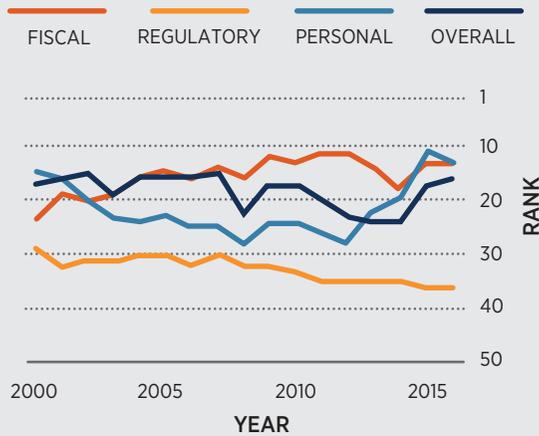


MONTANA

2016 RANK
16th



POLICY RECOMMENDATIONS

- **Fiscal:** Decentralize program responsibility and taxation authority from counties to municipalities, and make it easy for neighborhoods to incorporate.
- **Regulatory:** Montana is surrounded by right-to-work states. It should enact a similar law that does not violate freedom of association, like the one proposed in the “Labor-Market Freedom” section of this book.
- **Personal:** Abolish all mandatory minimum sentences for victimless crimes, and reduce maximum sentences significantly.



Population, 2017
1,050,493

Net Migration Rate
8.5%



State Taxes, Percent of Personal Income, FY 2017
4.79%

Local Taxes, Percent of Personal Income, FY 2015
3.15%

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Real Per Capita Personal Income, 2016, in 2009 \$
\$41,457

Real Personal Income Growth, CAGR, 2000-15
3.0%

ANALYSIS

Residents of Big Sky country enjoy ample personal freedom and good fiscal policy, but regulatory policy has seen a worrying, long-term decline in both absolute and relative terms.

Montana’s tax burden is well below the national average. State taxes have held steady over the last several years at about 5 percent of adjusted personal income. Local taxes spiked in FY 2009 but have settled down since to about 3.2 percent of income. Montanans have virtually no choice in local government, as counties control half of local taxes. Montana’s debt burden has fallen from 20.2 percent of income in FY 2007 to 12.2 percent now. Government employment and consumption have fallen since the Great Recession and are now slightly better than average. Overall, Montana has posted consistent gains on fiscal policy over the time period we analyze.

Land-use freedom and environmental policy have deteriorated since 2007. Building restrictions are now more onerous than average. Eminent domain reform has not gone far. The state’s renewable portfolio standards are among the toughest in the country, raising the cost of electricity. The state has a fairly high minimum wage for its median wage level. Overall, Montana is one of the least free states when it comes to the labor market. Health insurance mandates are extremely expensive. Montana has gone from one of the least regulated states for occupational licensing in 2000 to one of the more regulated today. However, licensing was trimmed in 2016, and nurses enjoy substantial practice

freedom. Insurance freedom is middling, as the state imposes some restrictions on rating criteria but has gone to “file and use” for most lines. It joined the Interstate Insurance Product Regulation Compact in 2013-14. There is a general ban on sales below cost, and medical facilities and moving companies both face entry barriers. On lawsuit freedom it is slightly above average (less vulnerable to abusive suits).

Montana is one of the better states for gun rights, although it has fairly extensive limits on where one may carry within cities. Montana also does well on gambling, where it has an unusual, competitive model for video terminals that does not involve casinos. On criminal justice, Montana is above average. Drug arrests are more than one standard deviation below the national average, but the incarceration rate is about average, when adjusted for crime rates. The state is schizophrenic on cannabis, with a reasonably liberal medical marijuana program but also the possibility of a life sentence for a single cannabis offense not involving minors and a one-year mandatory minimum for any level of cultivation. Montana reformed its terrible asset forfeiture law in 2015 but has not touched the equitable sharing loophole. Tobacco and alcohol freedoms are subpar, with draconian smoking bans, higher-than-average cigarette taxes, and state monopoly liquor stores. Educational freedom is slightly better than average, with fairly light regulation of private schools and homeschools and, since 2015, a strictly limited tax credit scholarship law. The state was forced to legalize same-sex marriage in 2014, and its oppressive super-DOMA was therefore also overturned.