

Resolution #2026-5

INVEST IN LOCAL GOVERNMENT INFRASTRUCTURE

BACKGROUND

Montana municipalities own and operate the vast majority of infrastructure in Montana – streets, drinking water treatment and distribution systems, wastewater treatment and discharge systems, stormwater collection systems, firefighting and law enforcement facilities, and parks and recreational facilities.

Montana has experienced significant growth over the past decade. Most Montanans welcome the economic opportunities connected to development, but Montana municipalities do not have the resources and support necessary to address the infrastructure needs and public health, safety, and general welfare of their residents, businesses, and visitors.

Healthy infrastructure is critical to the health of Montana's economy. For Montana to attract economic growth, the ability to provide quality essential services means the infrastructure must be in good condition and communities must be using modern technology. Montana's local governments must maintain the critical health and safety services that all Montanans need: clean water, good transportation systems, effective law enforcement and fire protection, accessible communication systems, and responsive emergency systems. We need to maintain and expand the systems we have and build new systems to serve the visitors and new residents coming to our communities. We cannot continue to rely on increased property taxes and assessments on long-term residents to support these services.

Infrastructure enables private businesses and individuals to produce goods and services more efficiently. Montana's cities, towns, and counties have billions in road, water, wastewater, and other outstanding infrastructure needs that can increase long-term business productivity in every corner of Montana.

The MLCT will continue to work with the Montana Infrastructure Coalition ("MIC") to establish infrastructure priorities on a multi-session approach. We will continue to work to change the structure of the way infrastructure financing occurs in Montana.

In 2017, the Legislature passed a \$.06 graduated increase in the state gas tax to temporarily shore up the highway account and increase the gas tax allocation for local road projects for the first time in over two decades. In 2019, the Legislature passed a comprehensive infrastructure bill funding local projects through one-time-only grants and loans as well as university buildings and other state projects. From 2021 through 2026, federal pandemic-era programs, including the American Rescue Plan Act, delivered an unprecedented and likely one-time level of infrastructure funding to Montana communities. That investment allowed municipalities to complete significant water, sewer, stormwater, road, and bridge work. However, it was one-time only funding that did not erase the ever increasing deferred-maintenance backlog and the gains were partially offset by construction cost inflation thereby

reducing the purchasing power of those federal dollars. In 2023, the Legislature passed several one-time funding bills for municipal infrastructure out of the State's general fund surplus. In 2025, the Legislature continued this approach with House Bill 505. This bill transferred \$50 million into the Montana housing infrastructure revolving loan fund, which helps finance streets, water, and sewer for new residential development. Cities and towns do not have reserves or revenue capable of addressing the ongoing infrastructure needs at the local level. Permanent funding for a local infrastructure grant or loan program or other financial support for local infrastructure is needed.

Montana's transportation funding faces a structural shortfall. More specifically, the highway account will continue to fall short of the amount needed to match federal dollars and millions of dollars' worth of projects remain unfunded. MDT has relied on the 2017 gas tax increase to sustain its highway program, but those revenues are now projected to fall short of what is needed to maintain the state system and match federal dollars. As fuel efficiency improves and construction costs rise, gas tax revenue buys less each year. Without new or increased sustainable revenue, the state will be unable to maintain its highways — including the state-owned arterials that run through Montana's cities and towns, which often carry the heaviest local traffic and are in the poorest condition — and that maintenance burden could fall to local governments that do not have the resources or responsibility to manage state maintained roads. The need for sustainable and consistent funding is also a critical resource to assist municipalities with city maintained streets and roadway systems.

Montana municipalities plan for infrastructure through multi-year capital planning that phases major projects and their funding over time. This long-range approach is essential to meeting water quality requirements, including nutrient standards applied on a site-by-site basis, which often require significant, long-lead investment in wastewater treatment. The League supports the infrastructure planning and funding tools, and site-specific nutrient standards that reflect the conditions of each receiving water, that together give municipalities a realistic and cost-effective path to compliance. Cities and towns rely on any type of funding or financing tool to complete operation and maintenance and repairs to critical infrastructure systems, as we are sensitive to residents and businesses paying user fees and costs for these systems.

ACTION

MLCT will support bills or policies that:

1. Promote investment in local governmental infrastructure, including new or increased financing options, grant and loan programs, and other resources and support necessary to proactively plan for and address infrastructure, protect the public health, safety, and general welfare of municipal residents, businesses, and visitors, and stimulate the economy.

2. Streamline the infrastructure project processes that include reviews, approvals or obtaining federal and state infrastructure dollars through improvements to existing grant and loan programs, including centralizing or coordinating applications, draw requests, budget documents, and reporting so that communities are not required to submit the same information separately to multiple state agencies for the same project.
3. Promote new or increased sustained state or local funding or revenue for transportation and infrastructure, which may include increases to the state gas tax, to support and protect the share of those revenues allocated to local governments.
4. Preserve and strengthen the authority of municipalities to plan, finance, and implement infrastructure projects at the local level.
5. Support policies that protect municipal water rights and strengthen local decision making to manage current and future uses for the benefit of municipal needs.

MLCT will oppose bills or policies that:

1. Seek to diminish or eliminate any existing source of local infrastructure funding, including funding for existing grant or loan programs, existing gas taxes or allocations thereof, financing options, or other limits on constructing, maintaining, improving, or increasing local infrastructure facilities and capacity, or that restrict the authority of municipalities to plan for, fund, or manage local infrastructure.
2. Shift responsibility for maintaining state-owned roads or other state infrastructure onto local governments without local decision-making and providing sufficient funding.