An Evaluation of the Montana Local Option Motor Fuel Excise Tax

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Executive Summary

With this analysis, the Western Transportation Institute (WTI) seeks to estimate and contextualize the impact that exercising authority for the $0.02 per gallon Local Motor Fuel Excise Tax, would have for counties throughout Montana. The analysis indicates that both the state gas and diesel taxes, as well as the $0.02 cap on the Local Motor Fuel Excise Tax, have not kept up with inflation, and that fuel tax revenues cover a relatively small share (7%-10% on average) of the roadway, highway, street, and bridge expenditures across the seven Montana counties included in our study area. Meanwhile, enactment of the current authority for a $0.02 Local Option Motor Fuel Excise Tax would impose a relatively modest burden – between approximately $8 and $27 per year, depending on annual mileage and fuel economy – on motorists in counties adopting the tax. Overall, analysis indicates that, in the short-term, the Montana Legislature could amend collection of the Local Option Motor Fuel Excise Tax from the retail to the distributor level, in order to address retailer concerns. Further, **counties across Montana could enact the $0.02 Local Option Motor Fuel Excise Tax to reduce the gap between fuel tax revenues and roadway, highway, street, and bridge expenditures, without severely burdening affected motorists**. In the long-term, the Montana Legislature could consider further increases to the state gas tax, which has not kept up with inflation (even after the scheduled increases through 2023), as well as an increase to the $0.02 cap on the Local Option Motor Fuel Excise Tax, which would need to be approximately $0.072 to have the same purchasing power it had when first enacted in 1979. Finally, to fully close the gap between roadway, highway, street, and bridge expenditures and fuel tax revenues, counties would need to increase the gas tax on average between $0.70 and $0.90 per gallon. This could enable a commensurate reduction in property taxes and a shift toward more direct user fees.

Major trends in inflation, fleet fuel economy and electrification, and the political challenges of raising revenues (Jenn and Fleming, 2020) have called into question the viability of fuel taxes as a source of transportation revenues. The recent public health crisis brought on by the COVID-19 pandemic, and corresponding reduction in travel and fuel consumption, have also brought into relief the vulnerability of fuel tax revenues to economic shocks. While this analysis focuses on revenues within the existing system of transportation funding which relies heavily on fuel taxes, there is potential for alternatives, such as mileage-based road user charges (Jenn and Fleming, 2020), to play an increasing role in transportation infrastructure and service funding.

Introduction and Context

The purpose of this analysis is to estimate and contextualize the impact that exercising authority for a local option gas tax of $0.02 per gallon would have for counties throughout Montana. The recent adoption of a local option gas tax in Missoula County via a referendum to voters on the June, 2020, primary ballot marks the first time a county has done so since a local option gas tax was authorized under Montana state law in 1979. The ongoing challenges surrounding surface transportation funding and recent development in Missoula County has prompted the Western Transportation Institute ("WTI") to offer a careful consideration of the revenues that could be raised throughout Montana via the local option gas tax in relation to local expenditures for roads, highways, streets, and bridges. The following discussion provides a brief summary of the recent history of federal and state fuel taxes, with a focus on the State of Montana and Missoula County. The next section outlines the approach to the analysis, which covers fuel tax revenues and expenditures for roads, highways, streets, and bridges for seven Montana counties (Cascade, Fergus, Gallatin, Garfield, Hill, Madison, and Missoula). The final sections present results and conclusions.

Federal and State Fuel Taxes

The federal government and all states place a tax on fuel purchases, but authorization and use of motor fuel taxes at the sub-state (regional, county, municipal) levels varies widely. The federal tax on gasoline originated in 1934 and has not been raised from its current level ($0.184 per gallon) since 1993. Between July 1993, and July 2019, the Consumer Price Index for All Urban Consumers (CPI-U), a measure of inflation, increased about 78%, from 144.4 to 256.6 (US BLS Data Viewer). As a result, to have the same purchasing power as it did in 1993, the federal gas tax would need to be approximately $0.33 in fiscal year 2020 (FY20), about $0.146 higher than its current level (US BLS CPI Inflation Calculator). Inflation is "by far the most dominant factor affecting future revenue outlays of the federal gasoline tax," (Jenn and Fleming, 2020).[1] Since 2008, Congress has made transfers from the General Fund of the Treasury into the Federal Highway Trust Fund to maintain a positive fund balance.

Between 1993 and 2014, 42 states and the District of Columbia increased gas tax rates or related fees, but most by relatively modest amounts inadequate to cover inflation. During that period, the average state gas tax rose by about 30% (less than $0.06), from $0.186 to $0.242 (Urban Institute, 2014). Given the CPI-U increase of 65% between 1993 and 2014, the average state gas tax in 2014 would need to have risen to approximately $0.307 (about $0.065 higher than its actual 2014 average) to have the same purchasing power as it did in 1993.

State of Montana

Montana's gasoline and special fuel (diesel) tax rates were level between July 1, 1994 (FY95) and July 1, 2017 (FY18), at $0.27 and $0.2775 per gallon respectively. During that time, the Montana Consumer Price Index (another measure of inflation) increased 65%, from 148.8 in July, 1994 to 244.8 in July, 2017 (Montana Association of Counties). As a result, the purchasing power of Montana's fuel tax revenue declined over this period. To have kept up with inflation,

[1] Jenn, A., and Fleming, K. (2020). Federal Road Charge Tax Administration Process. National Center for Sustainable Transportation and Institute of Transportation Studies. University of California Davis, NCST-UCD-RR-20-07.

the tax on gasoline would need to have increased to $0.444 while the tax on diesel would need to have increased to $0.457, about $0.174 and $0.18 higher than their respective FY18 levels.

In the spring of 2017, the Montana Legislature passed HB473, the Bridge and Road Safety and Accountability Act ("BaRSAA"), which enacted scheduled increases in the state fuel tax rates between July 1, 2017 (FY18) and July 1, 2023 (FY24) as summarized in **Table 1**. The increased fuel tax revenue from the BaRSAA is deposited into the Bridge and Road Safety Restricted Account, and distributed between the Montana Department of Transportation (35%) and local governments (65%) (Montana Department of Transportation). The Montana Legislature was motivated to pass the BaRSAA as a result of increasingly inadequate state roadway funding. Prior to its passage, the Montana Department of Transportation announced 30 road projects would be delayed due to insufficient funds used to match federal dollars, and the Department of Justice announced plans to lay off 27 State Troopers (Helena Independent Record, June 29, 2017). Given the inflation described above, even the gasoline and diesel tax rates scheduled for 2023 do not cover the inflation that occurred between 1994 and 2017. In 2023 the gasoline tax rate will still be $0.114 below the level needed to maintain purchasing power in 2017, while the diesel tax rate will be $0.16 below.

Table 1. Montana State Fuel Tax Rates (FYs 1995-2024)

Date	Gasoline Tax Rate Per Gallon	Diesel Tax Rate Per Gallon
July 1, 1994	$0.270	$0.2775
July 1, 2017	$0.315	$0.2925
July 1, 2019	$0.320	$0.2945
July 1, 2021	$0.325	$0.2955
July 1, 2023	$0.330	$0.2975

Source: Montana Department of Transportation.

Montana has joined several states in raising fuel taxes in recent years. For FY20, effective July 1, 2019, twelve states increased state gasoline taxes, ranging from $0.001 per gallon in Michigan and Nebraska to $0.19 per gallon in Illinois; a growing number of states are indexing their fuel taxes to inflation, or linking them to fuel prices (Institute on Taxation and Economic Policy).

In addition to fuel taxes at the state level, Montana state law has authorized county adoption of a Local Option Motor Fuel Excise Tax (Montana Code Annotated Title 7, Chapter 14, Part 3) of no more than $0.02 per gallon of gasoline since 1979.[2] Only a county may initiate such a tax (municipalities do not have independent authority to enact a fuel excise tax within their jurisdictions) and the local option is not authorized for diesel. As currently written, the law directs the local option tax to be collected by retail sellers, as opposed to the state gas tax, which is collected by distributors.[3] The recent the adoption in Missoula County via the June, 2020,

[2] The Montana Consumer Price Index has increased about 351% since 1979, from 73.1 in July, 1979, to 256.571 in July, 2019. For the Local Option Motor Fuel Excise Tax to have the same purchasing power it did when first passed into law, the rate would need to increase from $0.02 to $0.072.

[3] While collection of fuel taxes by retail sellers could simplify the apportionment of revenues by more closely aligning the locations of collection and final allocation (see an analogous discussion by Jenn and Fleming, 2020 in their recent analysis of the federal fuel tax), this administrative approach has raised concerns by some Montana

primary ballot, discussed further below, is significant as no counties had previously done so. Notably, voters in the cities of Missoula and Billings supported previous efforts to enact such a tax, but voters in Flathead, Missoula, and Yellowstone Counties rejected previous efforts (Billings Gazette, January 19, 2005).

Local Option Fuel Taxes Across the U.S.

Montana joins many other states (**Table 2**) in authorizing some form of local option fuel taxes (or local road user charges), which have a long history in the U.S. and are generally accepted as a more direct user fee than revenues that come in the form of property or sales taxes (Goldman, Corbett, and Wachs, 2001b).[4] Analyses in 1989 and 2001 indicated that over a dozen states authorized local motor fuel taxes over the past 30-40 years (including Montana); nevertheless, this authority has been exercised in only a subset of states (including Montana only as recently as of June, 2020) and adoption in terms of the share of a state's counties exercising the authority has varied widely (Cooper and DePasquale, 1989; Goldman, Corbett, and Wachs, 2001b).[5]

Table 2. States Authorizing and Exercising Local Option Gasoline Taxes as of 2001

State	Authorized	Exercised	Share of Counties
Alabama	X	X	34%
Alaska	X	X	(Non-County Adoption)
California	X		
Florida	X	X	100%
Hawaii	X	X	80%
Illinois	X	X	4%
Mississippi	X	X	4%
Montana	X		
Nevada	X	X	100%
New Mexico	X		
Oregon	X	X	6%
South Dakota	X		
Tennessee	X		
Virginia	X	X	(Non-County Adoption)
Washington	X	X	(Non-County Adoption)

Source: Adapted from Table 1 in Goldman, Corbett, and Wachs, 2001b.

retailers about erosion of trade secrets and increased competition. In the spring of 2020, the Montana Association of Counties drafted a proposed amendment to the state law to "allow local governments to utilize the State of Montana's administrative infrastructure to implement the local option motor fuel excise tax at the distributor level."

[4] Goldman, T., Corbett, S., and Wachs, M. (2001b). Local Option Transportation Taxes in the United States (Part One: "Issues and Trends"). Institute of Transportation Studies, University of California at Berkeley, Research Report UCB-ITS-RR_2001-3.

[5] Cooper, T., and DePasquale, J. (1989). Local Option Motor Fuel Taxes. *Transportation Research Record, 1229,* 127-136.

The significance of the revenue generated by these local option fuel taxes has also varied widely, but in most cases they have played a relatively minor role in financing roadway infrastructure (Cooper and DePasquale, 1989). This is likely due to the political and economic challenge of adopting fuel tax rates high enough to generate significant revenue for major infrastructure investments (Goldman, Corbett, and Wachs, 2001b). Legislators have instead turned to alternatives to user fees, such as sales taxes paid by all citizens, that may have significant and unintended consequences on transportation policymaking and investments as well as equity (Wachs, 2003).[6] Nevertheless, local option fuel taxes have raised substantial revenues in certain cases; one long-recognized as significant is that of Florida (Cooper and DePasquale, 1989; Goldman, Corbett, and Wachs, 2001b). The authority for a local option gas tax in Florida dates to 1972, and the first voter approval for adoption in a county came in 1980 (Cooper and DePasquale, 1989). Florida has bucked the general trend away from user fees and relies on local option gas taxes to a relatively high degree (Goldman, Corbett, and Wachs, 2001b).[7] Today, Florida law authorizes counties to levy local option fuel taxes up to $0.12 per gallon (Florida Department of Revenue), and every county in the state has exercised its authority to enact at least one of the multiple forms of local option fuel taxes available (Goldman, Corbett, and Wachs, 2001b).

Missoula's Consideration of the Local Option Motor Fuel Excise Tax

In early 2020, the Missoula community began renewed consideration of a local option fuel tax. On February 21, 2020, a group of 24 business leaders sent a letter to the Missoula County Board of Commissioners expressing concern about road maintenance and planning resources and urging Missoula County to exercise its authority to adopt a Local Option Motor Fuel Excise Tax through placement on the June, 2020, primary ballot of a $0.02 per gallon tax on gasoline (Missoula Current, February 23, 2020).[8] Two public hearings on the issue were held before the Missoula County Commissioners voted unanimously on March 9, 2020, to add a referendum to the June, 2020, primary ballot for a $0.02 per gallon motor fuel excise tax (Missoula Current, March 9, 2020). Missoula County estimated the local option tax would raise approximately $1.1 million in revenue,[9] including $400,000 from tourists. On June 2,2020, Missoula County became the first county in Montana to exercise this option (Missoula Current, June 2, 2020).

The purpose of this analysis is to contextualize the revenue of a $0.02 per gallon tax on gasoline for Missoula County, as well as additional counties around the state, in relation to the expenditures for roads, highways, streets, and bridges.

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[6] Wachs, M. (2003). Local Option Transportation Taxes: Devolution as Revolution. *Access Magazine, 50* (Special Issue: Transportation Finance), 30-36.

[7] Florida was also the first state to index at least a small portion of its state fuel tax to inflation, doing so in 1990, though overall the tax rate has not kept up with inflation and the purchasing power of the state's gas tax revenue has declined, as is the case for states throughout the nation (Urban Institute, 2014)

[8] Full text of the letter.

[9] WTI calculations (see **Table 5** below) indicate this estimate is relatively accurate.

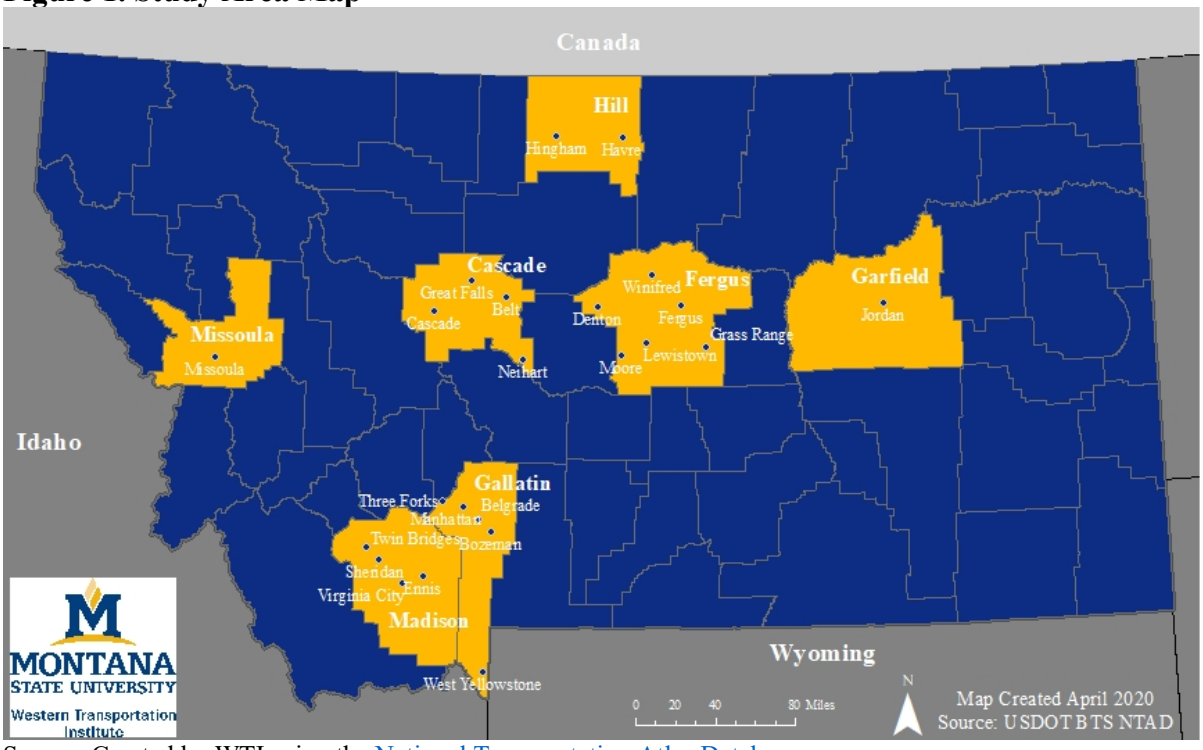
Approach

This analysis considered fuel tax revenues in relation to road, highway, street, and bridge expenditures for seven Montana counties and the incorporated cities and towns therein, as summarized in **Table 3** (see also **Figure 1**). Three of the counties (Cascade, Gallatin, and Missoula) contain a relatively large share of the state's population, while the remaining four have smaller populations.

Table 3. Counties, Cities, and Towns in the Study Area

Cascade	**Fergus**	**Gallatin**	**Garfield**	**Hill**	**Madison**	**Missoula**
Belt Town of Cascade Great Falls Neihart	Denton Grass Range Lewistown Moore Winifred	Belgrade Bozeman Manhattan Three Forks West Yellowstone	Jordan	Havre Hingham	Ennis Sheridan Twin Bridges Virginia City	City of Missoula
County residential population estimate as of July 1, 2018 (Source: US Census Bureau)						
81,643	11,113	111,876	1,268	16,347	8,768	118,791

Figure 1. Study Area Map



Source: Created by WTI using the National Transportation Atlas Database.

Budgets for FYs 17, 18, and 19 were obtained for each county, city, and town in the study area from the Montana Department of Administration's Local Government Services Local

Government Entity Portal.[10] We reviewed each entity's gas tax revenues, as well as expenditures on roads, highways, streets, and bridges. Most of the budgets used standardized coding for the budget categories. However, there were exceptions. Overall, the intent was to produce consistent revenue and expenditure estimates to the greatest extent possible given the information contained in each budget. In most cases, the gas tax revenues were under codes 2820 (Gas Tax Apportionment) and 2821 (BaRSAA/HB 473/Special Gas Tax). The following codes were used for expenditures: 1000 (General) – 430200 (Road and Street Services); 2110 (Road); 2130 (Bridges); 2400 (Lights); 2500 (Street Maintenance); 2820 (Gas Tax) and 2821 (BaRSAA/HB 473/Special Gas Tax); and 2956 (Community Transportation Enhancement Program). In general, all expenditures referencing the 430200 (Road and Street Services) subcategory was captured for each budget.

Finally, \ fuel sale volumes were obtained from the Montana Department of Transportation for FYs 17, 18, and 19 and compiled in terms of sales by county based on the location of the distributor (but not necessarily the ultimate point of sale, which is not tracked).

Results

Table 4 summarizes the share of expenditures covered by existing gas tax revenues in terms of cumulative county averages (i.e., each County as well as the incorporated towns and cities therein), along with the average across all seven counties in the study area. Across FYs 17, 18, and 19 the share of roadway, highway, street, and bridge expenditures covered by gas tax revenue ranges from 2% for Madison County in FY17 to 16% for Missoula County in both FYs 18 and 19. Across the seven counties, the average share covered ranges from 7% in FY17 to 10% in FY19. For more information about the gas tax revenues and roadway, highway, street, and bridge expenditures in each county, city, and town, see **Table 8** and **Table 9** in the Appendix.

Table 4. Share of Expenditures Covered by Gas Tax Revenues (FYs 17, 18, and 19)

Cumulative County Average	Share of Expenditures Covered by Gas Tax Revenue		
	FY17	FY18	FY19
Cascade County	7%	12%	9%
Fergus County	6%	6%	8%
Gallatin County	6%	7%	8%
Garfield County	11%	4%	14%
Hill County	9%	9%	13%
Madison County	2%	4%	4%
Missoula County	8%	16%	16%
Average	7%	8%	10%

Source: Compiled by WTI using budgets obtained from the Montana Department of Administration.

[10] The only exceptions were for the Town of Cascade's FY19 budget and the Fergus County estimated gas tax revenues for FY 18 and 19, which were obtained from the town and county treasurers, respectively.

Table 5 summarizes the hypothetical revenue that would have been raised in each of the seven counties for FYs 2017, 2018, and 2019, if each had enacted the $0.02 local option gas tax. The county share represents the difference between the total revenue (the product of $0.02 times the gallons of gasoline) and the retailer share, which is one percent of motor fuel excise tax revenue reimbursed to the retail sellers to compensate for compliance (Montana Code Annotated Title 7, Chapter 14, Part 3).

Table 5. Hypothetical Revenues Generated Were the Authorized $0.02 Local Option Gas Tax Enacted (FYs 17, 18, and 19)

	FY17			
	Gasoline (Gallons)	**Total Revenue**	**Distributor Share**	**County Share**
Cascade County	39,566,117	$791,322.34	$7,913.22	$783,409.12
Fergus County	6,407,013	$128,140.26	$1,281.40	$126,858.86
Gallatin County	59,316,693	$1,186,333.86	$11,863.34	$1,174,470.52
Garfield County	988,867	$19,777.34	$197.77	$19,579.57
Hill County	8,471,363	$169,427.26	$1,694.27	$167,732.99
Madison County	4,170,242	$83,404.84	$834.05	$82,570.79
Missoula County	59,432,393	$1,188,647.86	$11,886.48	$1,176,761.38
All Counties	552,210,782	$11,044,215.64	$110,442.16	$10,933,773.48
	FY18			
	Gasoline (Gallons)	**Total Revenue**	**Distributor Share**	**County Share**
Cascade County	39,351,443	$787,028.86	$7,870.29	$779,158.57
Fergus County	6,269,998	$125,399.96	$1,254.00	$124,145.96
Gallatin County	63,369,914	$1,267,398.28	$12,673.98	$1,254,724.30
Garfield County	996,893	$19,937.86	$199.38	$19,738.48
Hill County	8,175,170	$163,503.40	$1,635.03	$161,868.37
Madison County	4,191,741	$83,834.82	$838.35	$82,996.47
Missoula County	59,607,123	$1,192,142.46	$11,921.42	$1,180,221.04
All Counties	548,802,173	$10,976,043.46	$109,760.43	$10,866,283.03
	FY19			
	Gasoline (Gallons)	**Total Revenue**	**Distributor Share**	**County Share**
Cascade County	47,500,273	$950,005.46	$9,500.05	$940,505.41
Fergus County	6,187,616	$123,752.32	$1,237.52	$122,514.80
Gallatin County	67,956,047	$1,359,120.94	$13,591.21	$1,345,529.73
Garfield County	965,958	$19,319.16	$193.19	$19,125.97
Hill County	8,001,887	$160,037.74	$1,600.38	$158,437.36
Madison County	4,303,031	$86,060.62	$860.61	$85,200.01
Missoula County	59,294,143	$1,185,882.86	$11,858.83	$1,174,024.03
All Counties	551,678,288	$11,033,565.76	$110,335.66	$10,923,230.10

Source: Compiled by WTI using fuel sale volumes obtained by request from the Montana Department of Transportation.

To put into context the motorist burden of federal and state fuel taxes, as well as the $0.02 local option tax, **Table 6** estimates the total fuel tax burden per vehicle across varying levels of annual mileage and fuel economy. At current (FYs 17, 18, and 19) federal and state tax levels, a motorist may expect to pay between approximately $180 and $670 per year in combined federal and state fuel taxes. Adding the $0.02 local option tax would increase the fuel tax burden between approximately $8 and $27, depending on annual mileage and fuel economy, leading to a

combined total fuel tax burden per vehicle between approximately $190 and $700. For two- and three-car households, the combined fuel tax burden would increase to $380-$1400 and $570-$2100, respectively.

Table 6. Household Fuel Tax Burdens Across Annual Mileage and Fuel Economy Levels

Annual Miles	Fuel Economy	Annual Gallons	Federal Tax	FY17 State Tax	Subtotal	Local Option Tax	Total Including Local Option
10,000	15	667	$122.67	$180.00	$302.67	$13.33	$316.00
10,000	20	500	$92.00	$135.00	$227.00	$10.00	$237.00
10,000	25	400	$73.60	$108.00	$181.60	$8.00	$189.60
15,000	15	1000	$184.00	$270.00	$454.00	$20.00	$474.00
15,000	20	750	$138.00	$202.50	$340.50	$15.00	$355.50
15,000	25	600	$110.40	$162.00	$272.40	$12.00	$284.40
20,000	15	1333	$245.33	$360.00	$605.33	$26.67	$632.00
20,000	20	1000	$184.00	$270.00	$454.00	$20.00	$474.00
20,000	25	800	$147.20	$216.00	$363.20	$16.00	$379.20
Annual Miles	**Fuel Economy**	**Annual Gallons**	**Federal Tax**	**FY18 & FY19 State Tax**	**Subtotal**	**Local Option Tax**	**Total Including Local Option**
10,000	15	667	$122.67	$210.00	$332.67	$13.33	$346.00
10,000	20	500	$92.00	$157.50	$249.50	$10.00	$259.50
10,000	25	400	$73.60	$126.00	$199.60	$8.00	$207.60
15,000	15	1000	$184.00	$315.00	$499.00	$20.00	$519.00
15,000	20	750	$138.00	$236.25	$374.25	$15.00	$389.25
15,000	25	600	$110.40	$189.00	$299.40	$12.00	$311.40
20,000	15	1333	$245.33	$420.00	$665.33	$26.67	$692.00
20,000	20	1000	$184.00	$315.00	$499.00	$20.00	$519.00
20,000	25	800	$147.20	$252.00	$399.20	$16.00	$415.20

Source: Calculated by WTI.

Finally, to further contextualize the $0.02 local option tax, **Table 7** summarizes the additional gas tax revenue that would be needed in order to cover the full roadway, highway, street, and bridge expenditures across the study area. The following formula is used for this calculation, which divides the gap between expenditures and current gas tax revenues by the gallons of gas:

Additional Per Gallon Revenue Needed to Fully Cover Expenditures =
(Total Expenditures – Total Current Gas Tax Revenues)/Gallons of Gasoline

Across the study area, the amount ranges from $0.21 for the county of Missoula in FY18, up to $2.80 for Garfield in FY18. On average, the gap ranges from $0.70 to $0.89.

Table 7. Additional Gas Tax Revenue Needed to Fully Cover Expenditures (FYs 17, 18, and 19)

Cumulative County Average	Gas Tax Increment to Cover Full Expenditures		
	FY17	FY18	FY19
Cascade County	$0.40	$0.39	$0.40
Fergus County	$0.78	$0.84	$0.84
Gallatin County	$0.38	$0.39	$0.36
Garfield County	$0.80	$2.80	$0.90
Hill County	$0.37	$0.38	$0.42
Madison County	$2.30	$1.23	$1.71
Missoula County	$0.26	$0.21	$0.25
Average	$0.75	$0.89	$0.70

Source: Calculated by WTI using fuel sale volumes obtained by request from the Montana Department of Transportation and budgets obtained from the Montana Department of Administration.

Conclusion

Our calculations indicate that current fuel tax revenues cover a relatively small share of the roadway, highway, street, and bridge expenditures across the seven Montana counties included in the study area (7%-10% on average, see **Table 4**), while enactment of the current authority for a $0.02 Local Option Motor Fuel Excise Tax would raise considerable revenues (**Table 5**) while imposing a relatively modest burden – between approximately $8 and $27, depending on annual mileage and fuel economy – on affected motorists (**Table 6**). The calculations also indicate that the current $0.02 cap on the Local Option Motor Fuel Excise is far below the level that would be needed for fuel taxes to fully cover roadway, highway, street, and bridge expenditures (**Table 7**). Together, analysis indicates that:

- In the short-term, the Montana Legislature should amend collection of the Local Option Motor Fuel Excise Tax from the retail to the distributor level, in order to address retailer concerns regarding protection of business practices;
- In the short-term, counties across Montana could enact the $0.02 Local Option Motor Fuel Excise Tax to reduce the gap between fuel tax revenues and roadway, highway, street, and bridge expenditures, without severely burdening affected motorists;
- In the long-term, the Montana Legislature should consider further increases to the state gas tax, which has not kept up with inflation (even after the scheduled increases through 2023), as well as an increase to the $0.02 cap on the Local Option Motor Fuel Excise Tax, which would need to be approximately $0.072 to have the same purchasing power it had when first enacted in 1979; and,
- In order to close the gap between roadway, highway, street, and bridge expenditures and fuel tax revenues, counties would need to increase the gas tax on average between $0.70 and $0.90 per gallon. This could enable a commensurate reduction in property taxes and shift funding toward more direct user fees.

Appendix

Table 8. Gas Tax Revenues Across the Study Area (FYs 17, 18, 19)

	FY17	FY18	FY19
Cascade County	$199,014	$197,854	$199,285
Belt	$13,193	$13,400	$17,852
Cascade	$18,875	$26,231	$46,264
Great Falls	$988,951	$1,842,721	$1,697,141
Neihart	$4,100	$4,080	$5,588
County Combined Total	$1,224,133	$2,084,286	$1,966,130
Fergus County	$130,472	$197,353	$236,074
Denton	$10,510	$15,046	$14,913
Grass Range	$5,000	$4,974	$12,300
Lewistown	$130,393	$130,022	$179,076
Moore	$12,103	$12,136	$9,677
Winifred	$8,046	$8,046	$8,636
County Combined Total	$296,524	$367,577	$460,676
Gallatin County	$328,000	$325,000	$325,000
Belgrade	$127,750	$185,244	$191,044
Bozeman	$680,339	$966,999	$1,411,031
Manhattan	$41,930	$42,381	$103,388
Three Forks	$48,045	$92,081	$123,819
West Yellowstone	$230,231	$315,601	$102,171
County Combined Total	$1,456,295	$1,927,306	$2,256,453
Garfield County	$81,817	$82,299	$115,635
Jordan	$14,203	$19,857	$30,604
County Combined Total	$96,020	$102,156	$146,239
Hill County	$135,542	$134,921	$134,495
Havre	$167,260	$167,244	$353,000
Hingham	$6,782	$6,742	$6,703
County Combined Total	$309,584	$308,907	$494,198
Madison County	$115,131	$114,818	$158,973
Ennis	$23,381	$32,701	$59,568
Sheridan	$15,804	$29,604	$40,498
Twin Bridges	$10,548	$15,165	$23,602
Virginia City	$13,909	$13,839	$19,336
County Combined Total	$178,773	$206,127	$301,977
Missoula County	$323,000	$323,000	$442,000
Missoula	$1,081,510	$2,027,267	$2,257,265
County Combined Total	$1,404,510	$2,350,267	$2,699,265

Source: Calculated by WTI using budgets accessed from the Montana Department of Administration.

Table 9. Roadway/Highway/Street/Bridge Expenditures Across the Study Area (FYs 17, 18, 19)

	FY17	FY18	FY19
Cascade County	$9,074,131	$7,951,800	$9,859,290
Belt	$57,505	$69,577	$60,537
Cascade	$66,000	$398,170	$135,632
Great Falls	$7,804,843	$8,812,679	$10,728,667
Neihart	$26,200	$24,200	$24,726
County Combined Total	$17,028,679	$17,256,426	$20,808,852
Fergus County	$2,598,811	$2,485,957	$2,478,015
Denton	$64,000	$49,135	$68,750
Grass Range	$7,364	$1,000	$2,375
Lewistown	$2,383,255	$2,775,214	$2,810,330
Moore	$16,300	$19,432	$54,355
Winifred	$242,850	$242,850	$242,880
County Combined Total	$5,312,580	$5,573,588	$5,656,705
Gallatin County	$9,572,339	$9,189,253	$10,119,926
Belgrade	$811,844	$806,032	$730,447
Bozeman	$11,475,683	$15,072,886	$14,036,342
Manhattan	$261,000	$165,027	$228,284
Three Forks	$399,409	$401,571	$570,446
West Yellowstone	$1,267,822	$1,289,469	$912,869
County Combined Total	$23,788,097	$26,924,238	$26,598,314
Garfield County	$854,608	$2,854,265	$965,075
Jordan	$28,552	$41,490	$54,175
County Combined Total	$883,160	$2,895,755	$1,019,250
Hill County	$2,172,710	$1,916,520	$2,061,220
Havre	$1,271,967	$1,452,660	$1,794,083
Hingham	$18,500	$17,500	$11,000
County Combined Total	$3,463,177	$3,386,680	$3,866,303
Madison County	$9,363,442	$4,808,787	$7,050,796
Ennis	$198,828	$300,732	$285,510
Sheridan	$77,648	$99,670	$103,624
Twin Bridges	$101,617	$120,866	$193,274
Virginia City	$37,550	$42,800	$44,200
County Combined Total	$9,779,085	$5,372,855	$7,677,404
Missoula County	$9,136,906	$7,601,962	$8,908,007
Missoula	$7,445,751	$7,525,732	$8,366,419
County Combined Total	$16,582,657	$15,127,694	$17,274,426

Source: Calculated by WTI using budgets accessed from the Montana Department of Administration.