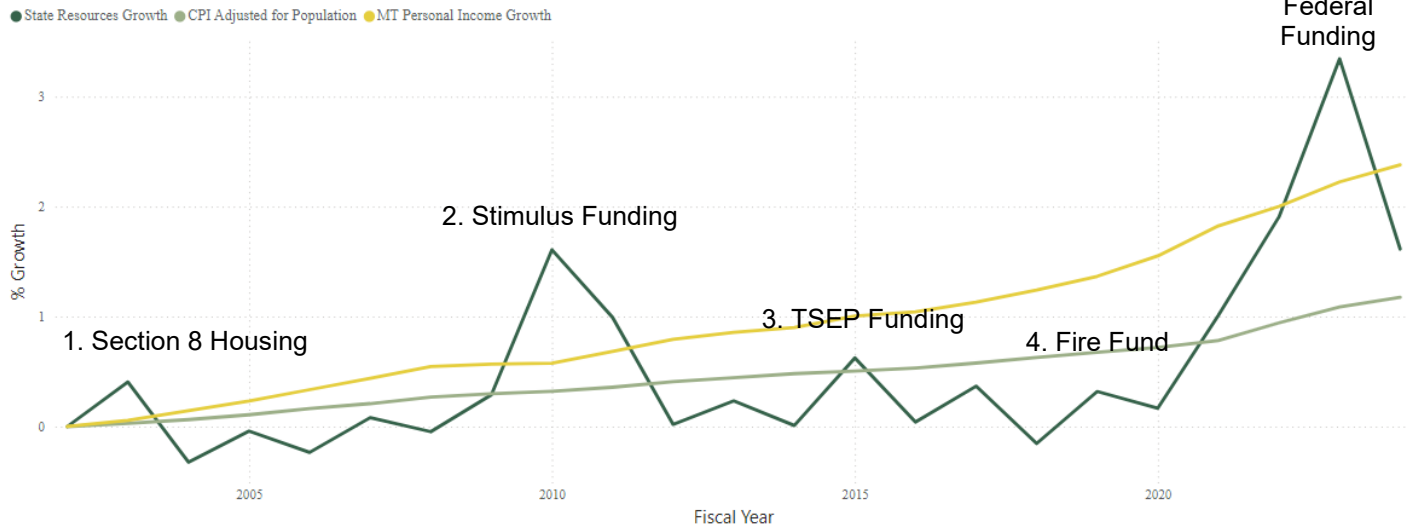


Department of Commerce

This report includes a series of charts that compare state resource expenditure growth to the growth in personal income and growth in inflation adjusted for population. Montana statute, 17-8-106, MCA, recommends using growth in personal income for comparison purposes. Personal income is a measure for growth in the economy. Comparing growth allows financial planners to consider past and future demands in services or changes in revenues.

All Government Funds

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



Overall, the Department of Commerce's expenditures across all funds have generally remained below the growth in inflation-adjusted population and personal income, with a few inflection points where expenditures were higher. Key inflection points in the expenditure trends include:

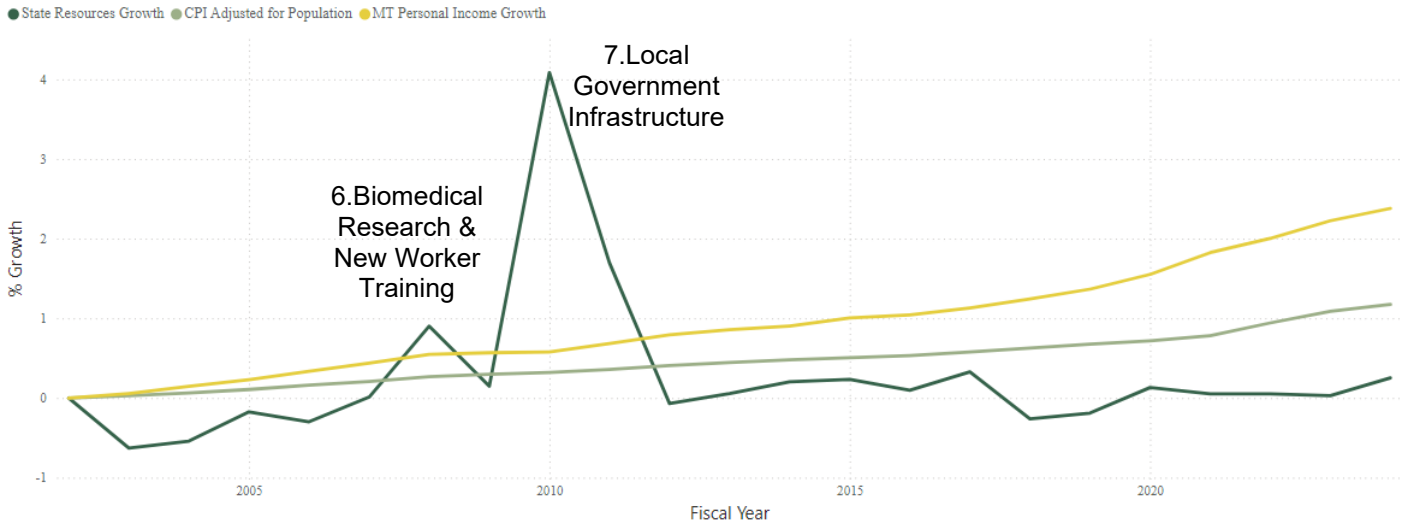
1. 2005 Biennium: The legislature shifted \$82.0 million in federal special revenue and 19.50 PB for Section 8 housing from the Housing Division to the enterprise fund, which is not classified as a governmental fund. This change permanently reduced the appropriation level in HB 2.
2. 2011 Biennium (Great Recession Response): The legislature approved \$29.0 million in general fund and \$34.95 million in state special revenue for local infrastructure projects, including:
 - a. \$4.0 million in American Recovery and Reinvestment Act (ARRA) funds for historic preservation.
 - b. \$45.0 million in ARRA funds: \$20.0 million to school districts, \$20.0 million to local governments, and \$5.0 million to tribal governments.
 - c. \$14.95 million for "Quick Start" energy grants for local school districts.
3. 2015 Biennium: The legislature approved \$35.0 million in state special revenue for the Treasure State Endowment Program (HB 11) and \$12.4 million for quality school facility grants.
4. SB 4 (2017 November Special Session): Established a management rate transfer of 3.0% on the Board of Investments' portfolio if the average asset balance exceeded \$1.0 billion and funds were sufficient to offset liabilities. Transfers were directed to the fire suppression account.
5. FY 2020-2024 (COVID-19 Response): The Department of Commerce received federal funding to address housing and economic needs during the pandemic. Most of this funding supported housing projects,



including rental assistance, loan deferments, mortgage assistance, and the Home Investment Partnerships Program (HOME).

General Fund

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



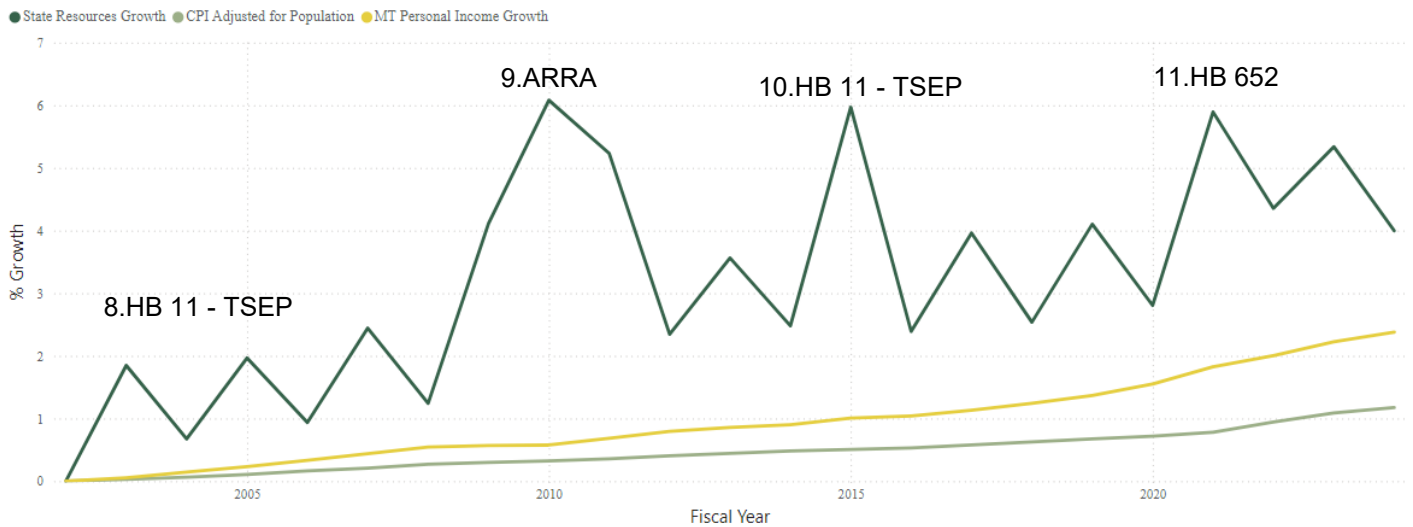
Expenditure trends related to the general fund in the Department of Commerce have remained below inflation-adjusted population growth and personal income growth, with only a few instances of higher spending. Increases in general fund expenditures occurred due to:

6. FY 2008: The Department of Commerce was allocated \$2.0 million for one-time-only biomedical research and approximately \$4.0 million for new worker training.
7. FY 2009-2011: General fund expenditures increased significantly due to investments in local government infrastructure: \$7.6 million in FY 2009, \$24.5 million in FY 2010, and \$10.4 million in FY 2011.

State Special Revenue Funds



The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



Expenditure trends for state special revenue in the Department of Commerce have generally exceeded both inflation-adjusted population growth and personal income growth, with several notable peaks.

Key increases in state special revenue expenditures were driven by:

8. FY 2003 Onward: Increased spending on the Treasure State Endowment Program (TSEP) under HB 11. These biennial appropriations typically result in higher expenditures in odd-numbered fiscal years, a trend that continued in subsequent years.
9. FY 2010: Higher expenditures due to \$34.95 million in state special revenue appropriated under the ARRA, as mentioned earlier.
10. 2015 Biennium: The legislature approved increased authority of \$35.0 million for TSEP (HB 11) and \$12.4 million for quality school facility grants.
11. 2021 Biennium: The Department of Commerce was appropriated \$21.5 million through HB 652 for local infrastructure projects.

The Department of Commerce's expenditure growth has been largely supported by state special revenue. Increases in FY 2009, FY 2010, FY 2011, and FY 2015 are primarily attributable to infrastructure projects. Additionally, in FY 2018 and FY 2019, \$14.7 million and \$13.6 million, respectively, were allocated from state special revenue to the state fire suppression fund.

