



# Legislative Audit Division

## Performance Audit Summary

### Governor's Office of Economic Opportunity December 2004

---

#### **Introduction**

---

The 2003 Legislature requested the Legislative Audit Committee prioritize a performance audit of the Governor's Office of Economic Opportunity (GOEO). The Legislature is seeking some assurance that GOEO is meeting established goals or targets. There is continuing uncertainty among state policy makers regarding the fundamental purpose of the office and the overall economic development structure in Montana.

Statute assigns GOEO both a policy and a program role, but there is limited additional definition of these terms. Although some of the issue areas assigned to GOEO in statute could be construed as involving program administration, statute does not provide specific guidance. Creating GOEO was part of continuing efforts to coordinate the increasingly varied economic development resources available in state government.

#### **Current GOEO Structure Does Not Provide Continuity**

---

GOEO has been in existence for approximately three years. During this time, the office has been responsible for developing a strategic economic development plan, pursuing policy initiatives outlined in the plan, and conducting other activities assigned in statute or considered necessary by the Governor or the Legislature. The effectiveness of GOEO needs to be assessed by reviewing the office's activities and accomplishments in the context of Montana's previous statewide economic development planning and policy coordination efforts. For much of the past three decades Montana appears to have been stuck in perpetual planning mode. There has never been a long-term commitment to pursuing solutions or tracking progress.

If GOEO is to lead the state's economic development policy coordination and planning efforts, there must be some assurance the office can provide continuity and long-term focus. The current structure for state economic development functions does not provide an opportunity to break free from the perpetual planning mode.

#### **Legislature Should Determine the Future of GOEO**

---

Continuing with the current structure risks wasting time and resources developing plans and policy initiatives with

minimal long-term impacts. In these circumstances, eliminating the office may be preferable to continuing to devote resources to activities with limited benefits. The alternative is to develop GOEO as a mechanism for promoting continuity and stability in the state's economic development policy and planning function. Four main issues should be addressed to achieve this:

- 1) Improve strategic planning.
- 2) Define GOEO programmatic duties.
- 3) Revise GOEO governance structure.
- 4) Determine GOEO resource needs.

#### **GOEO Planning Procedures Met Accepted Standards**

---

In general, the strategic planning process involves plan development, policy formulation and prioritization, and plan implementation and monitoring. The planning process used in developing the Roadmap plan met accepted standards and was comparable with planning efforts in other state agencies. The process ensured opportunities were available for public comment. The policy initiatives addressed in the Roadmap plan are reasonable and fit the context of the theory and current practice of state economic development policy. The performance measurement system developed by GOEO in the Roadmap plan can provide an effective means of monitoring progress towards the office's goals.

#### **GOEO Should Develop Plan Update Procedures**

---

There are currently no formalized procedures in place to provide guidance on how the Roadmap will be reviewed and updated. *GOEO should develop and adopt formal review and update procedures for the Roadmap plan to help strengthen the credibility of the planning process among stakeholders and improve the effectiveness of GOEO operations.*

#### **Marketing and Business Recruitment Needs Should be Determined**

---

Statute requires GOEO to pursue this function and the original appropriation suggested the Legislature envisioned an active recruitment effort. Following reductions in funding, GOEO now operates a passive recruitment program. It is unclear whether the Legislature wants GOEO to perform this role. If the Legislature determines Montana needs to pursue state marketing and business recruitment, GOEO is the suitable

location for these functions. Both marketing and business recruitment functions could benefit from proximity to the external connections available in the Governor's office. *If the Legislature makes a commitment to this program, funding for these efforts should be addressed.*

### **Identify Alternative Structures for Workforce Training Program Administration**

---

GOEO administers the Primary Sector Business Workforce Training Act through a grant application and review process. The main concern in relation to this program is that existing structures within state government already perform workforce-training functions. Both the Department of Labor and Industry and the Department of Commerce have expertise and resources in administering workforce training grant programs. The Legislature should reassess the current disposition of functions associated with the Primary Sector Business Workforce Training Act. Administrative efficiency and resource availability should be principal concerns. In the case of the Workforce Training Act, there are alternative structures in other departments.

### **GOEO Governance Structure**

---

The organization and relationships between governmental entities establishes the governance structure within which agencies work. In relation to GOEO, audit work identified a weak governance structure as being partly responsible for problems affecting the office. The current structure affects the continuity and long-term stability of functions performed by GOEO. For example:

- Isolation and Politicization – GOEO is isolated within the executive branch and this has led to its functions being perceived as politicized. This isolation decreases the chance of developing successful long-term policy initiatives.
- Stakeholder Involvement – There are insufficient opportunities for important stakeholders, including the Legislature and the university system, to provide input.
- Oversight – Periodic changes in administration may result in significant changes in oversight procedures, making effective monitoring of long-term progress doubtful.

### **Alternative Approaches Could Promote Continuity and Stability**

---

By reviewing alternative organizational approaches used for other policy and strategic planning functions in Montana and in other states, we can identify some potential changes in the governance structure for GOEO. Three generalized models are identified: departmental model, corporate model, and commission model.

The **departmental model** reverts back to an organizational structure previously used in Montana. Policy and programmatic functions currently assigned to GOEO would be moved within an existing department. Recent trends suggest Montana has moved beyond this structure and there does not appear to be broad support for a return to the model. The ability to develop and coordinate policy across state government and deliver certain strategic programs can be compromised within the department model.

In the **corporate model** GOEO functions are moved into an organization outside of state government (a private, not-for-profit corporation.) Based on the experiences of other states, moving Montana to a corporate model would entail significant restructuring within several state agencies. Additionally, concerns over constitutional limitations on the independence and flexibility accorded to a corporate entity could reduce this model's benefits.

Under the **commission model** GOEO remains part of the Governor's Office, but a commission or board is introduced as a governing entity. The commission's membership would reflect a broad range of interests and could provide both oversight and added input on policy development or program functions. Some version of the commission model provides the best prospect for resolving some concerns relating to GOEO. The commission model offers the prospect of insulating GOEO from political pressure and stabilizing the office's functions through transitions in administration.

### **Legislature Should Address GOEO Staffing and Funding**

---

GOEO has faced resource limitations since its establishment. Resource availability issues relate to both the office's staffing and budgets. Because of the office's policy focus human resource availability is a primary issue.

We believe the Legislature should consider taking steps to stabilize GOEO funding to ensure the functions performed by the office benefit from long-term continuity. Identifying a stable, long-term revenue source could help provide a greater degree of continuity in Montana's economic development functions and promote strategic thinking in efforts to improve the economic well-being of the state.

For a complete copy of the report (04P-01) or for further information contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>.