

A Proposal for the Montana Board of Regents

A Process by Which the University
System Takes a Greater Leadership
Role in Economic Development for the
State of Montana

Purpose: The purpose of this document is to suggest a course of action by which the Montana University System can ultimately take a greater, more defined role in growing Montana's economy and creating more good jobs for our citizens.

Background: Over the past 5 months the Montana Board of Regents have had many discussions about the need for the University System to take a more direct leadership role in the state's economic development. At the direction/request of the Regents and the Office of Commissioner of Higher Education (OCHE) a number of people from various state agencies/organizations have been meeting as a working group in an attempt to distill what are admirable, albeit lofty, goals into practical and actionable policies/initiatives.

Over these past months the composition of the working group has varied, but has included members of Legislative Services Division, Legislative Fiscal Division, OCHE, the Governor's Office, Board of Regents and others interested in working on this important issue. For lack of a better term this group is called the "ad hoc working group" throughout this discussion and its composition is listed in Appendix A.

This paper briefly summarizes this working group's recommended course of action for our University System by which it can assume a greater leadership role in economic development and simultaneously become an even more valuable asset to the state.

The Changing World Economy: The following is a brief summary of how the global economy has changed. It provides a basis for understanding why and how state economic policies need to evolve.

Today's state leaders face two economic challenges: to maintain national leadership in job and wealth creation and to compete successfully in a global economy. The key to both of these goals is innovative capacity. Why? Because innovation drives productivity growth, which, in turn, drives prosperity and justifies higher wages. Moreover, it creates the advanced products and services that capture global market share. As the 2002 *Economic Report of the President* makes clear, the longest economic boom in the nation's history was driven by the development of new knowledge and the deployment of new technologies. Yet, the competitive challenges for states have never been greater for several reasons.¹

First, rapid globalization is changing the parameters for economic success. Globalization is forcing states to compete head-to-head with international competitors whose access to technology, talent, and capital sometimes rivals or exceeds their own. Those assets – often combined with lower labor costs – are attracting high-value investments by multinational companies. Competing for business investment requires that states remain a moving target in research and

technology – ahead of increasingly rapid and global diffusion of knowledge and know-how.²

Second, the pace of technological change is straining the capacity of state workforces to keep up. Jobs requiring an advanced degree are among the fastest growing categories in the labor market. But the number of science and engineering graduates nationwide is declining. No state can fuel an innovation economy – either leveraging technology to grow new industries or applying technology to transform older ones – without access to the right kind of technical talent.³

Third, high-quality and rapid product deployment are no longer the sole determinants of competitiveness and market success. Rather, they represent the baseline requirements just to get in the game. The basis of market advantage today is specialization, focused through regional clusters and driven, in large part, by the ability to develop and to deploy the specialized research, talent, and technology, as well as the linkages that support them.⁴

It is in this context of a rapidly changing global economy that we must evaluate an expanded role for our University System and the development of a forward thinking set of economic policies for our State.

Course of Action: The working group’s recommended course of action for Montana and our University System can generally be described in four major steps. The first three steps can be completed in about six months. The fourth step involves the creation of teams to develop and implement action plans over the subsequent 2-5 years.

The first major step is to more formally establish the group that will provide broad policy oversight for this process going forward and the team that will actually do the groundwork. The current working group recommends the formation of two elements.

The first would be a **leadership group** (Appendix B) comprised of leaders from the legislative and executive branches as well as business, education and relevant organizations’ leaders. This group would provide oversight and direction for the project and provide the forum for forging consensus at each step in the process. This group would meet 2-4 times during the first year to evaluate/approve each major step and its conclusions. Once individual action plans, with associated teams, are in place the leadership group would meet 1-2 times per year in subsequent years to review progress and provide input.

The second group would be the **project team** (Appendix C). The team would consist of people in related agencies and organizations willing to conduct the actual policy research and develop recommendations/action plans for review by

the leadership group. Generally this will be senior staff members of some of the entities represented on the leadership group. The project team should be smaller than the leadership group and would meet approximately 4-6 times during the first year. Once step four is reached and specific action plans are developed, the project team would either dissolve or transform and meet as needed to review progress.

Formation of these two entities, the leadership group and the project team, is a seemingly uncomplicated task made difficult by the fact that if this effort is to succeed it will involve buy-in and partnership between, at least, the executive and legislative branches and the Board of Regents/University System – none of which has statutory authority over the others to direct the work we are contemplating. The current ad hoc working group will make an initial recommendation for group composition and expectations for the project team and leadership group. The Board of Regents, Interim Committee and Governor will then agree on or modify this recommendation. The Board of Regents will then appoint or request the participation of the project team and leadership group members.

Once the Regents, Interim Committee and Governor have taken action on these matters the ad hoc working group will dissolve. After this point, the process will work as follows:

1. The project team will develop recommendations for the leadership group for each step in the process (steps 2-4 below).
2. The leadership group will discuss and approve each step of the process before the project team moves to the next step.
3. The Regents, Interim Committee and Governor's Office will be periodically informed of progress and will make recommendations back to the leadership group.

Throughout this proposal there is reference to an "interim committee." There are several ways to ensure reasonable legislative concurrence during the process including involvement of the Postsecondary Education Policy & Budget (PEPB) Subcommittee, the Education and Local Government Interim Committee, and the Economic Affairs Interim Committee. As a starting point, the PEPB subcommittee will be the first legislative group to consider this project but the best mechanism to ensure ongoing involvement of the legislature needs further discussion. **The term "interim committee" throughout this document means the PEPB subcommittee or whichever legislative committee/group is ultimately determined to be best suited for involvement in this process.**

The second major step in establishing a new role for the Montana University System in strengthening the state's economy will be to get broad-based agreement on the fundamental changes occurring in the world's economy and the implications of these changes for Montana. We must have some reasonable

consensus on the changes/problems we face if we are to ever affect significant changes in our economic policies.

The third major step in establishing a new role for the Montana University System in strengthening the state's economy will be to get broad-based agreement on those areas which provide the best opportunity for change but still leverage the University System's core competencies.

Until recently, states seldom recognized state universities as major assets in economic development, aside from these institutions' historic role in workforce preparation and in the mostly localized impacts of their spending.⁵ As other states are realizing (and acting) University systems play a critical role in helping set economic policy and executing that policy. Universities in other states and around the world can and are significantly changing the way they have traditionally operated in order to fuel economic growth.

It is the thesis of this working group that the Montana University System has a significant opportunity to take a stronger leadership role in Montana's economic development. But the University System – the “fourth branch of government” in Montana – can neither supplant the leadership required from the legislative and executive branches of state government nor replace the checks-and-balances which have evolved in the state to challenge and refine major policy changes.

If the Montana University System is to provide real leadership in driving economic growth, it should first focus on those areas where it has some inherent expertise or control. If it can excel in those areas where it already has some core competencies the MUS should, over time, evolve into a more expanded leadership role. It is a second thesis of this working group that those areas of initial focus for the Montana University System can be roughly categorized in the following four areas:

- *Access to 2-year, 4-year and advanced degree education* – good wages and career growth in the global economy depends on advanced skills training and we must make sure ALL of our citizens have better access to higher education.
- *Worker training* – Montana businesses increasingly need workers with specialized and customized skills and we must improve our ability to target our educational resources to provide these trained workers.
- *Technology transfer* – the Montana University System is by far the single most significant generator of new technology in our state and we must ensure we have a world-class process for infusing that technology into our businesses and entrepreneurs.
- *Entrepreneurship & Small Business Development* – with its vast research facilities, business schools, economists, etc. the University system is uniquely positioned to provide leadership on growing the small or start-up

businesses that have historically provided the majority of new jobs in any state's economy.

It is worth noting that, while these four areas are generally within the University Systems' traditional areas of emphasis, these recommendations should not be construed as simply maintaining the status quo. For instance, to comprehensively address technology transfer and entrepreneurship, new policies must address access to capital, tax policy, better government-business partnerships, state and local government organization, etc. It is not the presumption of this working group that the University System plays a leadership role only where it has historically been comfortable, but rather only where it has some core competencies and credible expertise. Furthermore, new leadership in these areas must be proactive and visionary with respect to our own economy and the realities of the 21st century.

The fourth major step in this process will be to develop specific recommendations for action and/or policy changes. This step comes only after a reasonable consensus has been reached as to the problems faced by Montana in the global economy and the key roles of the University System in addressing those problems. It is recommended that this step will entail establishing new working teams involving private and public sector members that will focus on each of the priority areas established in step three. Each team would develop clear anticipated outcomes in a two-five year period and be responsible for developing processes to achieve these outcomes.

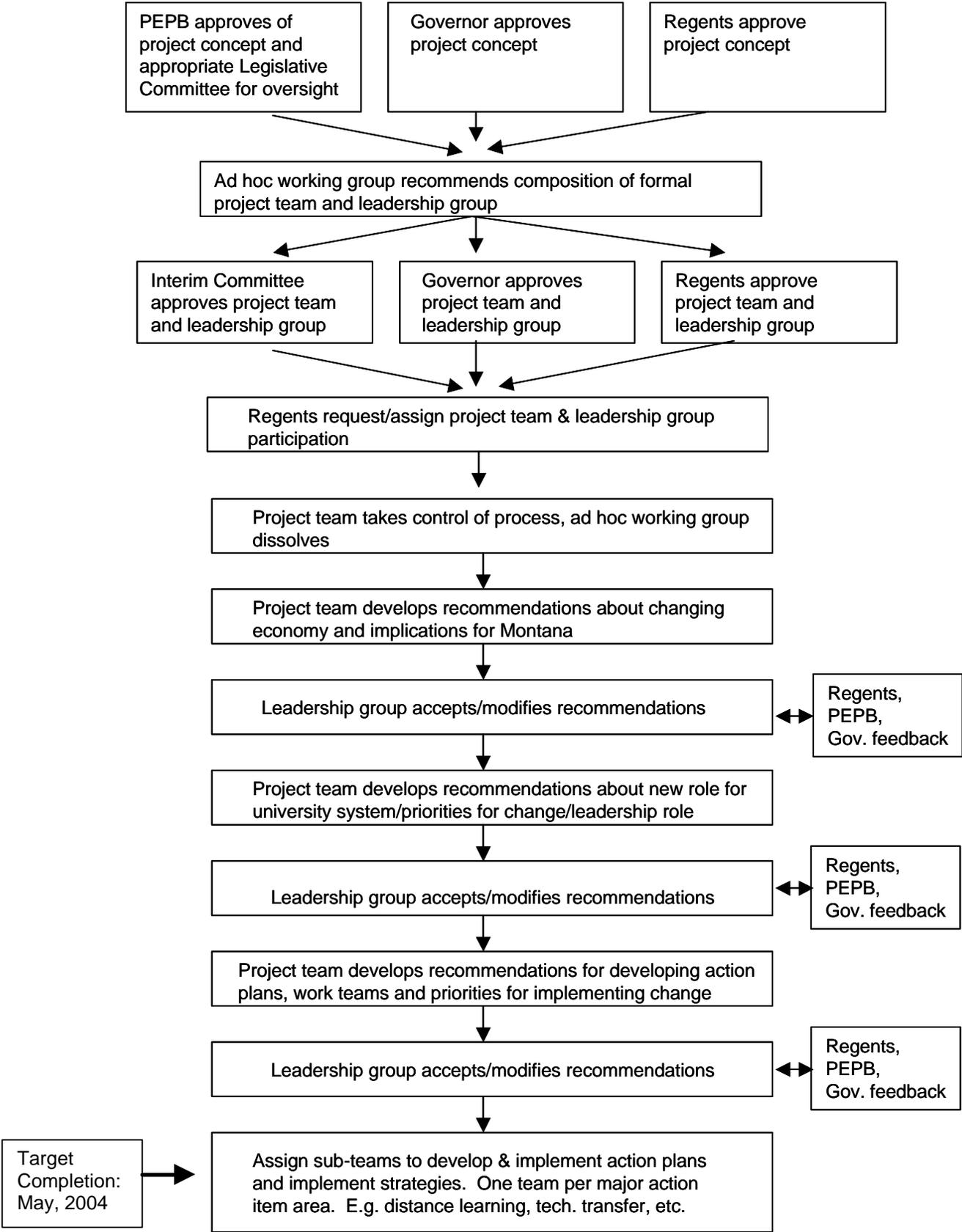
These new teams will be highly focused on specific policy areas affecting the MUS. There will need to be, on an ongoing basis, some entity that ensures inter-team coordination and support and coordinates communication between these new teams and the leadership group and other involved organizations/branches of government. There are at least two options to consider at this juncture:

- The original working group dissolves and these new teams conduct their work and report directly to the leadership group. The Board of Regents would provide cross team coordination and administrative oversight.
- The original working group can continue to provide input and coordination of these new teams. In this scenario we will also consider, after step three, altering the composition of the working group to better suit its new role.

Another State's Experience: As one relevant point of interest, the state of Oklahoma has recently undertaken a project very similar to that contemplated in this document. While not a perfect model for Montana, it does illustrate how other state governments are anticipating and addressing the changing world economy in partnership with their university systems. It also suggests that if Montana does not continue to be proactive it is at serious risk of being left behind in a rapidly changing world. A summary of this Oklahoma initiative is attached.

Conclusion: The Montana University System and the Commissioner of Higher Education are in a unique and powerful position to influence the direction of our state's economy. Yet they can only function in a strong leadership role by focusing, at least initially, on their areas of expertise and by forging stronger partnerships with other government entities and private businesses (where jobs are ultimately created). This endeavor recognizes that there is untapped potential for improving Montana's economy within the University System and that the University System can provide critical leadership for the state in key policy areas to create more good jobs for our citizens.

Process Description



Appendix A – Ad Hoc Working Group Composition

This group has fluctuated some during the past 5 months but has generally consisted of the following people. This group composition is open to change based on input from the Legislature, Governor's Office or Board of Regents.

Sheila Stearns, Commissioner of Higher Education
Arlene Parisot, Office of Commissioner of Higher Education
Clayton Schenck, Legislative Fiscal Division (LFD)
Terry Johnson, LFD
Pam Joeehler, LFD
Taryn Purdy, LFD
Alan Peura, LFD
Eddy McClure, Legislative Services Division (LSD)
Pat Murdo, LSD
Webb Brown, Montana Chamber of Commerce
Dave Gibson, Governor's Office

Appendix B – Leadership Group (Preliminary Recommendation Only)

The leadership group consists of private and public sector leaders with an interest in the Montana University System and economic development policies in Montana. The following is a preliminary list of potential members, most of whom have not been contacted regarding willingness to serve in this capacity:

Sheila Stearns, Commissioner of Higher Education
Chair of Board of Regents (successor to Ed Jasmin, TBD)
Linda McCulloch, Superintendent of Public Instruction
Representative of Tribal Colleges
Representative of 2-year Education System (CC/COT)
Representative from Senator Burns' Office
Representative from Senator Baucus' Office
Representative from Congressman Rehberg's Office
Speaker of MT House of Representatives
House Minority Leader
Senate President
Senate Minority Leader
Representative from Organized Labor Leadership
Webb Brown, Montana Chamber of Commerce
Governor or representative from Governor's Office

Appendix C – Project Team (Preliminary Recommendation Only)

The following would comprise the initial project team that would develop recommendations and facilitate the flow of information among key constituent groups.

Sheila Stearns, Commissioner of Higher Education or representative

Dave Gibson, Governor's Office

LSD representative

LFD representative

Representative from 4+ year higher education system

Representative from 2-year higher education system

Footnotes

¹ A Governor's Guide to Building State Science and Technology Capacity, National Governor's Association Policy Paper, 2002

² A Governor's Guide to Building State Science and Technology Capacity, National Governor's Association Policy Paper, 2002

³ A Governor's Guide to Building State Science and Technology Capacity, National Governor's Association Policy Paper, 2002

⁴ A Governor's Guide to Building State Science and Technology Capacity, National Governor's Association Policy Paper, 2002

⁵ Building State Economies by Promoting University-Industry Technology Transfer, Louis G. Tornatzky, Ph.D., National Governors Association, 2000