

FLATHEAD



FISCAL IMPACT ASSESSMENT — FINAL 1982

FLATHEAD RIVER BASIN ENVIRONMENTAL IMPACT STUDY
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FLATHEAD RIVER BASIN FISCAL
IMPACT STUDY:
AN ASSESSMENT OF FUTURE FISCAL
CONDITIONS IN NINE TAXING
JURISDICTIONS

Submitted to:

The Steering Committee for the Flathead
River Basin Environmental Impact Study
U.S. Environmental Protection Agency

Submitted by:

Montana Department of Administration
Western Analysis, Inc.

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SUMMARY

Fiscal conditions in local governments, and the impact of those conditions on taxpayers, are principally the result of the relations among four variables: population levels, taxable values, local revenues, and operating expenditures. Changes in these variables over time will largely determine the future per capita cost to local taxpayers for support of their local governments.

This report examines current fiscal conditions in the study area and projects the fiscal impacts of the baseline (most likely) and alternative growth scenarios, to 1990. Its conclusions are based on projections of real annual per capita rates of change in taxable values, local revenues, and operating expenditures. Population projections were developed independently. The revenue and expenditure data were analyzed by category and developed through detailed review of the various jurisdictions' annual reports for 1975-80. Several problems are inherent in these data, and the conclusions should therefore be interpreted with caution. Local compilers used different approaches in different years, and they were not all equally thorough. Reporting formats changed over the years, and among jurisdictions, and the same compiler was not always responsible for the same jurisdiction throughout the period in question.

Revenue growth exceeded expenditure growth after 1975, in both Lake and Flathead Counties. Total budget surpluses between 1977-1980 have approached \$1.3 million in Lake County and \$8.0 million in Flathead

County. The five largest municipalities experienced revenue growth exceeding expenditure growth, but in four cases this was due to increases in intergovernmental revenues. Local revenue -- those revenues produced by taxpaying residents in support of their local government, including property taxes, fees, licenses, and fines, and public utility charges -- comprised from 39 to 61 percent of total revenues during 1977-1980, in all municipalities. The remainder came from intergovernmental sources.

In 1980, mills levied for county operations by the two counties exceeded mills levied in comparable jurisdictions. In Flathead County this was largely due to per capita operating expenditures being 45 percent greater than in comparable jurisdictions. In Lake County it was due partly to a taxable value per capita, or "fiscal capacity," six percent lower than in comparable jurisdictions.

Mills levied for city purposes in Columbia Falls and Hot Springs exceeded those levied in similar communities by 16 percent and 17 percent, respectively. Contributing factors were a fiscal capacity 22 percent lower in Hot Springs than in comparable towns, and local revenues per capita, or "fiscal effort," 57 percent greater in Columbia Falls than in comparable towns. Mill levies in Polson, Ronan, Whitefish, and Kalispell were all slightly lower than in similar communities. Kalispell and Whitefish enjoy higher fiscal capacities -- 48 percent and 20 percent, respectively, than in comparable towns -- but they also have higher operating expenditures per capita. St. Ignatius has a lower mill levy than in comparable towns, due to its lower operating expenditures per capita.

Projections of fiscal conditions for the nine taxing jurisdictions were derived from historic trends for the individual revenue and expenditure categories, in some cases modified to accommodate changing economic and political conditions. Operating expenditures were estimated first; local revenues were then estimated based on reasonable fiscal limits and expenditure requirements.

Several important assumptions underlie these projections. First, they are based strictly on a continuation of 1970-1980 economic structural conditions, i.e., no significant oil or gas development or major change in industrial or commercial development is expected. Second, they depend on the population projections developed in The Flathead Basin: An Economic Assessment. Third, state laws governing annexation are assumed to remain essentially unchanged. Fourth, no major property reappraisals are incorporated in the projections.

Real per capita taxable values are expected to continue their declining trend. By 1990, real taxable values are projected to decline between 15 percent and 35 percent in the two counties, and between 20 percent and 46 percent in all the municipalities except Whitefish, where taxable values are expected to increase 17 percent. Increases in real per capita operating expenditures are also expected to continue. By 1990, operating expenditures are projected to increase between 18 percent and 33 percent in the counties, and between 14 percent and 48 percent in all the municipalities except Hot Springs, which is expected to experience a 16 percent decline. Local revenues are projected to

increase in all the jurisdictions except Flathead County, where a 4 percent decline is forecast. (Anticipated major capital facility outlays increase the projections of local revenues and operating expenditures equally, from 2.7 percent to 22.7 percent, in six of the nine jurisdictions.)

The rate and direction of projected change in these variables within each jurisdiction imply that mill levies will increase, or that fees, licenses, and service charges will increase, or both.

Two ratios were developed to provide further insight into fiscal conditions: local revenues divided by operating expenditures, as a measure of the jurisdiction's "reliance" on locally generated revenue to pay for operating expenses, and operating expenditures divided by taxable value, or the relative "burden" assumed by local taxpayers to support their local governments.

Reliance ratios are expected to decline in all the jurisdictions except Hot Springs, due to the projected rapid increase in operating expenditures relative to local revenues. Fiscal burden is expected to increase in all the jurisdictions, from 24 percent in Whitefish to 140 percent in St. Ignatius. The counties will continue to impose a smaller burden than the municipalities, and the larger municipalities, a smaller burden than the smaller municipalities. Projected growth in per capita operating expenditures, coupled with the predicted decline in local reliance, indicates that growth in intergovernmental revenues beyond that projected may be needed to maintain a balanced budget and reduce the projected burden on the local taxpayers.

Operating expenditures per capita are projected to increase 15 percent to 16 percent in the two counties, and between 13 percent and 60 percent in six of the municipalities. Operating expenditures per capita are expected to continue to be almost twice as high in Flathead as in Lake County. Among the municipalities, Kalispell and Whitefish are expected to have the highest operating expenditures per capita; St. Ignatius and Hot Springs, the lowest.

INTRODUCTION AND METHODOLOGY

Recognizing the natural amenities and high quality of life in the Flathead River Basin in northwestern Montana, and the continuing development of the area, the U.S. Environmental Protection Agency awarded a grant in 1978 to local citizens to assess the current environmental and economic situation there and develop projections of future conditions. Part of the multi-year scope of work consisted of projecting the fiscal impact of continued economic and population growth on the nine local taxing jurisdictions in the study area. Toward that end, the Flathead River Basin Environmental Impact Study Steering Committee awarded a contract to the Montana Department of Community Affairs, with a subcontract to Western Analysis, Inc., in mid-1980 to develop the economic and demographic projections, and to project the fiscal impact of future growth on the counties and municipalities in the study area. This report examines current fiscal conditions in the study area and projects the fiscal impacts of the "most likely" population growth scenario, and alternative scenarios to 1990.

Fiscal conditions in local governments, and the impact of those conditions on taxpayers, are principally the result of the relations among four variables: population levels, taxable values, local revenues, and operating expenditures. Changes in these variables over time will largely determine the future per capita cost to local taxpayers for support of their local governments.

We compiled historical, price-adjusted data (\$ 1980) for taxable values per capita, local revenues per capita, and operating expenditures

per capita in each taxing jurisdiction. We then projected these variables to 1990, based on an analysis of past annual rates of changes for each revenue and expenditure category, adjusted for current economic and political conditions. The population projections developed in The Flathead Basin: An Economic Assessment were then used in conjunction with the per capita projections to derive projections of taxable value, local revenue and operating expenditures in 1990.

Two ratios were developed to provide further insights into projected changes in fiscal conditions: local revenues divided by operating expenditures, and operating expenditures divided by taxable value. The former is used as a relative measure of "reliance" on local revenues to meet operating expenditures. The latter is a measure of the relative "burden" assumed by local taxpayers to pay for operating expenditures. Projected changes in these ratios, and operating expenditures per capita, are analyzed to determine the future fiscal conditions of the counties and municipalities in the study area.

Existing public services and facilities in the study area were assessed. The major capital facility expenditures likely to be made by 1990 were projected, based on the existing public facility situation, population projections, and interviews with service providers. These expenditures were then incorporated with the above projections to provide an alternative fiscal scenario.

Several important assumptions underlie these projections. First, they are based strictly on a continuation of 1970-1980 economic

structural trends, i.e., no significant oil or gas development or major change in industrial/commercial development is contemplated. Second, they depend on the population projections developed in The Flathead Basin: An Economic Assessment. Third, state laws governing annexation are assumed to remain essentially unchanged. Fourth, no major property reappraisals or new sources of revenue are incorporated in the projections.

The report is organized into three chapters. The first chapter discusses historical trends and the current situation, the second chapter contains the baseline fiscal projections, and the third chapter presents fiscal projections for alternative population scenarios. Three Appendices are attached, showing price deflators, historical revenue and expenditure data by category, projected rates of change, and personal contacts.

1. HISTORICAL TRENDS

1.1. Revenues and Expenditures

1.1.1. Municipal and County Governments

Municipal and county governments in Montana rely on several forms of revenue. In 1978-79, property taxes were the principal source of revenue for county governments (42 percent), and a less important source for cities (28 percent) and towns (19 percent). Over the years, property taxes have declined in importance as a revenue source. Intergovernmental revenues, including federal and state grants-in-aid and state shared taxes, comprised roughly one-fourth of city and town revenues, and one-fifth of county revenues in 1978-79. Fees, licenses and fines, utility charges, and other miscellaneous categories made up the remainder.

Tables 1 through 9 and Figures 1 through 9 show recent trends in revenues and expenditures in the two counties and seven municipal governments. These data were developed through detailed review of the jurisdictions' annual reports for the years 1975-1980. Problems inherent in the process of collecting these data require that the conclusions be interpreted with caution. First, the required reporting formats were changed between 1975 and 1980, making consistent jurisdictional comparisons between years difficult. Second, the local individuals who compiled the reports did so with varying degrees of thoroughness so that our judgement concerning categorization of entries was often required. Third, the local compilers used different approaches, making comparisons between jurisdictions difficult.

Table 1. Flathead County Revenues and Expenditures, FY 1975-1980

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	55,966,523	56,943,596	63,083,263	63,152,497	77,720,622	81,073,090	
Mills (Co. Operations)	47.1	59.7	61.4	58.7	63.9	73.5	
<u>Revenues</u>							
Property Taxes	2,714,178	3,416,079	3,984,355	4,145,250	5,060,666	6,016,812	122
Intergovernmental Revenues	1,728,188	2,070,006	2,734,445	3,896,827	3,078,528	5,654,227	227
Fees, Licenses, Fines	1,192,533	1,445,394	1,554,369	1,892,904	1,925,353	2,090,610	75
Miscellaneous	<u>292,280</u>	<u>325,292</u>	<u>522,509</u>	<u>1,069,382</u>	<u>2,310,300</u>	<u>7,031,799</u>	<u>2,306</u>
Total	5,927,179	7,256,771	8,795,678	11,004,363	12,374,847	20,793,448	251
<u>Expenditures</u>							
General Government	792,501	926,333	896,678	1,106,236	1,151,863	1,751,738	121
Public Safety	340,168	280,171	540,215	480,898	753,620	921,209	171
Health and Welfare	1,036,830	967,530	826,922	923,308	1,304,262	1,291,077	25
Transportation	1,539,789	994,842	1,264,791	1,689,949	2,261,099	2,559,090	147
Education and Libraries	207,677	230,256	281,246	300,050	348,515	440,690	112
Capital Outlay	1,495,737	552,787	1,009,013	1,271,932	1,630,670	1,745,692	17
Miscellaneous	<u>769,621</u>	<u>2,846,848</u>	<u>3,643,671</u>	<u>3,786,011</u>	<u>3,789,531</u>	<u>7,019,163</u>	<u>912</u>
Total	6,182,323	6,798,767	8,462,536	9,558,384	11,239,560	15,728,659	154

Sources: 1) Flathead County Annual Report, various years.

2) Montana Property Taxation, various years, Montana Taxpayers Association.

Table 2. Kalispell Revenues and Expenditures, FY 1975-1980

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	12,589,269	13,193,104	12,900,683	12,667,121	15,209,710	15,583,300	
Mills	61.0	68.0	71.5	76.0	77.3	84.2	
<u>Revenues</u>							
Property Taxes	960,767	985,382	882,310	920,686	994,487	1,320,697	37
Intergovernmental Revenues	393,389	-0-	763,881	1,158,634	2,346,492	983,897	150
Public Utilities	434,715	687,653	794,531	540,392	586,370	734,218	69
Fees, Licenses, Fines	240,816	287,188	516,264	469,209	503,829	315,607	31
Miscellaneous	<u>545,682</u>	<u>410,600</u>	<u>1,481,255</u>	<u>787,621</u>	<u>797,788</u>	<u>1,225,006</u>	<u>124</u>
Total	2,575,369	2,370,823	4,438,241	3,876,542	5,228,966	4,579,425	78
<u>Expenditures</u>							
General Government	97,557	167,891	174,748	208,531	240,155	319,496	227
Public Safety	563,543	817,154	711,380	723,787	899,208	1,252,390	122
Transportation	295,512	285,802	288,556	214,375	298,344	276,862	-6
Public Utilities	476,583	582,564	728,313	573,598	783,998	680,796	43
Debt Service	118,663	59,159	133,472	139,672	249,695	130,218	10
Intergovernmental	389,773	801,402	578,055	1,618,398	1,825,136	707,401	81
Miscellaneous	<u>649,142</u>	<u>779,100</u>	<u>1,608,289</u>	<u>828,002</u>	<u>908,551</u>	<u>854,625</u>	<u>32</u>
Total	2,590,773	3,493,072	4,222,813	4,306,363	5,205,087	4,221,788	63

Sources: 1) Kalispell Annual Report, various years.

2) Montana Property Taxation, various years, Montana Taxpayers Association.

Table 3. Whitefish Revenues and Expenditures, FY 1975-1980.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	2,588,449	2,815,282	2,903,243	3,193,218	3,708,305	3,980,763	
Mills	61.0	67.0	65.0	71.0	71.0	71.0	
<u>Revenues</u>							
Property Taxes	342,630	427,001	393,837	382,938	424,246	466,039	36
Intergovernmental Revenues	307,551	207,640	177,355	155,527	191,859	1,332,724	333
Public Utilities	164,590	181,238	256,011	298,194	398,770	398,135	142
Fees, Licenses, Fines	67,144	142,450	168,620	139,526	167,406	96,356	43
Miscellaneous	<u>63,103</u>	<u>60,371</u>	<u>51,047</u>	<u>135,835</u>	<u>129,598</u>	<u>131,134</u>	<u>108</u>
Total	945,018	1,018,700	1,046,870	1,112,020	1,311,879	2,424,388	156
<u>Expenditures</u>							
General Government	41,998	51,771	54,811	52,822	57,560	71,344	70
Public Safety	125,188	197,311	164,291	170,421	194,823	272,385	118
Transportation	46,830	94,242	119,493	82,665	116,345	144,980	210
Public Utilities	146,114	154,857	305,339	322,673	373,082	1,390,246	851
Debt Service	254,057	54,448	92,370	71,618	77,604	85,018	-67
Intergovernmental	283,187	141,291	66,355	117,006	105,519	97,707	-65
Miscellaneous	<u>125,200</u>	<u>233,149</u>	<u>139,926</u>	<u>150,275</u>	<u>247,821</u>	<u>234,001</u>	<u>87</u>
Total	1,022,574	927,069	942,585	967,480	1,172,754	2,295,681	125

Sources: 1) Whitefish Annual Report, various years.

2) Montana Property Taxation, various years, Montana Taxpayers Association.

Table 4. Columbia Falls Revenues and Expenditures, FY 1975-1980.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	2,505,910	2,594,414	2,601,149	3,254,313	2,717,605	3,036,934	
Mills	69.0	85.0	82.8	68.6	95.0	98.0	
<u>Revenues</u>							
Property Taxes	255,890	186,544	241,120	206,119	283,006	417,044	62
Intergovernmental Revenues	47,420	103,882	130,452	160,447	88,379	82,909	74
Public Utilities	120,317	153,475	138,749	192,254	168,509	220,850	83
Fees, Licenses, Fines	44,930	97,034	43,390	80,707	57,884	35,321	-21
Miscellaneous	<u>92,857</u>	<u>120,352</u>	<u>197,529</u>	<u>120,593</u>	<u>180,248</u>	<u>480,000</u>	<u>416</u>
Total	561,414	661,287	751,240	760,120	778,026	1,236,124	120
<u>Expenditures</u>							
General Government	47,357	45,764	50,062	68,837	111,378	105,960	123
Public Safety	101,580	114,171	53,043	108,207	136,353	251,734	148
Transportation	58,505	34,246	31,391	30,343	37,601	99,648	70
Public Utilities	130,396	118,008	159,492	217,323	274,808	419,714	222
Debt Service	24,471	22,340	71,882	72,454	78,107	104,403	327
Intergovernmental	42,757	13,890	32,525	52,655	36,639	5,893	-86
Miscellaneous	<u>106,280</u>	<u>273,804</u>	<u>211,220</u>	<u>188,434</u>	<u>101,734</u>	<u>113,282</u>	<u>6</u>
Total	511,346	622,223	639,615	738,253	776,620	1,100,634	115

Sources: 1) Columbia Falls Annual Report, various years.

2) Montana Property Taxation, various years, Montana Taxpayers Association.

Table 5. Lake County Revenues and Expenditures, FY 1975-1980.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	22,576,849	23,602,945	23,385,344	23,087,407	26,401,594	27,163,710	
Mills (Co. Operations)	43.2	53.2	53.7	55.9	49.2	56.5	
<u>Revenues</u>							
Property Taxes	1,087,779	1,381,498	1,408,475	1,454,274	1,527,874	1,667,921	53
Intergovernmental Revenues	466,855	555,008	548,398	767,152	757,164	894,795	92
Fees, Licenses, Fines	135,408	195,595	243,195	230,382	306,815	374,636	177
Miscellaneous	<u>285,231</u>	<u>223,799</u>	<u>251,342</u>	<u>434,079</u>	<u>279,519</u>	<u>358,963</u>	<u>26</u>
Total	1,975,273	2,355,900	2,451,410	2,885,887	2,871,372	3,296,315	67
<u>Expenditures</u>							
General Government	274,540	316,729	405,717	400,868	418,945	985,383	260
Public Safety	141,425	152,637	175,933	191,267	212,643	299,744	112
Health and Welfare	210,542	244,651	268,823	149,864	315,103	454,528	116
Transportation	447,404	388,129	427,913	532,556	533,833	568,172	27
Education and Libraries	34,224	55,781	47,742	25,262	57,367	65,082	90
Capital Outlay	739,209	826,507	333,125	-0-	197,400	264,153	-64
Miscellaneous	<u>359,752</u>	<u>494,124</u>	<u>618,107</u>	<u>1,123,446</u>	<u>772,159</u>	<u>339,827</u>	<u>-6</u>
Total	2,207,096	2,478,558	2,277,360	2,423,263	2,507,450	2,976,889	35

Sources: 1) Lake County Annual Report, various years.

2) Montana Property Taxations, various years, Montana Taxpayers Association.

Table 6. Polson Revenues and Expenditures, FY 1975-1980.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	2,434,837	2,544,961	2,437,801	2,493,762	2,599,969	2,776,731	
Mills	68.0	67.3	70.0	70.0	65.6	76.8	
<u>Revenues</u>							
Property Taxes	171,373	180,583	186,920	206,234	206,960	213,940	25
Intergovernmental Revenues	56,338	108,063	119,160	281,522	460,283	378,796	572
Public Utilities	78,345	120,744	201,654	232,072	229,080	261,087	233
Fees, Licenses, Fines	90,775	73,827	100,044	78,877	121,077	115,076	27
Miscellaneous	<u>55,150</u>	<u>118,700</u>	<u>1,086,692</u>	<u>90,567</u>	<u>848,857</u>	<u>160,183</u>	<u>190</u>
Total	451,981	601,917	1,694,470	889,272	1,866,257	1,129,082	150
<u>Expenditures</u>							
General Government	33,938	27,651	31,158	38,653	49,531	67,759	100
Public Safety	63,663	82,650	94,219	97,388	110,678	122,845	93
Transportation	41,767	67,867	57,129	72,878	70,180	86,145	106
Public Utilities	98,778	134,373	1,096,425	167,585	181,808	177,846	80
Debt Service	54,598	33,626	104,334	62,516	77,789	89,037	63
Intergovernmental	76,009	61,786	74,772	292,661	334,149	261,437	244
Miscellaneous	<u>98,557</u>	<u>150,711</u>	<u>144,757</u>	<u>137,600</u>	<u>361,035</u>	<u>354,707</u>	<u>251</u>
Total	467,310	558,664	1,602,794	869,281	1,185,170	1,159,776	148

Source: 1) Polson Annual Report, various years

2) Montana Property Taxation, various years, Montana Taxpayers Association.

Table 7. Ronan Revenues and Expenditures, FY 1975-1980.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	1,156,631	1,272,492	1,345,280	1,315,734	1,483,179	1,418,259	
Mills	79.5	72.0	68.8	80.5	71.4	74.9	
<u>Revenues</u>							
Property Taxes	130,722	144,985	92,741	92,841	122,602	111,811	-14
Intergovernmental Revenues	36,349	115,004	93,837	150,933	90,747	82,191	126
Public Utilities	45,327	50,900	44,649	59,615	94,997	107,856	138
Fees, Licenses, Fines	22,372	40,716	50,384	66,838	54,692	21,478	-4
Miscellaneous	<u>6,370</u>	<u>4,589</u>	<u>22,575</u>	<u>51,045</u>	<u>11,820</u>	<u>33,795</u>	<u>431</u>
Total	241,140	356,194	304,186	421,272	374,858	357,131	48
<u>Expenditures</u>							
General Government	23,081	22,958	24,266	27,604	59,060	39,655	72
Public Safety	45,076	60,681	68,883	90,361	64,946	96,494	114
Transportation	19,726	26,979	38,691	58,892	27,070	45,507	131
Public Utilities	36,140	56,609	54,299	47,370	81,311	94,491	161
Debt Service	28,407	36,138	23,742	13,123	3,482	7,193	-75
Intergovernmental	33,253	99,574	65,476	132,897	109,731	15,381	-54
Miscellaneous	<u>52,027</u>	<u>35,572</u>	<u>31,361</u>	<u>57,661</u>	<u>52,287</u>	<u>10,372</u>	<u>-80</u>
Total	237,710	338,511	306,718	427,908	397,887	309,093	30

Source: 1) Ronan Annual Report, various years.

2) Montana Property Taxation, various years, Montana Taxpayers Association.

Table 8. St. Ignatius Revenues and Expenditures, FY 1975-1980.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	507,214	507,214	486,089	431,705	432,199	393,418	
Mills	51.0	51.0	51.0	51.0	51.0	56.0	
<u>Revenues</u>							
Property Taxes	26,005	25,238	27,742	25,710	25,029	23,402	-10
Intergovernmental Revenues	10,220	9,703	32,956	20,242	24,067	26,115	156
Public Utilities	10,626	10,835	15,979	15,448	16,589	19,382	82
Fees, Licenses, Fines	20,988	26,902	10,592	16,607	23,087	11,958	-43
Miscellaneous	<u>2,724</u>	<u>61,676</u>	<u>17,336</u>	<u>11,704</u>	<u>11,587</u>	<u>37,136</u>	<u>1,263</u>
Total	70,563	134,354	104,605	89,711	100,359	117,993	67
<u>Expenditures</u>							
General Government	6,006	5,442	11,486	9,840	7,945	11,481	91
Public Safety	31,260	27,061	42,233	30,406	46,215	46,655	49
Transportation	3,023	3,034	2,693	3,629	16,669	2,220	-27
Public Utilities	11,845	18,982	10,300	6,367	12,038	23,119	95
Debt Service	3,651	4,717	17,179	5,431	5,431	5,431	49
Miscellaneous	<u>7,158</u>	<u>76,893</u>	<u>20,181</u>	<u>18,555</u>	<u>14,730</u>	<u>34,590</u>	<u>383</u>
Total	62,943	136,129	104,072	74,228	103,028	123,496	96

Sources: 1) St. Ignatius Annual Report, various years.

2) Montana Property Taxation, various years, Montana Taxpayers Association.

Table 9. Hot Springs Revenues and Expenditures, FY 1975-1980.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% Change 1975-1980</u>
Taxable Valuation	347,191	335,500	345,090	335,440	341,261	340,223	
Mills	56.0	66.0	66.0	65.0	76.0	78.8	
<u>Revenues</u>							
Property Taxes	20,275	22,090	25,558	26,129	31,166	32,371	60
Intergovernmental Revenues	10,745	5,354	25,650	79,390	108,415	30,342	182
Public Utilities	28,270	26,401	30,236	31,772	33,943	42,554	51
Fees, Licenses, Fines	12,187	17,903	8,427	8,560	6,755	6,916	-43
Miscellaneous	<u>3,545</u>	<u>3,708</u>	<u>3,756</u>	<u>9,279</u>	<u>28,312</u>	<u>7,954</u>	<u>124</u>
Total	75,022	75,456	93,627	155,130	208,591	120,137	60
<u>Expenditures</u>							
General Government	14,858	13,819	16,896	18,524	12,218	11,141	-25
Public Safety	11,747	13,227	14,512	39,956	22,261	21,208	81
Transportation	14,159	16,840	16,885	12,493	17,021	11,404	-19
Public Utilities	19,668	21,846	39,225	71,466	98,651	44,166	124
Debt Service	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	<u>6,572</u>	<u>9,987</u>	<u>10,214</u>	<u>12,359</u>	<u>51,412</u>	<u>31,127</u>	<u>374</u>
Total	67,004	75,719	97,732	154,798	201,563	119,046	78

Sources: 1) Hot Springs Annual Report, various years.

2) Montana Property Taxation, various years, Montana Taxpayers Association.

Finally, a different compiler may have worked in a jurisdiction each year, increasing the difficulty of inter-year comparison. For these reasons, revenue and expenditure entries that could not readily be categorized elsewhere are classified as "miscellaneous" in these tables.

Lake County relies more heavily on property taxes, and Flathead County less heavily, than all counties statewide. As in other counties, the transportation and general government categories account for the largest share of expenditures. Since 1975, revenues have increased twice as fast as expenditures in Lake County, and two-thirds greater than expenditures in Flathead County. Over the period 1977 to 1980, the total budget surpluses approached \$1.3 million in Lake County and \$8.0 million in Flathead County.

The rate of increase in total revenues has exceeded the rate of increase in total expenditures in all but two municipalities -- St. Ignatius and Hot Springs. It should be pointed out, though, that in all cases save one, this would not have occurred had not been for increases in intergovernmental revenues. In all the cities and towns, revenues from property taxes and fees, licenses and fines have increased at a rate less than one-half the rate of increase in total revenues. In fact local revenues¹ have comprised only 39 percent (Polson) to 61 percent (Whitefish) of total revenues since 1977.

Generally, since 1975, public utility expenditures have increased at a greater rate than other expenditure categories. In all the

¹Local revenues are revenues produced by tax paying residents in support of their local government, and includes property taxes, fees, licenses and fines, and public utility charges.

municipalities except Polson, either public utility or public safety expenditures are the largest single budget item.

The cumulative revenue/expenditure balance in all jurisdictions has been positive since 1975. This cumulative balance ranges from 10 to 30 percent of the FY 1980 budget for all municipalities except Polson, where it is much higher due to the one-time revenue surplus in FY 1979.

1.1.2. School Districts

Montana school districts are supported by a complex combination of local, state, and federal funds. Revenue sources for the general school budget consists of a foundation program, supported by county, state, and federal funds, a permissive district levy not requiring a vote, and a voted district levy to enrich the general budget or to repay school building bond issues. Federal P.L. 874, or Payment in Lieu of Taxes (PILT) funds are important sources of revenue in districts containing large amounts of land administered by the Bureau of Land Management.

It is important to understand that payments from the U.S. Forest Service earmarked for county schools have no net impact on the local school budgets, but instead simply offset the revenue due the districts from the State Foundation Program. Essentially, these funds augment the State Foundation Program, and thus benefit the poorer school districts statewide.

Tables 10 and 11 contain historical enrollment and school finance data for the elementary and high school districts associated with the

Table 10. Columbia Falls, Kalispell and Whitefish School Districts
Average Enrollment (ANB), Expenditures and Mills Levied, FY 1971, 1976 and 1980.

	1971		1976		1980		% Change 1971-1980	
	High Sch.	Elem.	High Sch.	Elem.	High Sch.	Elem.	High Sch.	Elem.
<u>Columbia Falls</u>								
ANB	749	1785	810	1638	810	1553	9	-12
Expenditures per ANB	\$927	\$560	\$1590	\$1134	\$2428	\$1682	162	201
General Fund								
Budget per Pupil	\$780	\$522	\$1156	\$946	\$1926	\$1444	147	177
Mills Levied	99.8		128.5		138.6		39	
<u>Kalispell</u>								
ANB	2051	2480	2176	2219	2318	2158	14	-12
Expenditures per ANB	\$1370	\$681	\$1471	\$1081	\$2264	\$1944	66	186
General Fund								
Budget per Pupil	\$622	\$494	\$1150	\$981	\$1611	\$1504	160	205
Mills Levied	116.3		127.0		146.9		27	
<u>Whitefish</u>								
ANB	617	1373	678	1167	591	1040	-4	-24
Expenditures per ANB	\$764	\$556	\$1314	\$1096	\$6001	\$1705	686	207
General Fund								
Budget per Pupil	\$644	\$501	\$1100	\$875	\$1734	\$1370	170	174
Mills Levied	125.8		129.8		158.3		26	

Table 10. (continued)

	1971		1976		1980		% Change 1971-1980	
	<u>High Sch.</u>	<u>Elem.</u>	<u>High Sch.</u>	<u>Elem.</u>	<u>High Sch.</u>	<u>Elem.</u>	<u>High Sch.</u>	<u>Elem.</u>
<u>Comparable School Districts</u>								
<u>To Columbia Falls</u>								
<u>General Fund</u>								
Budget per Pupil	\$777	\$546	\$1178	\$964	\$1888	\$1493	143	174
Mills Levied	106.9		108.4		124.9		17	
<u>To Kalispell</u>								
<u>General Fund</u>								
Budget per Pupil	\$700	\$545	\$1211	\$1034	\$1778	\$1637	154	200
Mills Levied	121.7		132.6		174.2		44	
<u>To Whitefish</u>								
<u>General Fund</u>								
Budget per Pupil	\$777	\$546	\$1178	\$964	\$1888	\$1493	143	173
Mills Levied	106.9		108.4		124.9		17	

- Sources: 1) Personal Communication with Superintendent of Schools, Flathead County.
 2) Personal Communication with Office of Superintendent of Public Instruction, Helena, Montana.
 3) Montana Property Taxation, various years, Montana Taxpayers Association.

Table 11. Polson, Ronan, St. Ignatius and Hot Springs School Districts
Average Enrollment (ANB), Expenditures and Mills Levied,
FY 1971, 1976 and 1980.

	1971		1976		1980		% Change 1971-1980	
	High Sch.	Elem.	High Sch.	Elem.	High Sch.	Elem.	High Sch.	Elem.
Polson								
ANB	487	918	461	863	466	857	-4	-6
Expenditures per ANB	\$862	\$615	\$2325	\$1144	\$2426	\$1666	182	171
General Fund								
Budget per Pupil	\$750	\$486	\$1111	\$786	\$1584	\$1173	112	142
Mills Levied	110.2		127.5		127.4		16	
Ronan								
ANB	392	900	444	883	416	878	7	-2
Expenditures per ANB	\$1024	\$899	\$1633	\$1161	\$2513	\$2066	146	130
General Fund								
Budget per Pupil	\$639	\$526	\$1064	\$892	\$1545	\$1401	142	167
Mills Levied	136.6		121.6		155.3		14	
St. Ignatius								
ANB	168	452	185	458	190	357	14	-21
Expenditures per ANB	\$1852	\$882	\$2031	\$1270	\$2755	\$2059	49	134
General Fund								
Budget per Pupil	\$1043	\$487	\$1312	\$917	\$1994	\$1501	92	209
Mills Levied	153.6		122.8		134.2		-12	
Hot Springs								
ANB	110	234	98	224	108	199	-1	-14
Expenditures per ANB	\$1507	\$710	\$2209	\$1161	\$3802	\$3769	153	431
General Fund								
Budget per Pupil	\$904	\$486	\$1379	\$855	\$1822	\$1533	102	216
Mills Levied	78.1		70.6		138.8		78	

Table 11. (continued)

Comparable School Districts

	1971		1976		1980		% Change 1971-1980	
	High Sch.	Elem.	High Sch.	Elem.	High Sch.	Elem.	High Sch.	Elem.
<u>To Polson</u>								
General Fund								
Budget per Pupil	\$763	\$507	\$1187	\$927	\$1805	\$1442	137	185
Mills Levied	113.7		107.9		121.1		7	
<u>To Ronan</u>								
General Fund								
Budget per Pupil	\$830	\$551	\$1366	\$1011	\$1981	\$1476	139	168
Mills Levied	110.1		115.7		133.5		22	
<u>To St. Ignatius</u>								
General Fund								
Budget per Pupil	\$1304	\$560	\$1560	\$1056	\$2631	\$1633	102	192
Mills Levied	99.5		98.4		110.2		11	
<u>To Hot Springs</u>								
General Fund								
Budget per Pupil	\$1304	\$560	\$1560	\$1056	\$2631	\$1633	102	192
Mills Levied	99.5		98.4		110.2		11	

- Sources: 1) Personal Communication with Superintendent of Schools, Lake County.
 2) Personal Communication with Office of Superintendent of Public Instruction, Helena, Montana.
 3) Montana Property Taxation, various years, Montana Taxpayers Association.

municipalities. Between 1971 and 1980, enrollment declines in the elementary districts ranged from 2 percent in Ronan to 24 percent in Whitefish. High school district enrollment changes ranged from a 14 percent increase in Kalispell and St. Ignatius to a 4 percent decline in Whitefish and Polson.

The general fund budget per pupil is normally higher in high schools than in elementary schools. In 1980, the high school budget per pupil ranged from \$1,545 in Ronan to \$1,994 in St. Ignatius. Comparable figures for elementary budgets varied from \$1,173 in Polson to \$1,533 in Hot Springs. The higher budgets in the smaller communities probably reflects minimum expenditure requirements and a lack of economy of scale. The budgets in all the districts, except Columbia Falls high school, were lower than in comparable districts.

School district mill levies range from 127.4 in Polson to 158.3 in Whitefish. Mill levies in Kalispell, Ronan, and St. Ignatius have declined relative to levies in comparable jurisdictions. Since 1971, the levy in Kalispell has increased at only 60 percent of the rate of increase in other districts of similar size. In 1980 it was 84 percent of the average levy. While Ronan and St. Ignatius levies are still higher than in comparable districts, they are relatively lower than in 1971. Mill levies in the other municipalities are all higher than in comparable jurisdictions, and they have increased relative to the other districts since 1971.

In summary, budgets per pupil are generally lower in the study area than elsewhere, but mill levies are higher. These differences are

probably due to lower taxable values per pupil in the study area school districts than in the comparable school districts.

1.2. Taxable Values and Mill Levies

Tables 12 and 13 show the recent trend in taxable valuations and mills levied in Flathead and Lake Counties, and in the seven municipal taxing jurisdictions in the study area. Because mill levies represent the final reconciliation between revenue needs and the ability of the local taxpayers to supply that revenue, mill levies are compared only for comparable jurisdictions.

In 1980, taxable value per capita in Flathead and Lake Counties was \$1,560 and \$1,425, respectively. Since 1970, this figure has increased by 36 percent in Flathead County, and by 20 percent in Lake County. Over the same period, mills levied for county purposes increased at a greater rate in Flathead County than in Lake County (123 percent to 6 percent). Mills levied in Flathead County also increased relative to counties with comparable populations,² from 79 percent of the average in 1971 to 118 percent in 1980. Lake County mills levied also increased relative to comparable jurisdictions,³ from 111 percent of the average in 1971 to 134 percent in 1980.

Kalispell's taxable value per capita is \$1,513, significantly higher than in any other municipality in the study area. It has grown 64 percent since 1971, second only to Whitefish's growth of 84 percent.

²Flathead, Gallatin, Lewis and Clark, Missoula.

³Lake, Hill, Lincoln, Ravalli.

Table 12. Flathead County, Columbia Falls, Kalispell and Whitefish Population, Taxable Valuation and Mills Levied, FY 1971, 1976 and 1980.

	<u>1970-1971</u>	<u>1976</u>	<u>1980</u>	<u>% Change 1971-1980</u>
<u>Flathead County</u>				
Population	39,460	45,705	51,966	32
Taxable Valuation	45,238,227	57,181,770	81,073,090	80
per Capita	1,146	1,251	1,560	36
Mills Levied (Co. Operations Only)	33.1	59.7	73.5	123
<u>Columbia Falls</u>				
Population	2,652	2,900	3,112	17
Taxable Valuation	2,112,198	2,594,414	3,036,934	44
per Capita	796	895	976	23
Mills Levied	55.2	85.0	98.0	78
<u>Kalispell</u>				
Population	10,526	10,411	10,299	-2
Taxable Valuation	9,744,228	13,193,104	15,583,300	60
per Capita	926	1,267	1,513	64
Mills Levied	48.1	68.0	84.2	76
<u>Whitefish</u>				
Population	3,349	3,503	3,582	7
Taxable Valuation	2,033,946	2,815,282	3,980,763	96
per Capita	607	804	1,111	84
Mills Levied	56.0	67.0	71.0	27
<u>Comparable Tax Jurisdictions - Average Mills Levied</u>				
County	41.8	56.7	62.5	50
City/Town (Col. Falls)	53.6	68.2	82.0	53
City/Town (Kalispell)	60.7	75.3	90.5	50
City/Town (Whitefish)	51.2	66.1	81.4	59

Sources: 1) Bureau of the Census, U.S. Dept. of Commerce.

2) Montana Property Tax Mill Levies, various years, Montana Taxpayers Association.

Table 13. Lake County, Polson, Ronan, St. Ignatius and Hot Springs Population, Taxable Valuation and Mills Levied, FY 1971, 1976 and 1980.

	<u>1970-1971</u>	<u>1976</u>	<u>1980</u>	<u>% Change 1971-1980</u>
<u>Lake County</u>				
Population	14,445	17,406	19,056	32
Taxable Valuation	17,181,901	23,647,039	27,163,710	59
per Capita	1,189	1,359	1,425	20
Mills Levied				
(Co. Operations Only)	53.6	53.2	56.5	6
<u>Polson</u>				
Population	2,464	2,718	2,798	14
Taxable Valuation	1,753,515	2,544,961	2,776,731	59
per Capita	712	936	992	39
Mills Levied	63.3	67.3	76.8	22
<u>Ronan</u>				
Population	1,347	1,468	1,530	14
Taxable Valuation	843,900	1,272,492	1,418,259	68
per Capita	627	867	927	48
Mills Levied	61.5	72.0	74.9	22
<u>St. Ignatius</u>				
Population	925	929	877	-5
Taxable Valuation	302,365	507,214	393,418	31
per Capita	327	546	449	37
Mills Levied	47.5	51.0	56.0	18
<u>Hot Springs</u>				
Population	664	637	601	-9
Taxable Valuation	346,435	335,500	341,261	-1
per Capita	522	527	568	9
Mills Levied	38.0	66.0	76.0	100

Table 13. (continued)

	<u>1970-1971</u>	<u>1976</u>	<u>1980</u>	<u>% Change 1971-1980</u>
<u>Comparable Tax Jurisdictions - Average Mills Levied</u>				
County	48.2	48.6	42.1	-12
City/Town (Polson)	53.6	68.2	82.0	53
City/Town (Ronan)	52.7	65.0	77.7	48
City/Town (St. Ignatius)	51.0	54.4	72.5	43
City/Town (Hot Springs)	58.3	64.1	67.4	16

Sources: 1) Bureau of the Census, U.S. Dept. of Commerce
 2) Montana Property Tax Mill Levies, various years, Montana Taxpayers Association.

Kalispell currently levies 84.2 mills, compared with 90.5 for comparable jurisdictions.⁴ Although Kalispell's mill levy is only 93 percent of the average for similar jurisdictions, this represents an increase over 1971 when Kalispell's mill levy was 79 percent of the average.

Whitefish, Columbia Falls, and Polson are similar in size. Whitefish has enjoyed the greatest growth in taxable value per capita over the last decade, 84 percent. Polson achieved 38 percent, while Columbia Falls increased only 23 percent. Taxable value per capita is about 14 percent greater in Whitefish than in the other two towns.

Partly because of the low rate of increase in taxable value per capita, Columbia Falls has the highest levy, 98.0, of all the municipalities in the study area. Whitefish has the second highest, 71 mills. Since 1971, both Whitefish and Polson mill levies have decreased relative to comparable jurisdictions,⁵ from 9 percent above to 13 percent below for Whitefish, and from 18 percent above to 6 percent below for Polson. The Columbia Falls mill levy has increased from 103 percent to 120 percent of the average for comparable towns.⁶

The taxable value per capita is \$928 in Ronan, much higher than in St. Ignatius and Hot Springs (\$563 and \$450 respectively). Since 1971, taxable value per capita has grown only 8 percent in Hot Springs. This has contributed to the 100 percent growth in the Hot Springs mill levy.

⁴Kalispell, Miles City, Havre, Livingston, Lewistown.

⁵Whitefish, Conrad, Dillon, Hardin, Cut Bank, Shelby. For Polson: Polson, Libby, Hamilton, Wolf Point, Conrad, Columbia Falls.

⁶Columbia Falls, Hardin, Cut Bank, Conrad, Shelby, Wolf Point.

Comparable towns⁷ have experienced only a 16 percent growth in the mill levy. Ronan's mill levy has increased only 22 percent since 1971, and has fallen relative to comparable jurisdictions,⁸ from 17 percent above to 4 percent below. The mill levy in St. Ignatius has increased 18 percent since 1971, and is now 23 percent lower than comparable towns.⁹

State law limits cities and towns to levying 65 mills in support of their budgets. However, two factors allow local jurisdictions to exceed this limit. First, they are guaranteed the right to increase their total budgets by up to 5 percent annually, notwithstanding mill levy limitations. Second, they are allowed to exceed the mill levy limit to pay for state-mandated services.

1.3. Bonded Indebtedness

Tables 14 through 18 show the June 1980 bonded indebtedness of the local taxing jurisdictions. St. Ignatius is the only jurisdiction with more than 20 percent of its legal maximum of general obligation bonds outstanding. Kalispell and Polson both have a sizeable balance of revenue bonds outstanding, \$589,000 and \$945,000, respectively.

In June 1980 two of the larger school districts had over 50 percent of their legal maximum of bonds outstanding: the Ronan elementary district was at 97 percent, and the Whitefish high school district was

⁷Hot Springs, Valier, Joliet, Sheridan, Fairfield, Darby.

⁸Ronan, Chinook, Townsend, Fort Benton, Thompson Falls, Big Timber.

⁹St. Ignatius, Broadus, Big Sandy, Circle, Culbertson, Chester.

Table 14. Flathead County Taxing Jurisdictions Bonded Indebtedness, 1980.

	<u>Amount Outstanding</u>	<u>Legal Maximum</u>
<u>Flathead County</u>		
General Obligation Bonds	\$234,000	\$7,296,578
Revenue Bonds	-0-	N/A
Special Assessment	-0-	N/A
<u>Columbia Falls</u>		
General Obligation Bonds	\$ 32,000	\$ 546,648
Revenue Bonds	91,000	*
Special Assessments	790,855	N/A
High School District	-0-	6,707,144
Elementary District	61,400	6,707,144
<u>Kalispell</u>		
General Obligation Bonds	-0-	\$ 2,804,994
Revenue Bonds	\$ 589,000	*
Special Assessments	818,850	N/A
High School District	1,580,000	11,876,777
Elementary District	360,000	6,665,302
<u>Whitefish</u>		
General Obligation Bonds	-0-	\$ 716,537
Revenue Bonds	-0-	*
Special Assessments	\$ 567,465	N/A
High School District	2,214,000	3,394,941
Elementary District	210,000	3,139,118

* The limit is 54 percent of taxable valuation for water and sewer revenue bonds.

Sources : 1) Annual Reports of the various taxing jurisdictions.
2) Personal Communication with Superintendent of Schools, Flathead County, Montana.

Table 15. Lake County Taxing Jurisdictions Bonded Indebtedness, 1980.

	<u>Amount Outstanding</u>	<u>Legal Maximum</u>
<u>Lake County</u>		
General Obligation Bonds	-0-	\$2,444,734
Revenue Bonds	-0-	N/A
Special Assessments	\$57,400	N/A
<u>Polson</u>		
General Obligation Bonds	\$ 90,000	\$ 499,812
Revenue Bonds	945,000	*
Special Assessments	767,000	N/A
High School District	728,000	4,293,515
Elementary District	116,000	3,591,930
<u>Ronan</u>		
General Obligation Bonds	\$ 16,915	\$ 255,287
Revenue Bonds	-0-	*
Special Assessments	22,850	N/A
High School District	198,000	1,587,935
Elementary District	1,540,000	1,587,935
<u>St. Ignatius</u>		
General Obligation Bonds	\$ 38,610	\$ 70,815
Revenue Bonds	-0-	*
Special Assessments	28,495	N/A
High School District	169,000	584,046
Elementary District	81,445	584,046

* The limit is 54 percent of taxable valuation for water and sewer revenue bonds.

Sources: 1) Annual Reports of the various taxing jurisdictions.
2) Personal Communication with Superintendent of Schools,
Lake County, Montana.

Table 16. Hot Springs Bonded Indebtedness, 1980.

	<u>Amount Outstanding</u>	<u>Legal Maximum</u>
General Obligation Bonds	-0-	\$ 61,427
Revenue Bonds	-0-	*
Special Assessments	-0-	N/A
High School District	\$519,557	598,235
Elementary District	373,309	394,368

*The limit is 54 percent of taxable valuation for water and sewer revenue bonds.

Sources: 1) Hot Springs Annual Report.
2) Office of Superintendent of Public Institution,
Helena, Montana.

Table 17. Flathead County School Districts Bonded Indebtedness, 1980.

	<u>Amount Outstanding</u>	<u>Legal Maximum</u>
<u>Elementary Schools</u>		
West Valley	\$382,278	\$ 366,856
Deer Park	-0-	112,886
Fair-Mont-Egan	28,000	285,854
Swan River	9,100	333,350
Kalispell	360,000	6,665,302
Columbia Falls *	61,400	6,707,144
Creston	119,000	221,353
Cayuse Prairie	268,000	265,659
Demersville *	9,000	228,923
Helena Flats	98,000	197,448
Kila	144,000	278,290
Batavia	24,000	112,976
Pleasant Valley	-0-	100,391
Somers	42,000	566,149
Lakeside *	-0-	699,561
Bigfork	350,000	1,715,252
Boorman *	38,000	51,960
Whitefish *	210,000	3,139,118
Evergreen	441,000	1,220,426
Marion	286,000	422,682
Olney-Bissell	202,250	319,664
Mountain Brook	-0-	69,841
<u>High Schools</u>		
Flathead (Kalispell)	\$1,580,000	\$11,876,777
Columbia Falls	-0-	6,707,144
Bigfork	932,000	2,283,813
Whitefish	2,214,000	3,394,941

* Includes 7th and 8th grade ANB with Middle School funding.

Source: Personal Communication with Superintendent of Schools,
Flathead County Montana.

Table 18. Lake County School Districts Bonded Indebtedness, 1980.

	<u>Amount Outstanding</u>	<u>Legal Maximum</u>
<u>Elementary Schools</u>		
Charlo	\$ 182,750	\$ 431,854
Arlee	72,000	381,978
Elmo	-0-	57,301
Dayton	-0-	545,908
Valley View	-0-	98,377
Swan Lake	-0-	181,581
Polson	116,000	3,591,930
Ronan	1,540,000	1,587,935
St. Ignatius	81,445	584,046
<u>High Schools</u>		
Polson	\$728,000	\$4,293,515
Ronan	198,000	1,587,935
St. Ignatius	169,000	584,046
Charlo	182,750	625,478
Arlee	60,800	381,978

Source: Personal Communication with Superintendent of Schools, Lake County.

at 65 percent. Two Flathead County elementary districts had exceeded their legal maximum -- West Valley (104 percent), Cayuse Prairie (101 percent) -- and four others were over 50 percent of their maximum -- Boorman (75 percent), Marion (68 percent), Olney-Bissell (63 percent), and Creston (54 percent).

1.4. Summary of Existing Conditions

Table 19 summarizes the general fiscal situation in the local taxing jurisdictions. Taxable value per capita is an indicator of the relative capacity of the local jurisdiction to finance needed services. Local revenues per capita is an indicator of the relative effort put forth by the local taxpayers to finance public services. Operating expenditures per capita are recurring expenses of the jurisdiction. The mill levy is a measure of the relative burden placed on local taxpayers to pay for services provided by their local government.

Flathead County's fiscal capacity and effort are higher than in comparable counties. Lake County's fiscal capacity is slightly lower than in comparable counties, but its effort is similar. The ratio of local revenues per capita to operating expenditures per capita indicates the extent to which a municipality relies on intergovernmental revenues to pay recurring expenditures. In 1980, Flathead County, Columbia Falls and Polson did not have to rely on intergovernmental revenues to pay operating expenses. Lake County relied less on intergovernmental revenues than comparable counties did. In

both counties, the level of relative effort exceeding the level of relative capacity contributes to the relatively high level of jurisdiction mills.

Kalispell's fiscal capacity is the highest of all the cities and towns, and 48 percent greater than in comparable cities. Whitefish's fiscal capacity is 20 percent greater than in comparable cities. Fiscal effort in both towns is also greater than comparable towns. Both Kalispell and Whitefish rely less on intergovernmental expenditures than similar municipalities do.

The fiscal capacity situation in Columbia Falls, Polson, and Ronan is within 10 percent of that in comparable jurisdictions. Fiscal effort is significantly greater in Columbia Falls and Polson than other jurisdictions. Relative effort is greater than relative capacity in Columbia Falls and Polson. Columbia Falls relies less on intergovernmental revenues to pay recurring expenditures than any jurisdiction in the study area, a contributing factor to its high mill levy.

St. Ignatius and Hot Springs have a lower fiscal capacity than in similar towns. St. Ignatius has a very low fiscal effort, while Hot Springs is about average. Hot Springs relies on intergovernmental revenues to pay recurring expenditures more than any other city or town in the study area.

Table 19. Local Taxing Jurisdictions, Selected Public Finance Data, 1980.

	Taxable Value per Capita	Local Revenues per Capita	Operating Exp. per Capita	Jurisdiction Mills	School Mills	Total Mills
<u>Flathead County</u>	1,560	294	271	73.5	65.4	138.9
Comparable Jurisdictions	1,448	133	187	62.5	65.2	127.7
<u>Lake County</u>	1,425	126	141	56.5	70.3	126.8
Comparable Jurisdictions	1,508	125	170	42.1	67.9	110.0
<u>Kalispell</u>	1,513	349	360	84.2	146.9	231.1
Comparable Jurisdictions	1,019	175	289	90.5	174.2	264.7
<u>Whitefish</u>	1,111	305	327	71.0	158.3	229.3
Comparable Jurisdictions	929	237	316	78.6	122.6	201.2
<u>Columbia Falls</u>	976	372	276	98.0	138.6	236.6
Comparable Jurisdictions	908	242	340	84.8	124.3	209.1
<u>Polson</u>	992	264	237	76.8	127.4	204.2
Comparable Jurisdictions	1,055	203	298	79.0	134.6	213.6
<u>Ronan</u>	927	180	203	74.9	155.3	229.2
Comparable Jurisdictions	843	163	224	77.7	133.5	210.2
<u>St. Ignatius</u>	449	105	114	56.0	134.2	190.2
Comparable Jurisdictions	783	148	203	72.5	110.2	182.7
<u>Hot Springs</u>	601	148	196	78.8	138.8	217.6
Comparable Jurisdictions	769	136	208	67.4	110.2	177.6

Sources: 1) Local Government Annual Reports, various years.
 2) Bureau of Census, U.S. Dept. of Commerce.
 3) Montana Property Tax Mill Levies, 1979-1980, Montana Taxpayers Association.

2. BASELINE PROJECTIONS

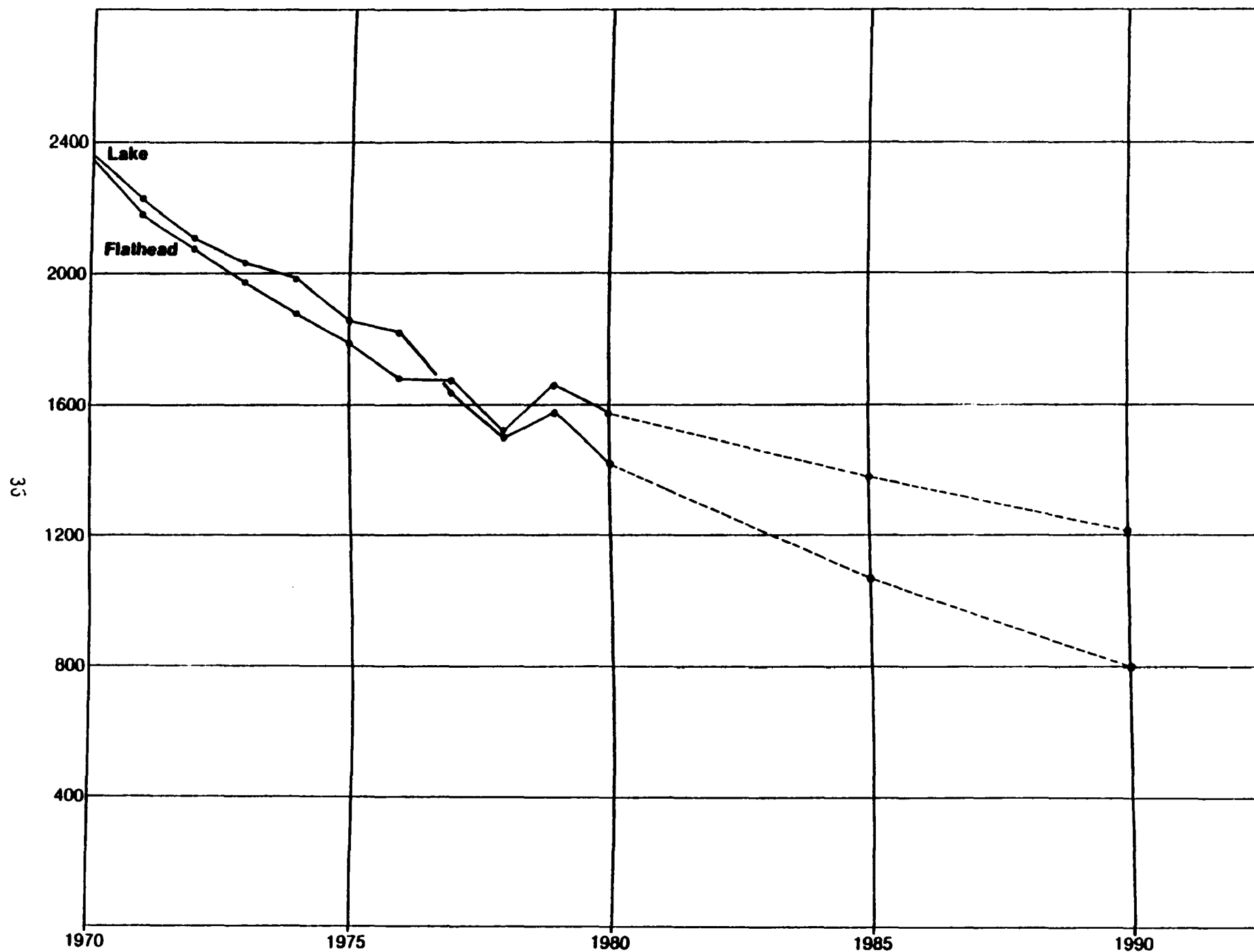
2.1. Taxable Value, Operating Expenditures, and Local Revenues

Baseline projections for the nine taxing jurisdictions are derived from annual real (\$1980) per capita rates of change, 1975-1980, for revenues and expenditures, by category (see Appendix I for deflator values). In certain instances, historic trends for the individual revenue and expenditure categories were modified to accommodate changing economic and political conditions (see Appendix I for rates of change). Operating expenditures were estimated first; local revenues were then estimated based on reasonable fiscal limits and expenditure requirements.

Several important assumptions underlie these projections. First, they are based strictly on a continuation of 1970-1980 economic structural conditions, i.e., no significant oil or gas development or major change in industrial/commercial development is expected. Second, they depend on the population projections developed in the Economic/Demographic report. Third, state laws governing annexation are assumed to remain essentially unchanged. Fourth, no major property reappraisals are incorporated in the projections. Finally, major anticipated capital expenditures are not included here, but will be discussed briefly later.

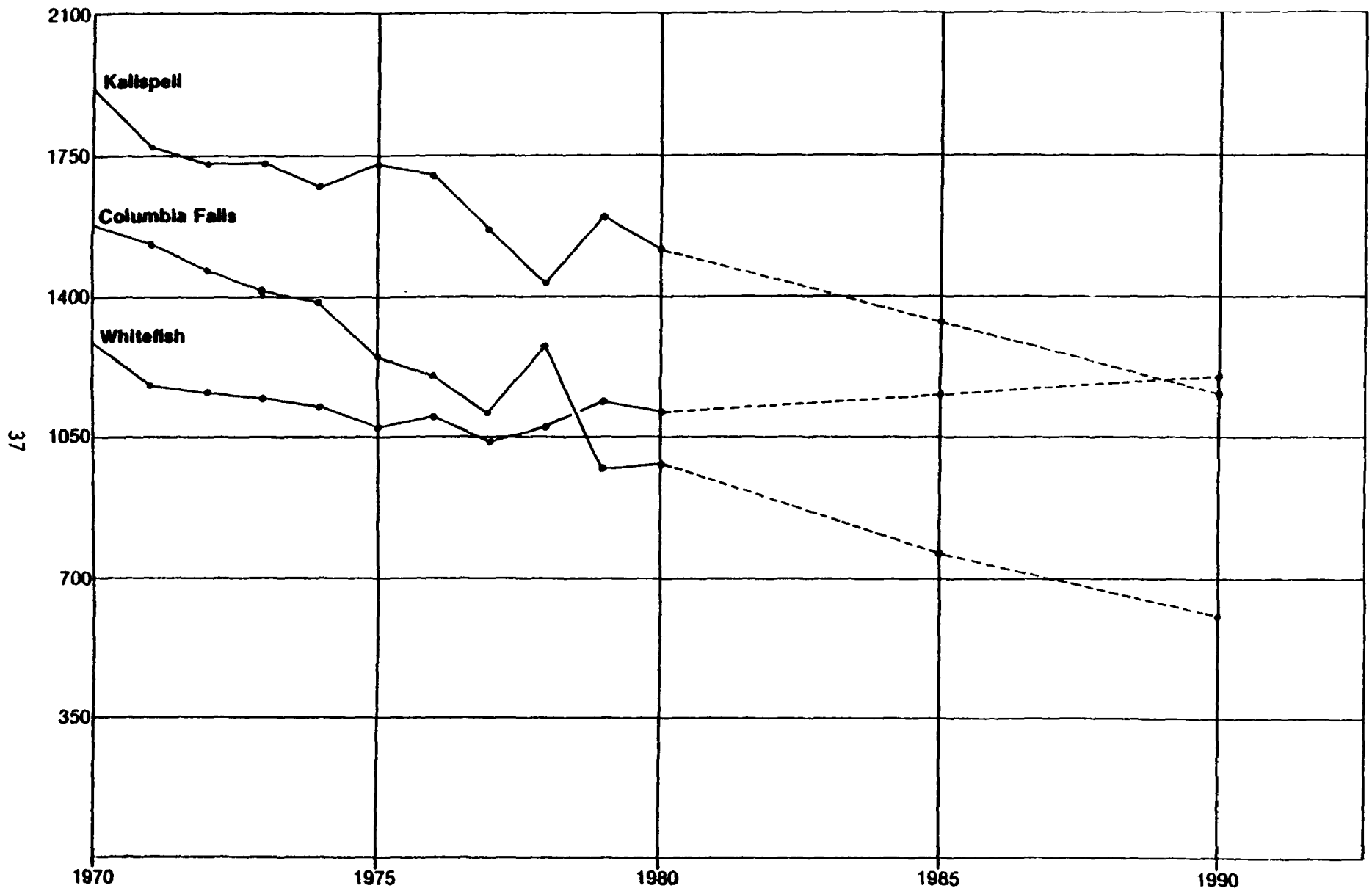
Taxable valuation (TAXVAL), operating expenditures (OPEXP), and local revenues (LOCREV) were projected through 1990 for each of the nine taxing jurisdictions. Figures 1 through 9 graphically illustrate

Figure 1: Flathead and Lake County Taxable Value Per Capita (\$1980)



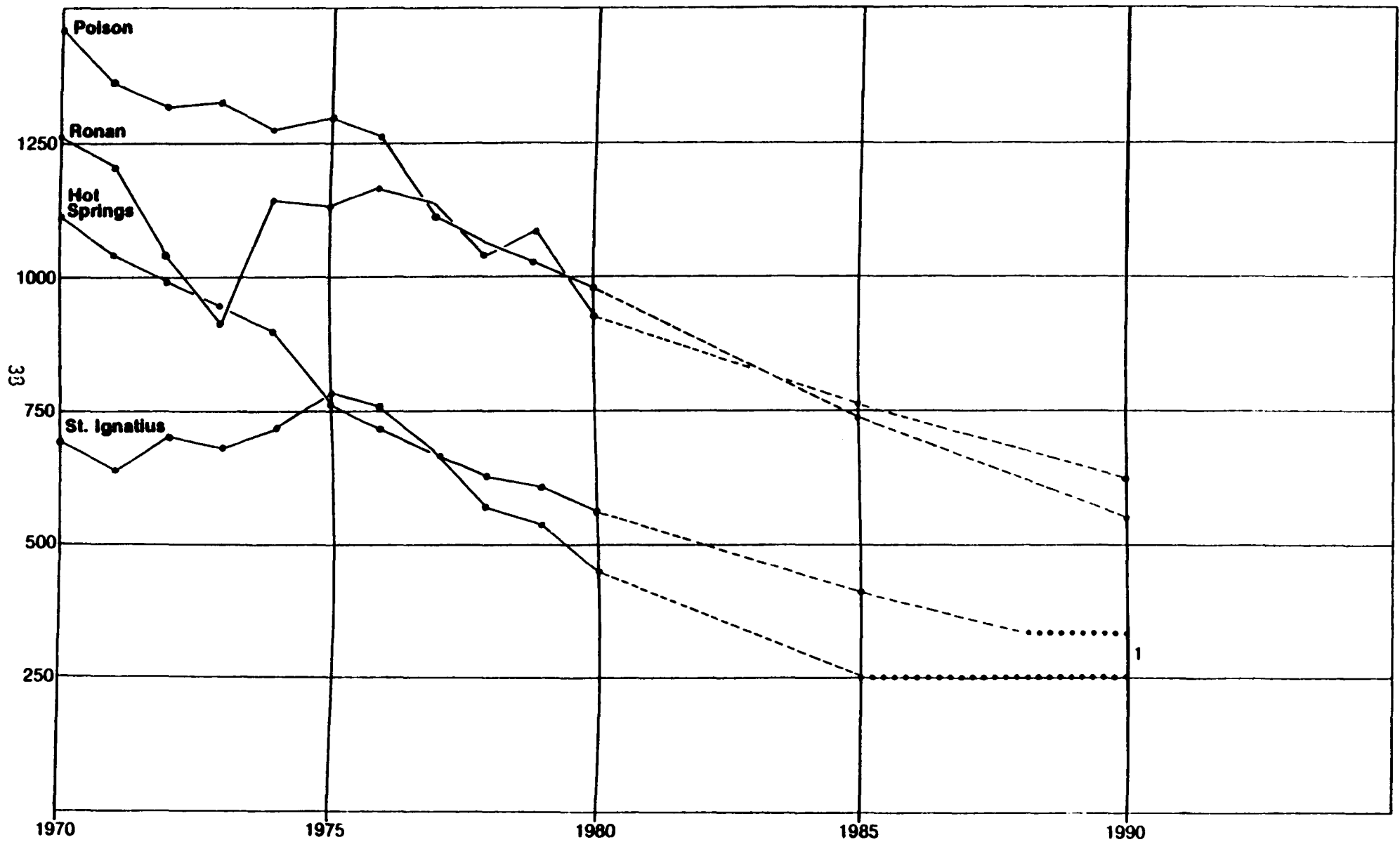
Sources: Bureau of the Census, U.S. Dept. of Commerce; Montana Property Tax Mill levies, various years; Montana Taxpayers Assoc.; Western Analysis, Inc.

Figure 2: Kalispell, Columbia Falls, Whitefish Taxable Value Per Capita (\$1980)



Sources: Bureau of the Census, U.S. Dept. of Commerce; Montana Property Tax Mill levies, various years; Montana Taxpayers Assoc.; Western Analysis, Inc.

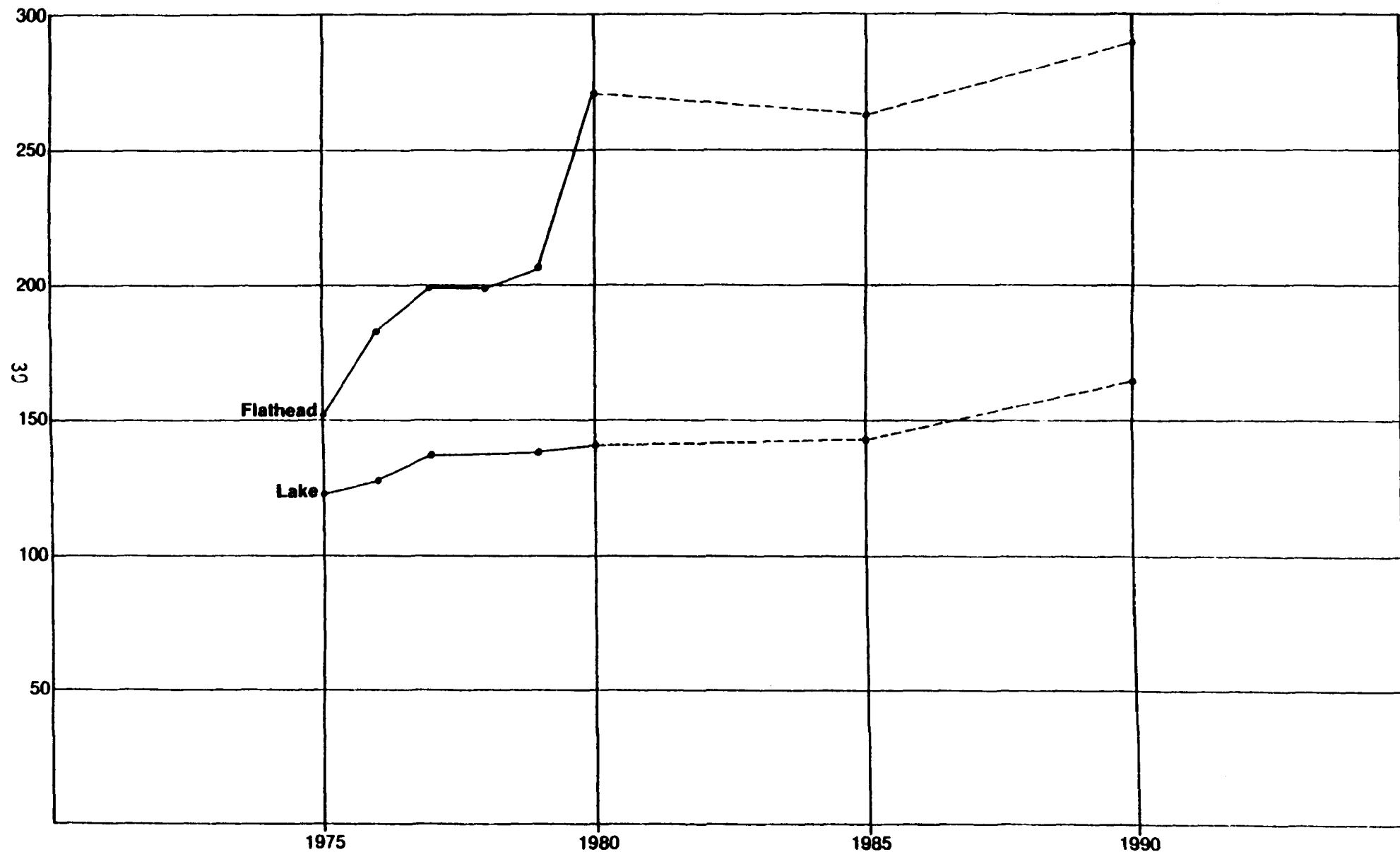
Figure 3: Polson, Ronan, Hot Springs, St. Ignatius Taxable Value Per Capita (\$1980)



*Dotted Lines Represent 40% Parameter Limitations.

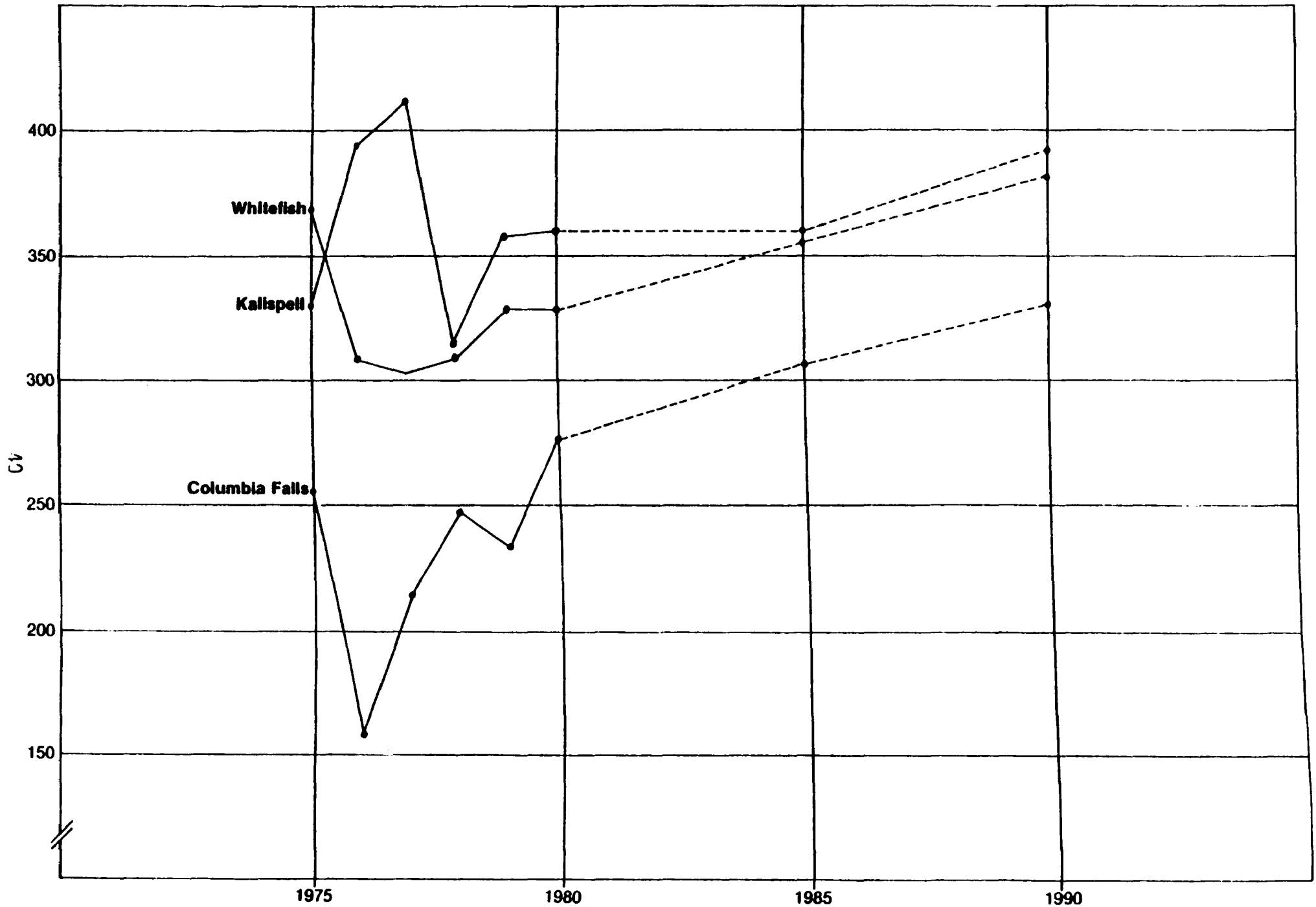
Sources: Bureau of the Census, U.S. Dept. of Commerce; Montana Property Tax Mill levies, various years; Montana Taxpayers Assoc.; Western Analysis, Inc.

Figure 4: Flathead and Lake County Operating Expenditures Per Capita (\$1980)



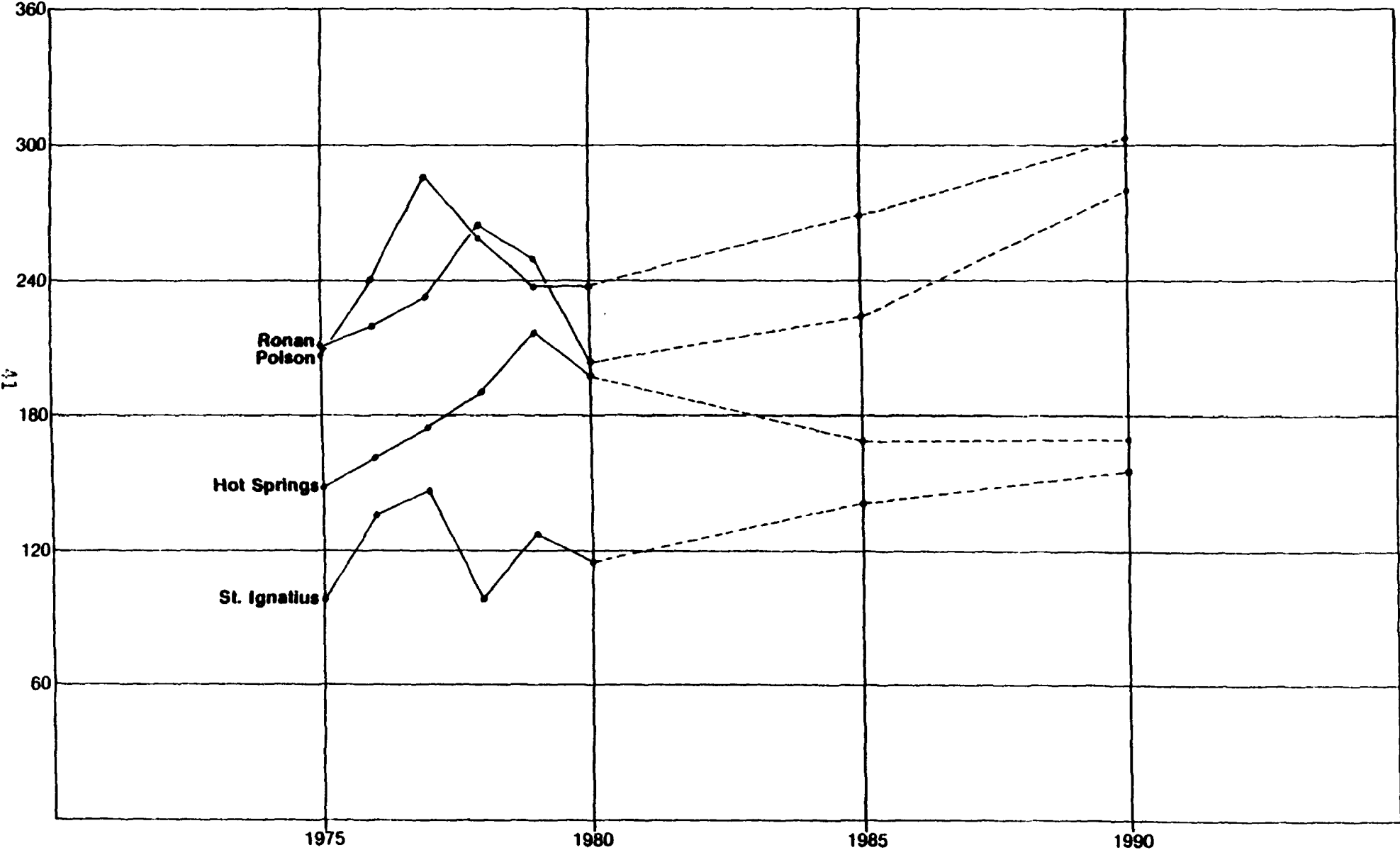
Sources: Bureau of the Census, U.S. Dept. of Commerce; Local Government Annual reports, various years; Western Analysis, Inc.

Figure 5: Kalispell, Columbia Falls, Whitefish Operating Expenditures Per Capita (\$1980)



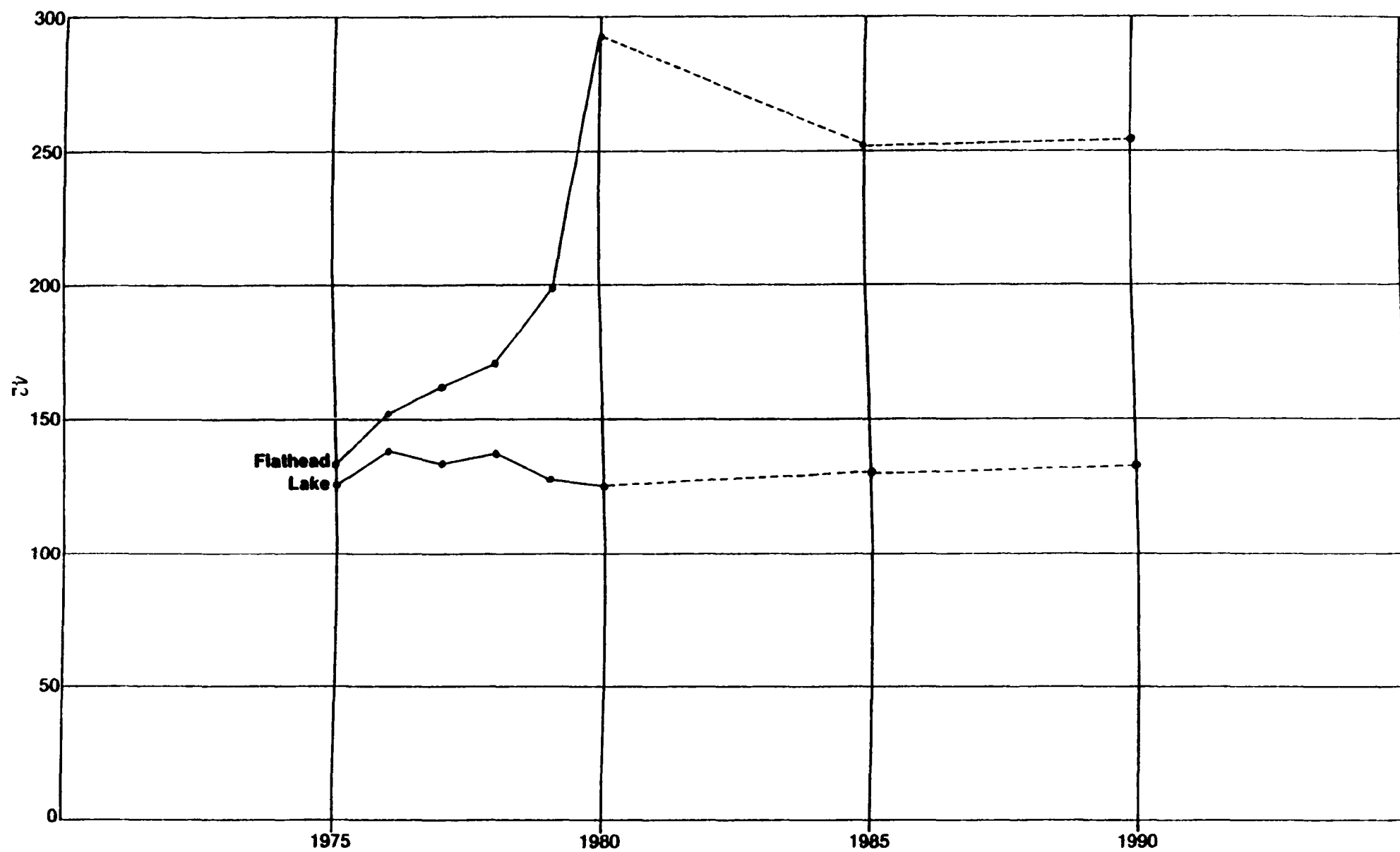
Sources: Bureau of the Census, U.S. Dept. of Commerce; Local Government Annual reports, various years; Western Analysis, Inc.

Figure 6: Polson, Ronan, Hot Springs, St. Ignatius Operating Expenditures Per Capita (\$1980)



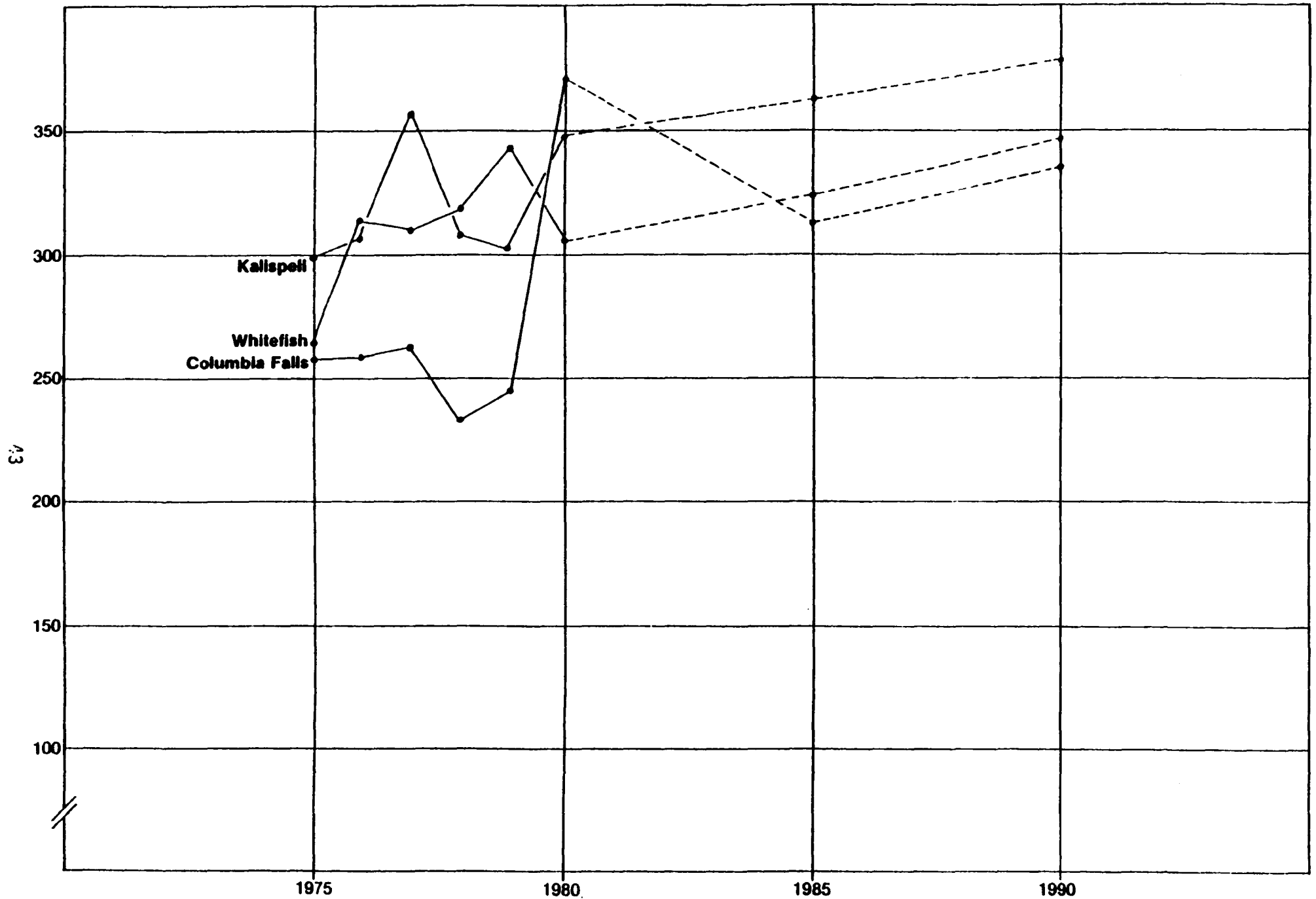
Sources: Bureau of the Census, U.S. Dept. of Commerce; Local Government Annual reports, various years; Western Analysis, Inc.

Figure 7: Flathead and Lake County Local Revenues Per Capita (\$1980)



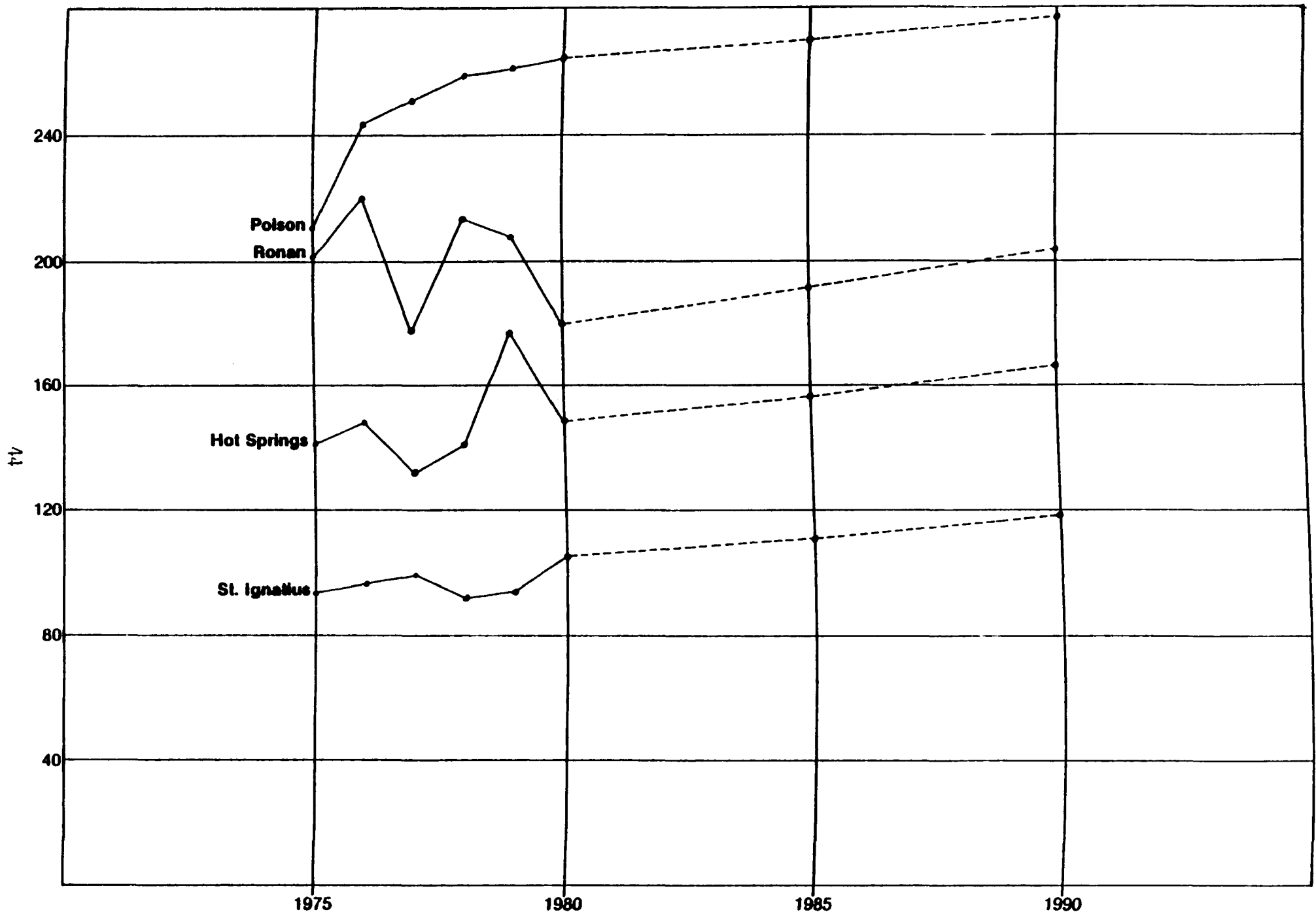
Sources: Bureau of the Census, U.S. Dept. of Commerce; Local Government Annual reports, various years; Western Analysis, Inc.

Figure 8: Kalispell, Whitefish, Columbia Falls Local Revenues Per Capita (\$1980)



Sources: Bureau of the Census, U.S. Dept. of Commerce; Local Government Annual reports, various years; Western Analysis, Inc.

Figure 9: Polson, Ronan, Hot Springs, St. Ignatius Local Revenues Per Capita (\$1980).



Sources: Bureau of the Census, U.S. Dept. of Commerce; Local Government Annual reports, various years; Western Analysis, Inc.

the historic and projected real per capita trends in TAXVAL, OPEXP and LOCREV.

The projections for real TAXVAL per capita are based on the rate of change occurring from 1975 to 1980, thus reflecting more recent conditions. A general downward trend has occurred since 1970 in all jurisdictions except Whitefish. The projections for Hot Springs and St. Ignatius incorporate an assumed maximum decline of 40 percent in real per capita TAXVAL, which is shown by the flat portion of the curve. In all of the jurisdictions except Whitefish, the general downward movement in real per capita TAXVAL is projected to continue. Whitefish showed a modest increase of .92 percent per annum in real per capita dollars between 1975 and 1980.

The projections of real OPEXP per capita generally indicate a continued upward trend through 1990, except for Hot Springs which is predicted to decline slightly before levelling off. Real LOCREV per capita are projected to increase between 1980 and 1990, due to the tightening of Federal revenue sharing and grant programs. Only Columbia Falls and Flathead County show a drop over this period, though real LOCREV per capita are not projected to fall to pre-1980 levels in these two jurisdictions.

Tables 20 and 21 contain the projections of TAXVAL, LOCREV, and OPEXP in 1980 dollars. Table 22 shows the projected percent change in these figures over the period 1980-90. By 1990, real TAXVAL are projected to decline by 20 to 46 percent in the cities and towns, except Whitefish, and from 15 to 35 percent in the counties. Flathead County may experience the least decline; St. Ignatius, the most; and Whitefish is expected to show a 17 percent increase.

Table 20. Projections of Selected Local Government Finance Data (\$ 1980), 1985.

<u>Tax Jurisdiction</u>	<u>Population</u> ¹	<u>Taxable Value</u>	<u>Local Revenues</u>	<u>Operating Expenditures</u>
Flathead	54,550	\$75,333,550	13,692,050	\$14,346,650
Lake	20,450	21,901,950	2,617,600	2,924,350
Kalispell	10,710	14,180,040	3,877,020	3,844,890
Whitefish	3,790	4,373,660	1,231,750	1,345,450
Columbia Falls	3,280	2,505,920	1,026,640	1,003,680
Polson	2,960	2,187,440	799,200	793,280
Ronan	1,580	1,200,800	301,780	352,340
St. Ignatius	850	218,450	94,350	119,850
Hot Springs	595	245,140	92,820	100,555

¹Population projections for the counties interpolated from data developed in the Economic/Demographic Conditions study. Projections of municipality populations derived from population trend, trend of percent of county population, and continuation of 1970-1980 population change.

Source: Western Analysis, Inc.

Table 21. Projections of Selected Local Government Finance Data (\$ 1980), 1990.

<u>Tax Jurisdiction</u>	<u>Population</u> ¹	<u>Taxable Value</u>	<u>Local Revenues</u>	<u>Operating Expenditures</u>
Flathead	57,130	\$69,184,430	\$14,568,150	\$16,510,570
Lake	21,850	17,611,100	2,906,050	3,583,400
Kalispell	10,770	12,471,660	4,060,290	4,232,610
Whitefish	3,880	4,644,360	1,342,480	1,478,280
Columbia Falls	3,450	2,059,650	1,155,750	1,138,500
Polson	3,130	1,746,540	870,140	945,260
Ronan	1,640	1,021,720	334,560	457,560
St. Ignatius	830	213,310	97,110	127,820
Hot Springs	590	198,830	98,530	99,710

¹Population projections for the counties developed in the Economic/Demographic Conditions study. Projections of municipality populations derived from population trend, trend of percent of county population, and continuation of 1970-1980 population change.

Source: Western Analysis, Inc.

Table 22. Projections of Selected Local Government Finance
Data, Percentage Change (\$ 1980), 1980-1990.

<u>Tax Jurisdiction</u>	<u>Taxable Value</u>	<u>Local Revenues</u> *	<u>Operating Expenditures</u> *
<u>Flathead</u>			
1980-1985	- 7	-10	3
1980-1990	-15	- 4	18
<u>Lake</u>			
1980-1985	-19	9	9
1980-1990	-35	21	33
<u>Kalispell</u>			
1980-1985	- 9	8	4
1980-1990	-20	13	14
<u>Whitefish</u>			
1980-1985	10	13	15
1980-1990	17	23	26
<u>Columbia Falls</u>			
1980-1985	-17	-11	17
1980-1990	-32	0.2	33
<u>Polson</u>			
1980-1985	-21	7	18
1980-1990	-37	16	40
<u>Ronan</u>			
1980-1985	-15	10	14
1980-1990	-28	22	48
<u>St. Ignatius</u>			
1980-1985	-44	3	20
1980-1990	-46	6	28
<u>Hot Springs</u>			
1980-1985	-28	3	-15
1980-1990	-42	10	-16

* Without planned capital facility expenditures.

Source: Western Analysis, Inc.

In all jurisdictions, except Whitefish, TAXVAL are projected either to decline faster than LOCREV and OPEXP, or to decline when LOCREV and OPEXP are projected to increase between 1980 and 1990. The difference between the two projected rates of change is greatest in Lake County, Polson, Ronan, St. Ignatius, and Hot Springs, where the projected disparity between the percentage change in TAXVAL and the percentage change in LOCREV is approximately 50 percentage points. The rate and direction of change imply that mill levies will increase, or that rates for service charges, fees and licenses will continue to increase, or both.

The ratios shown in Table 23 are used as measures of "reliance" on local revenues to meet operating expenditures (LOCREV:OPEXP), and the "burden" placed on taxpayers by operating expenditures (OPEXP:TAXVAL). As the "reliance ratio" approaches unity, the jurisdiction relies more on LOCREV than on intergovernmental revenues to meet OPEXP. The "burden ratio" exhibits a similar direct response: as the requirements for operating expenditures increase relative to a given level of taxable value, the greater the burden on local taxpayers. Thus, the tax burden increases as the "burden ratio" approaches unity.

The ratios shown in Table 23 indicate a general decline in reliance on local revenues, except in Hot Springs. Simultaneously, there is a projected increase in burden. The decline in reliance on local revenues is not due to projected increases in real per capita intergovernmental revenues, since these are not expected to increase, but is instead due to more rapid increases in operating expenditures than in local revenues. The measure of relative burden is expected to increase in

Table 23. Selected Ratios of Local Government Finances (\$ 1980), 1980, 1990.

	-----1980-----		-----1990-----*	
	$\frac{\text{LOCREV}}{\text{OPEXP}}$	$\frac{\text{OPEXP}}{\text{TAXVAL}}$	$\frac{\text{LOCREV}}{\text{OPEXP}}$	$\frac{\text{OPEXP}}{\text{TAXVAL}}$
<u>Tax Jurisdiction</u>				
Flathead	1.09	.17	.88	.24
Lake	.89	.10	.81	.20
Kalispell	.97	.24	.96	.34
Whitefish	.93	.29	.91	.32
Columbia Falls	1.35	.28	1.02	.55
Polson	1.11	.24	.92	.54
Ronan	.89	.22	.73	.45
St. Ignatius	.92	.25	.76	.60
Hot Springs	.76	.35	.99	.50

* Without planned capital facility expenditures.

Source: Western Analysis, Inc.

all jurisdictions due to the combined effects of generally falling taxable value relative to generally rising operating expenditures. The counties will continue to exhibit a smaller burden than the municipalities, and the larger municipalities a generally smaller burden than the smaller cities and towns.

2.2. Aggregate Change in Fiscal Conditions

Fiscal conditions in a local taxing jurisdiction may be analyzed on the basis of the relation between OPEXP and TAXVAL and/or LOCREV, i.e., between reliance and burden. It is also useful to examine the change in real operating expenditures per capita. These three indicators and their movement over time provide insights into the requirements for local revenue and the methods of revenue generation -- taxes, service charges, and fees, licenses and fines. Individually, these indicators may be misleading. When combined, however, they can indicate what changes in fiscal condition to expect given the projected budgetary information.

Table 24 shows the projected changes in Fiscal Reliance, Fiscal Burden, and Operating Expenditures Per Capita. Looking at each measure alone, the projections imply a decrease in local reliance and an increase in local burden. This is in part an erroneous implication, however, because intergovernmental revenues are held constant in real per capita terms in the projections, while real operating expenditures per capita are projected to increase by 7 to 38 percent, except for a 14 percent decline in Hot Springs (Table 24). The increase in real OPEXP per capita relative to the change in LOCREV is what causes the

Table 24. Projected Changes in Fiscal Reliance, Burden and Real Operating Expenditures Per Capita (\$1980), 1980-1990.

	<u>Local Fiscal Reliance</u>	<u>Local Fiscal Burden</u>	<u>OPEXP/Capita</u>
Flathead	-19%	+ 41%	+ 7%
Lake	- 9%	+100%	+16%
Kalispell	- 1%	+ 42%	+ 9%
Whitefish	- 2%	+ 10%	+17%
Columbia Falls	-24%	+ 96%	+20%
Polson	-17%	+125%	+27%
Ronan	-18%	+105%	+38%
St. Ignatius	-17%	+140%	+35%
Hot Springs	+30%	+ 43%	-14%

Source: Western Analysis, Inc., Helena, Montana.

reliance index to decline between 1980 and 1990. This decline in reliance, per se, does not indicate a shift to more intergovernmental revenues, but rather that the growth in OPEXP exceeds the growth in LOCREV. This projected growth in OPEXP, coupled with the apparent decline in local reliance, as explained above, indicates that increased intergovernmental revenues, or increases beyond those projected in local revenues, will be needed to maintain a balanced budget. Generating increased revenues from local or non-local sources would minimize the overall budgetary pressure brought on by the projected increases in OPEXP, but the relative burden on the taxpayers would be at least as high as projected, if TAXVAL continues to decline or if the increase in OPEXP exceeds these already conservative projections.

As shown in Table 23, in 1980 Flathead County, Columbia Falls, and Polson had sufficient local revenues to pay for operating expenditures. The projections indicate that only Columbia Falls will be capable of this in 1990, and then only with a sizeable increase (96 percent) in the burden on local taxpayers. In Hot Springs the ratio of LOCREV to OPEXP would reach unity by 1990, if OPEXP declined by 14 percent and the burden on local taxpayers increased by 43 percent.

The projections indicate increasing budgetary pressures in all of the taxing jurisdictions due to one or more of the following: 1) LOCREV will increase at a slower rate than OPEXP; 2) non-local revenues will decline relative to total revenues; 3) OPEXP will increase; or 4) TAXVAL will decline.

Whitefish can be expected to face the least budgetary pressure because of its relatively low increase in real per capita OPEXP and its

slight increase in TAXVAL, yielding a relatively low (10 percent) increase in burden. Projections indicate relatively small increases in budgetary pressure for Kalispell and Flathead County, primarily due to the modest increase predicted in real OPEXP per capita and the moderate decline expected in TAXVAL.

These projections do not incorporate anticipated non-recurring major capital expenditures by the jurisdictions between now and 1990. It is necessary to incorporate informed judgments about possible expenditures in order to portray 1990 fiscal conditions more accurately. Since the winter of 1980-1981, we have been in contact with local government officials, citizens and consulting engineers to assess the probability of major capital expenditures by 1990, given the population projections shown in Table 21 (see Appendix III). The results of this inquiry appear in Table 25. Amortizing these likely capital expenditures at 12 percent over 20 years produces the fiscal impacts shown in Tables 26, 27 and 28. Flathead County, Whitefish, Columbia Falls and Ronan show the greatest relative impact from the anticipated capital expenditures.

Much discussion has taken place concerning the potential need for decentralized sewage treatment facilities and collection lines at areas of high population density along the east and west shore of Flathead Lake. The general consensus is that at some future point it will be necessary to construct such facilities, perhaps under a rural Special Improvement District (SID) arrangement. Population growth, public opinion, economics, and local, state and federal regulations will

Table 25. Anticipated Major Capital Expenditures Occurring in the Study Area by 1990.

<u>Item</u>	<u>Local Cost (\$ 1980)</u>
<u>Flathead County</u>	
Courthouse and Jail Complex	\$10,000,000
<u>Kalispell</u>	
Sewage Treatment Plant	\$ 700,000
Highway 93 Water Mains	150,000
Street Resurfacing	300,000
	<u>\$ 1,150,000</u>
<u>Whitefish</u>	
Sewage Treatment Plant	\$ 475,000
Water Filtration and Storage	600,000
Storm Drains	200,000
	<u>\$ 1,275,000</u>
<u>Columbia Falls</u>	
Water Distribution Lines	\$ 550,000
Sewage Treatment Plant	600,000
Street Resurfacing	100,000
	<u>\$ 1,250,000</u>
<u>Bigfork Area</u>	
Sewage Treatment Plant	\$ 225,000
<u>Lakeside Area</u>	
Sewage Treatment Plant	\$ 270,000
<u>Polson</u>	
Sewage Treatment Plant	\$ 175,000
<u>Ronan</u>	
Upgrade Sewage Lagoon	\$ 250,000
Sewer Lines	125,000
Main Water Line	200,000
	<u>\$ 575,000</u>

Source: Personal communications with local government officials and consulting engineers.

Table 26. Projections of Selected Local Government Finance Data, Including Planned Capital Facility Expenditures (\$ 1980), 1990.

<u>Tax Jurisdiction</u>	<u>Population*</u>	<u>Taxable Value</u>	<u>Local Revenues</u>	<u>Operating Expenditures</u>
Flathead	57,130	\$69,184,430	15,906,620	\$17,849,040
Lake	21,850	17,611,100	2,906,050	3,583,400
Kalispell	10,770	12,471,660	4,214,210	4,336,530
Whitefish	3,880	4,644,360	1,513,140	1,648,940
Columbia Falls	3,450	2,059,650	1,323,070	1,305,820
Polson	3,130	1,746,540	893,560	968,680
Ronan	1,640	1,021,720	410,540	533,540
St. Ignatius	830	213,310	97,110	127,820
Hot Springs	590	198,830	98,530	99,710

*Population projections for the counties interpolated from data developed in the Economic/Demographic Conditions study. Projections of municipality populations derived from population trend, trend of percent of county population, and continuation of 1970-1980 population change.

Source: Western Analysis, Inc.

Table 27. Selected Ratios of Local Government Finances, Including Planned Capital Facility Expenditures (\$ 1980), 1980, 1990.

	-----1980-----		-----1990-----	
	$\frac{\text{LOCREV}}{\text{OPEXP}}$	$\frac{\text{OPEXP}}{\text{TAXVAL}}$	$\frac{\text{LOCREV}}{\text{OPEXP}}$	$\frac{\text{OPEXP}}{\text{TAXVAL}}$
<u>Tax Jurisdiction</u>				
Flathead	1.09	.17	.89	.26
Lake	.89	.10	.81	.20
Kalispell	.97	.24	.96	.35
Whitefish	.93	.29	.92	.36
Columbia Falls	1.35	.28	1.01	.63
Polson	1.11	.24	.92	.55
Ronan	.89	.22	.77	.52
St. Ignatius	.92	.25	.76	.60
Hot Springs	.76	.35	.99	.50

Source: Western Analysis, Inc.

Table 28. Projected Changes in Fiscal Reliance, Burden and Real Operating Expenditures Per Capita (\$ 1980), Including Major Capital Expenditures, 1980-1990.

	<u>Local Fiscal Reliance</u>	<u>Local Fiscal Burden</u>	<u>OPEXP/Capita</u>
Flathead County	-18%	+ 53%	+15%
Lake County	- 9%	+100%	+16%
Kalispell	- 1%	+ 46%	+13%
Whitefish	- 1%	+ 24%	+30%
Columbia Falls	-25%	+125%	+37%
Polson	-17%	+129%	+30%
Ronan	-13%	+136%	+61%
St. Ignatius	-17%	+140%	+35%
Hot Springs	+30%	+ 43%	-14%

Source: Western Analysis, Inc.

dictate when these facilities are constructed. We have assumed that they will not be constructed by 1990.

Recent conversations with the Flathead and Lake County School Superintendents revealed that several major school facility projects are underway or may take place by 1990. The Swan River Elementary District in Flathead County recently sold a \$324,000 bond issue to construct a new K-8 school. Big Fork will probably construct a new K-8 school by 1990. Polson residents will vote this spring on a \$1,345,000 bond issue to remodel and expand their elementary schools. The Arlee Elementary District has just completed an addition of five classrooms to its school.

Table 29 shows the 1980 actual and 1990 projected operating expenditures per capita in the nine taxing jurisdictions, with and without the anticipated capital expenditures. As is expected, the municipalities show generally greater percentage increases than the counties, except for Hot Springs. These increases range from nine percent to 35 percent without the capital outlays, and 13 percent to 61 percent with the capital outlays. Whitefish and Kalispell are forecast to have the highest operating expenditures per capita; St. Ignatius and Hot Springs, the lowest.

Table 29. Actual and Projected Operating Expenditures Per Capita
(\$ 1980), 1980, 1990.

	<u>1980</u>	<u>1990</u> *	<u>1990</u> **
Flathead County	271	289	312
Lake County	141	164	164
Kalispell	360	393	407
Whitefish	327	381	425
Columbia Falls	276	330	378
Polson	237	302	309
Ronan	202	279	325
St. Ignatius	114	154	154
Hot Springs	196	169	169

* Without anticipated capital facility expenditures.
 ** With anticipated capital facility expenditures.

Source: Western Analysis, Inc.

3. ALTERNATIVE PROJECTIONS

Tables 30 through 34 project the fiscal impact of the alternative high and low population projections developed in The Flathead Basin: An Economic Assessment. Because all the projections are based on projected per capita rates of change, the lower population scenario results in greater declines, or smaller increases, in taxable value, local revenues and operating expenditures. The higher population scenario results in greater increases, or smaller declines, in the same three variables. The magnitude of the aggregate change is directly related to the variation of the high or low scenario from the baseline scenario described in Chapter 2.

The composite projected change in fiscal conditions is the same as that shown in Table 28, because, in our judgment, none of the alternative population scenarios differed from the baseline scenario enough to justify altering the projected annual real per capita rates of change in taxable value, local services, or operating expenditures.

Table 30. Projections of Selected Local Government Finance Data, Low Population Scenario
(\$ 1980), 1990.

<u>Tax Jurisdiction</u>	<u>Population*</u>	<u>Taxable Value</u>	<u>Local Revenues</u>		<u>Operating Expenditures</u>	
			<u>W/O Cap. Exp.</u>	<u>With Cap. Exp.</u>	<u>W/O Cap. Exp.</u>	<u>With Cap. Exp.</u>
Flathead	53,890	65,260,790	13,741,950	15,080,420	15,574,210	16,912,680
Lake	20,350	16,402,100	2,706,550	2,706,550	3,337,400	3,337,400
Kalispell	10,180	11,788,440	3,837,860	3,991,990	4,000,740	4,154,660
Whitefish	3,670	4,392,990	1,269,820	1,440,480	1,398,270	1,568,930
Columbia Falls	3,230	1,928,310	1,082,050	1,249,370	1,065,900	1,233,220
Polson	2,910	1,623,780	808,980	832,400	878,820	902,240
Ronan	1,580	984,340	322,320	398,300	440,820	516,800
St. Ignatius	770	197,890	90,090	90,090	118,580	118,580

* Population projections for the counties developed in the Economic/Demographic Conditions study. Projections of municipality populations derived from population trend, trend of percent of county population, and continuation of 1970-1980 population change.

Source: Western Analysis, Inc.

Table 31. Projections of Selected Local Government Finance Data, High Population Scenario
(\$ 1980), 1990.

<u>Tax Jurisdiction</u>	<u>Population*</u>	<u>Taxable Value</u>	<u>Local Revenues</u>		<u>Operating Expenditures</u>	
			<u>W/O Cap. Exp.</u>	<u>With Cap. Exp.</u>	<u>W/O Cap. Exp.</u>	<u>With Cap. Exp.</u>
Flathead	64,190	77,734,090	16,368,450	17,706,920	18,550,910	19,889,380
Lake	26,440	21,310,640	3,516,520	3,516,520	4,336,160	4,336,160
Kalispell	12,130	14,046,540	4,573,010	4,726,930	4,767,090	4,921,010
Whitefish	4,370	5,230,890	1,512,020	1,682,680	1,664,970	1,835,630
Columbia Falls	3,850	2,298,450	1,289,750	1,457,070	1,270,500	1,437,820
Polson	3,780	2,109,240	1,050,840	1,074,260	1,141,560	1,164,980
Ronan	1,920	1,233,540	403,920	479,900	552,420	628,400
St. Ignatius	1,010	259,570	119,180	119,180	155,540	155,540

* Population projections for the counties developed in the Economic/Demographic Conditions study. Projections of municipality populations derived from population trend, trend of percent of county population, and continuation of 1970-1980 population change.

Source: Western Analysis, Inc.

Table 32. Selected Ratios of Local Government Finances, Alternative Population Scenarios
(\$ 1980), 1980, 1990.

	-----1980-----		-----*-----1990-----*			
	$\frac{\text{LOCREV}}{\text{OPEXP}}$	$\frac{\text{OPEXP}}{\text{TAXVAL}}$	$\frac{\text{LOCREV}}{\text{OPEXP}}$	$\frac{\text{LOCREV}}{\text{OPEXP}}$	$\frac{\text{OPEXP}}{\text{TAXVAL}}$	$\frac{\text{OPEXP}}{\text{TAXVAL}}$
<u>Tax Jurisdiction</u>						
Flathead	1.09	.17	.88	.89	.24	.26
Lake	.89	.10	.81	.81	.20	.20
Kalispell	.97	.24	.96	.96	.34	.35
Whitefish	.93	.29	.91	.92	.32	.36
Columbia Falls	1.35	.28	1.02	1.01	.55	.63
Polson	1.11	.24	.92	.92	.54	.55
Ronan	.89	.22	.73	.77	.45	.52
St. Ignatius	.92	.25	.76	.76	.60	.60
Hot Springs	.76	.35	.99	.99	.50	.50

* Without planned capital facility expenditures.

** With planned capital facility expenditures.

Source: Western Analysis, Inc.

Table 33. Projected Changes in Fiscal Reliance, Burden and Real Operating Expenditures Per Capita (\$ 1980), Including Major Capital Expenditures, Alternative Population Scenarios, 1980-1990.

	<u>Local Fiscal Reliance</u>	<u>Local Fiscal Burden</u>	<u>OPEXP/Capita</u>
Flathead County	-18%	+ 53%	+15%
Lake County	- 9%	+100%	+16%
Kalispell	- 1%	+ 46%	+13%
Whitefish	- 1%	+ 24%	+30%
Columbia Falls	-25%	+125%	+37%
Polson	-17%	+129%	+30%
Ronan	-13%	+136%	+61%
St. Ignatius	-17%	+140%	+35%
Hot Springs	+30%	+ 43%	-14%

Source: Western Analysis, Inc.

Table 34. Actual and Projected Operating Expenditures Per Capita,
Alternative Population Scenarios, (\$ 1980), 1980, 1990.

	<u>1980</u>	<u>1990</u> [*]	<u>1990</u> ^{**}
Flathead County	271	289	312
Lake County	141	164	164
Kalispell	360	393	407
Whitefish	327	381	425
Columbia Falls	276	330	378
Polson	237	302	309
Ronan	202	279	325
St. Ignatius	114	154	154
Hot Springs	196	169	169

* Without anticipated capital facility expenditures.

** With anticipated capital facility expenditures.

Source: Western Analysis, Inc.

APPENDIX I

Implicit Price Deflators

Implicit Price Deflators (1972=100)

1970	87.5
1971	93.7
1972	100.0
1973	106.7
1974	117.5
1975	128.9
1976	136.7
1977	147.6
1978	155.7
1979	168.1
1980	184.4

APPENDIX II

Historical Taxable Value, Revenue
and Expenditure Growth Rates

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$1980)

<u>Flathead County</u>	<u>Annual Per Capita Percent Change</u>	<u>Percent Change Used</u>
	<u>1975-80</u>	
Taxable Valuation	-2.59	-2.59
Revenues		
Property Taxes	6.10	0.0
Intergovernment Revenues	14.87	0.0
Fees, Licenses & Fines	1.53	1.53
Miscellaneous	72.38	0.0
Total	16.29	
Expenditures		
General Government	6.34	6.34
Public Safety	10.35	5.0
Health & Welfare	-5.40	0.0
Transportation	0.41	0.41
Education & Libraries	5.16	5.16
Capital Outlays	-6.66	0.0
Miscellaneous	40.32	0.0
Total	9.10	

Note: The reductions in the rates of change occur primarily due to changing economic conditions and fiscal management. Miscellaneous reduced to previous level due to aberration in last year, then projected at rate shown. Health and Welfare was changed due to an assumed minimum level of services. Property tax rates were lowered to maintain a realistic rate of change given taxable valuation expectations and expenditure based revenue requirements.

Source: Western Analysis, Inc.

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$1980)
(Continued)

<u>Lake County</u>	<u>Annual Per Capita Percent Change</u>		<u>Percent Change Used</u>
	<u>1975-80</u>		
Taxable Valuation	-5.52		-5.52
Revenues			
Property Taxes	-0.90		-0.90
Intergovernment Revenues	3.80		0.0
Fees, Licenses & Fines	12.70	(77-80)	5.56
Miscellaneous	-4.57		0.0
Total	0.95		
Expenditures			
General Government	17.72		0.0
Public Safety	5.92		2.9
Health & Welfare	5.92		2.0
Transportation	-4.11		0.0
Education & Libraries	0.0		0.0
Capital Outlay	-25.74		0.0
Miscellaneous	-9.71		0.0
Total	-3.35		

Note: Modifications in the rates of change occur primarily due to inconsistencies in the data. Fees, licenses and fines had more a consistent growth from 77-80, while Public Safety and Health and Welfare were reduced to more prudent levels of increase given current conditions.

Source: Western Analysis, Inc.

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$ 1980)
(Continued)

<u>Kalispell</u>	<u>Annual Per Capita Percent Change</u>		<u>Percent Change Used</u>
	<u>1975-80</u>		
Taxable Valuation	-2.64		-2.64
Revenues			
Property Taxes	-0.61		0.0
Intergovernment Revenues	12.20		0.0
Public Utilities	3.42		3.42
Fees, Licenses & Fines	-1.24		0.0
Miscellaneous	9.67		0.0
Total	4.68		
Expenditures			
General Government	18.98	(78-79)	6.7
Public Safety	9.64		4.8
Transportation	-8.02		0.0
Public Utilities	0.31		0.31
Debt Service	-4.07		0.0
Intergovernmental	5.02		0.0
Miscellaneous	-1.39		-1.39
Total	2.86		

Note: Property taxes and fees, licenses and fines are not expected to continue to decline because of the expected increases in expenditures. Reductions in the rates of increase in expenditures (general government, public safety) are in response to changing economic conditions. The halt in the decline in transportation assumes a minimum service requirement.

Source: Western Analysis, Inc.

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$ 1980)
(Continued)

<u>Whitefish</u>	<u>Annual Per Capita Percent Change</u>		<u>Percent Change Used</u>
	<u>1975-80</u>		
Taxable Valuation	0.73		0.73
Revenues			
Property Taxes	-1.75	(78-80)	1.63
Intergovernment Revenues	24.05		0.0
Public Utilities	10.30		1.48
Fees, Licenses & Fines	-0.72		0.0
Miscellaneous	7.31		0.0
Total	11.58		
Expenditures			
General Government	3.30		3.30
Public Safety	7.89		2.0
Transportation	16.63		0.0
Public Utilities	44.85	(77-80)	1.48
Debt Service	-25.56		0.0
Intergovernmental	-25.42		0.0
Miscellaneous	4.56		0.0
Total	8.65		

Note: Modifications to the rates of change occur due to data inconsistencies; public utilities revenues appear to have reached a maximum and are assumed to track with public utility expenditures. Fees, licenses and fines are not project to decline given expenditure based revenue requirements. The Public Safety rate was reduced in accordance with changes in economic conditions.

Source: Western Analysis, Inc.

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$ 1980)
(Continued)

<u>Columbia Falls</u>	<u>Annual Per Capita Percent Change</u>	<u>Percent Change Used</u>
	<u>1975-80</u>	
Taxable Valuation	-4.83	-4.83
Revenues		
Property Taxes	0.92	0.92
Intergovernment Revenues	2.38	0.0
Public Utilities	3.42	3.42
Fees, Licenses & Fines	-12.94	0.0
Miscellaneous	27.50	0.0
Total	7.21	
Expenditures		
General Government	7.21	2.0
Public Safety	9.69	2.0
Transportation	1.99	1.99
Public Utilities	15.74	0.0
Debt Service	23.16	0.0
Intergovernmental	-37.52	0.0
Miscellaneous	-6.94	0.0
Total	6.76	

Note: Modifications to rates of change in revenues occur due to data inconsistencies. Fees, licenses and fines are not projected to continue to decline given the expected increases in expenditures. Reductions in the rates of increase in expenditures reflect changing fiscal conditions and maximum service needs.

Source: Western Analysis, Inc.

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$ 1980)
(Continued)

<u>Polson</u>	<u>Annual Per Capita Percent Change</u>		<u>Percent Change Used</u>
	<u>1975-80</u>		
Taxable Valuation	-5.45		-5.45
Revenues			
Property Taxes	-3.79		0.0
Intergovernment Revenues	34.69		0.0
Public Utilities	16.98	(77-80)	0.0
Fees, Licenses & Fines	-3.10	(76-80)	2.92
Miscellaneous	14.07		0.0
Total	10.65		
Expenditures			
General Government	5.92		3.0
Public Safety	4.81	(76-80)	1.20
Transportation	6.40	(78-80)	0.0
Public Utilities	3.91		0.0
Debt Service	1.34		0.0
Intergovernmental	18.13		0.0
Miscellaneous	19.17		0.0
Total	10.47		

Note: Modifications to revenues reflect more recent growth patterns which follow reduced increases in expenditures. Given changing economic situations there is little reason to maintain general government increases at historic levels; public safety and transportation can be expected to maintain existing service levels by utilizing more recent growth rates and still reflect the recent conservative fiscal policies. Recently, public utilities have been declining in real terms.

Source: Western Analysis, Inc.

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$ 1980)
(Continued)

<u>Ronan</u>	<u>Annual Per Capita Percent Change</u>		<u>Percent Change Used</u>
	<u>1975-80</u>		
Taxable Valuation	-3.91		-3.91
Revenues			
Property Taxes	-10.62		0.0
Intergovernment Revenues	8.45		0.0
Public Utilities	10.04	(79-80)	2.9
Fees, Licenses & Fines	-8.64		0.0
Miscellaneous	29.67		0.0
Total	-0.17		
Expenditures			
General Government	2.48		2.48
Public Safety	7.44	(76-80)	3.24
Transportation	9.57	(76-80)	5.02
Public Utilities	12.12	(79-80)	4.40
		(79-80)	
Debt Service	-29.15		0.0
Intergovernmental	-21.24		0.0
Miscellaneous	-32.78		0.0
Total	-2.82		

Note: Revenue modifications reflect continued expenditure increases. Neither property taxes nor fees, licenses and fines can reasonably be expected to continue their historic declines in light of these expenditure increases. Recent public utility charges have shown a more gradual rise than the 5-year rate, but are assumed to grow in accordance with public utility expenditures. Per capita rates of change reflect recent modifications in the case of public safety, transportation, and public utilities. Constant rates of change are used in those instances where there are persistent data inconsistencies.

Source: Western Analysis, Inc.

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$ 1980)
(Continued)

<u>St. Ignatius</u>	<u>Annual Per Capita</u> <u>Percent Change</u>	<u>Percent</u> <u>Change Used</u>
	<u>1975-80</u>	
Taxable Valuation	-10.62	-10.62
Revenues		
Property Taxes	-7.56	2.0
Intergovernment Revenues	13.40	0.0
Public Utilities	5.29	2.65
Fees, Licenses & Fines	-15.76	0.0
Miscellaneous	60.04	0.0
Total	4.18	
Expenditures		
General Government	7.63	2.0
Public Safety	1.58	1.58
Transportation	-9.71	0.0
Public Utilities	7.63	(77-79) 1.32
Debt Service	0.0	0.0
Intergovernmental	29.46	0.0
Miscellaneous	-32.78	0.0
Total	7.55	

Note: Given the expected increases in expenditures, property taxes and fees, licenses and fines cannot be expected to decline. Increases in public utility charges have been more moderate since 1977 and are assumed to increase at this lower rate. Modifications to expenditures reflect more conservative fiscal conditions than in the recent past while maintaining existing service levels.

Source: Western Analysis, Inc.

Per Capita Taxable Value, Revenue and
Expenditure Categorical Growth Rates (\$ 1980)
(Continued)

<u>Hot Springs</u>	<u>Annual Per Capita Percent Change</u>	<u>Percent Change Used</u>
	<u>1975-80</u>	
Taxable Valuation	-5.99	-5.99
Revenues		
Property Taxes	3.33	0.0
Intergovernment Revenues	15.81	0.0
Public Utilities	2.46	2.46
Fees, Licenses & Fines	-16.44	0.0
Miscellaneous	10.20	0.0
Total	3.71	
Expenditures		
General Government	-11.42	0.0
Public Safety	6.13	0.0
Transportation	-9.33	-3.0
Public Utilities	11.17	0.0
Debt Service	0.0	0.0
Miscellaneous	29.51	0.0
Total	5.78	

Note: Modifications to the rates of change are primarily due to data inconsistencies where no consistent trend or pattern could be established. Reduction of negative trends for general government and transportation are for assumed minimum standard or service levels. Property taxes are held constant given the expected fall in taxable valuation.

Source: Western Analysis, Inc.

APPENDIX III
Personal Contacts

Mel Wollan
Flathead County Commissioner
Kalispell, Montana

Joan Diest
Flathead County Commissioner
Kalispell, Montana

Henry Oldenburg
Flathead County Commissioner
Kalispell, Montana

Frank Guay
Former Flathead County
Commissioner
Kalispell, Montana

Al Ryerson
Flathead County Sheriff
Kalispell, Montana

Leroy McDowell
Mayor
Kalispell, Montana

Norma Happ
Former Mayor
Kalispell, Montana

Bob Hafferman
Director of Public Works
Kalispell, Montana

Jim Putnam
Former Acting Mayor
Whitefish, Montana

Paul Wells
City Engineer
Whitefish, Montana

Don Morrison
City Administrator
Whitefish, Montana

Cecil Hudson
Former Mayor
Columbia Falls, Montana

John Flodin
Director of Public Works
Columbia Falls, Montana

George Hanson
Former Mayor
Columbia Falls, Montana

Wally Vinnedge
Flathead County Superintendent
of Schools
Kalispell, Montana

Bill Burley
Lake County Commissioner
Polson, Montana

Don Corrigan
Lake County Commissioner
Polson, Montana

Dean Greiner
Former Mayor
Polson, Montana

Norm Stedje
Former Mayor
Ronan, Montana

Mel Hamel
Former Mayor
St. Ignatius, Montana

Lee Ann Gottfried
City Clerk
St. Ignatius, Montana

Millie Minton
Former Mayor
Hot Springs, Montana

Jim Newman
Mayor
Hot Springs, Montana

Glennedene Farrell
Lake County Superintendent
of Schools
Polson, Montana

Nick Verma
Flathead County Planner
Kalispell, Montana

Dave Erickson
Lake County Planner
Polson, Montana

Marc Spratt
Flathead 208 Study
Kalispell, Montana

Greg Groepper
Administrator
Property Tax Division
Department of Revenue
Helena, Montana

Don Dooley
Local Government Services
Division
Department of Administration
Helena, Montana

Ruth Howard
Hot Springs Planning Board
Hot Springs, Montana

Dick Bean
Lakeside Sewer Board
Lakeside, Montana

Walt Wagner
Flathead Bank of Big Fork
Big Fork, Montana

Dennis Carver
Morrison-Maierle, Inc.
Kalispell, Montana

Doug Daniels
Thomas, Dean, and Hoskins
Bozeman, Montana

Tim Berry
Morrison-Maierle, Inc.
Helena, Montana

Paul Stokes
Stahly Engineering and Associates
Kalispell, Montana