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Senate BILL NO. 257
[Signature]
[Signature]

INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE DISPOSITION OF GASOLINE TAXES AND FEDERAL HIGHWAY FUNDS; CORRECTLY IDENTIFYING THE LOCAL TECHNICAL ASSISTANCE TRANSPORTATION PROGRAM; CORRECTLY IDENTIFYING ROUTE DESIGNATION IN ACCORDANCE WITH FEDERAL LAW; ALLOWING THE DISBURSEMENT OF GASOLINE TAXES TO CONSOLIDATED CITY-COUNTY GOVERNMENTS; MODIFYING FUNDING ALLOCATION FORMULAS TO REFLECT THE MOST RECENT CENSUS DATA; REVISING THE DEFINITION OF "RURAL POPULATION" AND "RURAL ROAD MILEAGE"; AMENDING SECTIONS 15-70-101 AND 60-3-206, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-70-101, MCA, is amended to read:

"15-70-101. Disposition of funds. (1) All taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be placed in a highway revenue account in the state special revenue fund to the credit of the department of transportation. Those funds allocated to cities, towns, ~~and~~ counties, and consolidated city-county governments in this section must, in accordance with the provisions of 15-1-501, be paid by the department of transportation from the state special revenue fund to the cities, towns, ~~and~~ counties, and consolidated city-county governments.

(2) The amount of \$16,766,000 of the taxes collected under this chapter is statutorily appropriated, as provided in 17-7-502, to the department of transportation and must be allocated each fiscal year on a monthly basis to the counties, ~~and~~ incorporated cities and towns, and consolidated city-county governments in Montana for construction, reconstruction, maintenance, and repair of rural roads and city or town streets and alleys, as provided in subsections (2)(a) through (2)(c):

(a) The amount of \$54,000 must be designated for the purposes and functions of the Montana ~~rural~~ local technical assistance transportation program in Bozeman.

(b) The amount of \$6,323,000 must be divided among the various counties in the following manner:

1 (i) 40% in the ratio that the rural road mileage in each county, exclusive of the ~~federal-aid interstate~~
 2 national highway system and the ~~federal-aid~~ primary system, bears to the total rural road mileage in the
 3 state, exclusive of the ~~federal-aid interstate~~ national highway system and the ~~federal-aid~~ primary system;

4 (ii) 40% in the ratio that the rural population in each county outside incorporated cities and towns
 5 bears to the total rural population in the state outside incorporated cities and towns;

6 (iii) 20% in the ratio that the land area of each county bears to the total land area of the state.

7 (c) The amount of \$10,389,000 must be divided among the incorporated cities and towns in the
 8 following manner:

9 (i) 50% of the sum in the ratio that the population within the corporate limits of the city or town
 10 bears to the total population within corporate limits of all the cities and towns in Montana;

11 (ii) 50% in the ratio that the city or town street and alley mileage, exclusive of the ~~federal-aid~~
 12 ~~interstate~~ national highway system and the ~~federal-aid~~ primary system, within corporate limits bears to the
 13 total street and alley mileage, exclusive of the ~~federal-aid interstate~~ national highway system and ~~federal-aid~~
 14 primary system, within the corporate limits of all cities and towns in Montana.

15 (3) (a) For the purpose of allocating the funds in subsections (2)(b) and (2)(c) to a consolidated
 16 city-county government, each entity must be considered to have separate city and county boundaries. The
 17 city limit boundaries are the last official city limit boundaries for the former city and must be used to
 18 determine city and county populations and road mileages in the following manner:

19 (i) Percentage factors must be calculated to determine separate populations for the city and rural
 20 county by using the last official decennial federal census population figures that recognized an incorporated
 21 city and the rural county. The factors must be based on the ratio of the city to the rural county population,
 22 considering the total population in the county minus the population of any other incorporated city or town
 23 in the county.

24 (ii) The city and county populations must be calculated by multiplying the total county population,
 25 as determined by the latest official decennial census or the latest interim year population estimates from
 26 the Montana department of commerce as supplied by the United States bureau of the census, minus the
 27 population of any other incorporated city or town in that county, by the factors established in subsection
 28 (3)(a)(i).

29 (b) The amount allocated by this method for the city and the county must be combined, and single
 30 monthly payments must be made to the consolidated city-county government.

1 ~~(3)~~(4) All funds allocated by this section to counties, cities, ~~and~~ towns, and consolidated
 2 city-county governments must be used for the construction, reconstruction, maintenance, and repair of rural
 3 roads or city or town streets and alleys or for the share that the city, town, ~~or~~ county, or consolidated
 4 city-county government might otherwise expend for proportionate matching of federal funds allocated for
 5 the construction of roads or streets that are part of the ~~federal-aid~~ primary or secondary highway system
 6 or urban extensions to those systems, ~~except that the~~. The governing body of a town or third-class city,
 7 as defined in 7-1-4111, may each year expend no more than 25% of the funds allocated to that town or
 8 third-class city for the purchase of capital equipment and supplies to be used for the maintenance and repair
 9 of town or third-class city streets and alleys.

10 ~~(4)~~(5) All funds allocated by this section to counties, cities, ~~and~~ towns, and consolidated
 11 city-county governments must be disbursed to the lowest responsible bidder according to applicable bidding
 12 procedures followed in all cases in which the contract for construction, reconstruction, maintenance, or
 13 repair is in excess of \$4,000.

14 ~~(5)~~(6) For the purposes of this section in which distribution of funds is made on a basis related to
 15 population, the population must be determined ~~by the last preceding official federal census~~ annually for
 16 counties and biennially for cities according to the latest official decennial census or the latest interim year
 17 population estimates from the Montana department of commerce as supplied by the United States bureau
 18 of the census.

19 ~~(6)~~(7) For the purposes of this section in which determination of mileage is necessary for
 20 distribution of funds, it is the responsibility of the cities, towns, ~~and~~ counties, and consolidated city-county
 21 governments to furnish to the department of transportation a yearly certified statement indicating the total
 22 mileage within their respective areas applicable to this chapter. All mileage submitted is subject to review
 23 and approval by the department of transportation.

24 ~~(7)~~(8) Except by a town or third-class city as provided in subsection ~~(3)~~ (4), the funds authorized
 25 by this section may not be used for the purchase of capital equipment.

26 ~~(8)~~(9) Funds authorized by this section must be used for construction and maintenance programs."
 27

28 **Section 2.** Section 60-3-206, MCA, is amended to read:

29 "**60-3-206. Apportionment of state funds to secondary highway system.** (1) Each fiscal year the
 30 department shall apportion the federal-aid highway funds allocated for the secondary highway system

1 among the counties. The proportion that each county receives is computed on the following basis:

2 (a) one-fourth in the ratio of land area in each county to the total land area in the state;

3 (b) one-fourth in the ratio of the rural population in each county to the total rural population in the
4 state;

5 (c) one-fourth in the ratio of the rural road mileage in each county to the total rural road mileage
6 in the state;

7 (d) one-fourth in the ratio of value of rural lands in each county to the total value of rural lands in
8 the state.

9 (2) To the extent necessary to permit orderly programming and construction of projects, obligations
10 in ~~any~~ a county may exceed the amount apportioned to that county. The amount of ~~any~~ excess obligations
11 must be deducted from future apportionments to that county.

12 (3) For the purposes of this section, terms are defined as follows:

13 (a) "Rural population" means total county population as reported in the latest decennial federal
14 census less the population in cities over 5,000 persons and their unincorporated fringe urban areas as
15 ~~reported in~~ determined by the department, using the latest decennial federal census. Federal census
16 ~~population figures must be adjusted in the interim between censuses in accordance with the percentage~~
17 ~~of change in annual motor vehicle registration figures for each county.~~

18 (b) (i) "Rural road mileage" means all road mileage outside of incorporated cities and towns,
19 exclusive of road mileage on the primary highway system and the national highway system, and those
20 roads that are inside incorporated cities and towns and are functionally classified and approved by the
21 commission as a major collector or a minor arterial, exclusive of road mileage on the primary system and
22 the national highway system.

23 (ii) Road mileage that lies within incorporated cities over 5,000 persons and their unincorporated
24 fringe urban areas, whose population is determined by the department, using the latest decennial federal
25 census, is not considered rural road mileage.

26 (iii) Rural road mileage reported by the road inventory of the department must be used in
27 determining rural road mileage.

28 (c) "Value of rural lands" includes the value of state-owned lands from which the state derives
29 grazing, timber, and agricultural income.

30 (i) The basis for the value of rural lands must be computed from the latest ~~biennial report of~~

1 available information from the department of revenue.

2 (ii) The basis for the value of state-owned lands must be computed from the latest figures on the
3 total grazing, timber, and agricultural lands in each county ~~contained in the latest biennial report of the~~
4 based on the most recent information available from the department of ~~state lands~~ natural resources and
5 conservation.

6 ~~(iii) The average value of privately owned lands is the average value of state owned lands if the~~
7 ~~actual value is not available."~~

8

9 NEW SECTION. Section 3. Effective date. [This act] is effective July 1, 1997.

10

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0257, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the disposition of gasoline taxes and federal highway funds; correctly identifying the local technical assistance transportation program; correctly identifying route designation in accordance with federal law; allowing the disbursement of gasoline taxes to consolidated city-county governments; modifying funding allocation formulas to reflect the most recent census data; revising the definition of "rural population" and "rural road mileage".

ASSUMPTIONS:


1. The funding should remain the same in the aggregate (with possible slight annual variations in the secondary program), but subtle changes could occur that would cause insignificant changes to the allocations to the governments of cities, counties, towns, and consolidated city-counties.
2. Variations in fuel tax allocations will occur because of the proposed change in using the most current population figures instead of the decennial (1990) census. Even if a particular city or county's population did not change substantially, or at all, changes in other cities or counties will have an effect on all other cities and counties allocations.
3. The following changes to the computation factors--rural population and rural road mileage--will impact the apportionment of federal-aid highway funds for the secondary highway system:
 - a) Use of decennial population figures rather than interim year population estimates: Urban area populations can be calculated only every ten years, and these population areas have an effect on the calculation of rural county populations.
 - b) Change in what is considered rural road mileage: A road is eligible for secondary system status if it is functionally classified as a minor arterial or a major collector. Secondary roads cannot lie within cities that are also within urban areas. To be an urban area, the city must have a population of 5,000 or greater. There are 14 of these urban areas and they have an urban system program to fund roads within these areas. Secondary roads can exist in cities of less than 5,000 population and the eligible road mileage in those cities will be included.

FISCAL IMPACT:

No fiscal impact

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Slight variations, ranging from approximately plus or minus three%, may occur in city or county allocations from the current law to the proposed law.

 2-5-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 2/5/97
BOB DEPRATU, PRIMARY SPONSOR DATE

Fiscal Note for SB0257, as introduced

SB257

1 SENATE BILL NO. 257

2 INTRODUCED BY DEPRATU, LAWSON

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE DISPOSITION OF GASOLINE TAXES
5 AND FEDERAL HIGHWAY FUNDS; CORRECTLY IDENTIFYING THE LOCAL TECHNICAL ASSISTANCE
6 TRANSPORTATION PROGRAM; CORRECTLY IDENTIFYING ROUTE DESIGNATION IN ACCORDANCE WITH
7 FEDERAL LAW; ALLOWING THE DISBURSEMENT OF GASOLINE TAXES TO CONSOLIDATED
8 CITY-COUNTY GOVERNMENTS; MODIFYING FUNDING ALLOCATION FORMULAS TO REFLECT THE MOST
9 RECENT CENSUS DATA; REVISING THE DEFINITION OF "RURAL POPULATION" AND "RURAL ROAD
10 MILEAGE"; AMENDING SECTIONS 15-70-101 AND 60-3-206, MCA; AND PROVIDING AN EFFECTIVE
11 DATE."

12
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14
15 **Section 1.** Section 15-70-101, MCA, is amended to read:

16 **"15-70-101. Disposition of funds.** (1) All taxes collected under this chapter must, in accordance
17 with the provisions of 15-1-501, be placed in a highway revenue account in the state special revenue fund
18 to the credit of the department of transportation. Those funds allocated to cities, towns, ~~and~~ and
19 consolidated city-county governments in this section must, in accordance with the provisions of 15-1-501,
20 be paid by the department of transportation from the state special revenue fund to the cities, towns, ~~and~~
21 counties, and consolidated city-county governments.

22 (2) The amount of \$16,766,000 of the taxes collected under this chapter is statutorily
23 appropriated, as provided in 17-7-502, to the department of transportation and must be allocated each
24 fiscal year on a monthly basis to the counties, ~~and~~ and incorporated cities and towns, and consolidated
25 city-county governments in Montana for construction, reconstruction, maintenance, and repair of rural roads
26 and city or town streets and alleys, as provided in subsections (2)(a) through (2)(c):

27 (a) The amount of \$54,000 must be designated for the purposes and functions of the Montana
28 ~~rural~~ local technical assistance transportation program in Bozeman.

29 (b) The amount of \$6,323,000 must be divided among the various counties in the following
30 manner:

1 (i) 40% in the ratio that the rural road mileage in each county, exclusive of the ~~federal-aid interstate~~
 2 national highway system and the ~~federal-aid~~ primary system, bears to the total rural road mileage in the
 3 state, exclusive of the ~~federal-aid interstate~~ national highway system and the ~~federal-aid~~ primary system;

4 (ii) 40% in the ratio that the rural population in each county outside incorporated cities and towns
 5 bears to the total rural population in the state outside incorporated cities and towns;

6 (iii) 20% in the ratio that the land area of each county bears to the total land area of the state.

7 (c) The amount of \$10,389,000 must be divided among the incorporated cities and towns in the
 8 following manner:

9 (i) 50% of the sum in the ratio that the population within the corporate limits of the city or town
 10 bears to the total population within corporate limits of all the cities and towns in Montana;

11 (ii) 50% in the ratio that the city or town street and alley mileage, exclusive of the ~~federal-aid~~
 12 ~~interstate~~ national highway system and the ~~federal-aid~~ primary system, within corporate limits bears to the
 13 total street and alley mileage, exclusive of the ~~federal-aid interstate~~ national highway system and ~~federal-aid~~
 14 primary system, within the corporate limits of all cities and towns in Montana.

15 (3) (a) For the purpose of allocating the funds in subsections (2)(b) and (2)(c) to a consolidated
 16 city-county government, each entity must be considered to have separate city and county boundaries. The
 17 city limit boundaries are the last official city limit boundaries for the former city and must be used to
 18 determine city and county populations and road mileages in the following manner:

19 (i) Percentage factors must be calculated to determine separate populations for the city and rural
 20 county by using the last official decennial federal census population figures that recognized an incorporated
 21 city and the rural county. The factors must be based on the ratio of the city to the rural county population,
 22 considering the total population in the county minus the population of any other incorporated city or town
 23 in the county.

24 (ii) The city and county populations must be calculated by multiplying the total county population,
 25 as determined by the latest official decennial census or the latest interim year population estimates from
 26 the Montana department of commerce as supplied by the United States bureau of the census, minus the
 27 population of any other incorporated city or town in that county, by the factors established in subsection
 28 (3)(a)(i).

29 (b) The amount allocated by this method for the city and the county must be combined, and single
 30 monthly payments must be made to the consolidated city-county government.

1 ~~(3)~~(4) All funds allocated by this section to counties, cities, ~~and~~ towns, and consolidated
 2 city-county governments must be used for the construction, reconstruction, maintenance, and repair of rural
 3 roads or city or town streets and alleys or for the share that the city, town, ~~or~~ county, or consolidated
 4 city-county government might otherwise expend for proportionate matching of federal funds allocated for
 5 the construction of roads or streets that are part of the ~~federal-aid~~ primary or secondary highway system
 6 or urban extensions to those systems, ~~except that the~~. The governing body of a town or third-class city,
 7 as defined in 7-1-4111, may each year expend no more than 25% of the funds allocated to that town or
 8 third-class city for the purchase of capital equipment and supplies to be used for the maintenance and repair
 9 of town or third-class city streets and alleys.

10 ~~(4)~~(5) All funds allocated by this section to counties, cities, ~~and~~ towns, and consolidated
 11 city-county governments must be disbursed to the lowest responsible bidder according to applicable bidding
 12 procedures followed in all cases in which the contract for construction, reconstruction, maintenance, or
 13 repair is in excess of \$4,000.

14 ~~(5)~~(6) For the purposes of this section in which distribution of funds is made on a basis related to
 15 population, the population must be determined ~~by the last preceding official federal census~~ annually for
 16 counties and biennially for cities according to the latest official decennial census or the latest interim year
 17 population estimates from the Montana department of commerce as supplied by the United States bureau
 18 of the census.

19 ~~(6)~~(7) For the purposes of this section in which determination of mileage is necessary for
 20 distribution of funds, it is the responsibility of the cities, towns, ~~and~~ counties, and consolidated city-county
 21 governments to furnish to the department of transportation a yearly certified statement indicating the total
 22 mileage within their respective areas applicable to this chapter. All mileage submitted is subject to review
 23 and approval by the department of transportation.

24 ~~(7)~~(8) Except by a town or third-class city as provided in subsection ~~(3)~~ (4), the funds authorized
 25 by this section may not be used for the purchase of capital equipment.

26 ~~(8)~~(9) Funds authorized by this section must be used for construction and maintenance programs."
 27

28 **Section 2.** Section 60-3-206, MCA, is amended to read:

29 **"60-3-206. Apportionment of state funds to secondary highway system.** (1) Each fiscal year the
 30 department shall apportion the federal-aid highway funds allocated for the secondary highway system

1 among the counties. The proportion that each county receives is computed on the following basis:

2 (a) one-fourth in the ratio of land area in each county to the total land area in the state;

3 (b) one-fourth in the ratio of the rural population in each county to the total rural population in the
4 state;

5 (c) one-fourth in the ratio of the rural road mileage in each county to the total rural road mileage
6 in the state;

7 (d) one-fourth in the ratio of value of rural lands in each county to the total value of rural lands in
8 the state.

9 (2) To the extent necessary to permit orderly programming and construction of projects, obligations
10 in ~~any~~ a county may exceed the amount apportioned to that county. The amount of ~~any~~ excess obligations
11 must be deducted from future apportionments to that county.

12 (3) For the purposes of this section, terms are defined as follows:

13 (a) "Rural population" means total county population as reported in the latest decennial federal
14 census less the population in cities over 5,000 persons and their unincorporated fringe urban areas as
15 reported in determined by the department, using the latest decennial federal census. ~~Federal census~~
16 ~~population figures must be adjusted in the interim between censuses in accordance with the percentage~~
17 ~~of change in annual motor vehicle registration figures for each county.~~

18 (b) (i) "Rural road mileage" means all road mileage outside of incorporated cities and towns,
19 exclusive of road mileage on the primary highway system and the national highway system, and those
20 roads that are inside incorporated cities and towns and are functionally classified and approved by the
21 commission as a major collector or a minor arterial, exclusive of road mileage on the primary system and
22 the national highway system.

23 (ii) Road mileage that lies within incorporated cities over 5,000 persons and their unincorporated
24 fringe urban areas, whose population is determined by the department, using the latest decennial federal
25 census, is not considered rural road mileage.

26 (iii) Rural road mileage reported by the road inventory of the department must be used in
27 determining rural road mileage.

28 (c) "Value of rural lands" includes the value of state-owned lands from which the state derives
29 grazing, timber, and agricultural income.

30 (i) The basis for the value of rural lands must be computed from the latest ~~biennial report of~~

1 available information from the department of revenue.

2 (ii) The basis for the value of state-owned lands must be computed from the latest figures on the
3 total grazing, timber, and agricultural lands in each county ~~contained in the latest biennial report of the~~
4 based on the most recent information available from the department of state lands natural resources and
5 conservation.

6 ~~(iii) The average value of privately owned lands is the average value of state-owned lands if the~~
7 ~~actual value is not available."~~

8

9 NEW SECTION. **Section 3. Effective date.** [This act] is effective July 1, 1997.

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-END-

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SENATE BILL NO. 257

INTRODUCED BY DEPRATU, LAWSON

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE DISPOSITION OF GASOLINE TAXES AND FEDERAL HIGHWAY FUNDS; CORRECTLY IDENTIFYING THE LOCAL TECHNICAL ASSISTANCE TRANSPORTATION PROGRAM; CORRECTLY IDENTIFYING ROUTE DESIGNATION IN ACCORDANCE WITH FEDERAL LAW; ALLOWING THE DISBURSEMENT OF GASOLINE TAXES TO CONSOLIDATED CITY-COUNTY GOVERNMENTS; MODIFYING FUNDING ALLOCATION FORMULAS TO REFLECT THE MOST RECENT CENSUS DATA; REVISING THE DEFINITION OF "RURAL POPULATION" AND "RURAL ROAD MILEAGE"; AMENDING SECTIONS 15-70-101 AND 60-3-206, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

THERE ARE NO CHANGES IN THIS BILL AND IT WILL NOT BE REPRINTED. PLEASE REFER TO SECOND READING COPY (YELLOW) FOR COMPLETE TEXT.

1 SENATE BILL NO. 257

2 INTRODUCED BY DEPRATU, LAWSON

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE DISPOSITION OF GASOLINE TAXES
5 AND FEDERAL HIGHWAY FUNDS; CORRECTLY IDENTIFYING THE LOCAL TECHNICAL ASSISTANCE
6 TRANSPORTATION PROGRAM; CORRECTLY IDENTIFYING ROUTE DESIGNATION IN ACCORDANCE WITH
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8 CITY-COUNTY GOVERNMENTS; MODIFYING FUNDING ALLOCATION FORMULAS TO REFLECT THE MOST
9 RECENT CENSUS DATA; REVISING THE DEFINITION OF "RURAL POPULATION" AND "RURAL ROAD
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10 MILEAGE"; AMENDING SECTIONS 15-70-101 AND 60-3-206, MCA; AND PROVIDING AN EFFECTIVE
11 DATE."

12

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14

15 Section 1. Section 15-70-101, MCA, is amended to read:

16 "15-70-101. **Disposition of funds.** (1) All taxes collected under this chapter must, in accordance
17 with the provisions of 15-1-501, be placed in a highway revenue account in the state special revenue fund
18 to the credit of the department of transportation. Those funds allocated to cities, towns, ~~and~~ counties, and
19 consolidated city-county governments in this section must, in accordance with the provisions of 15-1-501,
20 be paid by the department of transportation from the state special revenue fund to the cities, towns, ~~and~~
21 counties, and consolidated city-county governments.

22 (2) The amount of \$16,766,000 of the taxes collected under this chapter is statutorily
23 appropriated, as provided in 17-7-502, to the department of transportation and must be allocated each
24 fiscal year on a monthly basis to the counties, ~~and~~ incorporated cities and towns, and consolidated
25 city-county governments in Montana for construction, reconstruction, maintenance, and repair of rural roads
26 and city or town streets and alleys, as provided in subsections (2)(a) through (2)(c):

27 (a) The amount of \$54,000 must be designated for the purposes and functions of the Montana
28 ~~rural local~~ technical assistance transportation program in Bozeman.

29 (b) The amount of \$6,323,000 must be divided among the various counties in the following
30 manner:

1 (i) 40% in the ratio that the rural road mileage in each county, exclusive of the ~~federal-aid interstate~~
 2 national highway system and the ~~federal-aid~~ primary system, bears to the total rural road mileage in the
 3 state, exclusive of the ~~federal-aid interstate~~ national highway system and the ~~federal-aid~~ primary system;

4 (ii) 40% in the ratio that the rural population in each county outside incorporated cities and towns
 5 bears to the total rural population in the state outside incorporated cities and towns;

6 (iii) 20% in the ratio that the land area of each county bears to the total land area of the state.

7 (c) The amount of \$10,389,000 must be divided among the incorporated cities and towns in the
 8 following manner:

9 (i) 50% of the sum in the ratio that the population within the corporate limits of the city or town
 10 bears to the total population within corporate limits of all the cities and towns in Montana;

11 (ii) 50% in the ratio that the city or town street and alley mileage, exclusive of the ~~federal-aid~~
 12 interstate national highway system and the ~~federal-aid~~ primary system, within corporate limits bears to the
 13 total street and alley mileage, exclusive of the ~~federal-aid interstate~~ national highway system and ~~federal-aid~~
 14 primary system, within the corporate limits of all cities and towns in Montana.

15 (3) (a) For the purpose of allocating the funds in subsections (2)(b) and (2)(c) to a consolidated
 16 city-county government, each entity must be considered to have separate city and county boundaries. The
 17 city limit boundaries are the last official city limit boundaries for the former city and must be used to
 18 determine city and county populations and road mileages in the following manner:

19 (i) Percentage factors must be calculated to determine separate populations for the city and rural
 20 county by using the last official decennial federal census population figures that recognized an incorporated
 21 city and the rural county. The factors must be based on the ratio of the city to the rural county population,
 22 considering the total population in the county minus the population of any other incorporated city or town
 23 in the county.

24 (ii) The city and county populations must be calculated by multiplying the total county population,
 25 as determined by the latest official decennial census or the latest interim year population estimates from
 26 the Montana department of commerce as supplied by the United States bureau of the census, minus the
 27 population of any other incorporated city or town in that county, by the factors established in subsection
 28 (3)(a)(i).

29 (b) The amount allocated by this method for the city and the county must be combined, and single
 30 monthly payments must be made to the consolidated city-county government.

1 ~~(3)~~(4) All funds allocated by this section to counties, cities, ~~and~~ towns, and consolidated
 2 city-county governments must be used for the construction, reconstruction, maintenance, and repair of rural
 3 roads or city or town streets and alleys or for the share that the city, town, ~~or~~ county, or consolidated
 4 city-county government might otherwise expend for proportionate matching of federal funds allocated for
 5 the construction of roads or streets that are part of the ~~federal-aid~~ primary or secondary highway system
 6 or urban extensions to those systems, ~~except that the~~. The governing body of a town or third-class city,
 7 as defined in 7-1-4111, may each year expend no more than 25% of the funds allocated to that town or
 8 third-class city for the purchase of capital equipment and supplies to be used for the maintenance and repair
 9 of town or third-class city streets and alleys.

10 ~~(4)~~(5) All funds allocated by this section to counties, cities, ~~and~~ towns, and consolidated
 11 city-county governments must be disbursed to the lowest responsible bidder according to applicable bidding
 12 procedures followed in all cases in which the contract for construction, reconstruction, maintenance, or
 13 repair is in excess of \$4,000.

14 ~~(5)~~(6) For the purposes of this section in which distribution of funds is made on a basis related to
 15 population, the population must be determined ~~by the last preceding official federal census~~ annually for
 16 counties and biennially for cities according to the latest official decennial census or the latest interim year
 17 population estimates from the Montana department of commerce as supplied by the United States bureau
 18 of the census.

19 ~~(6)~~(7) For the purposes of this section in which determination of mileage is necessary for
 20 distribution of funds, it is the responsibility of the cities, towns, ~~and~~ counties, and consolidated city-county
 21 governments to furnish to the department of transportation a yearly certified statement indicating the total
 22 mileage within their respective areas applicable to this chapter. All mileage submitted is subject to review
 23 and approval by the department of transportation.

24 ~~(7)~~(8) Except by a town or third-class city as provided in subsection ~~(3)~~ (4), the funds authorized
 25 by this section may not be used for the purchase of capital equipment.

26 ~~(8)~~(9) Funds authorized by this section must be used for construction and maintenance programs."
 27

28 **Section 2.** Section 60-3-206, MCA, is amended to read:

29 **"60-3-206. Apportionment of state funds to secondary highway system.** (1) Each fiscal year the
 30 department shall apportion the federal-aid highway funds allocated for the secondary highway system

1 among the counties. The proportion that each county receives is computed on the following basis:

2 (a) one-fourth in the ratio of land area in each county to the total land area in the state;

3 (b) one-fourth in the ratio of the rural population in each county to the total rural population in the
4 state;

5 (c) one-fourth in the ratio of the rural road mileage in each county to the total rural road mileage
6 in the state;

7 (d) one-fourth in the ratio of value of rural lands in each county to the total value of rural lands in
8 the state.

9 (2) To the extent necessary to permit orderly programming and construction of projects, obligations
10 in ~~any~~ a county may exceed the amount apportioned to that county. The amount of ~~any~~ excess obligations
11 must be deducted from future apportionments to that county.

12 (3) For the purposes of this section, terms are defined as follows:

13 (a) "Rural population" means total county population as reported in the latest decennial federal
14 census less the population in cities over 5,000 persons and their unincorporated fringe urban areas as
15 reported in determined by the department, using the latest decennial federal census. Federal census
16 population figures must be adjusted in the interim between censuses in accordance with the percentage
17 of change in annual motor vehicle registration figures for each county.

18 (b) (i) "Rural road mileage" means all road mileage outside of incorporated cities and towns,
19 exclusive of road mileage on the primary highway system and the national highway system, and those
20 roads that are inside incorporated cities and towns and are functionally classified and approved by the
21 commission as a major collector or a minor arterial, exclusive of road mileage on the primary system and
22 the national highway system.

23 (ii) Road mileage that lies within incorporated cities over 5,000 persons and their unincorporated
24 fringe urban areas, whose population is determined by the department, using the latest decennial federal
25 census, is not considered rural road mileage.

26 (iii) Rural road mileage reported by the road inventory of the department must be used in
27 determining rural road mileage.

28 (c) "Value of rural lands" includes the value of state-owned lands from which the state derives
29 grazing, timber, and agricultural income.

30 (i) The basis for the value of rural lands must be computed from the latest ~~biennial report of~~

1 available information from the department of revenue.

2 (ii) The basis for the value of state-owned lands must be computed from the latest figures on the
3 total grazing, timber, and agricultural lands in each county ~~contained in the latest biennial report of the~~
4 based on the most recent information available from the department of ~~state lands~~ natural resources and
5 conservation.

6 ~~(iii) The average value of privately owned lands is the average value of state-owned lands if the~~
7 ~~actual value is not available."~~

8

9 NEW SECTION. Section 3. Effective date. [This act] is effective July 1, 1997.

10

-END-