



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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MONTANA HIGHWAY FUNDING

"Montana's highways are built and maintained with a combination of state special and federal special revenue funding."

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 2016, Montana spent roughly \$260.2 million of state funds and \$409.2 million of federal funds on highway-related activities in the Montana Department of Transportation (MDT). Note, the data shown below shows the state and federal funds expended for five of the six MDT programs. The \$669.4 million funded the following major functions:

- o Administration - \$51.6 million
- o Construction - \$445.7 million
- o Maintenance* - \$126.6 million
 - *Includes \$0.8 million in facility related capital projects and \$1.1 million in IT capital projects
- o Motor carrier services - \$11.8 million
- o Transportation planning - \$33.7 million

Other FY 2016 functions supported with restricted highway state special account (HSRA) include:

- o Department of Justice, licensing and highway patrol activities (\$38.4 million)
- o Statutory distributions to local government for road construction, repairs, and maintenance (\$16.7 million)
- o Tribal revenue sharing agreements (\$5.1 million)
- o State park roads maintenance and construction (\$0.2 million)
- o MDT facility construction and maintenance through the Long-Range Building Program(\$4.3 million)

STATE FUNDS

State highways funds are divided into two categories, constitutionally restricted and 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:

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

Non-restricted Revenues

Non-restricted revenues generate roughly \$8.5 million annually and are from the following sources:

- International Registration Plan (IRP) registration fees (registration reciprocity for motor carriers from Canadian provinces)
- 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.

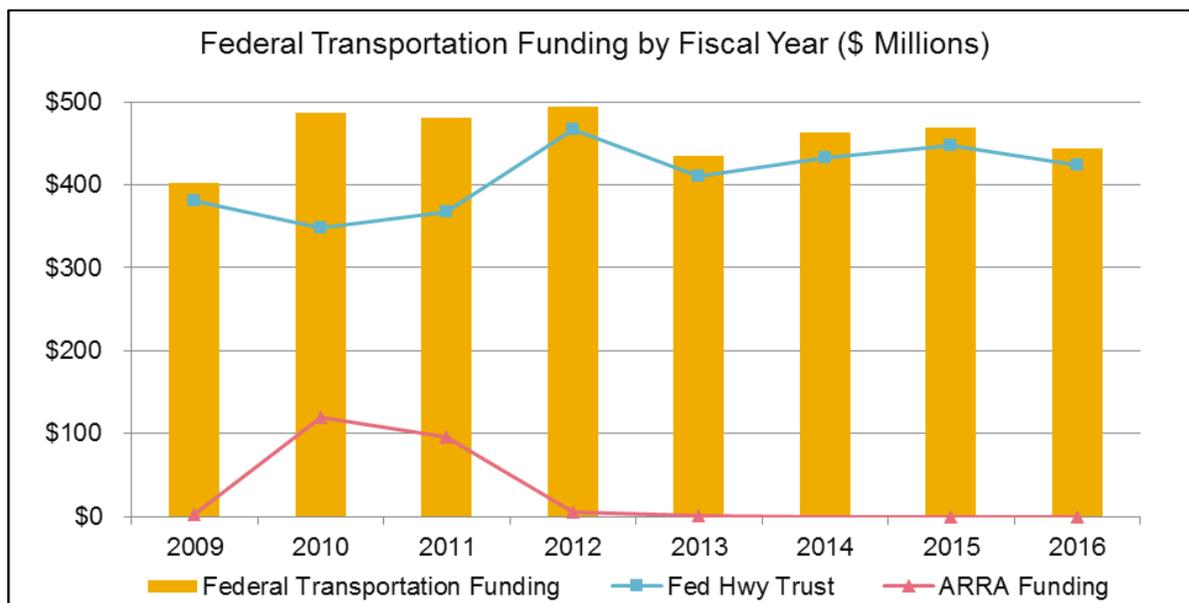
MOTOR FUEL TAX RATES

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 (liquid petroleum gas not taxed in this section)

FEDERAL FUNDS



Federal-aid highway funds are authorized through federal legislation that specifies the allocation formulas and standards. The most recent legislation, Fixing America's Surface Transportation (FAST) Act, started to provide federal highway funding in federal fiscal year 2016 and will continue until federal fiscal year 2020. The provisions for the receipt of the funds will be consistent with recent years' rules and funding is expected to be similar through the four year period.

STATUTORY DISTRIBUTIONS

Montana law statutorily distributes \$16.7 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