

## **ECONOMIC PERFORMANCE IN FORESTRY-DOMINATED LINCOLN COUNTY, MONTANA: 1969-2003**

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### **ABSTRACT**

This study reviewed economic performance in forestry-dominated Lincoln County, Montana, from 1969 to 2003. Seven economic categories were chosen for the review: household median income, overall total personal income, per capita income, full-time and part-time employment, employment growth, total industry earnings, and average earnings per job. It was found that Lincoln County's growth did not keep pace with Montana and/or the nation. Possible reasons for this sluggish economic growth were given. Future economic growth scenarios for the next ten years were discussed.

### **Keywords**

Kootenai National Forest, forest production, forest recreation, economic growth, tourism, Lincoln County, Montana.

### **BACKGROUND**

Today, the Kootenai National Forest (KNF) in Mont. and Idaho (dedicated in 1906) consists of 2.2 million acres, of which 1,690,000 acres are in Lincoln County (LC), Mont., in the northwestern corner of the state (British Columbia is the northern border, and Idaho is the western border). Adjacent to the south of LC, the KNF has 428,500 acres in Sanders County and 49,100 acres in Flathead County adjacent to the east. In the panhandle of Idaho there are 39,200 acres of the KNF in Bonner County and 10,300 KNF acres in Boundary County (Frament 2006).

Almost 93% of LC is classified as forested land. Approximately 77% of that forested land is the KNF (Lincoln County Forest Stewardship Guide 2006). As expected, this ownership by the KNF impacts LC's available tax base, patterns of land development, and population densities (Kootenai National Forest 2004).

In 1969 LC's population was 17,585. By 2003 it had grown to 18,892, making it the tenth most populated county of Montana's 56 counties (Bureau of Economic Analysis 2003). Note: LC's population as a percent of the statewide total is slowly falling over time, and the population is aging as well. In 2000 the median age for LC was 42.1 yrs. In 1990 it was 34.7 yrs. There is an increase in

populations over 50 years of age and a decrease in populations of less than 25 years of age (Kootenai National Forest 2004).

## LINCOLN COUNTY'S ECONOMICS

National forests and county governments sometimes share common boundaries, with the forests comprising a very large share of the county lands, as in the case of LC and the KNF. The KNF lands directly impact the economic vitality of LC. This leads to two basic questions:

1. What has been the general economic health of Lincoln County?
2. What will be the economic vitality of Lincoln County within the next ten years?

## HISTORICAL ECONOMIC RECORD

An analysis of the historical economic record of Lincoln County from 1969-2003 came from an examination of selected data banks and reports, focusing on specific economic categories. These selected economic categories reflect not only the usual local economic impact of having a national forest throughout the county but also the financial assistance (revenues) and longevity of federal-impact-to-counties programs, such as the Payments in Lieu of Taxes, a national program implemented after 1976. And, in LC's case, the selected economic categories will also reflect the economic consequences of the W.R. Grace mine shutdown in 1990 (due to asbestos contamination). It is now a federal Superfund Site.

Economists use various categories when measuring economic growth in counties (Kwang-koo et al. 2005). This research used seven universally accepted categories to measure the economic growth in LC:

1. Median Household Income,
2. Overall Total Personal Income,
3. Per Capita Income,
4. Fulltime and Part-time Employment,
5. Employment Growth,
6. Total Industry Earnings, and
7. Average Earnings Per Job.

Generally, Lincoln County experienced slow economic growth from 1969-2003 in all seven categories, falling behind Montana and/or the nation (Smith 2006). As an example of this historical trend, LC's median household income in 2000 was \$26,754, while adjacent Flathead County, Mont., had a household median income of \$34,466. Mont. was at \$32,045 and the nation at \$41,994 (US Census Bureau 2006).

## DISCUSSION

Thus, from 1969 to 2003 LC fell behind the economic growth of Mont. and the nation; the result of many complex and integrated factors and forces. For example, during that time period the federal forests began a trend of providing less and less timber to the nation's mills and for export. Today, the vast majority of timber for American mills, including those in LC, comes from state forests, private forests, corporate-owned forests, and imports. In 2006 the KNF provides very little timber to the two operating mills in LC. Most of the KNF timber goes out of the county – some to mills in nearby counties and some to out-of-state mills (Rumelhart 2006). For the record, industry-owned forested lands in LC are as follows: Plum Creek Timber Company, 270,000 acres and Stimson Lumber Company, 30,000 acres. Montana's Department of Natural Resources and Conservation manages about 165,000 acres of Montana School Trust Lands in the county (Lincoln County Forest Stewardship Guide 2006).

Perhaps LC's transportation costs, the costs of environmental regulations and safeguards, and the general cost of timber production and operations hurt its competitiveness? However, in a similar situation in the forest-driven economy of Siskiyou County, Oregon:

*The impacts of environmental regulations have been less than those stemming from changes in timber demand, increased efficiency in timber processing, and gradual but constant change from a manufacturing to a service economy. The driving force behind manufacturing decline is globalization, not stronger environmental regulation (Norgaard 1997: 8).*

It is moot. The fact remains: Since at least 1969 LC has fallen behind the economic growth of both Montana and the nation.

## POSSIBLE FUTURE SCENARIOS

Counties are constantly trying to solve their economic problems – especially those problems that lead to economic stagnation and slow growth. LC is no exception. The LC Commissioners, the KNF personnel, the Kootenai River Development organization, and other groups such as the Eureka Rural Development Partners and the LC Forest Stewardship Coalition are advocating continued use of the KNF for forest production and related industries. New communication, collaboration, and cooperation plans and programs between all interested parties are being pursued. This includes an emphasis on participation in the relatively new Forest Stewardship Contracting Program. An example of this program was the Treasure Interface Stewardship Pilot Project in 2002 on the Libby Ranger District of the KNF. It promoted reduced (through thinning) forest fuels, while creating wildlife habitat diversity on 765 acres. The innovation was that the receipts from the thinning were then used within the project area to build a restroom and a picnic shelter (Lincoln County Forest Stewardship Guide 2006). Some of LC's future economic growth will come from present and

new uses of the KNF and its array of natural resources. However, America's rural economy is moving from natural resource extraction activities and its related processing to services (tourism and/or retirement).

A second economic scenario involves expanding the KNF's forest recreation offerings as part of a new effort to increase the local tourism and commercial recreation industries. Federal forest recreation is already an important part of the local economy, including tourism into the wilderness area. Recent economic data suggest that a shift in the economic trend toward tourism is already underway for LC. For example, the KNF receives approximately 1,300,000 visitors per year and that average expenditure per visitor is @\$67 per visit. Note: Only visitor expenditures made within 50 miles of the recreation site are included in this computation of the average spending (Stynes and White 2006). Future recreational opportunities will be even more important to the LC economy.

Included in this second scenario is that the local hunting and fishing industries, as well as the B&B businesses, will expand. There will be new tourism sub-sectors: adventure tourism, avitourism, agritourism, ecotourism, and so-called extreme-tourism. Most of this new success will be from the direct and aggressive use of the Internet, networking in general, and through new and expanding coalitions of like-minded businesses.

A third economic scenario, related to the second scenario, is that even with limited promotion LC will experience a situation similar to that of economically booming Flathead County, Mont., the adjacent county east of LC. Flathead County's population grew from 51,969 in 1980, to 59,218 in 1990 and to 76,184 in 2002 (Kalispell Chamber of Commerce 2003: 4). In 2003 Flathead County's median household income was \$37,431, while LC's median household income was \$29,262 (USDA Economic Research Service 2006). Flathead County is the recipient of outside-of-the-county investments in single-residential homes, second homes, vacation homes and cabins, and tourism businesses.

This economic growth scenario for LC will occur as investors and buyers find the Flathead Valley (Flathead County) too congested and/or expensive. They will seek new opportunities with similar counties. LC will witness land use development driven by natural resource-based amenities and out-of-the-area investments. LC will have an investment surge as new residents, vacationers and/or investors seek its amenities: Beauty, solitude, hospitality, inexpensive development, and present and future public outdoor recreation facilities.

## FUTURE RESEARCH QUESTIONS

Based on this study's brief review of the economic performance in LC from 1969 to 2003, future research should focus on at least four points. First, how much does LC depend on the KNF for its present economic condition? Such a study would include the multiple use spectrum of timber, mining, grazing, and recreation. Economic dependency can be measured and results compared to similar sites and situations. Knowledge of the extent of the general economic dependency is useful to planners, financial investors, and other parties.

A second research focus should be on how Flathead County is already influencing LC's economic performance. For instance, there is a spending drain from LC to Flathead County as some LC residents drive to the city of Kalispell in Flathead County to shop at their larger stores with highly recognized brand names and greater varieties of goods and services. Many cities and counties on the edge of metropolitan/suburban areas suffer from this same phenomenon.

The third research area involves general economic development policies and subsequent actions. Are there certain policies LC could adopt or change that would ensure a better chance of a stronger future economy? Is Flathead County the example to be followed? Concurrently, is there a desire in LC to change?

Finally, will a stronger economy change LC's rural lifestyle and amenities? Will it alter and/or destroy what makes LC attractive to its present residents?

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