



# Montana Highway Funding

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## How Montana’s Highways Are Funded

Montana’s highways are built and maintained with a combination of state special and federal special revenue funding. The primary sources of state funding are highway user fees, such as taxes on motor fuels, and size- and weight-related vehicle fees. Federal funding, predominantly fuel taxes, is provided by the United States Department of Transportation.

In FY 2014, Montana spent roughly \$255.7 million of state funds and \$429.2 million of federal funds on highway-related activities in the Montana Department of Transportation (MDT). These \$684.9 million funded the following major functions:

- Administration - \$48.0 million
- Construction - \$466.3 million
- Maintenance\* - \$130.1 million

\*Includes \$0.8 million in facility related capital projects

- Motor carrier services - \$10.5 million
- Transportation planning - 30.1 million

Other FY 2014 highway and roads functions supported with fuel taxes include:

- Department of Justice, highway patrol activities (\$35.8 million)
- Local government road construction, repairs, and maintenance (\$16.7 million)
- Tribal revenue sharing agreements (\$4.7 million)
- State park roads maintenance and construction (\$0.6 million)
- MDT facility construction and maintenance through the Long-Range Building Program(\$0.9 million)

## State Funds

State highways funds are divided into two categories:

- Constitutionally restricted
- Non restricted

## Constitutionally Restricted Revenues

Article VIII, section 6, of the Montana Constitution restricts the use of the fees and taxes supporting the operation of Montana's highways. The restricted revenues are derived from gross vehicle weight fees, excise, and license taxes (except general sales and use taxes) on gasoline, fuel, and other energy sources used to propel vehicles on public highways. These revenues can only be used for the following purposes unless an appropriation is approved by a three-fifths vote of the members of each house of the legislature:

- Payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges
- Payment of county, city, and town obligations on streets, roads, and bridges
- Enforcement of highway safety, driver education, tourist promotion, and administrative collection costs

## Non-restricted Revenues

Non-restricted revenues generate roughly \$10 million annually and are from the following sources:

- International Registration Plan (IRP) registration fees
- Special weight and trip permit fees
- Penalties and interest associated with motor fuels
- Miscellaneous sources not meeting the constitutional restrictions

The non-restricted revenues may be used for any purpose with a simple majority vote of the legislature.

## Motor Fuel Tax Rates

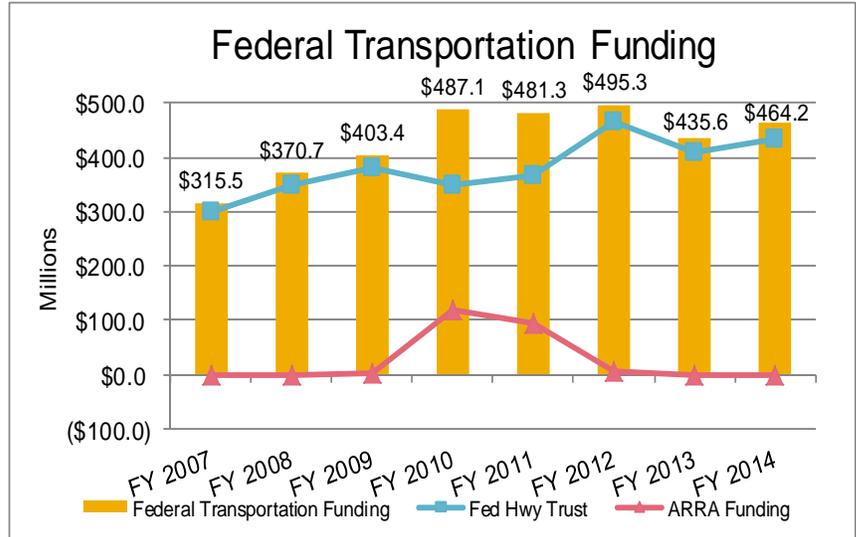
Current tax rates for motor fuels are:

- 27 cents for each gallon of gasoline distributed within the state
- 27 3/4 cents for each gallon of undivided special fuel or other volatile liquid, except liquid petroleum gas



## Federal Funds

Federal-aid highway funds are authorized through federal legislation that specifies the allocation formulas and standards. The most recent legislation, Moving Ahead for Progress in the 21st Century Act (MAP 21), provided funding through federal fiscal year 2014. In August 2014, Congress passed legislation that would fund the continuation MAP 21 through May 2015. The chart to the right shows federal transportation funding



## Statutory Refunds Or Tax Incentives That Reduce Revenues

Refunds paid to tribal governments and individual taxpayers for agricultural and other non-highway uses of motor fuel reduce state motor fuel tax revenues. Motor fuel tax revenues may be further reduced through:

- Production incentives to encourage the use of Montana agricultural products in the production of alcohol used to mix with motor fuels
- Consumption incentives to stimulate ethanol use

## Statutory Distributions

Montana law statutorily distributes \$16.6 million of state motor fuel tax revenues to local governments for use in funding city and county road maintenance activities.

Consideration is also made for off-highway users that pay fuel taxes and for fuel distributors for collection of fuel taxes. Statutory distributions of gasoline tax revenues are provided for the following:

- Fuel distributors retain 1 percent of fuel tax collections as an allowance for collecting the tax
- 9/10 of 1 percent for the state parks account
- 15/25 of 1 percent for the snowmobile account.
- 1/8 of 1 percent for the off-highway vehicle account
- 1/25 of 1 percent for the aeronautics revenue fund