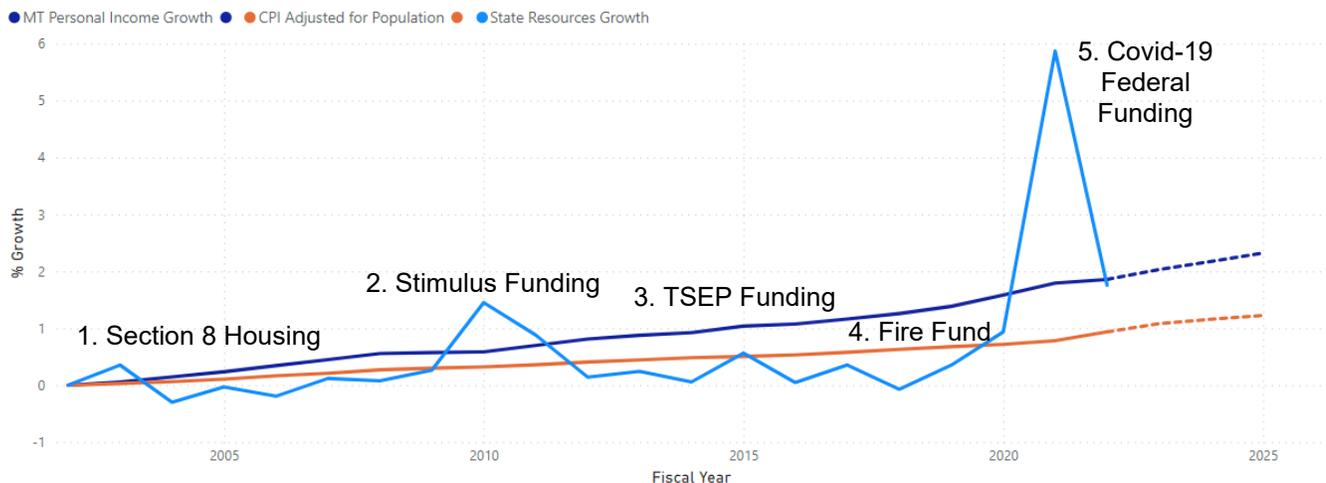


Department of Commerce

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.



With a few exceptions, the trend for expenditures related to all governmental funds in the Department of Commerce has followed the growth in inflation adjusted for population.

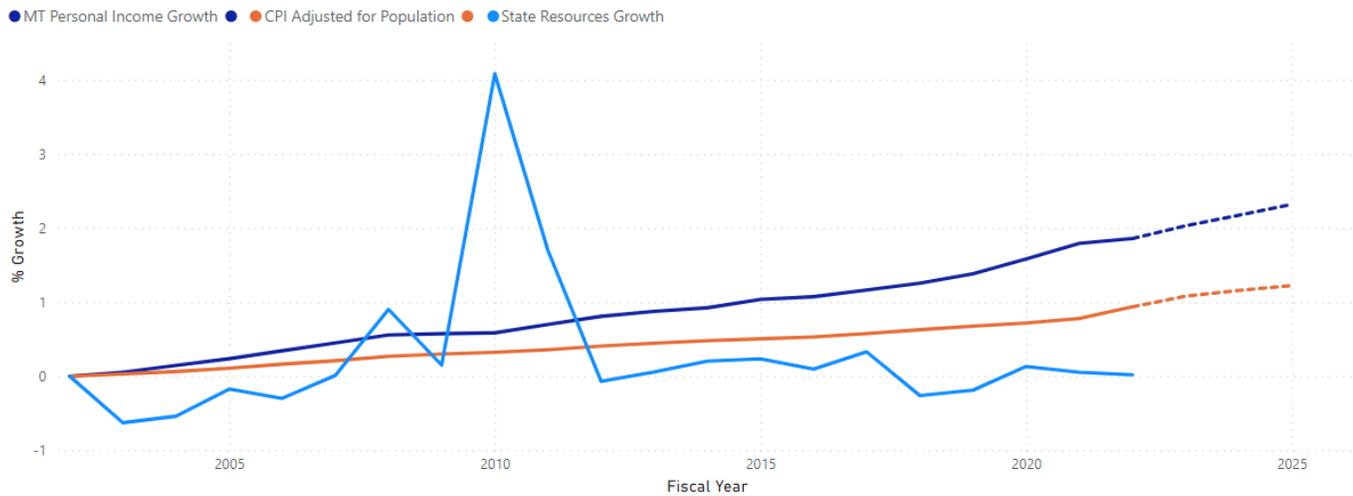
The following list discusses in more detail the inflection points on the charts:

1. In the 2005 biennium, the legislature shifted \$82.0 million in federal special revenue and 19.50 FTE for Section 8 housing in the Housing Division to the enterprise fund. As the enterprise fund is not considered part of governmental funds, this change permanently reduced the appropriation level included in HB 2;
2. As part of the state's response to the Great Recession, the legislature approved \$43.3 million in general fund, \$37.1 million in state special revenue, and \$40.4 million in federal special revenue for the 2011 biennium for infrastructure projects in local governments including:
 - a. American Recovery and Reinvestment Act (ARRA) funding of \$4.0 million in historic preservation
 - b. ARRA funding of \$45.0 million, \$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 available to local school districts;
3. In the 2015 biennium, the legislature approved \$35.0 million in state special revenue expenditures for the Treasure State Endowment Program in HB 11 and \$12.4 million in expenditures for quality school facility grants;

4. SB 4, enacted by the 2017 November Special Session, established a management rate transfer of 3.0% on the Board of Investments portfolio if the average asset balance was greater than \$1.0 billion and the balance contained sufficient funds to offset all liabilities. The management rate transfer was to be made to the fire suppression account; and
5. To address impacts of the Covid-19 pandemic, the Department of Commerce received federal funding to address housing and economics needs in FY 2020 and FY 2021. The majority of this funding supports housing projects including rental assistance, loan deferments, mortgage assistance, and Home Investment Partnerships Program (HOME) funding.

General fund

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

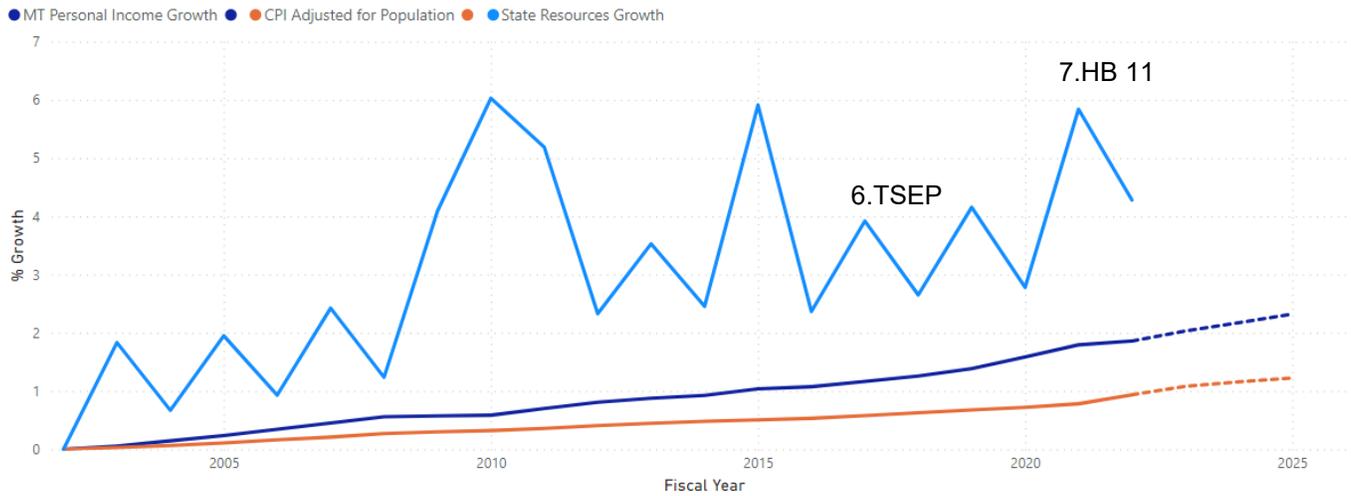


Increased general fund support for expenditures in FY 2009 of \$7.6 million, \$24.5 million in FY 2010, and \$10.4 million in FY 2011 were due to the investment in local government infrastructure. In FY 2015, HB 11 authorized a transfer of \$13.3 million in general fund to the treasure state endowment account in the state special revenue fund to provide sufficient funding for the total projects approved in the bill.



State Special Funds Only

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



6. HB 11, enacted by the 2015 Legislature for the 2017 biennium, provided \$18.9 million in state special revenue for the Treasure State Endowment Program; and
7. FY 2021 is inflated due to more authority for HB 11 (\$17.6 million) in FY 2021 rather than splitting it evenly across the biennium. HB 11 is for treasure state endowment grants and the agency anticipates providing more grants earlier in the biennium.

Most of the growth in expenditures within the Department of Commerce has been supported by state special revenue. In FY 2009, FY 2010, FY 2011, and FY 2015, increases in state special revenues are due to increased support for infrastructure as previously discussed. In FY 2018 and FY 2019, \$14.7 million and \$13.6 million in state special revenue, respectively, was paid into the state fire suppression fund.