

September 8, 2023

From Governor to Counties

The Honorable [NAME]
Lewis and Clark County County
800 South Main
Helena, MT 59620

Dear Commissioner [LAST NAME],

As I've been visiting each county on my third annual 56 County Tour as governor, I have had the pleasure of meeting with county commissioners while on the road. Many have shared with me how the state is working together and partnering cooperatively with local governments. I always appreciate your frank feedback and the strong working relationship we share.

Over the last few months, I've found that, when we've talked directly about the most recent legislative session, we've both walked away realizing what a win it was for Montana counties and other local jurisdictions.

I write today to elaborate on those conversations, because I've found many commissioners aren't fully aware of the historic nature of what counties achieved from the legislative session. I want to use this opportunity to fill in gaps from information you may not have received and to address misinformation.

The most recent legislative session was an extraordinary victory for counties across the state. Working with commissioners and legislators, we delivered unprecedented results for counties.

First, the state provided more than \$222 million directly to counties and other local jurisdictions to support them, some of which could be leveraged to nearly \$850 million with federal matching funds, including:

- **Boosting infrastructure projects for local jurisdictions.**
 - Signed into law in May 2023, Senate Bill 536 provides local jurisdictions with funding for the reconstruction or repair of off-system bridges, secondary highways, and urban highways. Counties are eligible for \$80 million of the \$100 million appropriation, and cities within the counties will receive the remaining \$20 million. Local jurisdictions may receive funds through a formula distribution, grants, and a Montana Department of Transportation match. Additionally, county projects may be eligible for a federal funding match, providing a potential total investment of up to \$640 million.
 - **\$100 million** – state's direct investment in counties and local jurisdictions, with a potential of up to \$640 million including the federal match

- Our Budget for Montana Families, which I introduced in November 2022, dedicated \$100 million of the budget surplus toward a local disaster resiliency fund. Proceeds from the fund would support state and local projects that reduce or eliminate long-term risk to people and property from future disasters, and the state could leverage its dollars for up to a 9-to-1 federal match. While the local disaster resiliency fund was tabled in the House Appropriations Committee and did not make it to my desk, House Bill 424 included up to \$16 million toward projects to mitigate disasters, and with those state funds, we anticipate being able to leverage approximately \$84 million in federal funds toward such projects.
 - **\$100 million** – total potential investment in counties and local jurisdictions
- Signed into law in June 2023, the State-Local Infrastructure Partnership Act 2023 (House Bill 355) provides local jurisdictions with funding for infrastructure projects. Under the new law, local jurisdictions may apply for a grant from the Montana Department of Commerce to maintain or repair existing local infrastructure, including streets, roads, bridges, drinking water systems, wastewater treatment systems, and fire suppression systems, among other projects – undeniably to the benefit of Montana counties. To qualify for the grant, an application must include a statement identifying a local cash match equal to no less than 25% of the total project cost.
 - **\$20 million** – state’s investment in local jurisdictions
- **Jumpstarting school maintenance projects by maximizing the School Facilities Trust Fund.** Signed into law in May 2023, House Bill 321 provides roughly \$75 million in funding toward the School Facilities Trust Fund, bringing the fund to \$200 million, jumpstarting it toward its new \$300 million cap and maximizing the fund’s proceeds for Montana’s public schools. The School Facilities Trust Fund is designed to help public school districts pay for major maintenance projects.
 - **\$15 million** – state’s projected, ongoing annual funding for local schools and communities
- **Reducing county retirement levies.** Signed into law in June 2023, House Bill 587 provides Montanans with property tax relief by assisting with county retirement levies. About a third of a new special revenue account will reduce county taxes levied for school retirement funds, keeping property taxes down.
 - **\$38 million** – state’s investment in counties and local jurisdictions
- **Shoring up sheriffs’ pension.** With House Bill 569, signed into law in May, the state invested \$96 million of the state’s surplus to shore up pensions for law enforcement, including \$27 million to stabilize sheriffs’ pension.
 - **\$27 million** – state’s investment in counties and local jurisdictions

- **Boosting jail reimbursement rate for counties by nearly 20%.** Since 2015, state law capped the maximum reimbursement to counties holding state inmates to \$69 per day. With House Bill 174 going into law on July 1, 2023, the state's reimbursement rate increases from \$69 to \$82, with the potential for it to increase in subsequent years. Fiscal analysis estimates counties will see a total increase in revenue of \$6 million over the next four years.
 - **\$6 million** – state's investment in counties

Second, many other bills, which the legislature passed and I signed into law, provide counties and other local jurisdictions with more indirect support and protect your existing revenue.

- **Investing in local infrastructure to increase the housing supply for Montanans and our communities.** Our Budget for Montana Families proposed to invest \$200 million to expand housing capacity throughout the state with the HOMES Program, or Home Ownership Means Economic Security. While federal funding has allowed local jurisdictions to maintain or improve existing water and sewer infrastructure but has not allowed for its expansion, the HOMES Program would dedicate \$200 million to expanding water and sewer infrastructure for local jurisdictions that meet density measures. Ultimately, the House did not pass the HOMES Act, but a version of it was included in House Bill 819, which I signed into law in June 2023. Through House Bill 819, the state invests \$106 million to expand counties' water and sewer infrastructure provided certain conditions, including density measures, are met. The Montana Board of Investments administers the program.
 - **\$106 million** – state's investment in counties and local jurisdictions
- **Maintaining and improving state roads and bridges.** Investing in Montana roads and bridges was another important element of our Budget for Montana Families. Signed into law in March 2023, House Bill 267 invests \$100 million of the state's surplus in a newly created Securing Access to Federal Expenditures to Repair (SAFER) Montana Roads and Bridges account. The new law provides up to \$15 million per year for the Montana Department of Transportation to use, leveraging about 7 federal dollars for every state dollar, to repair the state's roads and bridges. Importantly, repairing county bridges may also be eligible for funding, including enhanced, leveraged funding, through SAFER Montana Roads and Bridges.
 - **\$100 million** – state's investment in repairing roads and bridges, including county bridges, with the potential for substantial federal matching funds
- **Lowering borrowing costs for counties.** Through House Bill 251 and using the state's budget surplus to advance fiscal responsibility, the State of Montana is going debt-free in '23. As a result of paying off the state's general obligation debt, much of which was originally created to be able to grant or loan money to local governments, counties and other local jurisdictions will see a reduction in future borrowing costs.
 - **\$40 million** – state's investment in counties and local jurisdictions

- **Supporting conservation districts and Montana’s coal counties.** Through House Bill 321, the State of Montana established a new Conservation District Trust Fund to support Montana’s 58 conservation districts. The new Conservation District Trust Fund will receive 65% of the Coal Severance Tax Bond Fund until the new fund reaches \$100 million, providing over \$5 million per year in ongoing funding to localities. Once the Conservation District Trust Fund is funded to its \$100 million cap, 65% of the Coal Severance Tax Bond Fund will be dedicated to the Coal Board Fund, which goes directly to support Montana’s coal counties.
 - **\$5 million** – state's projected, ongoing annual funding to local jurisdictions
- **Backfilling counties as we cut the business equipment tax for Montana small businesses.** Since 2021, we have increased the business equipment tax exemption from \$100,000 to \$1 million, eliminating the burden of the tax for more than 5,000 Montana small businesses, including family farms and ranches. The increasing exemption for class 8 business equipment property tax will allow small business owners to invest in their operations, their employees, and our communities. While we have increased the business equipment tax exemption, I understand a portion of business equipment tax revenues go to counties, which is why we committed the state to backfilling those lost revenues to counties through entitlement share payments.
 - **\$16 million** – state’s investment in counties and local jurisdictions

Third, working with legislators, our administration invested in counties well beyond typical investments, including **providing a historic increase in Medicaid provider rates that benefits county nursing homes.** In our Budget for Montana Families, we proposed the largest increase in Medicaid provider rates in state history, and we delivered on that proposal. Our historic investment provides stability to health care providers and expands access to services for those who participate in Medicaid. Specifically, our fiscal year 2024 appropriation for county nursing homes intergovernmental transfer is more than \$4.7 million, an increase of 34.3% of what was spent in fiscal year 2023. Additionally, the state appropriated \$158 million for Medicaid-eligible nursing homes throughout the state, an increase over fiscal year 2023 spending of \$44 million, or 38.5%. We made these investments, even while the increasing trend is seniors choosing to age in place.

- **\$371 million** – state’s investment, including federal funds, for provider rate increases which include county nursing homes

Working together with legislators and individual commissioners, we secured a series of major wins for our local jurisdictions, and primarily our counties.

From the actions the state took to reduce burdens on counties and support them, to the federal aid counties received over the last few years, many Montana counties are in a strong financial position. That’s why I ask you to do everything in your authority to limit the growth of both government spending and property taxes in your county.

As it is required to do under state law, the Montana Department of Revenue conducted its biennial reappraisal of property in your county, including residential property, which estimates the market value

for a property as of January 1, 2022. Montanans across the state were surprised to discover their residential property values increased by an average of 46 percent since the last reappraisal two years ago.

When notifying property owners of their reappraisal, state law requires the Department of Revenue to advise property owners of “the total amount of mills levied against the property in the prior year.” Coupling the notice of the prior year’s mill levies with the average 46 percent growth in market value of residential property following reappraisal, Montana taxpayers are concerned, and rightfully so, their property tax bills for 2023 are going to skyrocket.

Therefore, I ask you to address their concerns immediately, reassure them, and reaffirm to your constituents you will hold the line on new spending, provide for essential services, draw down mill levies that are within your control, and keep property taxes as low as possible.

Admittedly, lobbyists have made a lot of hay recently as they work to draw down the 95 public school mills. As you are aware, the state collects the 95 public school mills and distributes them fully back to school districts for equalization of school funding. Drawing down the 95 public school mill rate not only would provide a windfall for a few large industrial corporations and a few school districts already flush with resources, like Big Sky, but also over time would increase the tax burden on Montanans in most local jurisdictions. If we were to reduce the 95 public school mills, our students, our public schools, and nearly all school districts would suffer. We will not do it.

We take our responsibility seriously to distribute the 95 public school mills to ensure each student in our public schools has access to a quality education. We would do this anyway, as it is our moral obligation, but we are also required to do so by law and by our Constitution which reads, “It is the goal of the people to establish a system of education which will develop the full educational potential of each person. Equality of educational opportunity is guaranteed to each person of the state.”

To anyone asking us to reduce the 95 public school mills to the detriment of Montana students, the state hasn’t done it in the more than 30 years since the legislature established the 95 public school mills, we won’t start now, and we won’t act against the interests of providing each Montana student with a quality education.

I appreciate seeing you, like all Montanans, where you live and work as I’ve been on my third annual 56 County Tour. I look forward to continuing to work with you and other county commissioners, as well as to continuing our partnership to make Montana an even better place to live, work, raise a family, and achieve the American dream.

Sincerely,
Greg Gianforte
Governor