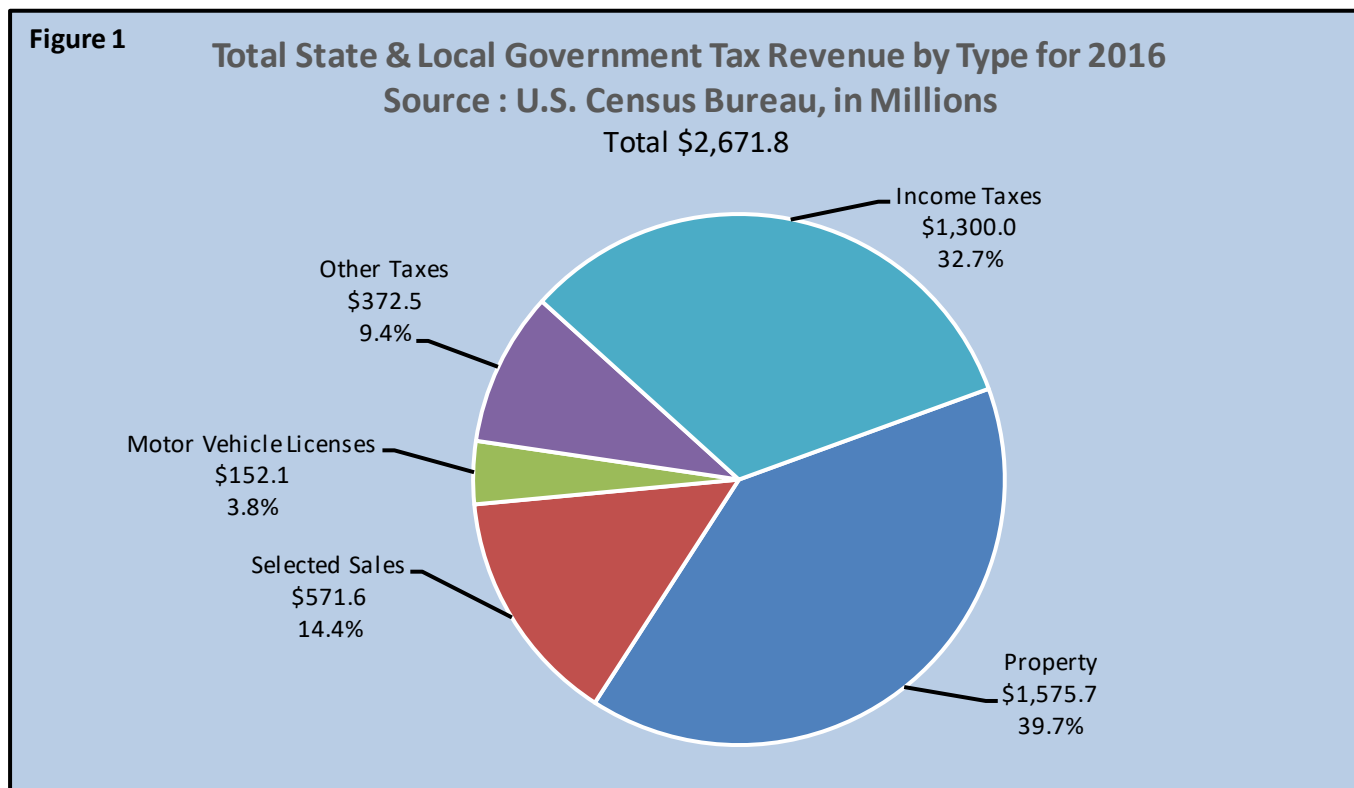


Total Montana Tax Sources

Montana property owners and Montana-based businesses pay over **\$4 billion** in income, property, consumption, and production taxes every year. Revenues come from three general areas, including:

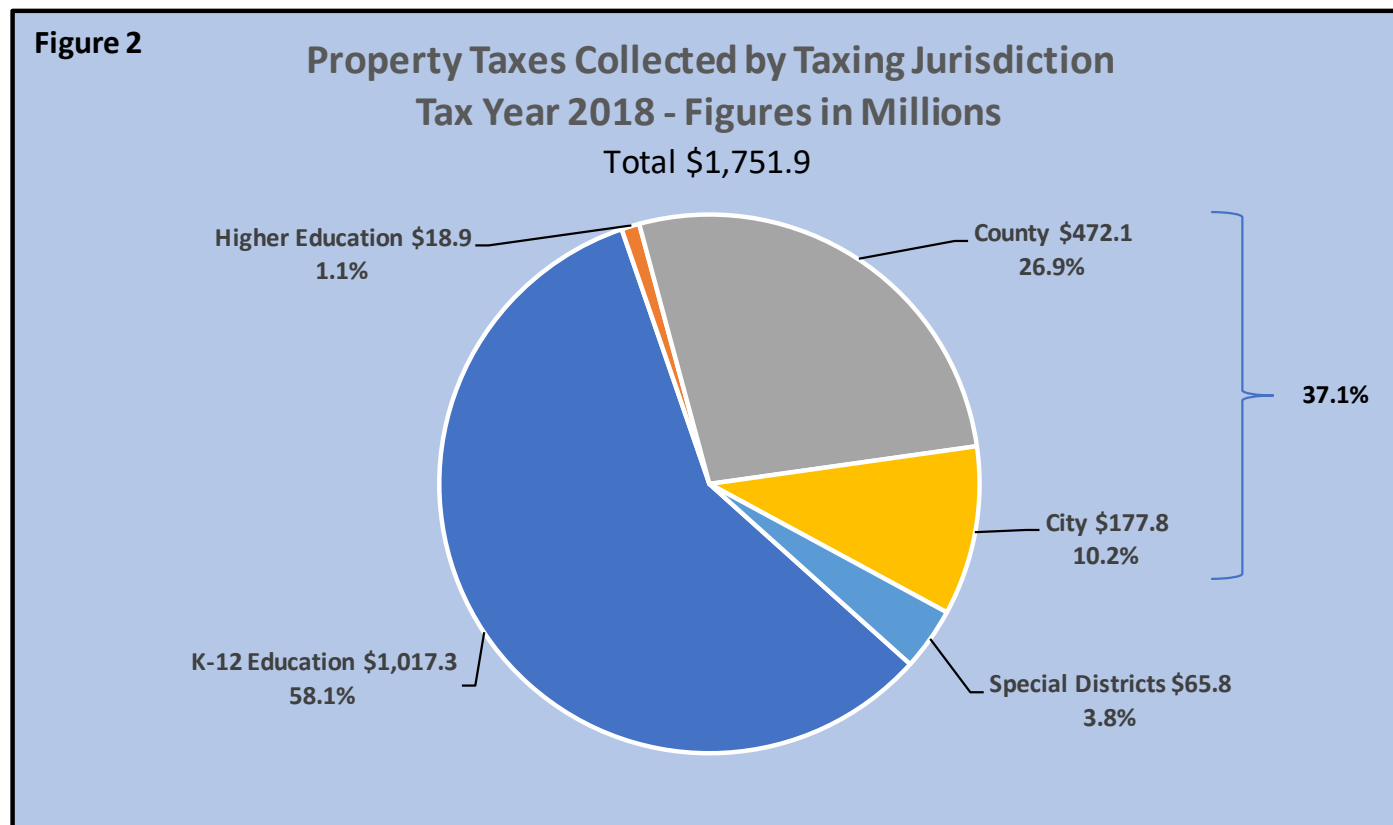
- **Property tax** (\$1.6 billion)
- Individual and corporate **Income Tax** (\$1.3 billion)
- Other licenses, fees and taxes such as motor vehicle and selected sales taxes on tobacco, alcohol and fuel (\$1.1 billion)



Property Tax Revenues

Property taxes are collected and dedicated almost exclusively to fund services provided by local governments and school districts. According to the Montana Department of Revenue (DOR), property tax revenue is distributed as follows:

- Public Schools: 58.1%
- Counties, Cities and Towns: 37.1%
- Special, Voter-Approved Districts (lighting, street, cemetery, libraries, etc.): 3.8%
- Higher Education: 1.1%



County Budgets Supported by Property Tax Revenue

The largest share of county property tax revenue is allocated to that county’s general fund or all-purpose fund. All county government functions can be supported by this fund.

Some counties reported only general fund or all-purpose fund budgets without allocating funding to additional categories. This reporting practice overstates funds allocated to general government budget functions and understates spending in other specific budgeting categories. For instance, the amount reported separately for public safety by counties is usually a voted increase that supplements public safety services funded from the general fund or all-purpose fund. In counties that reported only general fund budgets, it is likely that 40% to 50% of the general fund budget supports public safety functions.

Local transportation infrastructure is the second largest budget category reported by counties. This category includes construction, operation, and maintenance of roads, bridges, and airports. The category can include voted levies, and levies for special improvement districts created to fund specific projects.

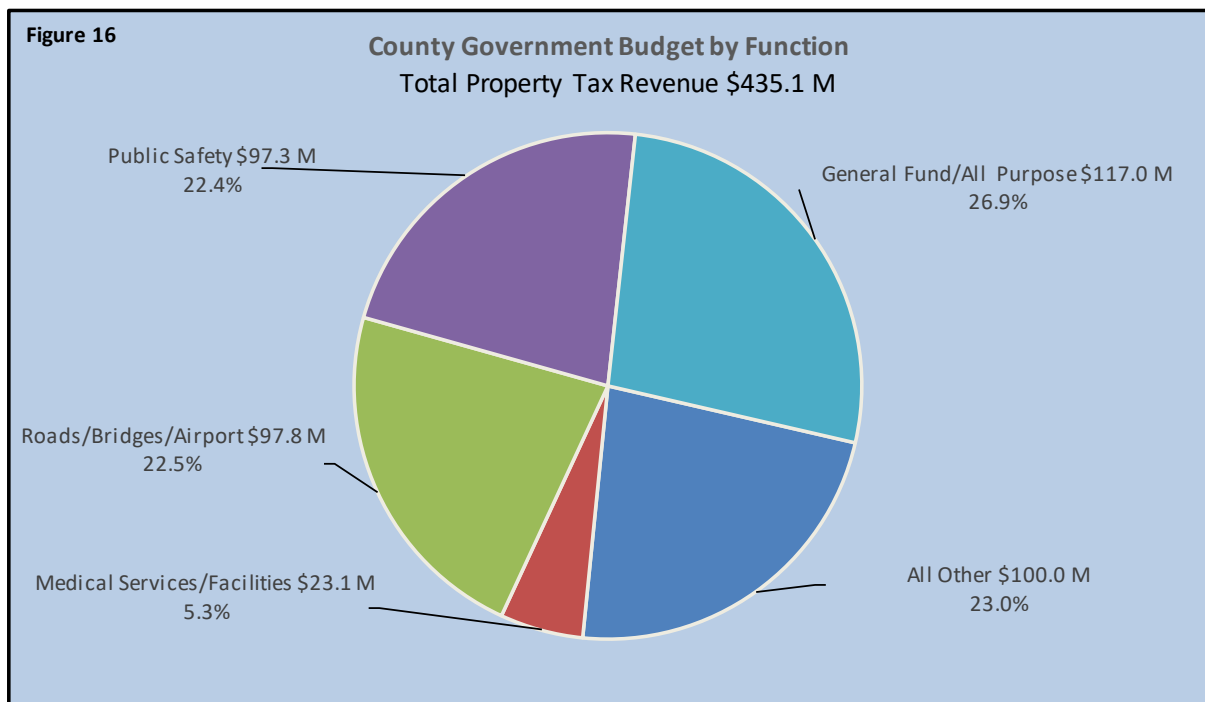


Figure 17

County Functions Included in the Other Category

Other Budget Functions	% of Total
Extension Service/Fair	3.0%
Library	2.9%
PERS/Health Insurance/Comp Absences	2.6%
Other	2.5%
Comprehensive/Liability Insurance	2.0%
Public Health/CD Services	1.8%
Court	1.5%
Senior Citizens	1.3%
Weed Control	1.2%
Recreation/Cultural Facilities/Services	1.1%
General Capital Improvement/Debt Service	1.1%
General Debt Service	0.9%
Planning	0.5%
Search & Rescue/Emergency Disaster Services	0.5%

Data in Figures 16 and 17 is based on budget information provided by counties and cities/towns to the Montana Taxpayers Association (MonTax) for tax year 2018.

City and Town Budgets Supported by Property Tax Revenue

Cities and towns allocated most of the property tax revenue to their general fund or all-purpose fund. In many instances, all revenue was allocated to these funds, which overstates funding for general government functions and understates funding for other specific functions.

As shown in Figure 18 medical services/ facilities and libraries had the highest level of city property tax revenue allocated to specific purposes (each 8.6%). Public safety is the next highest at 2.4% followed by general debt service at 2.3% of total budgets. Comprehensive or general liability insurance is about 2% of the total.

As noted in the county budget discussion, budgets for public safety are likely understated since that function is also supported by revenues from the general fund/all-purpose funds.

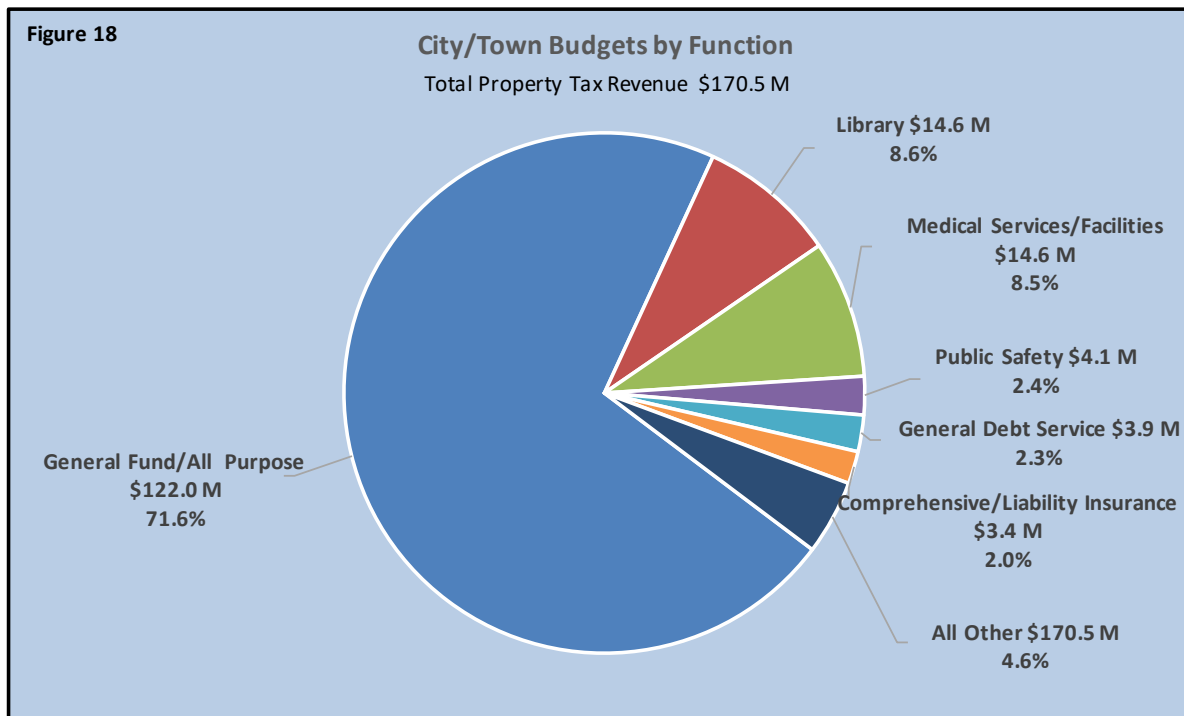


Figure 19
Cities/Towns Functions Included in the All Other Category

Other Budget Functions	% of Total
PERS/Health Insurance/Comp Absences	1.3%
Recreation/Cultural Facilities/Services	1.3%
Senior Citizens	1.3%
General Capital Improvement/Debt Service	0.5%
Planning	0.5%
Roads/Bridges/Airport	0.1%

Implications for Infrastructure Investment

Local governments are responsible for construction, operation, and maintenance of infrastructure, including water and wastewater treatment systems, roads and bridges, and public buildings.

Local governments rely on the same group of local property taxpayers to fund both day to day operational costs as well as costs for construction and rehabilitation of critical infrastructure, which can be significant investments requiring repayment over a longer term. Local governments are limited in the funding tools they can access to pay for expenses that exceed ongoing operational costs and frequently must ask voters to approve additional funding, often in the form of public debt. In some instances, debt finance does not require voter approval, but can be funded through increased utility rates/fees or property tax or utility rates/fee increases approved by the board of special improvement districts. Total local government and school district debt has increased from \$1.6 billion in 2009 to \$2.2 billion in 2016, a 37.5% increase.

Local governments need innovative funding techniques and tools to help them address construction, operation, and maintenance of critical public infrastructure. Currently, local governments turn to the same group of taxpayers to support all functions even though other Montana residents, visitors and tourists also benefit from local government infrastructure projects. These improvements materially contribute to the quality of life, economy, and public safety of Montana rural and urban communities.

Montana Infrastructure Coalition

The Montana Infrastructure Coalition has been established to provide an inclusive, non-partisan forum for the objective research and development of sustainable funding solutions for Montana's most pressing infrastructure needs.

Our membership consists of over 100 public and private sector associations and individual entities representing engineering, design, construction, finance, ownership, operation and maintenance of public infrastructure.

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