



Montana Highway Funding

Updated October 2020

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 2020, Montana spent roughly \$254 million of state funds and \$491 million of federal funds on highway-related activities in the Montana Department of Transportation (MDT). Note, the data shown below provides the state and federal funds expended for five of the six MDT programs (excluding the Aeronautics Program). The \$745 million funded the following major functions:

- Administration - \$32.0 million
- Construction - \$538.8 million
- Maintenance - \$136.9 million
- Motor carrier services - \$10.8 million
- Transportation planning - \$26.1 million

In FY 2020, the fuel tax revenues from constitutionally restricted highway state special revenues and the federal fuel tax trust revenues supported 91.1% of the MDT budget that was dedicated to the construction, maintenance, and safety activities on the state highway system. These revenue sources funded 100.0% of the Construction Program budget, that administers most of the highway construction and bridge work.

The restricted state special revenues also provided \$33 million for local government road and bridge projects. The Montana Highway Patrol receives its own distribution of fuel taxes to support law enforcement activities.

State Funds

State highway 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 revenues derived from gross vehicle weight fees, and excise and license taxes (except general sales and use taxes) on gasoline, diesel, and other special fuels that 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 \$8.6 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, but MDT relies on these funds for functions that are not directly related to road and highway construction and maintenance, such as emergency services and transit grants.

Motor Fuel Tax Rates

The 2017 Legislature passed House Bill 473, which increased the motor fuel tax rates. Rates increased to the current level beginning July 1, 2018 and are set in law to increase incrementally through FY 2023. In the 2021 biennium tax rates for motor fuels are:

- 32.0 cents for each gallon of gasoline distributed within the state
- 29.45 cents for each gallon of special fuels (primarily diesel) distributed within the state

In the 2023 biennium (beginning July 1, 2021), the rates will be:

FY 2022

- 32.5 cents for each gallon of gasoline distributed within the state
- 29.55 cents for each gallon of special fuels distributed within the state

FY 2023

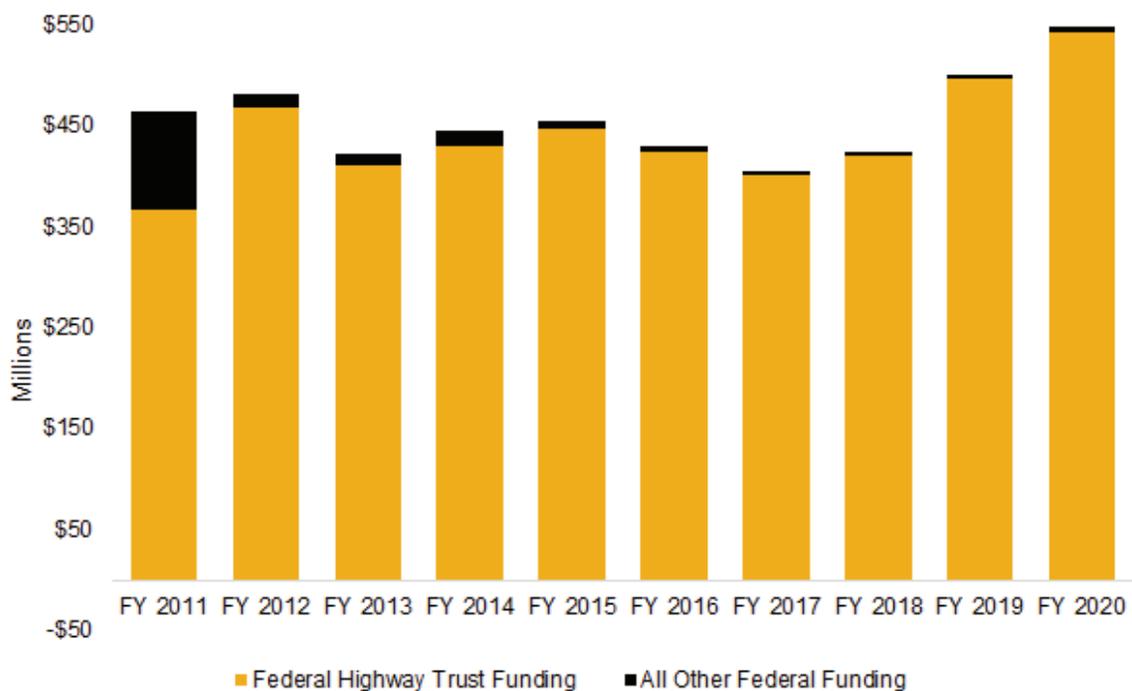
- 33 cents for each gallon of gasoline distributed within the state
- 29.75 cents for each gallon of special fuels distributed within the state

In FY 2020, fuel taxes were distributed as follows:

- 66.7% for highway construction and maintenance (including planning and administration)
- 15.6% for local and tribal government distributions
- 11.7% for highway patrol funding
- 5.9% for non-highway use distributions

Federal Funds

Federal funds support 63% of the highway funding in MDT. Federal funds support the construction of the highway system and a small portion of highway maintenance. While highway maintenance funding is primarily funded with state special revenues, it serves an important role in providing a maintenance of effort. The maintenance of effort helps in garnering a good match rate for the federal construction funds. MDT also receives an indirect cost rate of approximately 11% that provides federal support for administrative costs associated with highway construction projects.



Federal-aid highway funds are authorized through federal legislation that specifies the allocation formulas and standards. The most recent legislation, the 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.