



Governor's Office of Economic Development

Overview

Chief Business Development Officer: Vacant (Appointed by Governor per 2-15-218(2), MCA)

Office Description/Responsibilities

2-15-218, MCA

- ◆ Targets business retention and recruitment, workforce development, technology development, infrastructure improvement, and permitting/regulatory processes.
- ◆ May contract with or employ policy specialists to carry out program goals or assist business development officer.
- ◆ May accept loans, grants, or gifts for stated purposes.
- ◆ Works to strengthen base for state's business environment and diversity and to expand existing economic endeavors.

Business Development Officer Duties

2-15-219, MCA

- ◆ Helps provide, along with the office, a vision and direction through the development of strategies and initiatives to ensure orderly, effective development of the state's economy.
- ◆ Advises the governor on policy issues related to economic development.
- ◆ Leads the state's business recruitment, retention, and expansion efforts.
- ◆ Coordinates the development and distribution of a statewide strategic development plan.
- ◆ Coordinates office functions/programs.
- ◆ Serves as the state's primary liaison with federal, state, and local agencies, Montana tribal governments, private, nonprofit economic development organizations, and the private sector.
- ◆ Serves (or appoints someone in office to serve) on the State-Tribal Economic Development Commission (90-1-131, MCA).
 - ◆ *Note: This appointment is currently vacant on the Commission*

Funding – Biennium Budget for FY 2022 and FY 2023*

	FTE	House Bill 2 for FY 2022 General Fund	House Bill 2 for FY 2023 General Fund	Total: All Sources Biennium
FY 2023 Biennium Total	5	\$720,214	\$727,304	\$1,447,518

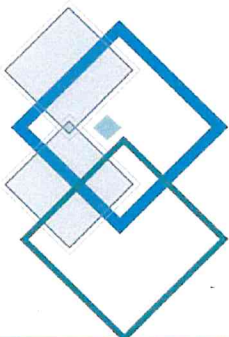
*As provided by Legislative Fiscal Division (1/5/2022)

Legislative Audits

- ◆ Performance Audit, December 2004. A recommendation was given for the Legislature to eliminate or reorganize the office; however, no action was taken on the recommendation, and no further audit of this office has been conducted.

Possible Topics of Interest

The Governor's Office of Economic Development was established in 2001 to provide strategic oversight for economic and business development for the state of Montana. The current administration appears to have shifted responsibility of the office to the Department of Commerce, making this office defunct. However, the Economic Affairs Interim Committee has a statutory obligation to oversee the GOED, and the GOED is governed by MCA 2-15-218 and 2-15-219. If the GOED no longer exists, the EAIC may wish to propose legislation to remove statutory reference to the office and agency oversight obligation.



MCA Contents / TITLE 2 / CHAPTER 15 / Part 2 / 2-15-218 Office of econ...

Montana Code Annotated 2021

TITLE 2. GOVERNMENT STRUCTURE AND ADMINISTRATION
CHAPTER 15. EXECUTIVE BRANCH OFFICERS AND AGENCIES

Part 2. Governor

Office Of Economic Development -- Structure

2-15-218. Office of economic development -- structure. (1) There is an office of economic development within the office of the governor.

(2) The head of the office is the chief business development officer, who must be appointed by the governor.

(3) The office of economic development is composed of the following policy and program specialties:

(a) business retention and recruitment;

(b) workforce development;

(c) technology development;

(d) infrastructure improvement; and

(e) permitting and regulatory processes.

(4) The office may employ or contract with policy specialists to implement the programs listed in subsection (3) and the functions referred to in **2-15-219**.

(5) The office may accept grants, loans, and other gifts from sources other than the state for the purpose of administering the provisions of **2-15-219**, **90-1-112** through **90-1-114**, and this section.

History: En. Sec. 2, Ch. 483, L. 2001.

Created by LAWS^{II}

Montana Code Annotated 2021

TITLE 2. GOVERNMENT STRUCTURE AND ADMINISTRATION
CHAPTER 15. EXECUTIVE BRANCH OFFICERS AND AGENCIES
Part 2. Governor

Chief Business Development Officer -- Duties

2-15-219. Chief business development officer -- duties. The chief business development officer shall:

- (1) advise the governor on policy issues related to economic development;
- (2) lead the state's business recruitment, retention, and expansion efforts;
- (3) coordinate the development and distribution of a statewide coordinated strategic economic development plan;
- (4) coordinate the individual functions and programs within the office as provided in **2-15-218**; and
- (5) serve as the state's primary liaison between federal, state, and local agencies, Montana tribal governments, private, nonprofit economic development organizations, and the private sector.

History: En. Sec. 3, Ch. 483, L. 2001.

Montana Code Annotated 2021

TITLE 90. PLANNING, RESEARCH, AND DEVELOPMENT

CHAPTER 1. DEVELOPMENT COORDINATION

Part 1. Planning and Economic Development

State-Tribal Economic Development Commission -- Composition -- Compensation For Members

90-1-131. State-tribal economic development commission -- composition -- compensation for members. (1) There is a state-tribal economic development commission administratively attached to the department of commerce as prescribed in **2-15-121**.

(2) The commission is composed of 11 members, each appointed by the governor to 3-year staggered terms commencing on July 1 of each year of appointment, and must include:

- (a) the state director of Indian affairs;
- (b) one member from the department of commerce;
- (c) one member from the governor's office of economic development; and

(d) one member from each of the federally recognized Indian tribes in Montana. A tribal government may advertise for individuals interested in serving on the commission and develop a list of applicants from which it may choose its nominee to recommend to the governor. In place of choosing from a list of applicants, a tribal government may select an elected tribal official to recommend for membership on the commission. If a tribal government nominates or otherwise recommends more than one person for membership on the commission, the governor shall select one individual from among those recommended persons.

(3) The members of the commission shall elect a presiding officer from among the members.

(4) Six members of the commission constitute a quorum, and the affirmative vote of the majority of the members present is sufficient for any action taken by the commission.

(5) Any vacancy on the commission must be filled in the same manner as the original appointment.

(6) Each member of the commission is entitled to reimbursement for expenses as provided in **2-18-501** through **2-18-503**.

History: En. Sec. 2, Ch. 512, L. 1999; amd. Sec. 1, Ch. 69, L. 2001; amd. Sec. 1, Ch. 460, L. 2005; amd. Sec. 1, Ch. 453, L. 2007; amd. Sec. 8, Ch. 164, L. 2009; amd. Sec. 10, Ch. 240, L. 2021.

INDIAN COUNTRY PROGRAMS [INDEX]

STATE TRIBAL ECONOMIC DEVELOPMENT COMMISSION

[Information \[#accordion0-pane1\]](#)

[Commission Members \[#accordion0-pane2\]](#)

[Meetings \[#accordion0-pane3\]](#)

[Reports \[#accordion0-pane4\]](#)

[Handbook \[#accordion0-pane5\]](#)

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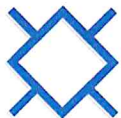
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December 2004

Legislative Audit Division

State of Montana

Report to the Legislature

Performance Audit

Governor's Office of Economic Opportunity

Office of the Governor

This report provides findings and recommendations relating to our performance audit of the Governor's Office of Economic Opportunity (GOEO). Findings and recommendations relate to the following areas:

- ▶ Options for the future direction of the office.
- ▶ GOEO strategic planning procedures.
- ▶ Assigning program responsibilities to GOEO.
- ▶ Changes in the office's governance structure.
- ▶ Status of GOEO staff and funding.

Direct comments/inquiries to:
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PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. The audit work is conducted in accordance with audit standards set forth by the United States Government Accountability Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, mathematics, statistics, economics, political science, criminal justice, computer science, education, and biology.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

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December 2004

The Legislative Audit Committee
of the Montana State Legislature:

This is our performance audit of the Governor's Office of Economic Opportunity (GOEO). A performance audit of GOEO was requested by the 2003 Legislature.

This report provides information to the Legislature concerning GOEO operations and activities. Findings and recommendations address multiple areas, including the office's future direction and role, strategic planning procedures, governance structure, staff, and funding. A written response from the Office of the Governor is included at the end of the report.

We wish to express our gratitude to GOEO staff, staff in other departments and the university system, representatives of local economic development organizations, and other individuals in the private sector for their cooperation and assistance during this audit

Respectfully submitted,

(Signature on File)

Scott A. Seecat
Legislative Auditor

Legislative Audit Division

Performance Audit

Governor's Office of Economic Opportunity

Office of the Governor

Members of the audit staff involved in this audit were Angie Grove, Angus Maciver, and Joe Murray.

Introduction

The 2003 Legislature included language in House Bill (HB) 2 requesting the Legislative Audit Committee prioritize a performance audit of the Governor's Office of Economic Opportunity (GOEO). HB 2 terminology suggests the Legislature is seeking some assurance that GOEO is meeting established goals or targets. However, the request also suggests 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 that the office can provide continuity and long-term focus on issues. The current structure for state

Report Summary

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 used in developing the office's strategic economic development plan ensured opportunities were available for public comment. The policy initiatives addressed in the Roadmap plan are reasonable and appropriate in 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.

Confusion Exists over GOEO Role

There is confusion over the purpose of GOEO relating primarily to the office's responsibility for programmatic functions. GOEO is assigned responsibility for two programs: state marketing and business recruitment, and administration of the Primary Sector Business Workforce Training Act.

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 organizational 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 these decisions. 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. We believe the current structure presents several difficulties affecting the continuity and long-term stability of functions performed by GOEO:

Report Summary

- ▶ **Isolation and Politicization** – GOEO is isolated within the executive branch and this has led to its functions being perceived as politicized. Politicization could decrease 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.

Department Model Does Not Reflect Policy Trends

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 department model. The ability to develop and coordinate policy across state government and deliver certain strategic programs could be compromised within the department model.

Corporate Model Requires Broader Revision of Economic Development Functions

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 benefits offered by this model.

Commission Model Offers Solutions Appropriate to Current Situation

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. We believe 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. The Legislature should address commission membership terms and role.

Resource Availability

GOEO has faced resource limitations since its establishment. Resource availability issues relate to both the office's staffing and budgets. However, the office's policy focus means human resource availability is a more important issue. The lack of program responsibilities means the financial resources available to the office are of secondary importance.

Human Resources

By law, the Chief Business Officer (CBO) and six professional staff positions are exempted from provisions in statute relating to state employee classification, compensation, and dismissal. The office currently operates with two FTE, in addition to the CBO. Two employees left during 2003, and one position was left vacant following the death of another employee. GOEO, other state agencies, and the private sector have argued that one of the factors contributing towards employee departures is that these positions are perceived as being political appointments and that this has contributed to problems with continuity in their relationships.

Staff Positions Should Reflect Governance Structure

Maintaining flexibility in staffing decisions could be beneficial for GOEO, but there are understandable concerns over instability resulting from frequent turnover. The problem relates to the link between specific gubernatorial administrations and the office's staff. The potential solution could be assigning GOEO personnel as the permanent staff of a governance commission. Decisions regarding terms of service would be the responsibility of the commission.

Report Summary

Funding Should Be Stabilized

GOEO is funded primarily through the state's general fund. Over the past four years, GOEO has seen its total available funding reduced by approximately one third. Based only on general fund, the funding reduction is around 42 percent and these cuts have been made without any changes in the scope of the office's functions.

Legislature Should Address GOEO Staffing and Funding

We believe the Legislature should consider taking steps to stabilize GOEO funding to ensure the functions performed by the office can 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.

Chapter II - Future Direction of GOEO

Introduction

GOEO has now 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 central issue addressed in this chapter is whether GOEO is making a difference. Have GOEO activities contributed towards improving the state's economy?

What is Economic Development?

There is no consensus opinion regarding the extent to which government should or can effect changes in the economy. Even presuming there is an appropriate role for government in developing the economy, it is still unlikely you can reach agreement on how best to go about doing this. Regardless of these debates, we can say with certainty that government always has and probably always will take actions designed to improve the economy. The range of possible actions covers a wide range of both economic and non-economic policy areas, but all are eventually labeled as being some form of economic development.

Unsurprisingly, a generally accepted definition of economic development is also difficult to identify. Competing viewpoints on economic development are based on fundamentally different interpretations of the role of government in relation to the economy and the impacts of government action on the private sector. The United States Department of Commerce Economic Development Administration (EDA) defines the terms as follows:

“Economic development is fundamentally about enhancing the factors of productive capacity - land, labor, capital, and technology - of a national, state or local economy. By using its resources and powers to reduce the risks and costs which could prohibit investment, the public sector often has been responsible for setting the stage for employment-generating investment by the private sector.”

Chapter II - Future Direction of GOEO

Although this definition is unlikely to meet with universal approval, it does emphasize one important point raised in many economic development discussions; government's role should be in 'setting the stage' or creating the environment. Economic development occurs in and is driven by the private sector.

Evaluating GOEO Activities and Accomplishments

The most important factor to take into account in an assessment of GOEO activities is the functional role of the office. GOEO is primarily a policy office and its main responsibilities relate to formulating economic development policy through planning and coordination of policy proposals across government. The office's programmatic responsibilities are limited in nature.

Methodological Difficulties in Assessing Policy Functions

Limited programmatic functions present several problems in assessing GOEO activities. Some of these are general difficulties relating to the subjectivity involved in determining qualitative value of economic development policy functions. Others are specific to the current situation and circumstances GOEO operates under. The following sections discuss three important issues involved in assessment of GOEO policy functions.

Nature of the Policy Function

Programmatic functions in government involve administrative procedures and delivery of defined services. Quantitative data usually exists to demonstrate success or failure as defined by statutory or rule-based criteria. For policy functions, outcomes cannot always be linked to specific activities. For example, GOEO staff are assigned to boards, commissions and committees in state government dealing with various economic development issues. People involved in these efforts generally confirmed the value of GOEO participation, but it is still difficult to determine whether any successes, or failures, should be attributable to GOEO actions.

Long-Term Focus of Policy Functions

Policy functions should generally be expected to deliver results over the medium to long-term. GOEO has established long-term performance targets to reflect this reality. The first targets established are for 2007 and successful implementation of GOEO initiatives is not envisioned until 2012. This approach is not unique

Chapter II - Future Direction of GOEO

to GOEO; most other state strategic planning functions use extended timelines. GOEO has only been operational for three years and the Roadmap plan was not adopted until late 2002. It is neither possible nor equitable to expect the office to defend long-term policy initiatives on the basis of short-term outcomes.

Resource Availability

Where GOEO is assigned programmatic functions, resource availability affects any determination regarding the office's performance. For both the workforce training and marketing and business recruitment functions, GOEO could have demonstrated program outcomes over the short-term. However, staff shortages and funding cuts have adversely affected the office's ability to deliver these programs effectively. Since 2001, the office's funding has been cut significantly and it operates with three of the original seven FTE assigned by statute. Availability of sufficient resources is a prerequisite to implementing effective programs.

The History of Economic Development Policy in Montana

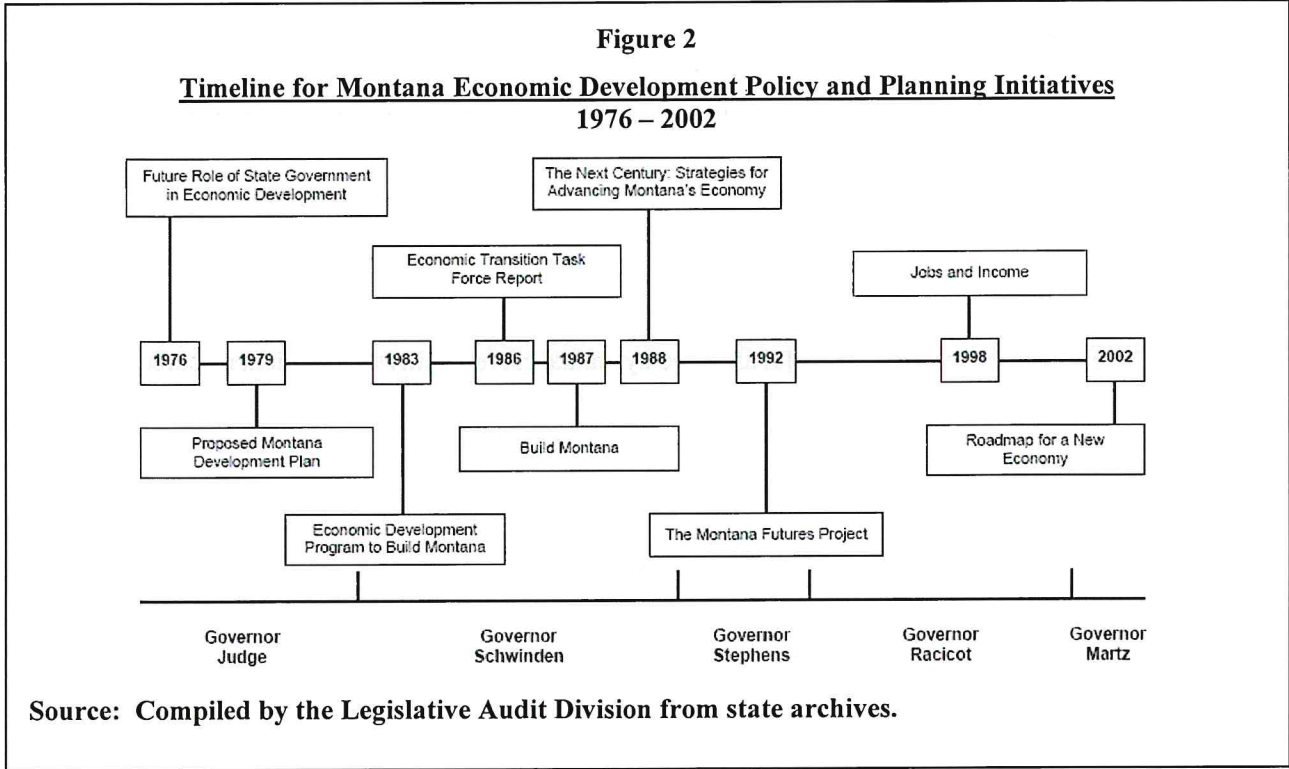
Conventional approaches have limitations when dealing with GOEO policy functions. The effectiveness of GOEO needs to be assessed from an alternative perspective, to address progress in the state's overall economic development policy and planning functions. An important part of this assessment includes reviewing the office's activities and accomplishments in the context of Montana's previous statewide economic development planning and policy coordination efforts. The role of GOEO leading the state's economic development policy formulation and coordination is not without precedence. Neither is the strategic planning function a novelty for Montana state government. The following sections review economic development policy and planning efforts in Montana over the past three decades.

Montana Has Produced Multiple Strategic Plans

Review of state archives shows no shortage of strategic economic development plans. Since 1976, we identified nine significant strategic planning documents or proposals presented to five different administrations. These plans differ in structure and emphasis, but all share the goal of shaping state policy to promote economic growth. The following figure shows titles and publication dates for identified

Chapter II - Future Direction of GOEO

plans. It should be noted that this selection represents only high-profile planning efforts, which were statewide in focus and addressed government economic development functions. It does not include plans proposed by entities outside of state government.



On average, Montana has produced a new plan every three years. The plans we reviewed contained around 180 different recommendations addressing approximately 40 distinct policy issues over 375 pages of text.

Perpetual Planning and Policy Continuity in Economic Development

Strategic planning requires a degree of flexibility and should be viewed as an ongoing process involving continuous review. Continuous planning should involve long-term focus on policy issues and continuity between various phases of the process. Decisions to change direction or re-focus policy should be based on objective assessment of available performance measurements. Perpetual planning, by contrast,

Chapter II - Future Direction of GOEO

involves limited continuity between different phases and a tendency to adopt short-term policy perspectives. Major changes in policy focus or direction are made without reference to available performance measurement criteria.

For much of the past three decades Montana appears to have been stuck in perpetual planning mode. The number and variety of different policy issues addressed in various plans demonstrates the lack of continuity in the process. Even though several similar policy issues have emerged erratically over the years, there has never been a long-term commitment to pursuing solutions or tracking progress.

Promoting Continuity in Economic Development Policy

The steady decline in Montana's economic position relative to other states can be attributed to a wide range of factors. Some of these factors are national or global in scale and beyond the control of state policy makers. The effectiveness of state economic development policy is one factor within the control of Montana's policy makers, but it is difficult to determine its relative importance. It may not be possible to determine if a more coherent approach to economic development policy and planning could have made a difference to this state's economic performance. However, given the decline in Montana's economic fortunes, we can say that previous actions have not achieved their objectives.

The Role of GOEO in Economic Development Policy

If GOEO is to lead the state's economic development policy coordination and planning efforts, there must be some assurance that the office can provide continuity and long-term focus on issues. Audit work, including interviews with many economic development practitioners, has shown there is no assurance the office can provide long-term continuity in its current form. The current structure for state economic development functions does not provide an opportunity to break free from the perpetual planning mode. Equally, there is no evidence suggesting continuing along the present track will result in definable harm. The opportunity cost associated with funding an executive-level policy office is minimal compared with some of the state's other economic development commitments.

Chapter II - Future Direction of GOEO

Conclusion: Current GOEO Structure Does Not Provide Continuity

Legislature Should Determine the Future of GOEO

Montana's public policy makers, including the Legislature, face a choice in relation to the future of GOEO. Continuing with the current structure risks, at the very least, wasting time and resources in the development of 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 long-term 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.

Recommendation #1

We recommend the Legislature determine the future direction of the state's economic development functions by either:

- A. Eliminating the Governor's Office of Economic Opportunity and transferring functions to another department; OR**
- B. Pursuing changes in the office's role, structure and resources to promote long-term continuity.**

Subsequent Chapters Provide Guidance for Reforming GOEO

Should the Legislature decide to maintain GOEO and pursue changes to promote long-term continuity, the following chapters discuss potential means of achieving this by addressing the following issues:

- 1) **Improve strategic planning** –addressing procedures for regularly reviewing and updating the state's strategic economic development plan.
- 2) **Define GOEO Programmatic Duties** – determining which programmatic responsibilities should be assigned to GOEO.
- 3) **Restructure GOEO Governance Structure** – restructuring the governance structure of GOEO to increase accountability and promote continuity and long-term stability in state economic development functions.

Chapter II - Future Direction of GOEO

- 4) **Determine GOEO Resource Needs** – determining what level of resources (human and financial) should be committed to GOEO activities.