The Future of Transportation Funding in Montana

Task 1 Report: Trends in Transportation Funding

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MONTANA DEPARTMENT OF TRANSPORTATION

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FEDERAL HIGHWAY ADMINISTRATION

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STANDARD CONVERSION TABLE – ENGLISH TO METRIC				
Symbol	To convert from	Multiply by	To determine	Symbol
		LENGTH		
IN	inch	25.4	millimeters	mm
FT	feet	0.3048	meters	m
YD	yards	0.9144	meters	m
MI	miles	1.609344	kilometers	km
		AREA		
SI	square inches	645.16	square millimeters	mm^2
SF	square feet	0.09290304	square meters	m^2
SY	square yards	0.83612736	square meters	m^2
A	acres	0.4046856	hectares	ha
MI^2	square miles	2.59	square kilometers	km^2
		VOLUME		
CI	cubic inches	16.387064	cubic centimeters	cm^3
CF	cubic feet	0.0283168	cubic meters	m^3
CY	cubic yards	0.764555	cubic meters	m^3
GAL	gallons	3.78541	liters	L
OZ	fluid ounces	0.0295735	liters	L
MBM	thousand feet board	2.35974	cubic meters	m^3
		MASS		
LB	pounds	0.4535924	kilograms	kg
TON	short tons (2000 lbs)	0.9071848	metric tons	t
		PRESSURE AND STRESS		
PSF	pounds per square foot	47.8803	pascals	Pa
PSI	pounds per square inch	6.89476	kilopascals	kPa
PSI	pounds per square inch	0.00689476	megapascals	Mpa
		DISCHARGE		
CFS	cubic feet per second	0.02831	cubic meters per second	$m^3/_s$
		VELOCITY		
FT/SEC	feet per second	0.3048	meters per second	m/s
		INTENSITY		
IN/HR	inch per hour	25.4	millimeters per hour	mm/hr
		FORCE		
LB	pound (force)	4.448222	newtons	N
		POWER		
HP	horsepower	746.0	watts	W
		TEMPERATURE		
°F	degrees Fahrenheit	5 X (°F – 32)/9	degrees Celsius	°C
		DENSITY		
lb/ft^3	pounds per cubic foot	16.01846	kilograms per cubic meter	kg/m^3
		ACCELERATION		
g	freefall, standard	9.807	meters per second squared	m/s^2

TO CONVERT FROM METRIC TO ENGLISH, DIVIDE BY THE ABOVE CONVERSION FACTORS.

1. Introduction

This research provides the Montana Department of Transportation (MDT) with data-driven insights and potential funding alternatives to sustain and enhance Montana's transportation funding into the future, given the anticipated revenue impact of fuel-efficiency improvements and increased adoption of electric and hybrid vehicles.

Montana's state transportation system relies primarily on user fees, including the state gasoline tax, diesel tax, and motor vehicle fees.

This research will:

- Identify and analyze current revenue structures.
- Develop long-term revenue forecasts for motor fuel taxes and GVW fees, incorporating scenarios for EV growth, commercial vehicle use, statewide vehicle miles traveled, and changes in vehicle fuel efficiency.
- Identify and evaluate alternative funding mechanisms that are equitable and adaptable to future technological shifts.
- Develop an implementation report to guide next steps.

2. Montana's Transportation Funding Today

Task 1 of the research identifies MDT's primary existing revenue sources and structures. This first Task Report summarizes the current state of Montana's Transportation revenues sources and funds, highlights relevant underlying transportation trends, and outlines key findings and next steps for the larger research project.

Revenue Sources Overview

Montana's surface transportation system is primarily funded through user fees, including motor fuel taxes, gross vehicle weight fees, electric vehicle charging fees, commercial permit fees, and electric and hybrid vehicle registration fees. Revenue generated from these sources is distributed to two funds that MDT has access to, the Highways Special Revenue Account (HSSRA), which is a restricted account with specific constitutionally-mandated uses, and the Highways Non-Restricted Account (Non-Restricted Account).

As of December 2024, the HSSRA receives revenue primarily from the following sources:

- Motor Fuel Taxes
  - Gasoline tax of $0.33/gallon[i]
  - Special fuels tax of $0.2975/gallon[ii]
  - Alternative fuel taxes: [iii]
    - Compressed natural gas (CNG) at $0.07/cubic foot
    - Propane/LPG at $0.0518/gallon
    - Hydrogen, liquified natural gas, and methanol at $0.33/gasoline gallon equivalent
- Gross Vehicle Weight Fees[iv]
  - Annual weight-based fee applied to motortrucks, truck tractors, and buses (from $7.00 to over $750.00 per vehicle annually) collected through Form 3, County offices, and International Registration Plan (IRP)
- Electric Vehicle (EV) Public Charging Station Tax of $0.03 per kilowatt-hour (kWh)[v]
- EV and Plug-In Hybrid Vehicle (PHEV) Weight-Based Registration Fees
  - EV and PHEV annual weight-based registration fee[vi]
  - EV and PHEV permanent weight-based registration fee[vii]

The Highways Non-Restricted Account receives revenue primarily from the following sources:[viii]

- IRP Fees
- Overweight Fees
- Oversize Permits

The accounts and corresponding revenue sources are displayed in **Figure 2.1**.[ix]

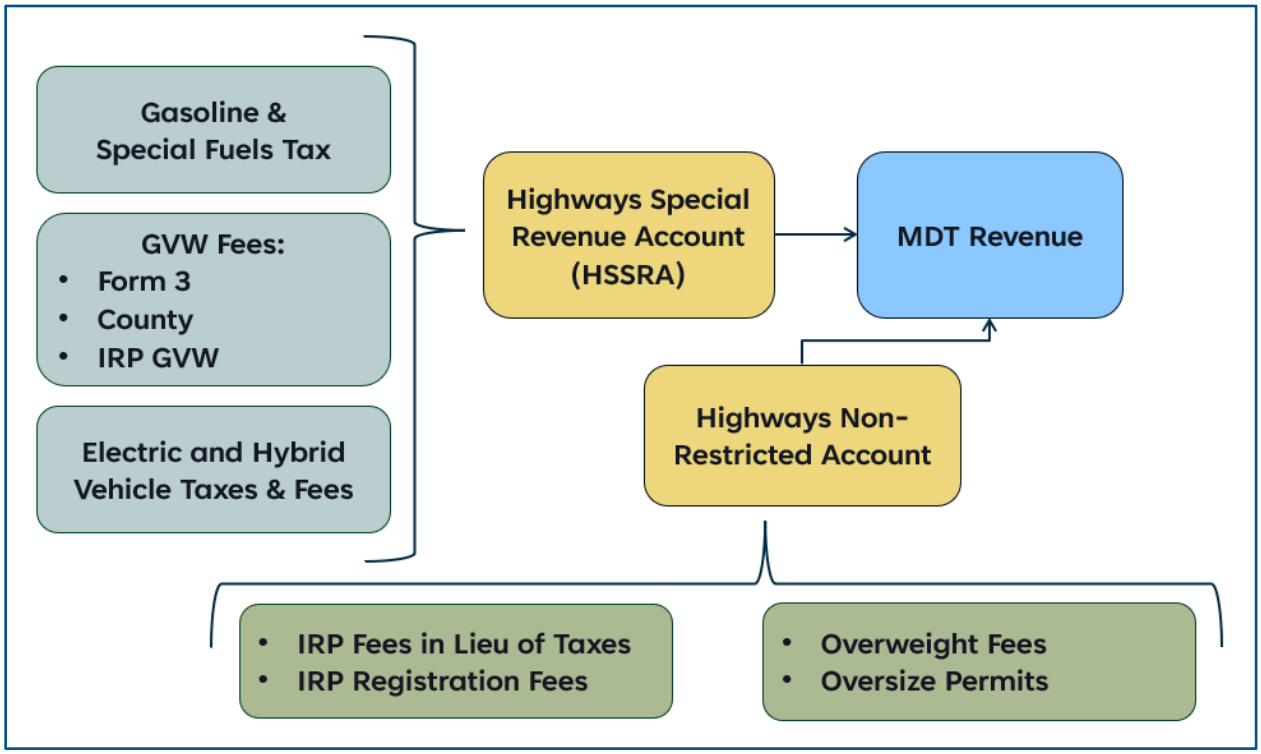

Figure 2.1 MDT Highways Revenue Accounts and Sources Diagram

This research focuses on the revenue sources described above which are available for MDT's use and does not include: revenue collected in other funds, such as registration fees to the state General Fund; revenue collected from and for non-highway modes of transportation, such as aeronautics; or smaller revenue sources for specific purposes, such as the rental vehicle sales and use tax. Montana also receives funding from the Federal government; however, this research evaluates only state-level funding and alternatives. All revenue figures are referenced in nominal dollars.

Highways Special Revenue Account Funding Sources

The HSSRA has spending uses specified by the State Constitution, including construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridge. Highway maintenance activities are the largest spend of state funding sources. The HSSRA's main funding sources include gasoline and special fuels motor fuel taxes, gross vehicle weight fees for commercial vehicles, two fees related to electric vehicles (an annual registration fee for electric vehicles and a permanent registration fee for Class 1 and Class 2 electric vehicles 11 years or older), and an electric vehicle public charging station tax.

Figure 2.2 displays the HSSRA revenue from 2010 through 2024 for the revenue sources discussed below.[x]

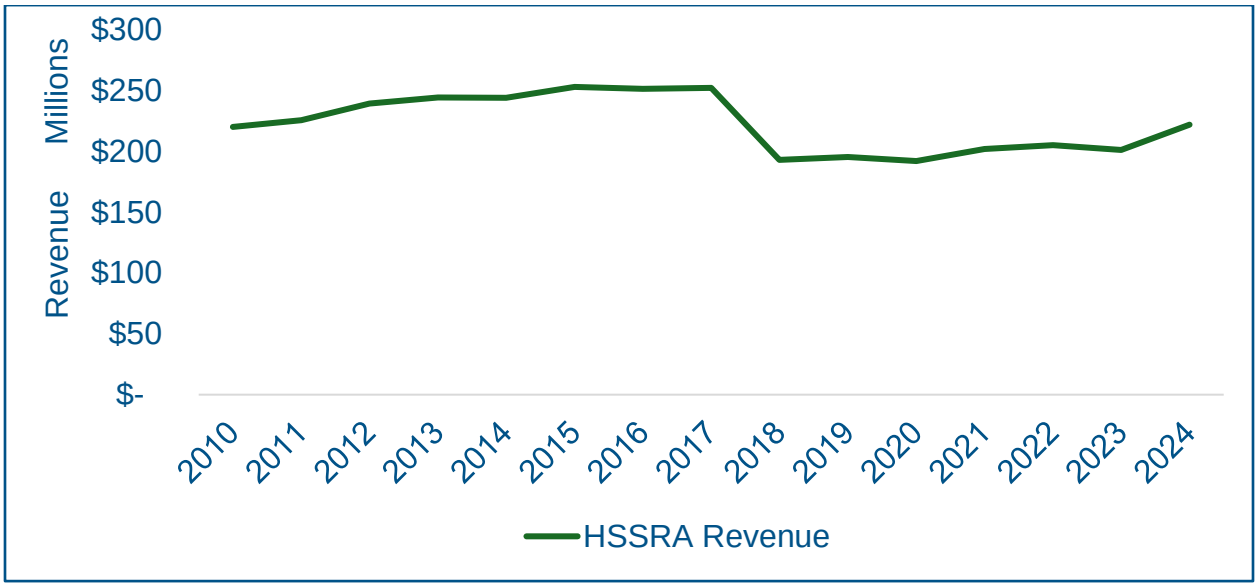

Figure 2.2 Highways Special Revenue Account Revenue from Select Sources

Gasoline Tax

Montana's gasoline tax rate ("gas tax") was $0.27 per gallon beginning in 1994 through 2017. In 2017, the Montana Legislature authorized gas tax increases in fiscal years 2018 through 2023 as shown in **Table 2.1**.[xi]

Table 2.1 Gas Tax Rates 1994 - 2023

Fiscal Year(s)	Gas Tax Rate (per gallon)
1994 - 2017	$0.270
2018	$0.315
2019	$0.315
2020	$0.320
2021	$0.320
2022	$0.325
2023 and thereafter	$0.330

Annual sales of gasoline in Montana have steadily increased from approximately 494 million gallons in 2010 to 576 million gallons in 2024, with a decrease during 2020 due to the global COVID-19 pandemic, as shown in **Figure 2.3**.[xii] Annual gallonage changes ranged from -4.1% to 5.2%.

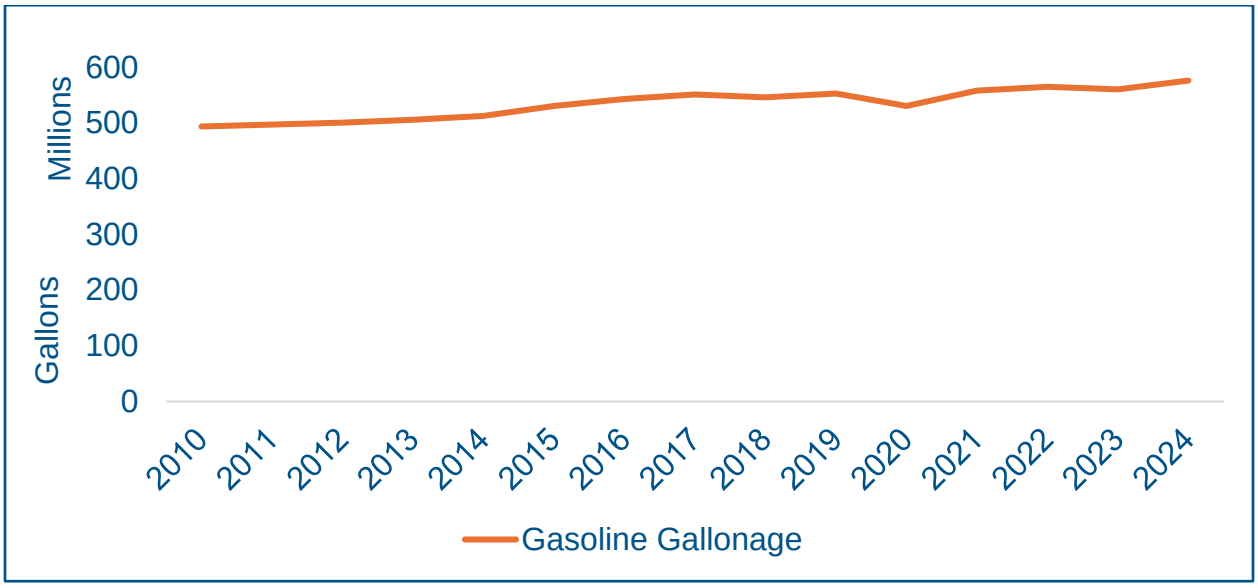

Figure 2.3 Historical Montana Gasoline Sales

Revenue collected via the gas tax is subject to a range of distribution, refund, and sharing requirements as illustrated in **Table 2.2**.[xiii] Under the 2024 gas tax allocation, approximately 62% of the total gas tax revenue is deposited in the HSSRA.

Table 2.2 Gasoline Tax Distributions

Gasoline Gallonage Sales
x $0.33 gasoline tax per gallon
= Gasoline Revenue
- 1% Distributor Collection Allowance
= Gross Gasoline Tax to State
- ~1.6% International Fuel Tax Association payments and Refunds *(1.6% in 2024; 1.9% average from 2017 through 2024)*
- ~2.8% Tribal Revenue Sharing *(2.7% in 2024; 3.3% average from 2017 through 2024)*
= Gasoline Tax Available for Distribution
- 1.6% Other Account Distributions *(Snowmobile, State Parks, OHV, Aeronautics)*
= Gasoline Tax Available for Highways Allocation
- 12.12% ($0.04/$0.33) to MHP
- 66.67% ($0.22/$0.33) to HSSRA
= Remaining 21.21% to Local Government

In 2018 House Bill 473 passed the Bridge and Road Safety Accountability Act (BaRSAA), which changed the method to record revenue in the HSSRA.[xiv] Prior to BaRSAA, gross collections were recorded in the HSSRA, and beginning in 2018, the revenue recorded in HSSRA represents the available funding for MDT only.

The gas tax revenue available to MDT through the HSSRA since the passage of BaRSAA has increased from approximately $100.8 million in 2018 to an estimated $118.1 million in 2024, as shown in **Figure 2.4**.[xv] Although BaRSAA was repealed in

2023, a similar gas revenue allocation remains. The gas revenue recorded in HSSRA makes up over 50% of the revenue from analyzed sources.

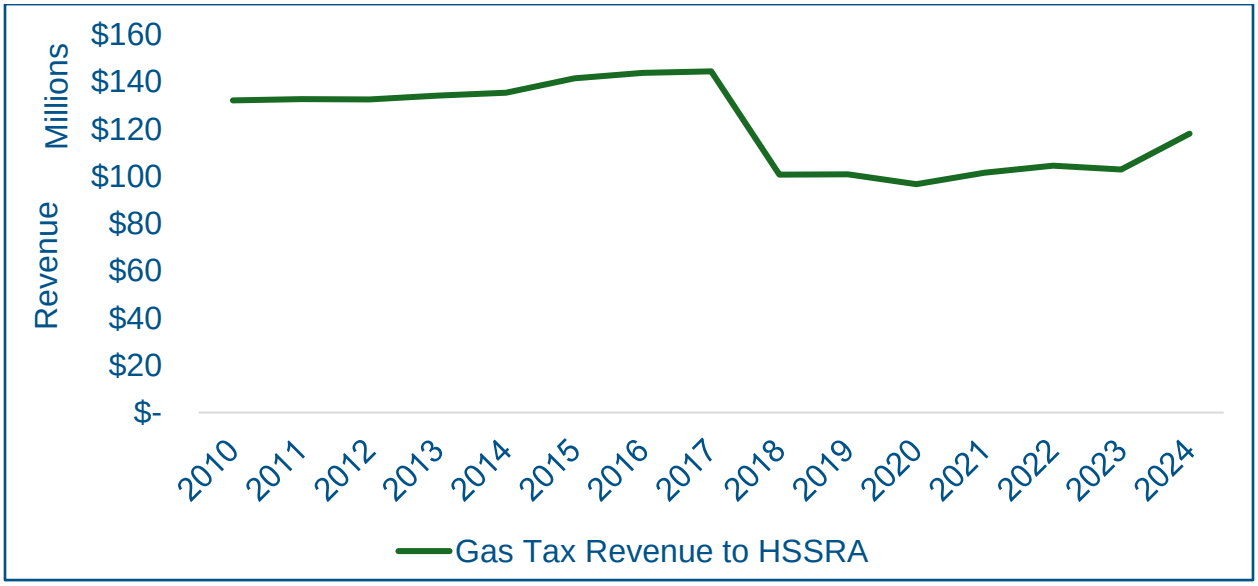

Figure 2.4 Historical Gasoline Tax Revenue to HSSRA

Special Fuels Tax

Montana's special fuels tax applies to diesel, biodiesel, and additives of all types when the additive is mixed or blended into special fuel, regardless of the additive's classifications or uses. There are two types of diesel fuel sold, undyed and dyed. Dyed diesel is for off-highway use only and is not subject to the special fuel tax. Undyed diesel is the primary source of special fuels revenue.

The special fuel tax rate was $0.2775 per gallon beginning in 1994 through 2017. In 2017, the Montana Legislature authorized special fuel tax increases in fiscal years 2018 through 2023 to $0.2975, as shown in **Table 2.3**.[xvi]

Table 2.3 Special Fuel Tax Rates 1994 - 2023

Fiscal Year(s)	Special Fuel Tax Rate (per gallon)
1994 - 2017	$0.2775
2018	$0.2925
2019	$0.2925
2020	$0.2945

Fiscal Year(s)	Special Fuel Tax Rate (per gallon)
2021	$0.2945
2022	$0.2955
2023 and thereafter	$0.2975

Annual special fuels sales in Montana have steadily increased from approximately 262 million gallons in 2010 to 320 million gallons in 2024, as shown in **Figure 2.5**.[xvii] Annual gallonage changes ranged from -6.5% to 5.6%.

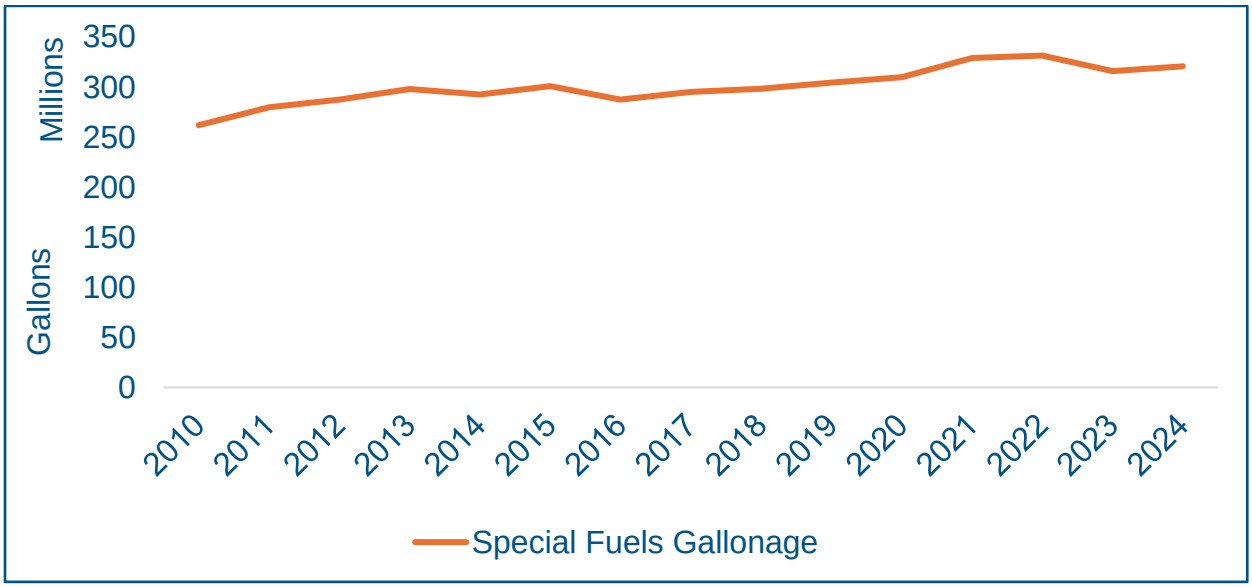

Figure 2.5 Historical Montana Special Fuels Sales

Revenue collected via the special fuel tax is subject to a range of distribution, refund, and sharing requirements as illustrated in **Table 2.4**.[xviii]

Table 2.4 Special Fuels Tax Distributions

Special Fuels Gallonage Sales
x $0.2975 tax per gallon
= Special fuel tax Revenue
- 1% Distributor Collection Allowance
= Gross Special fuel tax to State
- ~7.3% IFTA/Refunds *(7.3% in 2024; 8.1% average from 2017 through 2024)*
= Special Fuel Tax Available for Highways Allocation
- 13.45% ($0.04/$0.2975) to MHP
- 82.69% ($0.245/$0.2975) to HSSRA
= Remaining 4.2% to Local Governments

The introduction of BaRSAA in fiscal year 2018 also impacted special fuel revenue collections recorded in the HSSRA. Beginning in 2018, the special fuel revenue recorded in HSSRA represents only the available funding for MDT.

Following the passage of BaRSAA, the special fuel tax revenue available to MDT through the HSSRA ranged from $64.3 million in 2018 to $72.6 million in 2024 as shown in **Figure 2.6**.[xix] Although BaRSAA was repealed in 2023, a similar allocation remains. The special fuels revenue recorded in HSSRA makes up about 33% of the revenue from analyzed sources.

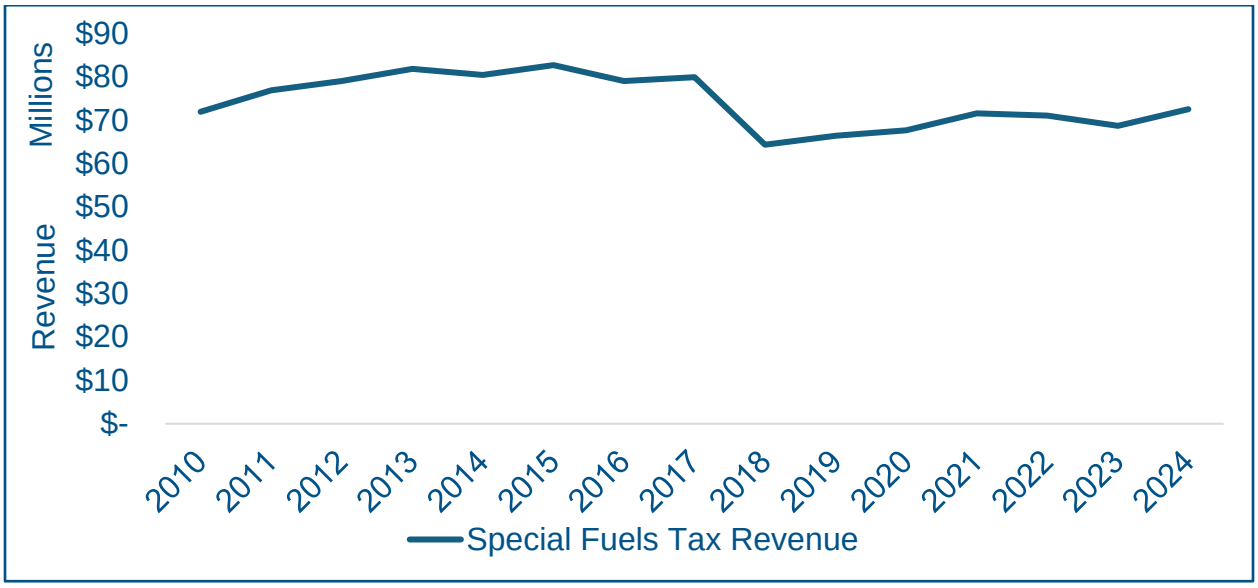

Figure 2.6 Historical Special Fuel Tax Revenue to HSSRA

Gross Vehicle Weight Fees

Commercial vehicles (trucks, truck tractors, and buses) that register and operate in Montana pay various fees. Gross Vehicle Weight (GVW) fees are the largest commercial vehicle fee revenue contributor to the HSSRA. GVW fees are based on the owners declared weight not to exceed the legal capacity of the vehicle or vehicle combination.[xx] The fees are graduated and increase in cost for every 2,000 LBS.

The GVW fee schedule has not changed since the 1980s. Commercial trucks and tractors pay Schedule I GVW fees, while farm equipment pay Schedule II fees (35% of the Schedule I).[xxi] At the time of vehicle registration, the GVW fees can be paid for as short as one month to as long as 18 months. The cost of a one-year permit ranges from $7.00 for vehicles with manufacturer's rated capacity up to ½ ton to $750.00 for vehicles with capacity over 80,000 LBS, plus an additional $46.00 for each ton or fraction of a ton in excess of 80,000 LBS plus an additional $100.00 to exceed the 80,000 LB federal gross weight limit.

Montana collects GVW fees from vehicles registered in the state (“in state”) and vehicles registered in other states which operate in Montana (“out of state”).

In State GVW Fees

Commercial vehicles registered in Montana pay GVW fees in one of two ways:

- **Form 3** – GVW fees paid directly to Montana Carrier Services either by completing a form called Form 3 by hand or through Montana’s electronic platform called ePART (Electronic Permit, Audit, Registration, and Tax).

- **County –** GVW fees paid to the counties which are forwarded to the State in monthly lump sums.

Out of State GVW Fees

In 1976, Montana joined the International Registration Plan (IRP), an international agreement that streamlines vehicle registration for commercial travel across multiple jurisdictions. Montana receives revenue through IRP for fees collected by commercial vehicles which are registered in other states but operate in Montana. As of January 2015, carriers can register vehicles through their base jurisdiction, submitting a single application and paying one invoice. These registrations are honored across listed jurisdictions, allowing intra- and inter-jurisdictional travel.[xxii] IRP fees are distributed to the states or provinces where the vehicle operates based on the mileage traveled in each jurisdiction and employing each State's GVW fee schedule.

MDT receives annual distributions for its portion of IRP registration fees, which are then allocated to the HSSRA as IRP GVW and the Non-Restricted Account as IRP Fees in Lieu of Taxes and IRP Registration Fees, per Montana Code Annotated.

GVW Revenue

GVW fee revenues have increased by about 10% between 2012 ($27.6 million) and 2024 ($30.5 million), illustrated in **Figure 2.7**.[1,xxiii] By 2024, GVW revenue made up 14% of the analyzed HSSRA revenue. The IRP GVW revenue has seen the most fluctuations, increasing slightly from about $10.5 million in 2012 to $12.5 million in 2024.

[1] Actual County GVW revenue is only available for FY 2022 through 2024. Prior to 2022, the revenue is held at a constant $16 million as an approximation.

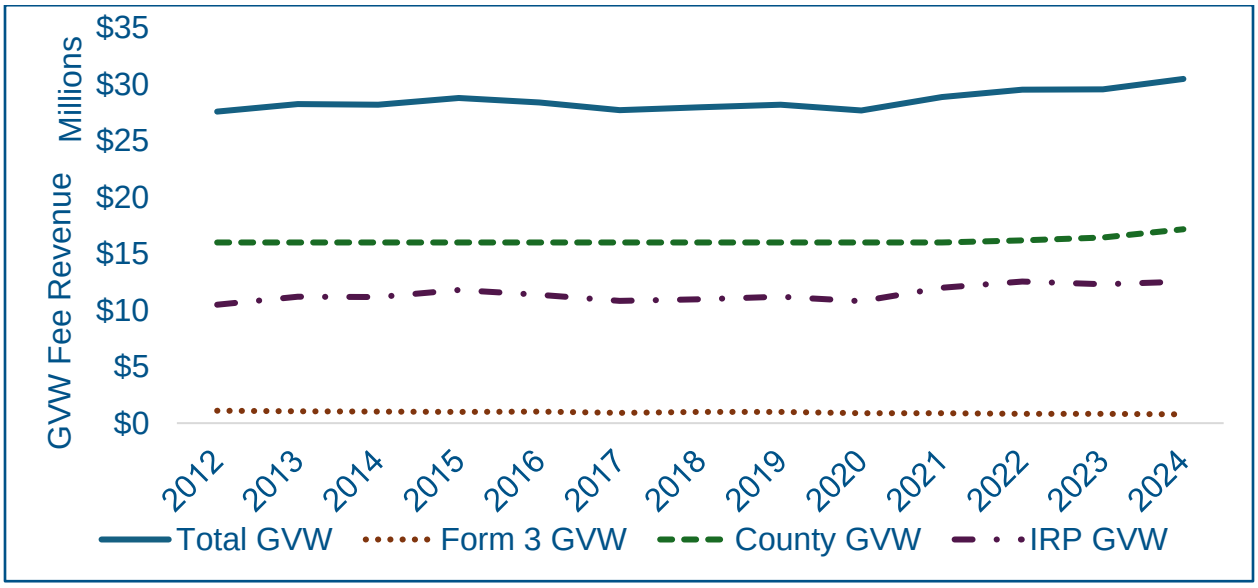

Figure 2.7 Historical Gross Vehicle Weight Fee Revenue

Electric and Hybrid Vehicle Revenue

In Fiscal Year (FY) 2024, Montana began collecting revenue on electric vehicle (EV)-related usage, a tax on electricity used at certain public EV charging stations and an additional weight-based registration fee for EVs and plug-in hybrid vehicles (PHEVs – hybrid vehicles which can run solely on electricity for short distances). Traditional hybrid vehicles (which always rely on a mix of electricity and gasoline) are not included in these fees or taxes.

Public Charging Station Tax

In May 2023, Montana imposed a $0.03 per kWh tax on public charging stations with a rated capacity greater than 25 kw.[2] The law has a phased implementation with charging stations installed after July 1, 2023 being taxed immediately and those built prior to July 1, 2023 being taxed beginning July 1, 2025. MDT receives revenue from the tax, less a small collection allowance, which is reported quarterly by the public utilities.

As of mid-November 2024, 95 out of 145 total public charging stations in Montana were under the 25 kw capacity and exempt from the tax, which are displayed in **Figure 2.8**.[xxiv] Sixteen charging stations were actively paying the tax, and 31 additional existing charging stations will be subject to the tax by July 1, 2025.

[2] According to conversations with MDT, the 25-kw limit was selected to exclude most residential charging stations to avoid charging Montana residents both EV registration and charging. The public charging station tax is meant to target EV road users that are traveling through or visiting Montana.

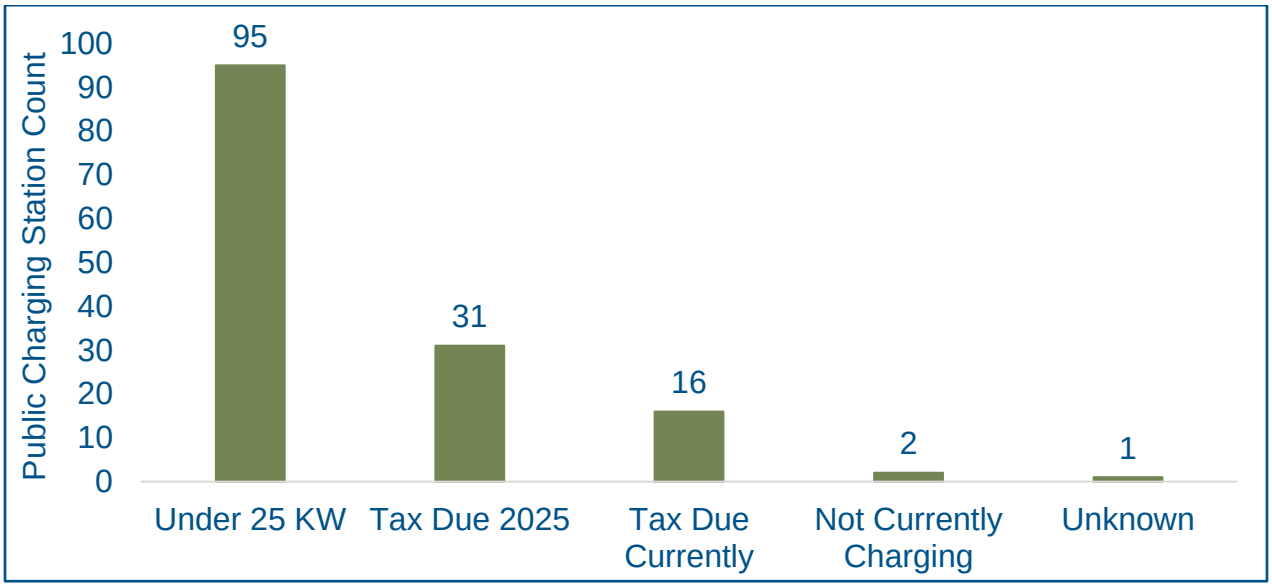

Figure 2.8 Montana Public Charging Stations

The initial revenues from the Public Electric Vehicle Charging Station Tax collected from the 16 eligible stations are illustrated in **Figure 2.9**.[xxv]

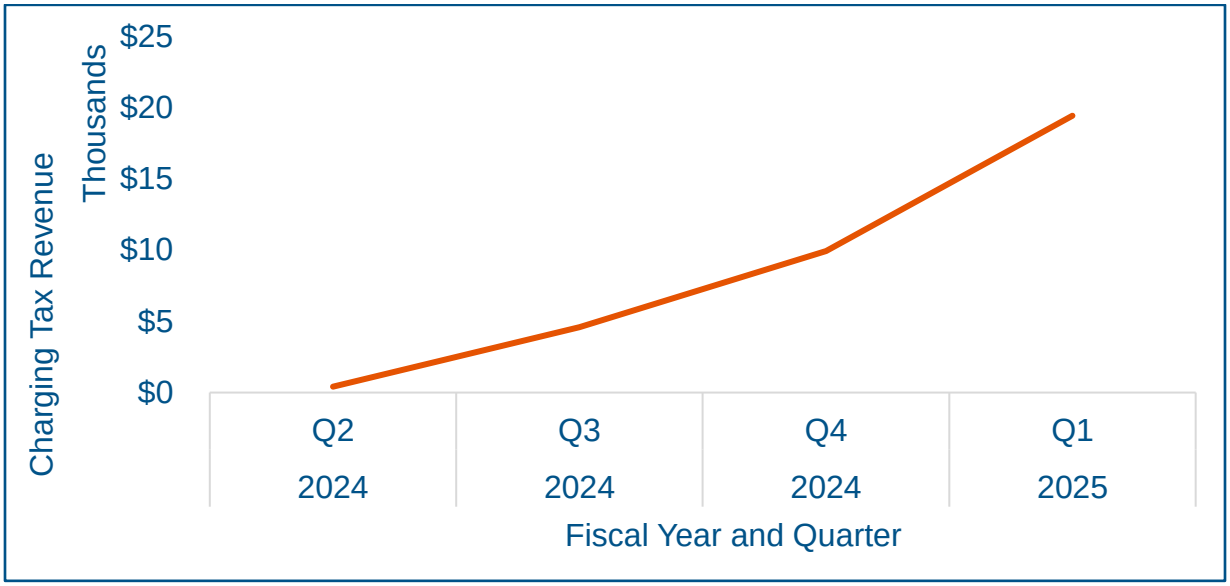

Figure 2.9 Public Charging Station Tax Revenue

EV and PHEV Weight-Based Registration Fees

In April 2023, Montana passed House Bill 60 (HB 60), which instituted an annual registration fee starting July 1, 2023. The fee is based on EV and PHEVs weight classes and range from $70.00 - $1,100.00, see **Table** .[xxvi]

Table 2.5 EV and PHEV Annual Registration Fees

	Class 1 (gross weight <6,000 LBS)	Class 2 (gross weight between 6,000 and 10,000 LBS)	Class 3 (gross weight between 10,001 26,000 LBS)	Class 4 (gross weight over 26,000 LBS)
EV	$130.00	$190.00	$340.00	$1,100.00
PHEV	$70.00	$100.00	$210.00	$700.00

Revenue collected from the HB 60 fees totaled almost $700,000 in FY 2024 and almost $500,000 in the first two quarters of FY 2025. **Figure 2.10** displays the HB 60 revenue by fiscal year quarter.[xxvii]

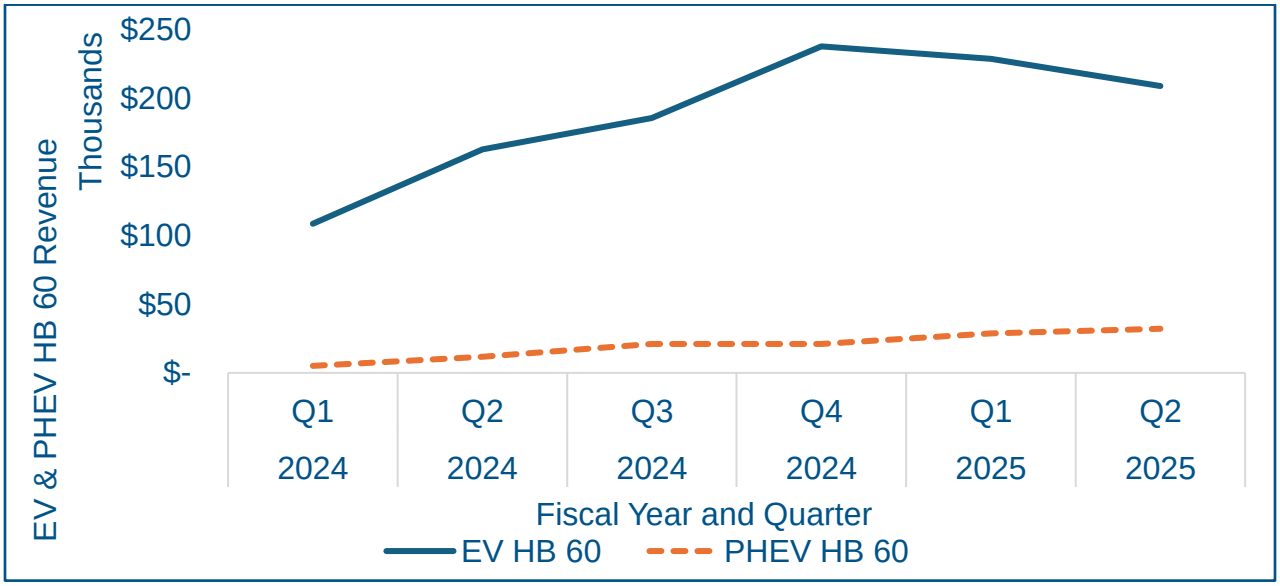

Figure 2.10 EV & PHEV Annual Registration Revenue

In addition to the annual registration fees, House Bill 439 (HB 439) instituted permanent registration fees for Class 1 and 2 EV and PHEVs 11 years or older, as shown in **Table 2.6**.[xxviii]

Table 2.6 HB 439 EV and PHEV Permanent Registration Fees

	Class 1 (gross weight <6,000 LBS)	Class 2 (gross weight between 6,000 and 10,000 LBS)
EV	$260.00	$380.00
PHEV	$140.00	$200.00

Revenue from permanent registration fees totaled $7,360 in FY 2024 and $8,440 in the first two quarters of FY 2025. The fiscal year quarter revenue is illustrated in **Figure 2.11**.[xxix]

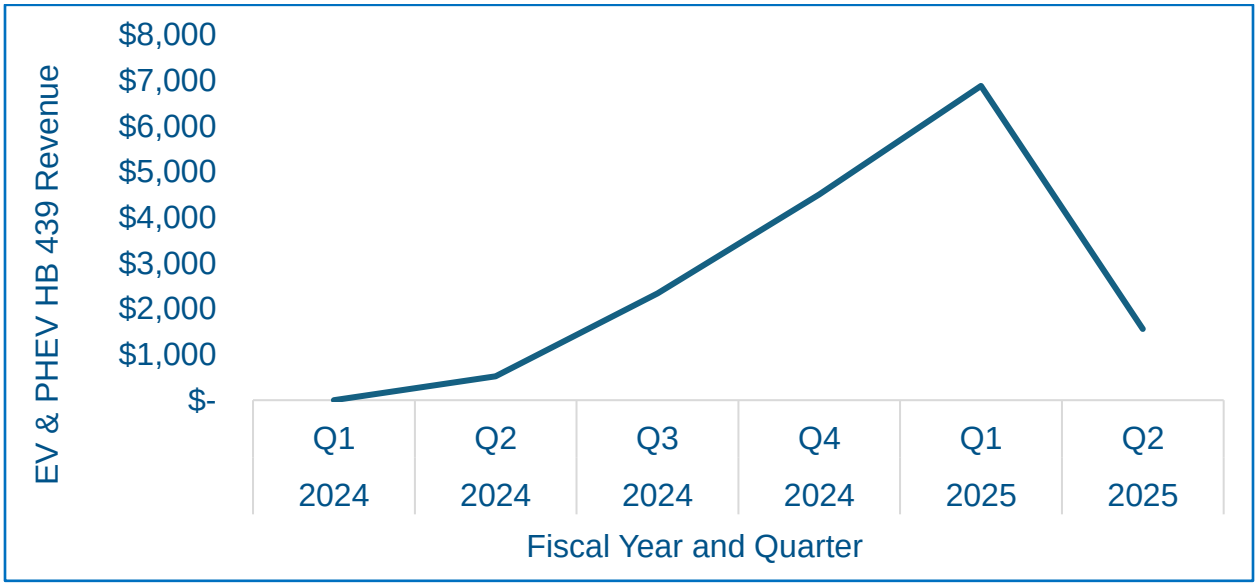

Figure 2.11 EV and PHEV Permanent Weight-Based Registration Fee Revenue

Highway Non-Restricted Account Funding Sources

Unlike the HSSRA, the Highways Non-Restricted Account has less stringent rules for spending. Montana generally employs the Non-Restricted Account to pay for activities ineligible for the HSSRA, including aeronautics, transit, noxious weeds, local ambulances, and staff salaries. However, MDT are not guaranteed these funds. The primary revenue sources for the Non-Restricted Account are commercial vehicle fees, including IRP Fees in Lieu of Taxes and IRP Registration Fees. **Figure 2.12** below displays the Non-Restricted Account revenue from the sources discussed below.[xxx]

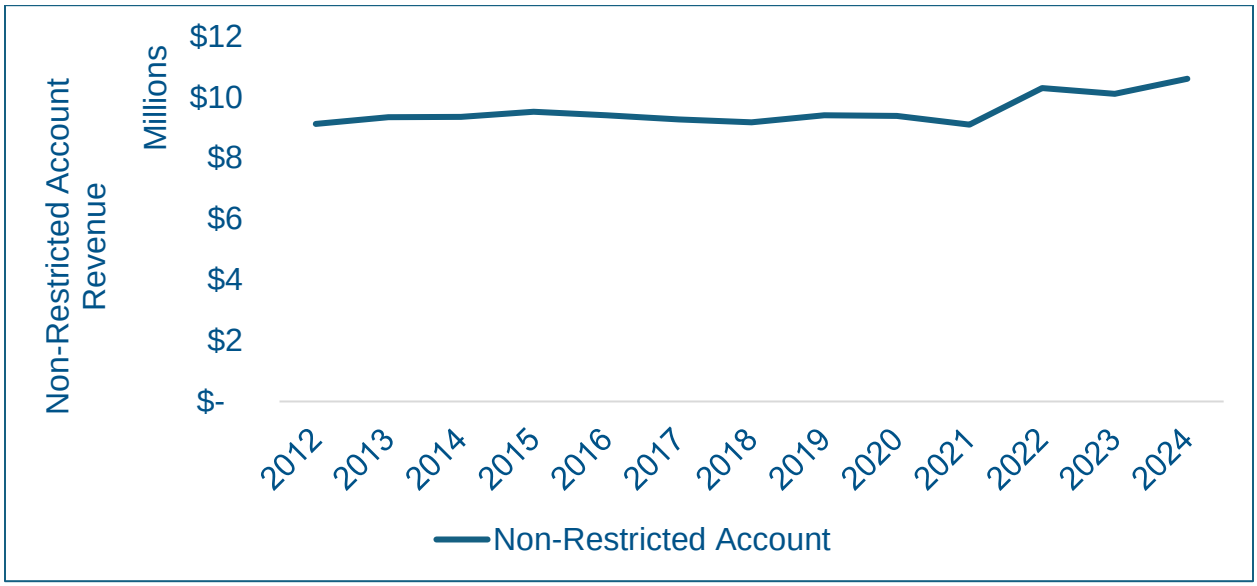

Figure 2.12 Highways Non-Restricted Account Revenue from Select Sources

Commercial Vehicle Fees

In addition to the GVW fees, MDT's Motor Carrier Services (MCS) Division collects other fees from commercial vehicles, overweight fees and oversize permits being the largest revenue sources. These revenue sources, which are not based on the GVW fee schedule, are deposited into the Non-Restricted Account. Revenues from overweight fees increased from $3.9 million in FY2021 to $4.8 million in FY2023, while revenue from oversize permits remained relatively steady from $1.35 million in FY2021 to $1.45 million in FY2023, as shown in **Figure 2.13**.[xxxi]

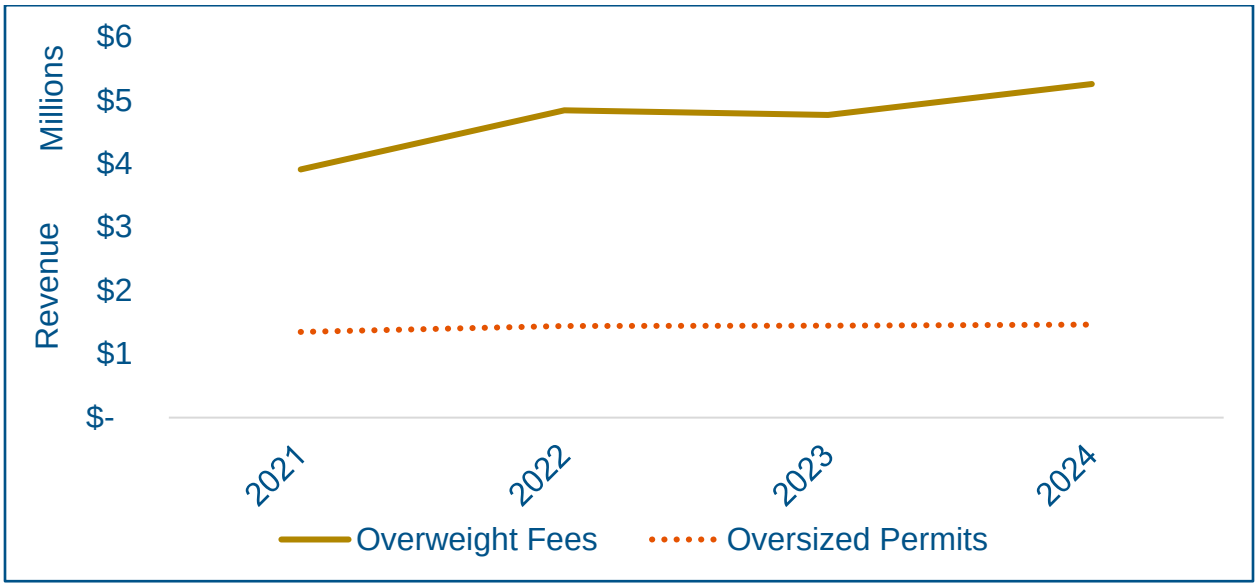

Figure 2.13 Commercial Vehicle Fees Revenue

In addition to the overweight fees and oversize permits, IRP Fees in Lieu of Taxes, and IRP Registration Fees are deposited into the Non-Restricted Account. IRP Fees in Lieu of Taxes increased from $3.1 million in FY2012 to $3.6 million in FY2024. IRP Registration Fees increased from $0.27 million in FY2012 to $0.32 million in FY2023. The Non-Restricted Account IRP fee revenues are shown in **Figure 2.14**.[xxxii]

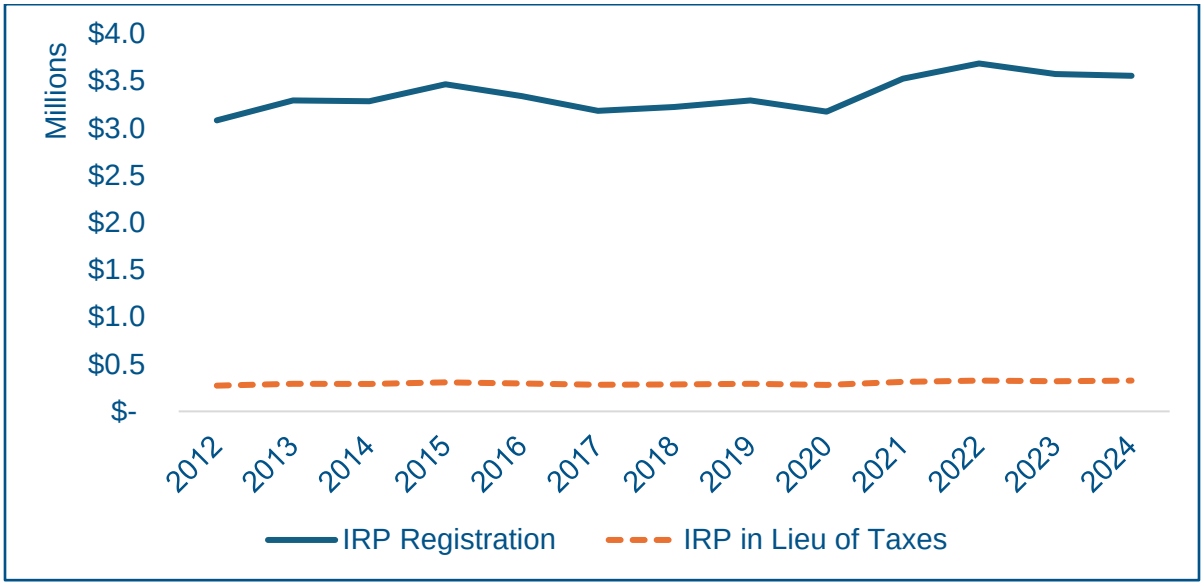

Figure 2.14 Non-Restricted Account IRP Fee Revenues

Transportation Trends

The revenue MDT collects from each source is impacted both by the legislatively-set tax rates or fee structures described above, and by underlying trends in transportation, including the number of miles driven in the state (VMT), the average fuel economy of the vehicles being driven (including the number of EVs, PHEVs, and hybrids) and the number of commercial vehicles paying registration fees and other permitting fees.

Vehicle Miles Traveled

The number of annual vehicle miles traveled (AVMT or VMT) in both urban and rural Montana has increased over the last decade from about 12 billion in 2013 to 13.7 billion in 2023, with a small decrease during the COVID-19 pandemic in 2020. The average annual growth rate was 1.4%. Over the same time frame, approximately 70% of all miles driven were in rural areas vs. 30% in urban parts of Montana each year, as shown in **Figure 2.15**.[xxxiii]

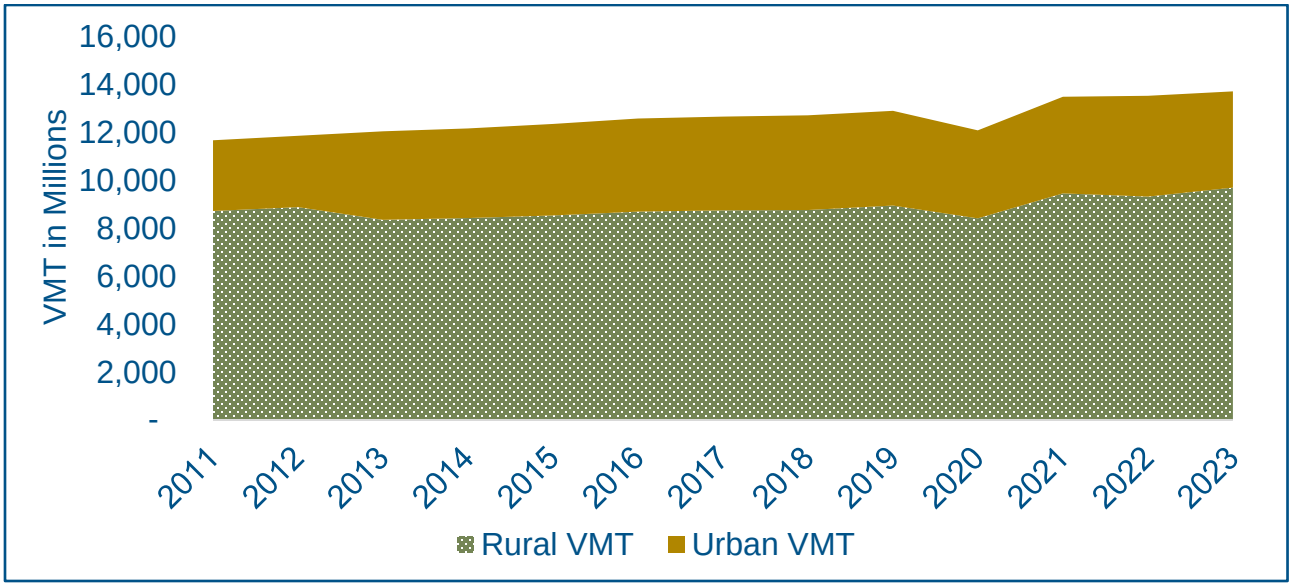

Figure 2.15 Urban and Rural Montana Annual Vehicles Miles Traveled (VMT)

Commercial VMT is also an important consideration because commercial vehicles generally have substantially lower fuel efficiency than passenger vehicles and they typically employ diesel fuel instead of gasoline. **Figure 2.16** displays the percentage of VMT attributable to commercial vehicles.[xxxiv]

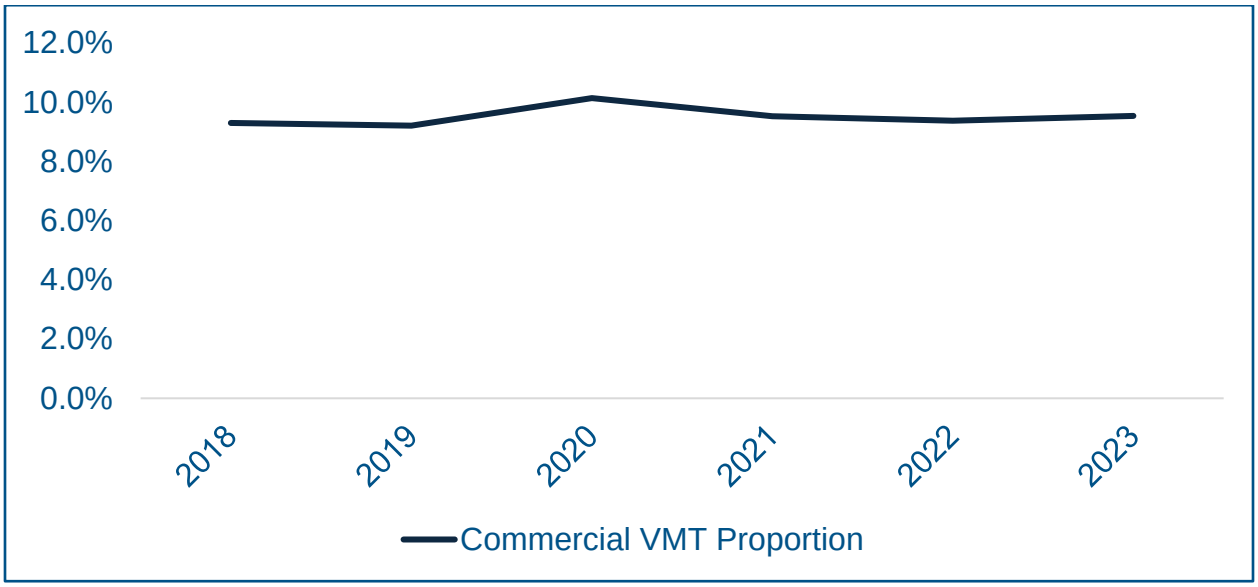

Figure 2.16 Commercial Proportion of Montana Annual Vehicles Miles Traveled

VMT directly influences Montana's transportation revenue as a key driver of fuel sales and fuel tax receipts, as well as IRP distributions. Historically, an increase in VMT is associated with an increase in fuel tax revenue; however, as more high-efficiency and/or electric and hybrid vehicles enter the fleet, the historical relationship between VMT and fuel tax revenues may change.

Registered Vehicle Mix

Today, Montanans primarily own gasoline-powered vehicles (approximately 79% of all registered vehicles) followed by diesel (~12%) and flexible fuel (~6%). EV, PHEV and hybrid vehicles combined make up less than 4% of total vehicles actively registered in the state as of December 2024, see **Figure 2.17**.[xxxv]

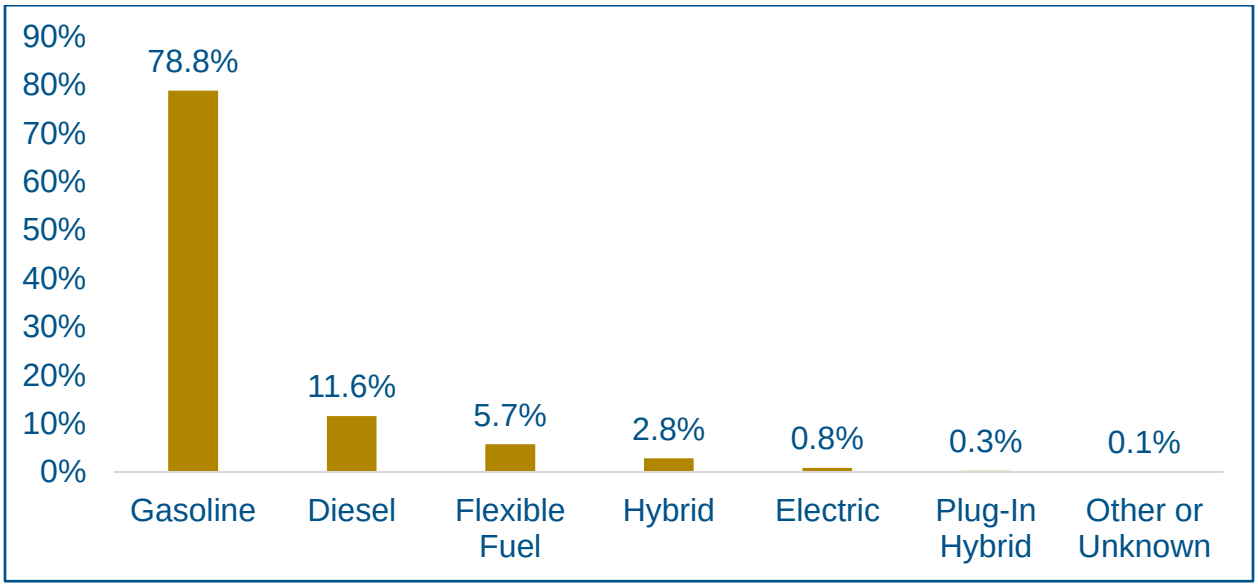

Figure 2.17 Montana 2025-2026 Vehicle Registrations by Fuel Type

Despite the small absolute numbers of EVs, PHEVs and hybrids, Montana is unlikely to be immune to national trends of overall growth in EV, PHEV and hybrid vehicle registrations as car manufacturers produce increasingly fuel-efficient fleets to meet consumer demand and the Corporate Average Fuel Economy (CAFE) national standards. Between 2016 and 2023, EVs have seen an average national growth rate of over 28%, while PHEVs and hybrids have growth rates of 19.1% and 8.3% respectively, see **Table 2.7**.[xxxvi]

Table 2.7 National Change in EV, PHEV, and Hybrid Light-Duty Vehicle Registrations

Fuel Type	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2016-2023 Average
EV	25.9%	33.7%	26.9%	23.1%	29.9%	40.3%	21.5%	28.8%
PHEV	26.3%	25.3%	14.0%	9.7%	21.5%	25.3%	11.5%	19.1%
Hybrid	7.3%	4.9%	6.0%	6.3%	12.8%	12.2%	8.7%	8.3%

Conclusion

Task 1 provides a detailed analysis of Montana's transportation funding structure and trends, identifying potential revenue challenges posed by technological shifts such as vehicle electrification and efficiency improvements. The analysis offers a foundation for future research tasks, including understanding the limitations and potential of existing

revenue sources, alongside opportunities for adapting to future demands. The findings presented herein are crucial for guiding policy decisions to ensure sustainable transportation funding for the Montana Department of Transportation (MDT).

Summary of Findings

The Montana Department of Transportation (MDT) relies primarily on two funding sources for their highway needs: the Highways Special Revenue Account (HSSRA) and the Highways Non-Restricted Account. The HSSRA has spending uses specified by the State Constitution, while the Non-Restricted Account can be used for activities ineligible for the HSSRA, including aeronautics, transit, noxious weeds, local ambulances, and staff salaries. However, MDT is not guaranteed Non-Restricted Account funds, because the legislature can use funds to pay for non-transportation related projects and costs.

In 2024, the analyzed HSSRA revenue sources generated $221.9 million. Key trends in HSSRA revenue sources include:

- **Gasoline Tax Revenue** – Revenue from the gasoline tax totaled $118 million in 2024, which is over 50% of HSSRA revenue. The source of this revenue, gasoline gallonage sales, has increased steadily over the past 14 years.
- **Special Fuels Tax Revenue** – Special fuels tax revenue has grown steadily since 2010, contributing $73 million in 2024, which is 33% of HSSRA revenue.
- **Gross Vehicle Weight Fees** – GVW fees revenue, collected through Form 3, County, and IRP GVW, totaled $30.5 million in 2024 (14% of HSSRA revenue).
- **EV and PHEV Taxes and Fees** – Introduced in July 2023, PHEV and EV taxes and fees include a permanent and annual registration fee and charging station taxes. While 2024 revenue was under $1 million (<0.5% of HSSRA revenue), this is expected to grow.

The Highways Non-Restricted Account primarily includes commercial fees revenue from overweight fees, oversize permits, and two IRP fees, IRP Fees in Lieu of Taxes and IRP Registration Fees. The Non-Restricted Account revenue rose steadily from an estimated $9.1 million in 2012 to $10.6 million in 2024.

Key factors driving highway-related revenue include annual vehicle miles traveled (VMT) and registered vehicles. Montana VMT grew steadily, except for a 2020 dip due to COVID-19, increasing from 11.7 billion in 2011 to 13.7 billion in 2024. The rural-urban VMT split has remained roughly 70% rural and 30% urban since 2013, with commercial vehicle miles stable at about 9.5%.

As of 2024, EVs and PHEVs represent 1% of total vehicle registrations in Montana. Although a small share, national growth rates for EVs (29%), PHEVs (18%), and hybrids

(8%) from 2016 to 2024 signal increasing electrification. This trend could reduce gasoline tax revenue, currently the largest non-federal HSSRA revenue source.

Next Steps

This Task 1 review of highway-related revenue sources and their key drivers establishes a foundation for the development of actionable models and forecasts to guide MDT's potential funding strategies in future tasks. The next steps will focus on creating robust tools for evaluating and addressing funding challenges while exploring equitable and adaptable policy alternatives.

Vehicle miles traveled (VMT) will be modeled as a key input to fuel gallonage projections and the associated tax revenue. Similarly, vehicle registration data will inform forecasts of revenue from EV and PHEV registration fees. These models will also incorporate broader trends, such as fleet fuel efficiency improvements, to assess their indirect impacts on gallonage and revenue. Together, these analyses will provide a dynamic framework for understanding how evolving transportation patterns affect revenue generation.

Building on these models, scenario-based forecasting will allow MDT to evaluate funding conditions under a range of potential futures. Scenarios will consider factors such as high EV adoption rates, shifts in commercial vehicle usage, and broader economic or technological trends that could influence transportation behaviors. Statistical time series methods will integrate these variables, enabling detailed projections of revenue availability under different conditions. This approach will help MDT identify vulnerabilities in the current funding structure and evaluate the resilience of alternative funding mechanisms.

The forecasts will inform an evaluation of funding alternatives by testing potential options such as adjustments to tax rates or fees, or hybrid funding models that blend traditional and emerging approaches. Each alternative will be assessed for its ability to provide stable revenue, ensure fairness across user groups, and align with Montana's broader policy objectives. By comparing trade-offs, MDT can identify the most viable options for addressing anticipated revenue shortfalls.

Through these steps, MDT will proactively address revenue challenges, adapt to changing transportation trends, and secure sustainable funding for Montana's transportation infrastructure.

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