate increased by .8% and Gallatin County’s rate increased by 1.2%. The unemployment rate is a lagging indicator that businesses do not have faith that the economy has recovered and therefore employers are not hiring or growing their businesses.

The cost of living index, also known as the inflation rate, a measurement of changes in the price of what people buy, is at 1.2% above the national rate in Gallatin County. On November 3, 2010, the Federal Open Market Committee (FOMC) decided to expand the Federal Reserve’s holdings of securities to promote “a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate”. In particular, they directed the Federal Reserve Bank of New York to purchase an additional $600 billion of longer-term Treasury securities by the end of the second quarter of 2011.

Previous recessions were caused by high interest rates, and lowering rates ended them. Not this one. The Great Recession began with a Federal short-term rate of 5.25%, not particularly high. Businesses and consumers are borrowing less money in spite of Federal rate cuts. Economists predict the economy will recover in anywhere from two to seven or more years.

Although economists say the national recession ended June 2009, many states are in crisis. The state of Montana has been on top of its budget issues and is one of the few states in the black.

The economic crisis has impacted Montana and the nation, although not as significantly as many other states. Gallatin County is seeing a significant growth in the number of homes facing foreclosure and an increase in applications for bankruptcy.

Cost of housing dropped 4% in 2009 and an additional 2% in 2010 in the Bozeman area. Even with this drop in value, purchasing a home is not affordable for most classified staff. Single family home sales as of November 2010 have sold 2 more houses than all of 2009. Also the average selling price of homes is up by approximately $23,228 in spite of the 2% fall in median home values.

Cost of renting, either a house or an apartment is more affordable than purchasing a home. The average monthly rent cost is down, in an effort to reduce the vacancy rate by landlords.

Retaining key classified staff members is about feeling rewarded, recognized and appreciated.
MSU is experiencing a candidate pool with the highest credentials and work expertise and the opportunity to easily fill its classified vacancies.

Classified employees are serving more students with fewer employees. The number of classified employees has decreased by 7.4% while the numbers of students enrolled have increased by 9.01% from fall 2006 to fall 2010.

MSU has an aging work force with 57% of classified staff ages 46 or older. Classified staff is made up of 46% with less than 5 years of service, 19% with six to ten years of service, 20% with eleven to twenty years of service, and 14% with twenty or more years of service.

MSU is seen as a reputable employer. However, once the economy recovers, low salaries and high housing costs will become a key issue to maintaining a quality work force. As of 11/18/10 the median salary of MSU employees lags behind most other employers in Montana.

**Median Salary by Employer Type**

![Median Salary by Employer Type](chart.png)

Source: Payscale Inc., 11/18/10

**Recommendations**

**2009 Recommendations Progress**

Beginning January 2010, Waded Cruzado became the first female and the first minority university president in the state of Montana with the retirement of President Geoff Gamble at the end of 2009.

**Employment**

The national economic crisis is the largest, single item that needs to change in order to improve employment both locally and at MSU. Turning around the economy will not only open employment opportunities it will also improve the tax base that MSU derives its operational revenue.

- The economy is recovering but very slowly.
- Unemployment remains high nationally and continues to grow in Montana and Gallatin County.
- Tech businesses are growing and hiring in Gallatin County with construction remains stagnant.
Recruitment
MSU, as a strong reputable employer, is in a unique position to enhance its workforce by hiring classified staff with the highest credentials and work expertise. In the current economic circumstance, job seekers may be willing to join the University for a low salary, but they may not stay when private employers begin hiring at higher salaries.

- MSU Bozeman hired a new President and Provost and MSU Billings hired a new Chancellor.
- The number of classified job postings remains about the same in 2010 as it was in 2009.
- Job postings, all employment types, have increased slightly from 2009.
- Human Resources report fewer job applications for fewer job openings.

Retention

- According to the 8/26/10 Board of Regents minutes, the Recruitment and Retention Task Force, as it relates to compensation planning in 2012, a workgroup has been assembled to identify compensation needs within the MUS and to generate data to produce analyses to be used in decision making. Deputy Commissioner Robinson told the regents about performance-based budget work being developed. Dennis Jones, of the National Center for Higher Education Management Systems (NCHEMS), will be working with campus fiscal officers and attended the November board meeting, providing expertise as well as information on other states’ approaches. Mr. Jones will also be working with an internal OCHE staff workgroup on topics including fixed variable formulas, outcome measurements, mission review, program review, and work of the Reform Workgroup, with the intent of formulating the final funding formula and determining how best to use that funding formula to incentivize campuses for alignment with Board of Regents priorities and goals.
- Federal stimulus money helped MSU maintain its staffing and programs.
- The Governor has proposed a 1 percent pay increase for state employees in fiscal year 2012 and a 3 percent increase in fiscal year 2013.
- Classified employees are serving more students with fewer employees. Between Fall 2006 and Fall 2010 the number of classified employees has decreased by 7.4% while the numbers of students enrolled have increased by 9.01%.

2010 Recommendations

Employment
The national economic crisis is slowly recovering but issues with unemployment, the national and state debt continue to support a slow recovery. Getting the economy back on track and growing is the single item that needs to change in order to improve employment both locally and at MSU. Turning around the economy will not only open employment opportunities it will also improve the tax base that MSU derives its operational revenue.

Recruitment
MSU, as a strong reputable employer, is in a unique position to enhance its workforce by hiring classified staff with the highest credentials and work expertise. In the current economic circumstance, job seekers may be willing to accept a lower salary in order to have a job at MSU. However, they may not stay when private employers begin hiring at higher salaries. OCHE and Regents have formed a six-member workgroup to identify compensation needs within the MUS and to generate data to produce analyses to be used in decision making as part of the Recruitment and Retention Task Force relating to compensation planning in 2012.

Retention
The research from the six-member OCHE and Regents workgroup aides in not only in salary decision making but also the state’s ability to attract and keep good employees. In addition to salary awards, acknowledging employees through reward, recognition and appreciation and other retention tools helps retain key employees.
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