KEY POINTS:

• Over the last decade, major Montana local governments have grown their budgets faster than population growth plus inflation, burdening taxpayers with millions in excessive spending.

• The FY 2024 Real Local Budgets demonstrate the need for government spending restraint and an improved budget process to protect taxpayers.

• City and county officials should focus on holding the growth of expenditures to less than population growth plus inflation to ensure that the cost of government stays within the bounds of the average taxpayers’ ability to pay for it.

The Need for Fiscal Spending Limits

The growth of the economy, as measured by Montana’s population growth plus inflation, provides a measuring stick for fiscal responsibility by accounting for potential changes in economic conditions indicating the demand for government services and the cost of providing them. This benchmark also helps account for more people and higher wages, which, combined, provide resources for the average taxpayers’ ability to pay to fund government expenditures.¹

Montana leaders have pointed to the growth of population growth plus inflation as the fairest measure for government growth.²

Excessive Spending Burdens Taxpayers

Montana’s Constitution requires that all local governments balance their budgets. County and city budgets are paid for primarily by taxpayers through a combination of fees, assessments, and property taxation. Excessive spending that grows beyond the rate of economic growth, as measured by population growth plus inflation, requires governments to raise additional revenues resulting in a higher tax burden.

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¹ https://www.vanceginn.com/letpeopleprosper/responsible-state-budgets-across-the-us

² https://montanafreepress.org/2020/12/18/has-the-state-budget-grown-too-fast/
The FY 2024 Real Local Budgets

Frontier Institute partnered with economist Vance Ginn to put together an analysis of budgets for Montana’s six most populous Counties and Cities compared to the metric of population growth plus inflation over the last decade.

The table below shows the overall growth of spending in each county and city budget compared with population growth plus inflation from fiscal year 2014-2023.

According to Federal Reserve Economic Data, the combined growth rate of Montana's population plus inflation for the last decade is 44.25%. The average county budget increase is 25-percentage points over population growth plus inflation, while the average city budget increase is 57-percentage points over.

<table>
<thead>
<tr>
<th>City</th>
<th>Budget Growth</th>
<th>Spending Increase Over Pop + Inflation (+/-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalispell</td>
<td>148.1%</td>
<td>103.9%</td>
</tr>
<tr>
<td>Bozeman</td>
<td>142.9%</td>
<td>98.6%</td>
</tr>
<tr>
<td>Missoula</td>
<td>126.1%</td>
<td>81.8%</td>
</tr>
<tr>
<td>Billings</td>
<td>94.0%</td>
<td>49.7%</td>
</tr>
<tr>
<td>Helena</td>
<td>75.5%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Great Falls</td>
<td>22.5%</td>
<td>-21.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>County</th>
<th>Budget Growth</th>
<th>Spending Increase Over Pop + Inflation (+/-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gallatin</td>
<td>107.1%</td>
<td>62.8%</td>
</tr>
<tr>
<td>Missoula</td>
<td>81.9%</td>
<td>37.6%</td>
</tr>
<tr>
<td>Yellowstone</td>
<td>67.0%</td>
<td>22.8%</td>
</tr>
<tr>
<td>Cascade</td>
<td>59.8%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Lewis &amp; Clark</td>
<td>56.0%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Flathead</td>
<td>44.1%</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>
Helena & Lewis & Clark County

Figures 1 and 2 show how taxpayers are footing the bill for a combined $29 million more in spending during FY 2023 than if Helena and Lewis & Clark County had increased their budgets each period since FY 2014 by this key metric.

Since FY 2014, Lewis & Clark County’s budget has grown 8.12% faster than the growth of the economy, as measured by population growth plus inflation:

Since FY 2014, the City of Helena’s budget has grown 21.31% faster than the growth of the economy, as measured by population growth plus inflation:

Figures 3 and 4 show the average annual budget growth for Helena and Lewis & Clark County.

Lewis & Clark County’s average annual budget growth has accelerated since 2019:

The City of Helena’s average annual budget growth has slowed since 2019:
Billings & Yellowstone County

Figures 5 and 6 show how taxpayers are footing the bill for a combined $150.85 million more in spending during FY 2023 than if Billings and Yellowstone County had increased their budgets each period since FY 2014 by this key metric.

Since FY 2014, Yellowstone County’s budget has grown 15.78% faster than the growth of the economy, as measured by population growth plus inflation:

Figures 7 and 8 show the average annual budget growth for Billings and Yellowstone County.

Yellowstone County’s average annual budget growth has slowed since 2019:

The City of Billings' average annual budget growth has accelerated since 2019:

Since FY 2014, the Billings' budget has grown 34.49% faster than the growth of the economy, as measured by population growth plus inflation:
Great Falls & Cascade County

**Figures 9 and 10** show how taxpayers were protected with a combined $17 million in less spending during FY 2023 because Great Falls and Cascade County have kept spending mostly in line with population growth plus inflation.

Since FY 2014, Cascade County’s budget has grown 10.76% faster than the growth of the economy, as measured by population growth plus inflation:

**Figures 11 and 12** show the average annual budget growth for Great Falls and Cascade County.

Cascade County’s average annual budget growth has slowed since 2019:

The City of Great Falls' average annual budget growth has accelerated since 2019, but remains below population growth plus inflation:
Kalispell & Flathead County

Figures 13 and 14 show how taxpayers are footing the bill for a combined $48.2 million more in spending during FY 2023 than if Kalispell and Flathead County had increased their budgets each period since FY 2014 by this key metric.

Since FY 2014, Flathead County’s budget has grown .12% slower than the growth of the economy as measured by population growth plus inflation:

Figures 15 and 16 show the average annual budget growth for Kalispell and Flathead County.

Flathead County’s average annual budget growth has accelerated since 2019:

The City of Kalispell’s average annual budget growth has slowed since 2019:

Since FY 2014, the City of Kalispell's budget has grown 72% faster than the growth of the economy, as measured by population growth plus inflation:
Bozeman & Gallatin County

**Figures 17 and 18** show how taxpayers are footing the bill for a combined $146 million more in spending during FY 2023 than if Bozeman and Gallatin County had increased their budgets each period since FY 2014 by this key metric.

Since FY 2014, Gallatin County’s budget has grown 41.28% faster than the growth of the economy as measured by population growth plus inflation:

**Figures 19 and 20** show the average annual budget growth for Bozeman and Gallatin County.

Gallatin County’s average annual budget growth has accelerated since 2019:

The City of Bozeman’s average annual budget growth has accelerated since 2019:

Since FY 2014, the City of Bozeman’s budget has grown 68.4% faster than the growth of the economy, as measured by population growth plus inflation:
Missoula & Missoula County

Figures 21 and 22 show how taxpayers are footing the bill for a combined $140.8 million more in spending during FY 2023 than if Missoula and Missoula County had increased their budgets each period since FY 2014 by this key metric.

Since FY 2014, Missoula County’s budget has grown 26.07% faster than the growth of the economy as measured by population growth plus inflation:

The City of Missoula's average annual budget growth has accelerated since 2019:

Since FY 2014, the City of Missoula's budget has grown 56.72% faster than the growth of the economy, as measured by population growth plus inflation:

Figures 23 and 24 show the average annual budget growth for Missoula and Missoula County.

Missoula County’s average annual budget growth has slowed since 2019:
Conclusion

Many major local government budgets have grown faster than taxpayers' ability to pay for it over the last 10 years. Limiting local governments' budget growth, and even reducing it as many families have done with their budgets when faced with rising costs, will provide more opportunities to provide tax relief. Local government officials should focus on holding the growth of budgeted expenditures to less than population growth plus inflation to ensure that the cost of government stays within the bounds of the average taxpayers' ability to pay for it.

Authors

**Kendall Cotton:**
Kendall Cotton is the President and CEO of the Frontier Institute. He developed his passion for serving his community while growing up in Florence, Montana along the banks of the Bitterroot River. He graduated from Florence High School and later earned a degree in Political Science from Montana State University. Kendall is a government relations professional with a decade of experience helping to shape Montana public policy, most recently serving as the Policy Advisor for Montana’s Insurance Commissioner.

**Vance Ginn, PhD:**
Vance Ginn, Ph.D., is an accomplished economist who champions free-market solutions that let people prosper. He is the founder and president of Ginn Economic Consulting, host of the Let People Prosper Show podcast, chief economist of Pelican Institute for Public Policy, and senior fellow of Americans for Tax Reform and other think tanks across the country. In these roles, he provides high-quality research and trusted insights on how to affect positive changes at the federal, state, and local levels that improve people's lives and livelihoods.