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How Montana Has Led the Nation and Sparked an Economic Comeback by Ending Federal Unemployment Expansions and Bonuses

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KEY FINDINGS



MONTANA WAS THE **FIRST STATE IN THE NATION** TO ANNOUNCE THE END OF DISASTROUS FEDERAL UNEMPLOYMENT EXPANSIONS.



EMPLOYERS HAVE REPORTED **MORE THAN 70,000 NEW HIRES** SINCE GOV. GIANFORTE'S DECISION TO OPT OUT.



MONTANA REVENUE COLLECTIONS HAVE **EXPLODED**.



UNEMPLOYMENT SPENDING HAS **PLUMMETED BY NEARLY 90 PERCENT**.

THE BOTTOM LINE:

MONTANA HAS SHOWN HOW ENDING FAILED FEDERAL UNEMPLOYMENT EXPERIMENTS CAN TRIGGER AN ECONOMIC BOOM.

Overview

A year after the COVID-19 pandemic first struck the nation, states were still struggling to get their economies back on track.¹ Enhanced federal unemployment benefits—including the weekly \$300 unemployment bonus—were starving businesses of the workers they needed to reopen and meet demand.² In addition to the weekly bonus, these federal programs extended the duration of unemployment benefits to as long as 86 weeks and expanded eligibility to new groups of individuals.³ Unfortunately, these and other government benefits actually paid better than work in many cases.⁴

Montana Governor Greg Gianforte was one of many state leaders faced with this challenge. In March, Montana had a record-high 35,000 open jobs that were sitting unfilled, even though wage growth was through the roof.⁵⁻⁶ And Big Sky Country had still not recovered the thousands of lost jobs as a result of the pandemic.⁷



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On May 4, 2021, Gov. Gianforte became the first governor in the nation to announce his intention to opt out of expanded federal unemployment benefits and bonuses in order to reverse the labor shortage and revitalize Montana's economy.⁸ His decision set in motion a chain of events that eventually led to 25 other states following Montana's lead by opting out of these failed federal benefit programs.⁹

But equally important, Montana's decision to opt out has set the stage for an incredible economic comeback that serves as a model for the nation.

Employers have reported more than 70,000 new hires since Gov. Gianforte's decision to opt out.

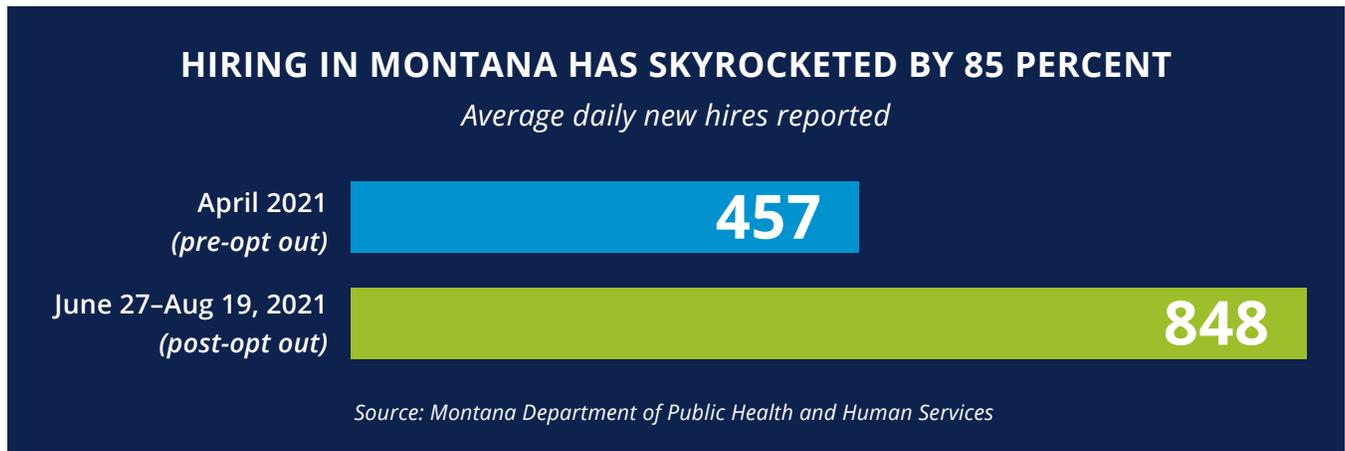
Throughout the month of April, Montana averaged roughly 450 new hires reported by employers per day—a slow rate considering the tens of thousands of open jobs that businesses were struggling to fill.¹⁰

When Gov. Gianforte announced his decision to end participation in federal unemployment programs, the picture began to change. From the beginning of May through the end of June, the average new hires increased to nearly 600 per day, a more than 30 percent increase.¹¹



FROM THE BEGINNING OF MAY THROUGH THE END OF JUNE, THE AVERAGE NEW HIRES INCREASED TO NEARLY 600 PER DAY, A MORE THAN 30 PERCENT INCREASE.

But when Montana officially ended participation in expanded unemployment benefits and bonuses on June 26, the economy truly kicked into overdrive. From June 27 through August 19, Montana employers reported an average of nearly 850 hires per day—a full 85 percent increase over April’s rate.¹²

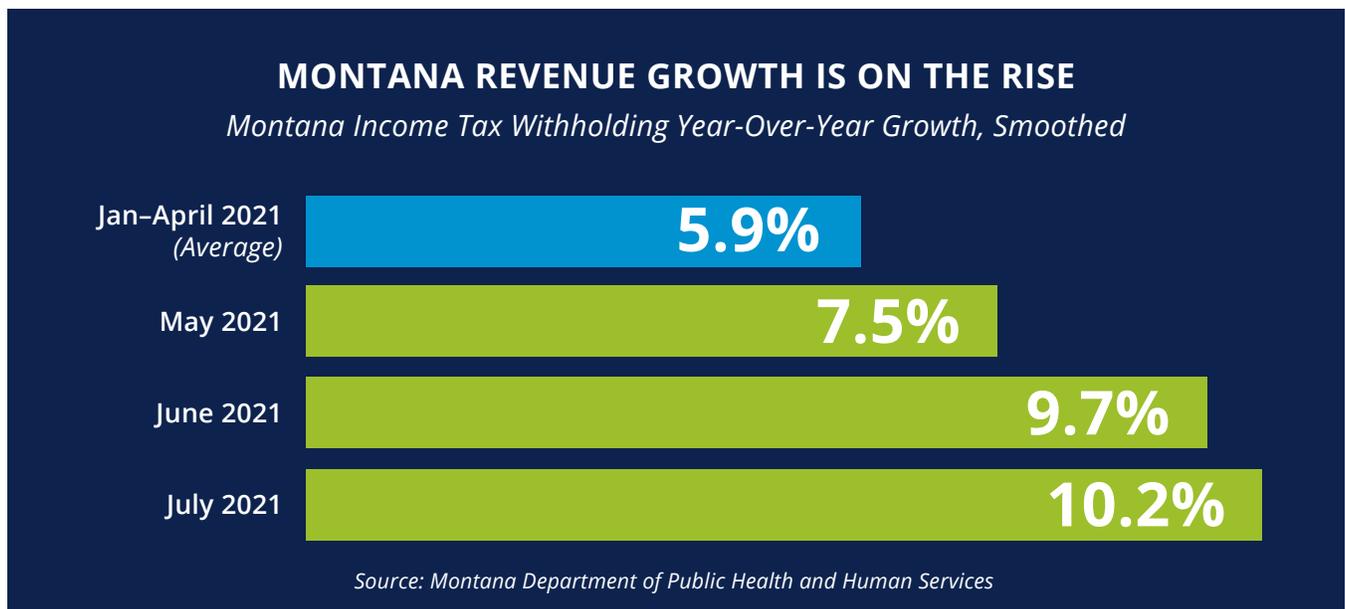


Since Gov. Gianforte announced his decision to opt out, **more than 70,000 new hires have been reported by Montana businesses**—a sure sign that the Montana economy is back on track.¹³

Montana revenue collections have exploded.

As a result of the COVID-19 pandemic, revenue collections around the country slowed as the economy struggled. Montana’s Budget Office—which tracks income withholding collections—monitored the state’s revenue collections driven by increased economic activity.

While Montana’s 12-month average of income tax withholding had stagnated in the early stages of the pandemic, the decision to opt out of expanded unemployment benefits and bonuses provided a long-overdue jolt to revenue collections.¹⁴



Since the opt-out announcement, revenue growth has quickly accelerated. In fact, in July 2021, **Montana's growth in income tax withholding reached double digits for the first time in as long as a decade.**¹⁵

This is yet another clear signal that the Montana economy is red hot thanks to Gov. Gianforte's decision to end participation in federal unemployment programs.

Unemployment spending has plummeted by nearly 90 percent.

Just before the state opted out in late June, the amount of unemployment benefits being paid out in Montana was still more than double pre-pandemic levels.¹⁶ In addition, 40 percent more Montanans remained on unemployment in late June compared to prior to COVID-19.¹⁷

But in just three weeks after ending enhanced federal unemployment benefits and bonuses, Montana experienced a tremendous turnaround in unemployment. **Overall unemployment claims declined by roughly two-thirds, while total unemployment spending fell by nearly 90 percent.**¹⁸⁻¹⁹



By late July, there were fewer Montanans on unemployment since before the pandemic began.²⁰ And as of late August, Montana's unemployment insurance trust fund was actually better funded than it was before the COVID-driven economic slowdown began.²¹

Today, Montana's unemployment system is far healthier than it has been in recent history—with low dependency, higher solvency, and individuals being cycled back into the workforce more quickly. The state's decision to opt out of federal unemployment bonuses and benefits was the major factor driving this progress.

THE BOTTOM LINE: Montana has shown how ending failed federal unemployment experiments can trigger an economic boom.

By every measurement available, Gov. Gianforte's decision to end Montana's participation in expanded unemployment benefits and bonuses has sparked an unprecedented economic revival. Unemployment spending and claims are down, economic activity is up, and, instead of employers struggling to find workers, the number of new hires is through the roof.



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Montana set in motion the chain of events that led to the success of other states that follow its lead. But Montana's own tremendous progress cannot be ignored. It should stand as a beacon to other states on how letting go of expanded federal benefits that discourage work is the right thing to do.

The American comeback will improve as benefits expire at the federal level—but Montana's success story is the spark that set it all in motion.

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