Are We Too Poor to Fund Basic Public Services in Montana?

The Montana Legislature is wrestling with a $240 million dollar hole in the state budget that covers the next two years. The Governor and her allies emphatically state that Montana is way too poor to be able to stand any increase in taxes to close this gap. The only solution they tell us is to cut spending on education, health care, highways, prisons, etc. as well as raid the state’s savings account, reducing the interest earned on it and creating an even bigger hole in future years. The key question is whether we are really so poor and already so over-taxed that these are our only alternatives.

Despite the constantly repeated political mantra that we in Montana are over-taxed, the taxes paid by individuals in Montana are among the lowest in the nation. We have no general sales tax and most of us pay relatively modest income taxes because our federal taxes can be deducted before calculating our state taxes. The tax that does shock many of us, however, is the property tax on our homes and the way it keeps rising. That is largely the doing of the legislature as it shifts more and more responsibility for public services to the local level but does not provide the revenues to fund those services. That way the legislature and governor can say they did not raise taxes, it was school boards, counties, and city governments who did it. But even so, our residential property taxes remain right in the middle of all 50 states.

When all of our taxes are taken together, what is unusual about the taxes our families pay is how low they are compared to the rest of the nation, not how high they are. If we total all state and local taxes up we rank 47th in taxes paid per person and 32nd in terms of taxes paid as a percentage of average income. That is, in terms of
taxes we are either among the very lowest of the states or in the lower third depending on the measure you use.

The $240 million deficit in the state budget over the next two years could be closed if annual taxes were raised about $130 per person. That sounds like a lot of money but comes down to about 36 cents per day or $2.50 per week or $11 per month. So the cost is about half the cost of a can of pop, a bag of snacks, or a candy bar per day. Can we afford that without being driven into horrible poverty? We spend about $1,200 per person on gambling, alcoholic beverages, and tobacco products combined in Montana each year. That is about ten times what a tax increase to close the budget deficit would cost without cutting school, health, and basic infrastructure funding.

Relative to our incomes, the necessary tax increase comes to about six-tenths of one percent of average income in Montana. Any way you look at the size of the deficit and the taxes needed to close it, the size is tiny compared to the size of our overall economy.

One set of proposed tax increases focuses on activities that are clearly not necessities and which impose costs on all of the people of the state: smoking, alcohol consumption, and gambling. The opposition to raising the taxes on these activities is being led by the gambling industry, which likes to call itself the “hospitality” industry. Because gambling, alcoholic beverage consumption, and smoking blend together in the operation of the state’s casinos, that is not surprising.

According to a study commissioned by the Montana gambling industry¹, over a billion dollars was spent in gambling establishments in 2001. Since Montana is not a gambling resort destination like Las Vegas or Reno, Montanans spent most of this. That

comes to over a thousand dollars a year being spent in gambling establishments by every man, woman, and child in Montana. If that is true, are we really so strapped for cash that we are constantly struggling to make ends meet?

Of course, this number is a gross exaggeration. It includes the money spent purchasing gasoline at service stations that have casinos attached; it includes the meals and other food items purchased at the restaurants and convenience stores associated with the casinos; it includes the alcoholic beverages purchased at bars that have gambling machines. Only about a quarter of the total was actually revenue to the casinos from gambling.

But it is still the case that $761 million were wagered in Montana last year. Over half of that was returned to gamblers as “winnings.” But still, Montanans felt well-to-do enough to gamble almost three-quarters of a billion dollars, about $1,800 for every Montana household. This is not what one would expect in a state too poor to be able to afford adequate schools, highways, and police forces.

Let’s stop kidding ourselves and letting politicians tell us what they think we want to hear. Our actual personal spending patterns in Montana provides overwhelming evidence that we, in fact, can afford to tax ourselves at levels similar to what other Americans are paying. Any assertion to the contrary shows nothing but short-sighted selfishness that is certain to further undermine the standard of living and quality of life in Montana for us and our children for years to come.