

M O N T A N A
Policy Review

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A TIME FOR FISCAL REALITY

Local Government Finance Since I-105
Douglas J. Young

Indian Gaming in Montana: New Buffalo for Indians or Last Stand for the State
Franke Wilmer

Does Treasure State Endowment Work?
Richard L. Haines

The Credibility Gap: A Crisis of Legitimacy
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*Accounting for Community Change: Building
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Local Government Calendar

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M O N T A N A Policy Review

REFLECTIONS ON LOCAL GOVERNANCE

Was it: (1) A taxpayer's revolt; or (2) A smart Montana electorate doing a remarkably good job of picking and choosing from a menu of possible messages that could be sent to the 54th Legislature?

Despite the loss of CI-66 and CI-67, not to mention earlier voter rejection of similarly radical tax limitation proposals (e.g. CI-27 in 1986 abolishing the property tax and CI-55 in 1990 abolishing all taxes), some will continue to insist that what happened on November 8 was, nevertheless, a taxpayer revolt.

A more reasonable explanation might be that Montana voters really can recognize unworkable propositions when they see them. Who among us didn't wake up on Wednesday morning with a lot more respect for Montana voters than we had when went to bed Tuesday night?

In short, I think option 2, is the better explanation, particularly from the perspective of those who serve in local government. If so what is the intended message?

The wholesale rejection of incumbents at the national, state and even at the local level (where 40 newly minted Montana county commissioners will take office in January), is at least as much a voter demand for responsiveness and accountability from all levels of American government as it is a reformation of political ideology. Lets face it, most of the Montana legislators and county commissioners who got tossed out by the voters, even if they were life long liberals, would be considered moderate conservatives in some states and middle-of-the-roaders in most. There liabil-

ity was that they were incumbents in governments widely perceived to be in need of "reinvention". If that's the message, lets get on with the job.

At the state level, the Legislature will have the final report and recommendations of the Governor's Task Force to Renew Government to consider. (We trust that arbitrary bill introduction caps won't limit the ability of legislators to get on with the job of legislating needed reforms). At the local level, 33 counties and 79 cities and towns have now begun the local government review process. At this level cooperation -- even collaboration -- between local officials and study commissioners will be critical to the refurbished and sustained confidence in local government institutions.

Both of these vehicles will provide state and local lawmakers a wonderful opportunity to say to their voters "We heard your message loud and clear and here is what we are going to about it!"

As a consequence, our voters might then reasonably be expected to recognize and accept the fact that the Montana tax burden is relatively bearable compared to most states and that they are getting good value for their tax dollars. The failure, even the perceived failure, to respond decisively to the voter expectations for significant improvements in the way state and local governments govern will almost certainly lead in 1996 to the kind of radical limitations on government that the Montana voters have heretofore rejected.


Kenneth L. Weaver, Director
Local Government Center

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LOCAL GOVERNMENT FINANCE SINCE I-105

Douglas J. Young

Department of Agricultural Economics and Economics
Montana State University

....the purchasing power of per capita mill values declined by 20 percent or more, squeezing local government budgets.

Extraordinary research assistance was provided by Judy Mathre, and Stan Nicholson and Al Sokolow provided helpful comments, but the author is solely responsible for all conclusions and any errors, omissions, etc.

Summary

How have local government finances changed since Initiative 105 “froze” property taxes? Has I-105 restrained spending growth? Has the burden of paying for services been shifted to other revenue sources? What has happened to the citizens’ property tax burden? A comparison of county and municipal finances for Fiscal Years 1987 and 1993 reveals:

Expenditures

- ◆ County spending rose 9 percent, and general fund appropriations of municipalities increased an average of 32 percent. By way of comparison, inflation was 28 percent, and per capita incomes increased 35 percent. Thus, county spending grew much more slowly than, and municipal spending increased at about the same rate as, inflation and personal income.
- ◆ Although statewide population changed little, the smaller locales, on average, experienced substantial percentage declines in population while the larger areas grew. As a result of population decline, per capita expenditures rose much more rapidly in the smaller areas, even out-racing inflation by 10-20 points in the Class 3 cities and towns.

Budget Shares

- ◆ Property taxes are a smaller share of county budgets, partly as a result of the removal of most natural resources from the property tax rolls. Taxes levied on *non-resource* property actually pay for a *larger* share of budgets, except in the most populous quintile of counties.
- ◆ Property taxes have declined as a percentage of municipal general fund revenue - from 45 percent to 40 percent on the average.

♦Municipalities increasing rely on gaming revenues as a source of funding. Gaming revenues now are 15 percent of general fund budgeted revenues. Counties receive much more modest amounts of gaming revenues.

Property Tax Burdens

♦*Non-resource* property taxes *per capita* for county purposes rose more slowly than inflation and income statewide, but the disparities between counties were very large: In the most populous fifth of counties, inflation-adjusted, per capita, non-resource property taxes *declined* 17 percent, while in the smallest two-fifths of counties they *rose* 17-22 percent.

♦Per capita property taxes for municipalities grew more slowly than inflation and income.

I. Introduction

In 1986 Montana voters approved Initiative 105 which purported to “freeze” property taxes. At the time property taxes accounted for nearly half of the revenue of local government budgets.¹ Thus, a property tax freeze, while not requiring immediate reductions in expenditure, might eventually limit local government spending, especially since no provision was made for inflation adjustments. Alternatively, local governments might shift to other revenue sources such as fees for services or other taxes in order to mitigate the impact of the freeze. Thus, one purpose of this paper is to examine how local gov-

ernment expenditures and dependence on property taxes have in fact changed since I-105.

Many Montanans apparently voted for I-105 because they did not wish to see further increases in their own property tax bills.² Thus, another purpose of this paper is to examine what has actually happened to local government property tax burdens.

Of course I-105 was not the only influence on local government finances in recent years. Beginning in the 1980’s much of rural Montana saw a resumption of the long term trend of declining population which had been interrupted by booming agricultural and resource markets in the 1970’s. Declining population meant, on the one hand, that fewer citizens needed to be provided with services. But on the other hand, fixed costs had to be spread over fewer taxpayers whose property had often suffered declines in market value. Certain areas of western Montana, on the other hand, were experiencing quite the opposite trends as population, property values and demands on local infrastructure all increased.

The population decline in parts of eastern Montana was closely related to the decline of natural resources, which itself had an enormous influence on local government finances. In the middle 1980’s, oil, gas and coal were a majority of the property tax base in a number of counties. As a result of falling prices in the second half of the decade, the taxable value of natural resource production declined by over 50 percent by 1990. Beginning in 1991, almost all natural resources were removed from the local tax rolls and were instead subject to uniform statewide levies. While the new Coal Gross Proceeds and Local Government Severance Taxes were supposed to be revenue neutral, the practical effect of the changes was to greatly reduce the revenue raised by a

property tax mill, thus impairing the ability of county governments to fund projects largely on the basis of natural resource taxes.

The following two sections provide data on property taxes and budgets for Montana's counties and municipalities. The final section offers a summary and conclusions.

II. County Finances

Population

Table 1 describes changes in county populations between 1986 and 1992. In this and succeeding tables, Montana's 56 counties are classified according to population: the most populous 12 counties are Class 1, the next 11 are Class 2, and so on through to the Class 5 counties which have the smallest populations.³ The entries in the tables display the average values within each class. Thus, the average population of the Class 1 counties in 1986 was close to 45,000, while the Class 5 counties had an average population of about 1,800. Table 1 clearly displays the disparity in growth that has occurred between the classes: on average the most populous counties grew while the rest of Montana's counties shrank. In fact the dozen largest counties now account for over 70 percent of Montana's population. The smallest counties were particularly hard hit, losing on average more than a fifth of their populace.

Property Tax Base

One way of summarizing a county's property tax wealth is by the *mill value per capita* -

the number of dollars per resident that would be raised by a property tax levy of one mill. Generally, counties with higher mill values per capita are in a better position to fund various services than are counties with lower values. For example, if one county has twice the population of another as well as twice as large a tax base, then the per capita mill values of the two counties will be the same and their fiscal situations are likely to be similar. However, some services have costs that are not closely related to population (for example, road costs depend importantly on distance) and so the mill value per capita is not a perfect measure of fiscal capacity. Another difficulty is that a decline in population may leave a local government in financial straits if it has fixed costs (such as bonded indebtedness), even if per capita mill values are rising. Despite these defects, per capita mill values are useful indicators of comparative property tax bases and changes over time.

Table 2 displays per capita mill values for 1987 both including (TOTAL) and excluding the natural resource (NON-RESOURCE) portions of the tax base. Since natural resources were excluded by law in 1993, a comparison of the 1987 NON-RESOURCE and 1993 TOTAL variables reveals trends in the non-resource tax base. A comparison of the TOTAL values in the two years reveals what happened to the property tax base proper, but it does not account for the fact that some of the 1987 natural resource taxes were replaced by distribution of new statewide taxes on natural resources.

There are a number of striking features revealed in Table 2⁴. First, Class 1 counties have significantly smaller per capita tax bases than the other counties. This disadvantage may be offset, however, if there are large economies of scale in the provision of services. For example, per capita

road costs may be much lower in the more densely populated counties, or one extension agent may be able to work with larger groups about as well as he or she can with smaller groups. Second, in 1987 natural resources were almost a third of the property tax base statewide, and much larger proportions in many of the rural counties. Thus, and third, mill values declined dramatically by 1993 after natural resources were removed from the property tax rolls. Fourth, per capita *non-resource* mill values actually increased in this period in the rural counties, but by much less than the 28% inflation rate.⁵

Consequently, these data suggest a marked deterioration in the financial position of counties. In the urban counties, the purchasing power of a per capita mill was eroded about 25 percent by inflation. While these declines were smaller for the non-resource portions of the tax base in rural coun-

Consequently, these data suggest a marked deterioration in the financial position of counties.

ties, a comparison of Tables 1 and 2 reveals that this is mainly due to falling populations. Thus, counties facing fixed costs would experience financial difficulties. In addition, revenues from the new Local Government Severance Tax and the Coal Gross Proceeds Tax appear to have provided counties with only about half the revenues received from natural resource taxes in 1987.⁶ Thus county property tax bases, even accounting for the new resource taxes, represented substantially lower purchasing power by 1993.

Expenditures

Table 3 displays per capita expenditures for county "16 fund" budgets.⁷ These 16 funds make up over 90 percent of county spending, excluding enterprise funds which generally charge

fees for their services. Per capita spending was considerably larger in the less populated counties, especially in 1993 when per capita spending levels in the smaller two-fifths of counties were approximately four times those of the largest counties. The larger spending is probably explained by a combination of factors that have already been mentioned: fixed costs borne by declining populations; economies of scale in the provision of some services which probably benefit the larger counties; and the larger per capita tax bases in the rural counties.

County per capita spending grew about 7 percent statewide, much less than the inflation of 28 percent or the growth in per capita personal income of 35 percent.

County per capita spending grew about 7 percent statewide, much less than the inflation of 28 percent or the growth in per capita personal income of 35 percent.⁸ In the smallest two-fifths of counties, however, per capita expenditures increased about 30 percent. Even taking account of population declines, by 1993 these counties were spending more in absolute terms.

Property Tax Share of Budgets

Table 4 describes the share of county 16 fund budgets financed by property taxes. In 1987 this share was 55 percent statewide, and had declined to 44 percent by 1993. Some of this decline appears to be attributable to the removal of natural resources from the property tax rolls. Taxes levied on non-resource property in the rural counties actually increased their budget shares slightly. But non-resource property taxes paid for a smaller share of budgets in the most populous counties

and on average statewide. Thus, counties do seem to rely less on property taxes to fund their budgets in 1993.

Property Tax Burdens on Residents

The next table examines how county property tax burdens on residents have changed. One measure, displayed in Table 5, is per capita property taxes. As the expenditure data would suggest, property taxes are much higher relative to population in the less populous counties. This remains true even when resource taxes (which some argue are ultimately borne by out of state consumers or owners) are omitted. Although total property taxes per capita declined over this period, non-resource taxes increased about 13 percent statewide. The increases were considerably smaller than inflation or income growth in the largest counties, and considerably larger in the least populated counties. Thus, residents of the most rural counties would have seen a larger real bite from county property taxes, while residents of the most populated counties did not.

III. Municipal Finances

Population

This section presents corresponding results for Montana's cities and towns. There are nine Class 1, three Class 2, and thirty-six Class 3 cities, and seventy Towns included in the data.⁹ The population trends displayed in Table 6 mirror the county data: Montana's largest cities experienced modest population growth while populations declined in the smaller cities and towns. Overall, municipal population showed a very slight decline.

Property Tax Base

Montana's larger cities tend to have larger tax bases per capita than do the smaller cities and towns (Table 7). Over the last six years, mill values increased much less than inflation in ev-

ery class of municipality, and the modest increases in nominal values for the towns occurred primarily because of population declines. Thus, the purchasing power of municipal tax bases was significantly eroded during the period 1987-1993 and declining populations in the smaller cities and towns may have exacerbated their financial problems.

Expenditures

Despite these trends in the property tax base, municipalities increased their per capita general fund expenditures 32 percent - about the same rate as per capita income grew and slightly more than inflation (Table 8).¹⁰ The largest increases were in the smallest cities and towns, which may again reflect the problem of coping with fixed costs in the face of declining populations. Even so, larger cities spend considerably more per capita than do the smaller cities and towns.

Property Tax Share of Budgets

Property taxes were about 45 percent of municipal general fund revenues in 1987, and declined to about 40 percent in 1993 (Table 9). The decline occurred in all of the city classes, but towns actually slightly increased their dependence on property taxes.

Municipal per capita property tax burdens increased only 8 percent on average, lagging well behind both inflation and personal income growth

Property Tax Burden

The per capita burden of municipal property taxes for all municipal expenditures is displayed in Table 10. These are markedly higher in the larger cities than in the towns, reflecting larger expenditure levels and somewhat greater dependence on the property tax. Municipal per capita

property tax burdens increased only 8 percent on average, lagging well behind both inflation and personal income growth. Although the increases were three times higher in the towns than in the larger cities, even here they trailed both inflation and income growth.

Gaming Revenues

Finally, municipalities received gaming revenues averaging \$35 per capita or about 15 percent of municipal general fund budgets in 1993. Gaming revenues were a negligible revenue source for local governments in 1987, and thus help to explain how municipalities have been able to reduce their dependence on property taxes. Counties received much more modest amounts of gaming revenues which have not had a significant effect on county budgets.

IV. Summary and Conclusions

Four factors have dominated the evolution of Montana local government finances in recent years. First, the precipitous decline in the value of natural resource production has severely squeezed the budgets of certain counties. From 30 percent of the statewide property tax base in 1987, natural resources declined in just 3 years to about 18 percent, and then were removed from the local tax rolls entirely. While two new state collected taxes were instituted to replace the lost property tax revenues, resource production was exempted from further mill rate increases. An important consequence of the decline in the resource base has been a shift in property tax burdens toward other forms of property. Thus, while property taxes accounted for a smaller share of county budgets in 1993 than in 1987, taxes on *non-resource* property accounted for a larger share.

The second factor - closely related to the first - was a resumption of the long term declining population trend in eastern Montana. This trend had been interrupted in the 1970's when the energy and agricultural sectors boomed, but the 1980's saw lower energy and ag prices, and a reduction in related businesses as large amounts of land were placed into conservation reserves. Population has dropped and so have property values. While reduced populations may in the longer term require fewer government services, in the shorter term existing expenses are being spread over a smaller tax base. As a consequence, per capita spending and property taxes are rising. Indeed, some citizens are paying substantially increased taxes on residences whose market values have actually declined.¹¹

The third factor is the growth occurring in the half dozen trade and service center counties (and some of their satellites) located mostly in western Montana. Here populations and property values are both rising, but not fast enough to offset the effects of inflation. Thus, the purchasing power of per capita mill values declined by 20 percent or more, squeezing local government budgets. Despite recent upward reassessments of property values, per capita property tax burdens of local governments are also increasing more slowly than either inflation or personal income.

The fourth and final factor affecting government finances had been the growth in gaming revenues, which now contribute very significant amounts of revenue toward municipal (but not county) budgets. Thus, since I-105 was enacted municipalities have fared somewhat better than counties and their expenditures have, on average, kept pace with inflation. County spending, on the other hand, has trailed inflation by almost 20 percent since the enactment of I-105.

¹ These figures refer to county "16 fund" budgets and municipal general fund budgets. Other budgets and enterprise funds are excluded. K-12 school budgets are not included in this analysis.

² I say "apparently" because intentions were not observed - only the votes. The official declaration accompanying I-105 indicated that the original backers wanted to force the state legislature to provide alternative funding sources. See 15-10-401 MCA.

³ A list of the counties in each class is attached in Appendix A. Note that this classification system is for the purpose of analysis and does not depend on taxable value as does the county classification system established by 7-1-211, MCA. Butte-Silver Bow and Anaconda-Deer Lodge are included on a consolidated basis.

⁴ The entries in Table 2 are weighted averages of the values for the individual counties, with weights equal to county populations. For example, Yellowstone County's mill value receives about twice as much weight as Flathead County's mill value, because Yellowstone's population is about twice as large.

⁵ The inflation rate is based on the Consumer Price Index (CPI). Calendar year values for 1986-87 and 1992-93 are each averaged to obtain fiscal year values. Source: Council of Economic Advisors, Economic Report of the President 1994, GPO, WA DC.

⁶ Preliminary data suggest that counties received about \$28 million in natural resource tax revenues in FY87. In FY93 counties received \$9.8 million from the Local Government Severance Tax and \$3.7 million from the Coal Gross Proceeds Tax.

⁷ The list includes general, road, poor, district court, bridge, weed, fair, library, extension, airport, health, planning, hospital, bond interest, senior citizens, and comprehensive insurance funds.

⁸ Per capita income source: 1986 (\$12,162) and 1992 (\$16,379) - Bureau of Business and Economic Research, University of Montana.

⁹ The Montana municipal classification system, unlike the county system, is based upon population as set forth in 7-1-4111, MCA. Bainville, Big Sandy, Broadview, Brockton, Judith Gap, Lodge Grass, Poplar, Rexford, Troy, and Winifred were excluded due to missing data. Butte-Silver Bow and Anaconda-Deer Lodge are included as consolidated entities.

¹⁰ General fund expenditures are approximately 60-70 percent of total municipal expenditures, excluding enterprise funds. Consistent data were not available to adequately address the other components of expenditure.

¹¹ More information on this point is available from Douglas J. Young, "Montana Property Taxes Since I-105," available from the author.



INDIAN GAMING IN MONTANA: NEW BUFFALO FOR INDIANS OR LAST STAND FOR THE STATE?

Franke Wilmer

Department of Political Science, Montana State University

The prospect of new revenues and improved employment resulting from expanded gambling operations on Montana's seven tribal reservations pose important issues for tribal, state and local governments. Dr. Wilmer reviews the fractious history and current status of IGRA compact negotiations between the state and tribal governments in Montana and provides a sketch of the concerns and potential economic impacts of expanded gambling in Indian Country. Her central argument is that the expansion and regulation of reservation gambling is, at bottom, all about tribal sovereignty and that state and local government must learn to accept exclusive tribal jurisdiction on the reservation. Her recommendations focus on improving communication between tribal leadership and the leadership of the counties and municipalities surrounding the reservations.

In this article I will examine how conflicts arising in connection with Indian gaming have played out among the seven tribal governments in Montana in relation to Montana state and local politics. I will attempt to identify how and where struggles over sovereignty figure into efforts to negotiate and successfully implement state-tribal gaming compacts. It is hoped that this essay will provide clarification of these struggles and some insight into how they might be resolved.

Gambling in Montana

Some kinds of gambling were outlawed, and others regulated, by the Territorial Legislatures that predated Montana's statehood in 1889. The 1889 constitution contained an anti-gambling clause, which was augmented in 1895 and 1897 by anti-gambling legislation. Legislation passed in 1901 and 1907 further specifically banned and criminalized the possession of slot machines, and a 1915 law outlawed horse racing "or other contests involving the speed or endurance of animals." Anti-gambling laws were not vigorously enforced, however, and by 1937 a pro-gambling lobby succeeded in obtaining legislative blessing for limited forms of charitable and non-profit gambling activities as well as small-scale "entertainment" gambling in cigar and drug stores. All sponsors paid a \$10 annual fee to the state. Allowable forms of charitable gambling were expanded again in 1945, and by 1950 literally thousands of non-profit clubs were formed in Montana, many offering slot machine "entertainment" gambling. The federal government showed 5,871 slot machines in Montana in 1948. In 1950 the Montana State Supreme Court ended ambiguities in gambling laws by declaring that slot machines were illegal, even in non-profit clubs. Over the next 25 years a well-organized pro-gambling lobby mobilized and in 1964 even nominated a candidate for governor. Legalized gambling, they argued, "would draw millions in tourist dollars enabling the state to reduce taxes and spend more money on education."

Delegates to Montana's 1972 constitutional convention decided to put the issue of legalized gambling to the voters. As a side issue in the constitutional referendum, Montanans approved the legalization of

year later, 52% of the respondents said they already gambled, although most forms of gambling were illegal in the state at that time. A clear majority of those polled favored bingo, raffles, punch boards, pinball machines and a state lottery. Near majorities favored dog racing (49%) and poker clubs (48%), 44% approved of slot machines and 38% approved of dice games. Respondents were evenly divided on whether enforcement of state regulations should be handled locally or by the state.

In 1974 the Montana legislature approved the legalization of bingo and raffles, but outlawed slot machines. Under intense lobbying by the Tavern Association, whose members complained that falling liquor sales threatened many with bankruptcy, the legislature in 1985 approved video poker and keno machines to bail them out of the industry's slump. The 1985 law allowed the placement of five video poker machines in any establishment licensed to serve alcohol by the glass. Bingo, live keno and poker were permitted under local ordinances. The placement of keno machines in bars and restaurants was also regulated by local governments. In 1987 the state gaming policies were reviewed, and keno machines were placed under state jurisdiction, with the number of machines limited to 40, and then in 1989 to 20 per establishment. A 15% tax along with a \$100 per machine permit fee was also included in the 1987 law. Efforts to legalize blackjack or "21" have repeatedly failed. Local control over other forms of gambling continued until 1989 when the legislature turned over responsibility for regulating all gambling, except the state lottery and horse-racing, to the state when the Gambling Control Division was created under the Department of Justice.

The Growth of Indian Gaming

The first bingo halls opened on reservations in the 1970s and the first major court battle involving state-tribal conflicts over bingo was fought in Florida between 1981 and 1983.¹ The court, in trying to balance federal responsibility to protect tribal sovereignty with the state's interest in regulating gambling within its jurisdiction (which gen-

erally could not enforce Indian laws), decided that since gaming was not prohibited as a matter of public policy in Florida, then the tribe had a right to operate gaming enterprises. From this case emerged the general principle that Indian gaming was legal so long as it did not conflict with broadly defined public policy (if gambling in general is not prohibited by the state).

By 1988 there were more than 100 bingo establishments in Indian country, among them an operation that offered card games in addition to bingo run by the Cabazon and Morongo Bands of Mission Indians in California. When the state challenged the Indians' right to operate such an enterprise, the case, decided by the Supreme Court in 1987, again set a precedent that ultimately opened up Indian gaming to its present status with the additional stipulations outlined in the Indian Gaming Regulatory Act. According to the *Cabazon* case, once a state legalized a particular form of gambling, the Indians in that state could offer the same form of gambling without the restrictions -- notably hours and pot limits -- that might be applied by the state within its jurisdiction. This was because Indian land is not within the jurisdiction of the state except in some states under the limited conditions outlined in Public Law 280 as amended in 1968.

Initially, most tribal government leaders opposed the Indian Gaming Regulatory Act, and Montana's tribal government leaders were no exception. They viewed the act as an unwarranted encroachment into tribal sovereignty. The Johnson Act -- so often cited as the statutory source for the illegality of gambling on Indian reservations -- was not directed toward gambling in Indian country *per se*, but rather represented an attempt by the federal government to regulate an economic activity long associated with organized crime. Under the Johnson Act, through its power to regulate interstate commerce, Congress prohibited the manufacture, repair, sale or possession of slot machines, machines designed primarily for use in gambling, and the subassembly parts to be used in such machines within specific federal jurisdictions includ-

ing the District of Columbia, United States possessions, Indian country, and special maritime and territorial jurisdictions. By passing the IGRA Congress essentially authorized an exception to the Johnson Act, and that exception involved the possession and use in Indian country of any of the

It is no surprise, therefore, that opponents of Indian gaming have attempted to persuade policy makers that organized crime is involved in Indian gaming, even though all investigations into the matter, including those of the FBI, have produced no evidence of such a link.

machines otherwise prohibited by the Johnson Act when the state and tribal government negotiated a gaming compact. Indian country was included in the act because Indian country, like the District of Columbia, falls within the narrow scope of federal as opposed to state territorial jurisdiction. And even in relation to that jurisdiction, the federal government theoretically intrudes into tribal sovereignty only when it has a compelling interest in doing so, or when doing so is in the best interests of the Indian nations. Therefore the Johnson Act implicitly links a concern with the spread of the influence of organized crime in general with efforts to prevent its spread into federal territorial jurisdictions, including Indian country. It is no surprise, therefore, that opponents of Indian gaming, like Donald Trump, have attempted to persuade policy makers that organized crime is involved in Indian gaming, even though all investigations into the matter, including those of the FBI, have produced no evidence of such a link.

Gaming and Indian Nations in Montana

Prior to 1988, Indian nations in Montana engaged in a number of gambling activities, and many reservations had specific gambling halls. These activities included traditional games, such as the stick game or hand game, as well as bingo. Under the IGRA, these games are designated as Class I (traditional and social) and Class II (Bingo)

games, and do not require a tribal-state compact. These operations did not generate significant amounts of revenue. Combined bingo revenue of the Blackfeet and Northern Cheyenne in 1986-87, for instance, was only \$339,381. Video poker and keno machines fall into what the IGRA called Class III gaming, and like other forms of Class III gaming, is permitted on reservations when otherwise permitted in the state when conducted pursuant to a state-tribal gaming compact. When Class III gaming activities take place on a reservation with a state-tribal compact in place, the IGRA designates the tribal government as the regulating authority. Prior to the IGRA and in spite of the Johnson Act, which could be interpreted to make video poker and keno machines illegal on reservations, these machines were in operation on several reservations in Montana, primarily in Browning on the Blackfeet Reservation and in Polson on the Flathead Reservation. Most of the machines were located on the Flathead Reservation where 75% of the population is non-Indian.

Although Indian gaming operations have spread from six sites in four states in 1982 to over 175 sites in 26 states, only two Montana tribes have fully functioning compacts with the state of Montana. Both of these -- Assiniboine and Sioux Nations of the Fort Peck Reservation and the Crow -- now have casinos (one on each reservation so far) offering video poker and keno machines where limits on the number of machines, hours of operation and payouts (exceeding those allowable under state law) are determined by the tribal-state compact. Two tribal governments, Northern Cheyenne and the Chippewa-Cree, have negotiated interim agreements. The remaining three, Gros Ventre and Assiniboine of the Fort Belknap Reservation, the Blackfeet, and the Salish-Kootenai of the Flathead Reservation, have been embroiled in nearly constant legal battles with the state. We now turn to an examination of developments related to the attempt by Montana tribal governments to operate within the framework of the IGRA, as well as a consideration of the potential economic impacts of expanded gaming in each Indian community.

Northern Cheyenne

Prior to the IGRA, there were no more than 8 establishments offering some kind of gambling within the limits set by Montana state law. Subsequently, the tribal council passed an ordinance that allowed gambling machines only where they were operated by the tribe. As elsewhere, there were traditional forms of gambling played as well as some Bingo. As stated earlier, combined Bingo monies reported for Blackfeet and Northern Cheyenne in FY1986-87 was only \$339,381. When the IGRA first went into effect, Northern Cheyenne Tribal President Edwin Doble took the position that "Whatever the state authorizes, we're entitled to have on the reservation, but we'll regulate it, we'll tax it, and we'll license it ourselves."²

With a total population of 3906 (1990 census), of whom 91% are American Indian, the Northern Cheyenne Reservation has an unemployment rate of 28%. With 1419 persons in the Northern Cheyenne labor force, 396 are unemployed. Although unemployed persons are not reported by ethnicity, since 91% of the population of the Northern Cheyenne Reservation is native, we can conclude that most, if not all of the unemployed persons are Native American. Additionally, over half of the households were receiving some form of public assistance in 1990. Clearly a casino employing even 100 persons would reduce the unemployment rate by nearly 10%. Using a modest employment multiplier of 1.3 -- as suggested for amusement and entertainment services in one study of multipliers generated by a Montana input-output model -- 100 casino jobs could create an additional 74 jobs in the surrounding community. This would bring the unemployment rate down further to around 16%.

Although the Northern Cheyenne have successfully negotiated an interim agreement on gam-

bling with the state, there has been little interest in developing casino gambling. The tribe was approached by a South Dakota casino development and management company in 1992, but no deals were made to build a casino on the reservation. Northern Cheyenne President Doble did note during those meetings that the tribe needed more jobs, and that he believed that Indian casinos attract outside tourists rather than drawing from the local population.

Blackfeet

There were a few small gambling operations on the Blackfeet Reservation before the IGRA was passed in 1988, and several legal disputes arose in connection with these operations. One of these was owned and operated through a partnership between two Blackfeet tribal members and a Kalispell man who owned other operations in that area. A Blackfeet tribal court subsequently determined that the Blackfeet members were merely a front for the Kalispell owner, and the video gambling machines were confiscated in December, 1988. Another legal dispute on the Blackfeet Reservation involved a three-year investigation into gambling on Montana reservations by the state for alleged links to organized crime. In August, 1990 when the investigation turned up no evidence to support the allegations, a Browning casino owner took the tribe to court.

Like other tribes in Montana, Blackfeet representatives were involved in negotiations with the state pursuant to the IGRA. In June of 1992, then U.S. Attorney Doris Poppler had ruled that under the IGRA all Class III gaming on Indian reservations was illegal without the conclusion of a gaming compact between the tribe and the state. In October, 1992 Congress passed, and President Bush signed into law, an exemption allowing the continuation of Class III gaming in operation before the 1988 IGRA for 6 months in order to give the tribes and the state a final opportunity to come to agreement. The six month extension period was set to expire April 24, 1993, placing greater pressure on the tribes to bargain with the state. Efforts to reach agreement between the Blackfeet and the

state broke down in February, 1993, and with less than a month until the deadline, the Blackfeet filed suit at the end of March. The Blackfeet suit alleged that the state had failed to negotiate in good faith, and asked the court to order the state to negotiate a compact or submit the matter to arbitration -- a move outlined in the IGRA -- within 60 days. The state responded in May by claiming immunity from the suit based on the 11th amendment of the U.S. Constitution.

During the extension period, the tribe closely monitored the activity of the few gaming machines on the reservation, and estimated that with 15% of the profits paid to the tribe, in 6 months these machines would only generate about \$280,000 of funds. However, the reservation borders Glacier National Park and Waterton National Park which attract over 2 million visitors annually. Parts of Glacier Park are, in fact, within reservation boundaries. It is already estimated that nearly all of the gambling revenues for Class III operations that were generated before being shut down in April, 1993 could be attributed to the flow of tourists through the area. A full-scale casino, therefore, has the potential not only to appeal to the large numbers of tourists already travelling through the area, but to provide opportunities for the tribe to invest in other tourist-oriented operations such as hotels and restaurants. Additionally, Browning is home to the popular Museum of the Plains Indian and North American Indian Days held in July.

In August, 1992 the Gaming Corporation of America estimated that an Indian casino on the tourist bus route from Lethbridge to Kalispell and Great Falls (eventually stopping at Ft. Peck before returning to Lethbridge) would create 300 jobs on the Blackfeet Reservation. Again, using a conservative multiplier of 1.3, a casino employing 300 people would create an additional 222 jobs. Furthermore, for jobs created in the hotel/lodging sector, a job multiplier of 1.3 would mean another 77 jobs for every 100 jobs there.³ With a total population of 8,488 of whom 84% are American Indian, the Blackfeet Reservation reported a labor force of 3,121 and an unemployment rate of 25.1% in 1990.

A casino employing 300 people would immediately drop the unemployment rate to 15.5%, and with the job multiplier to 8.4%. If only half of these were in the hotel and lodging sector, the unemployment rate would be reduced altogether to 5.8%. In an attempt to develop a preliminary agreement with the Blackfeet and Ft. Peck tribes, the Gaming Corporation of America promised the tribes a profit of between \$150,000 to \$200,000 per month from casinos employing 250 to 300 people.

Since ending talks in 1993, and subsequently filing and then dropping a lawsuit against the state,

In August, 1992 the Gaming Corporation of America estimated that an Indian casino on the tourist bus route from Lethbridge to Kalispell and Great Falls (eventually stopping at Ft. Peck before returning to Lethbridge) would create 300 jobs on the Blackfeet Reservation.

there has been no further progress toward the negotiation of a gaming compact. Although the reservation needs the jobs a casino would create, there seems to be two concerns contributing to a generally cautious posture on the issue of economic development through gaming. The first is that the issue still raises questions of sovereignty and there is a general concern that

any negotiations with the state or federal government represent a potential diminishment of sovereignty. There is no interest in trading sovereignty for economic development. The second concern is a growing caution in the area of economic development, a concern for diversification and long-range planning as well as an interest in determining the feasibility and potential profitability of gaming or any other business enterprise before investing tribal assets. A tribal representative meeting with a large casino firm interested in developing Blackfeet gaming said that the firms "come on a little strong."

Fort Belknap

In addition to traditional social games, the tribes of Fort Belknap operated a full-time Bingo hall which, in 1990, accounted for 15 jobs, \$115,000

in salaries and \$250,000 in prize awards. By June 1992, when Doris Poppler declared illegal all Class III reservation gambling without compacts, there were also some 39 video gambling machines at 6 locations. These machines accounted directly for 20-30 jobs as well as additional hours and a few jobs not directly related (cooks, cashiers) but which were cut back as a result of the machines being shut down.⁴ Tribal chair William "Snuffy" Main estimated that the shut down cost the tribe \$35,000 per month. One tribally owned convenience store was reportedly generating \$100,000 per year in gaming revenue from four machines.

"The big issue with us is jurisdiction," Chairman Main said. "It's not so much an issue of gambling. It's the principle," he claimed.⁵ At least part of the dispute centered on the ability of the tribe to establish its own payout limits. The Fort Belknap Indian community filed suit against the state in July, 1992, noting that the Fort Belknap tribe would be the easiest for the state to come to an agreement with and asking for a court-appointed arbitrator to conduct negotiations. Like the suit filed by the Blackfeet, the Fort Belknap suit alleged bad faith on the part of state negotiators. "The state has the same approach in other issues: It's either their way or no way," said Snuffy Main.

The tribe had plans to build a casino, restaurant and motel on the reservation. The nearest lodging is now off the reservation in Chinook on U.S. highway 2, which is a major route for tourists travelling through the state. Even without the machines, the tribe still receives some revenue from the bingo operation. While the machines were operating, gambling proceeds are distributed to a tribal sharing fund (18%), to Fort Belknap Bingo Enterprises (36%), to the machine operators (36%), and 10% to the Tribal Gaming Office. Vice Chairwoman Vera Garmann points out that gambling revenue sharing is used to assist families, the elderly, students who need help with books and tuition costs, estimating that 50-60 people per month were receiving some kind of aid from the gambling revenues.

In addition to the hard data we have on the impact of shutting down the 39 machines that were operated on Fort Belknap prior to June 1992, it is worth considering the potential impact of a modest casino, hotel and restaurant that the tribe had planned. Fort Belknap has a total population of 2,483 as of 1990, of whom 93% are American Indian. With a labor force of 830, the unemployment rate at Fort Belknap was 26.9% in 1990. If the casino-restaurant-hotel complex employed 150 persons, the unemployment rate would immediately drop to 8.8%, essentially a condition close to full employment. This also means that any jobs created as a secondary effect of casino employment would necessarily involve off-reservation hiring. Using the multipliers suggested earlier for the entertainment sector, the planned casino could have generated roughly 115 more jobs for the surrounding area.

Chippewa-Cree of the Rocky Boy's Reservation

Before Class III gaming on Indian reservations in Montana (except Fort Peck which had a compact with the state) was shut down in June, 1992, there was only one casino, with 19 machines, operating on the Rocky Boy's Reservation. As elsewhere, there were live bingo games, card games at pow wows, and traditional forms of social gambling prior to the passing of the IGRA. On

According to tribal representatives, a major obstacle was the question of jurisdiction over non-Indian gaming ...on the reservation.

July 8 the tribe threatened to sue the state if an interim agreement could not be reached within 10 days.⁶ According to tribal representatives, a major obstacle was the question of jurisdiction over non-Indian gaming, even though there were no gaming establishments owned by non-Indians on the reservation. Representatives signed an temporary agreement on July 29. The agreement provided for a limit of 25 machines at tribally owned and operated sites, with 20 machines, as provided by state law, elsewhere. The agreement would not go into effect until approved by the Tribal Business Coun-

cil, and it was, in fact, subsequently rejected by the Council.

The Tribal Business Council outlined its reasons for rejecting the pact in a position paper issued in August. In the paper the tribe held that:⁷

(1) the tribe would be the sole operator on the reservation;

(2) the state must stay out of all jurisdictional aspects -- regulation, taxation, and law enforcement -- leaving all jurisdictional issues to the tribe and the federal government;

(3) the state's demand to regulate the number of games, betting amounts, purse size, and hours of play are all unacceptable to the tribe; and

(4) all disputes arising between the state and tribe should be settled in federal court with both parties waiving their sovereign immunity.

As of October tribal representatives were still holding out on the issue of the state assuming any jurisdiction on the reservations, but by April, 1993, they had signed the interim agreement. At that time, the tribe still took the position that

*the state has not dealt reasonably with the Chippewa Cree tribe in forcing restrictive limits on machines and prizes, but we acted for economic reasons.*⁸

Of the 1,531 residents of Rocky Boy's, 96% are Native American. The 1990 census reported a labor force of 485 persons, of which 35.6% were unemployed. The smallest reservation in the state -- 108,015 acres, or roughly one-fourth the size of the Northern Cheyenne Reservation with half as many residents -- Rocky Boy's has few natural resources. The reservation is, however, located along the Montana highline and is just a few miles off of Highway 2 and the town of Havre, making it a convenient and likely stop for Canadian and other tourist traffic going both west to Glacier Park or south to the Flathead Valley and Yellowstone Park. The Baldy Mountain Ski Area, located on the reservation and owned by the tribe, along with the Rocky Boy's Recreation Area further enhance

the potential for other kinds of entertainment and recreational enterprises. It is not unreasonable, therefore, to believe that a even a small casino would be a profitable enterprise and would be able to attract off-reservation dollars. A casino employing 50 people would mean a direct reduction in unemployment to 25%, and a potential to create another 38 jobs throughout the community, bringing unemployment down to 17%. A casino employing 100 people would virtually eliminate unemployment on the reservation.

Confederated Salish and Kootenai Nations of Flathead

There were more operations offering Class III gaming on the Flathead Reservation prior to the passing of the IGRA in 1988 than on any other reservation in Montana. Virtually all could be classified as Class III because they offered video-machine gambling. Most, 44 out of 58, were also owned by non-Indians. Representatives of the Salish-Kootenai government stated at the outset of their efforts to develop workable state-tribal agreements on gaming stated that "We are not really a gambling tribe, but we want to protect our sovereignty."⁹ Like many tribes, they opposed the IGRA "as a matter of principle."

Within a few months, however, representatives of the Salish-Kootenai Confederated tribes along with other Montana tribal governments, had agreed to enter into talks in order to negotiate tribal-state gaming compacts. With a one year "grace" period to allow existing gambling to continue while the state and tribal governments sought agreement on a compact, tribal representatives pointed to a concern for the economic impact of gambling revenue as the reason for entering into the negotiation process in spite of general objections to the IGRA.¹⁰ Gaming revenue was already a significant source of revenue for general funds of several cities on the reservation. Polson, for example, was receiving 27% of the city's general fund from gaming revenue.

A year later the talks seemed to drag on without signs of progress. Enforcement of the

agreement. Then, in January, 1990, political controversies over whether or not the new state-tribal relationship would result in the state "losing control" of gambling began to surface. "Jacks or better" poker was outlawed, resulting in the loss of an estimated 70 jobs and an annual payroll loss of \$1.5 million in the Flathead valley. By February the state and tribe were at odds over whether negotiations should be conducted in or out of the public spotlight, with the tribe favoring closed door sessions in order to minimize public pressure and gaming industry lobbying influence, while the state threatened to pull out of talks conducted "behind closed doors." Tribal representatives also opposed the state's demand to limit the number of machines in tribal gambling operations.

It was also at this time that the legislature opened a debate on the possibility of legalizing blackjack. The governor took the position that legalized blackjack would fundamentally change the nature of gambling in Montana and attract "...an unsavory type of player -- the sophisticated, hardcore gambler who likes live card games played against the house."¹¹ The governor also favored limiting the size of Montana casinos, believing that this would make the regulation of gambling easier. Blackjack, the state asserted, would necessarily lead to larger, expanded casinos. The tavern owners, on the other hand, claimed that blackjack was essential in order for them to compete with neighboring gambling states, such as South Dakota, and enable Montana gaming operators to attract Canadian tourists.

With no progress in sight on the issue of negotiating a state-tribal compact with the Flathead confederated tribes in 1991, operators continued doing business as usual. The blackjack bill was defeated in February, 1991, in spite of the testimony given in the legislature from other states with blackjack that they had experienced no increase in crime and, in fact, blackjack brought economic booms to otherwise dying towns. The IGRA was running into trouble nationwide as other tribes and states reached similar impasses and took their dis-

agreements into the federal courts. Wisconsin was ordered to negotiate a compact with the Mole Lake and Law de Flambeau Chippewa tribes in September. One federal judge ruled that the term "lottery" referred to any game of chance. Montana joined seventeen other states bringing suit to halt casino-style Indian gaming without explicit state authority. In November, 1991 a federal judge ruled that the "use of slot machines and any other gambling devices illegal in Montana are not protected by state-tribal compacts."¹²

Statewide, tribal negotiations with the state were stalled on several issues, including jurisdiction over non-Indian owned operations -- a big issue

The IGRA was running into trouble nationwide as other tribes and states reached similar impasses and took their disagreements into the federal courts.

on the Flathead Reservation with the largest number of operators being non-Indian -- and whether the IGRA was intended to allow the states to determine such specific limits as the number of machines and hours of operation.¹³

The issue was increasingly being seen as one of economic competition between non-Indian and Indian operators. In June, 1992, the state announced its intention to close down all gambling operations on reservations without state-tribal compacts or interim agreements. Only Fort Peck had such a compact at the time, although Rocky Boy's of course signed an interim agreement (subsequently rejected by the Business Council) following the state's action. The move resulted in shutting down 44 video gambling sites on the Flathead Reservation. Although the two sides met again several times in July, no agreement could be reached and the ban went into effect.

The Tavern Owners and 23 bars on the Flathead Reservation tried, but failed to obtain a court injunction to prevent the ban from taking effect. Tribal representatives wanted an interim agreement which would go into effect until December, restoring the situation as it was before the

ban went into effect, and with the tribe placing 50 machines in its KwaTaqNuk lake side resort, including 14 with payouts of between \$4,000 and \$6,000. This proposal was rejected by the state. The tribes again offered a compromise plan which included no new machines in the KwaTaqNuk resort if the state, in return, would not tax other machines in the reservation and would agree to keep the Montana Lottery off the reservation. The state rejected this offer as well. The Flathead talks broke down completely in July, and the ban went into complete effect July 25, 1992.

It was in July that the Mayor of Polson, himself a tavern owner, announced that he wanted Congress to abolish the Flathead Reservation. His city council did not share this view. When asked whether he thought this was offensive to the Salish-Kootenai community, he replied "I don't bear any animosity toward the Indians. I've always gotten along good with the Indians."¹⁴

In October, 1992 Congress passed and President Bush signed an act to exempt Montana reservations from the compact required by the IGRA for another 6 months. In March, 1993, when the state legislature denied the Flathead government the expanded law enforcement capabilities it had requested in the course of compact negotiations, the tribes pulled out of talks again. The bill to expand Flathead control over law enforcement was actually supported by the Governor and Attorney General, but killed by the Polson Mayor who said that the majority of non-Indian Flathead residents opposed such a move.¹⁵ In April, after the state rejected an interim agreement proposed by Flathead representatives, the tribes stated that they would still try to reach an agreement with the state. The Governor claimed that the interim agreement was unacceptable because it would have "allowed limits that go well beyond the limits set in state law."¹⁶

The tribes made a final offer in June whereby the state would receive most of the revenue from non-Indian gambling on the reservation. They also offered to cut in half the size of a pro-

posed tribally operated casino. Meanwhile, with a Class III gambling ban in tact on the reservation, the August Flathead Fishing Derby was ruled to be a violation of the IGRA by the National Indian Gaming Commission. The Commission also cited Montana as one of six "problem states" on the issue of Indian gaming. In November, 1993, the confederated Salish and Kootenai tribes became the third to file suit against the State of Montana.

Of the 21,040 residents on the Flathead Reservation, only 24.3% are Native American according to the 1990 U.S. Census. Although unemployment figures are not broken down by race or ethnicity, Chairman Mickey Pablo estimates that Indian unemployment runs between 25% and 30%, noting that many of the jobs on the reservation --derived from tourism or logging, for example -- are seasonal. The figure for all reservation residents is much lower -- 8.3% in 1990. This represents a total of 737 people. With a total labor force of 8,894, a proportionate number of Indians would mean an Indian labor force of approximately 2,161 people. Assuming an Indian unemployment rate of 25%, this would mean that about 540 Native Americans are in the labor force but unemployed on the reservation.

The Commission also cited Montana as one of six "problem states"

A casino giving an Indian preference in hiring 100 persons would generating another 74 jobs through an employment multiplier. This would reduce the number of unemployed Native Americans to 366, or 16% of the Indian labor force. In such an increasingly popular vacation and tourist spot as the Flathead Valley, with the Flathead Lake and resort area and in easy driving distance to Glacier Park, coupled with the attractions of the Blackfeet reservation, there is easily a market to support an operation of that size or even much larger.

Before the IGRA was passed in Congress, the Wolf Point Indian Community Organization was operating the Silver Wolf Casino, offering bingo and video keno and poker machines for gambling entertainment. Because bingo was also used for community fundraising for Head Start and powwow, the Silver Wolf managers limit the days and hours for bingo at the casino in order not to compete with fundraising bingo. The casino was originally financed with money received by the Wolf Point Indian Community Organization from a judgment distributed to the six districts that make up the Fort Peck Assiniboine and Sioux Nations Reservation in the extreme northeastern part of the state. Each community organization was free to disburse or invest the money as it wished. The Wolf Point organization decided to use its portion for community economic development in the form of the casino which was expanded to include a small manufacturing operation attached to the rear of the casino part of the building. The casino originally employed 43 people, but has cut back to 28 as it has become more efficient. Today, 27 out of the 28 positions are filled by Indians. The manufacturing operation relies on government contracts, and employs between 4 and 12 people for the duration of the contract. By 1995 the Community Organization will own the manufacturing operation outright.

About once a month the casino runs bingo specials, selling playing packages for \$25 to \$100 and offering payouts of between \$5,000 and \$35,000. According to Casino Manager George Redstone, these specials attract non-Indians, mostly Canadians, since Indian customers can't really afford to buy the special packages. Most of the rest of the time, the casino is patronized primarily by tribal members. It has been a conscious choice of the management not to offer card games because of the potential social impact and the moral issues

We don't want to hurt our own community. We don't look to gaming as a catchall to save our community," said Redstone.

ra.sec. The management also monitors the parking lot to make sure children are not left in the cars. If children are found in the cars, their parents are asked to leave the casino. "We take into account the social impact. Non-Indian tavern owners don't have to do that, but we believe we do. We don't want to hurt our own community. We don't look to gaming as a catchall to save our community," said Redstone.

The Fort Peck tribal government was the first in Montana to sign a gaming compact with the state in April, 1992. The most important provisions of the compact are:

(1) the division of jurisdiction between the tribes, the state and the federal government, with the state and federal government sharing concurrent jurisdiction including criminal, exclusive of the tribe, to regulate all non-Indian operators on the reservation;

(2) a limit of 100 machines per site on operations run by the tribe; and

(3) a limit on payouts or prizes of no more than \$1000 for each award.

Gaming Industry Association spokesman Larry Ackey noted that while Indian gaming with higher stakes and no limit on hours of operation does not really compete with non-Indian operations because Indian casinos cannot sell liquor, many tavern owners would gladly exchange their liquor licenses for the 100 machine and \$1000 payout allowances.¹⁷ Non-Indian tavern owners on the Flathead Reservation stated in June that declining alcohol consumption meant that their gambling machines were really their only source of income. These developments set off a public discussion and intense lobbying over the issue of how expanded Indian gaming -- primarily through more machines, more hours and higher payouts than elsewhere -- would affect a variety of economic and social interests in Montana as well as how the compact process might restrict tribal sovereignty.

In September, after talking with several casino companies, Fort Peck signed a preliminary agreement with a South Dakota casino development firm to build a \$10 million complex. The developer guaranteed the creation of 500 jobs and a six-figure monthly profit. Although the move was opposed by three of Fort Peck's twelve council members, John Pope, who voted against the contract, expressed a willingness to accept the outcome because of the plan's promise to create much needed jobs, although he remained opposed for personal and moral reasons.

The contract did not require the tribes to provide any "up front" money, and included not only a 24-hour casino, but a 124 room motel and an 18,000 square foot shopping complex. The tribe would receive a minimum of \$100,000 per month or 60% of net profits, whichever figure was higher. The developer anticipated diverting the flow of Canadian tourists then pouring into South Dakota to play blackjack and slot machines, to Montana with the state's added tourist attractions. Ultimately, this deal fell through because the company failed the background check required by the IGRA. But the Fort Peck tribes, with a gaming compact in tact, continued to consider the development of a tribally-run casino somewhere near Poplar.

In May 1993 the tribal leaders met with about 50 business, civic and community leaders from the areas surrounding the reservation. The group explored the potential impact of a larger scale tribally-run casino, with special interest in its potential to stimulate the local economy. Two factors have contributed to delaying the tribes' efforts to proceed with plans for casino development. The first has to do with the potential social impact and the moral concerns of some tribal members. This concern has led to the tribes' plan to build the casino some five miles outside of the city of Poplar, or on trust lands even further geographically removed from the reservation community. The second problem has been more difficult to resolve, and that is the ability of a casino in the Fort Peck area to compete with the types of gambling offered in neighboring North and South Dakota as well as

Minnesota and Wisconsin. Tribal Chair Caleb Shields and other political leaders believe that without being able to offer slot machine in addition to video poker and keno machine gambling, the prospect for a truly competitive gambling business is severely limited. Canadian vacationers may still come to Montana to see the national parks and scenic beauty, but they will do their gambling first as they pass through states with full casino Indian gambling.

So in December Representative Dave Schwinden of Wolf Point introduced a bill in the Montana state legislature to expand Indian gaming to include slot machines, blackjack, roulette and craps, in exchange for which the state would receive 8% of the profits. Merle Lucas, a representative of the Fort Peck tribes, estimated that a casino on the Fort Peck Reservation would generate annual revenues of between \$1.5 and \$2 million, and create between 200 and 500 jobs on the reservation. The bill was killed on December 15, 1993.

In January, 1994, the tribes again entered into talks with a casino developer, Syntech Casinos. The parties signed an agreement to build a 30,000 square foot casino capable of generating an estimated \$18 to \$20 million gross revenues. These plans were dropped in April as a result of internal reorganization within the company. Gene Culbertson of Fort Peck said that the

By 1992 the unemployment rate for Indians had reached 41% and by 1993-94 it was around 50%.¹⁸ It is expected to reach 70% during the winter months.

inability of Montana tribes to engage in full-scale gaming was also a factor in the decision. Representatives of Fort Peck again attempted to generate state support for expanded gambling, suggesting that Fort Peck could be experimental since it is so remotely located. Again tribal leaders met with local and regional non-Indian political and business leaders. Gary More, director of the Mississippi Valley Development corporation said at the meeting that he had worked with a tribe outside of

Montana with net gaming profits of \$58 million in one year.

During the 1992-1994 period when the Fort Peck tribes were attempting to negotiate an agreement with a casino developer, the unemployment rate on the reservation was rapidly increasing. The increasing unemployment was due almost entirely to cutbacks in jobs with the tribe's manufacturing operation, A & S Enterprises. Primarily a defense contractor, the company employed as many as 500 people during the Persian Gulf War. In 1990, the U.S. Census Bureau reported an unemployment rate of 15.7% for the reservation, of which 54% is Native. By 1992 the unemployment rate for Indians had reached 41% and by 1993-94 it was around 50%.¹⁸ It is expected to reach 70% during the winter months. Chairman Caleb Shields declared a state of emergency in September.

A casino employing 500 people would bring the unemployment rate immediately down to 28%, and with job multiplier of 1.3, down to 12%. When A & S Enterprises employed 450-500 people, the economy was booming, said tribal representatives. The convenience stores, video stores, diners, pizza parlors and small restaurants were doing a steady business, they said. Unless the tribe can negotiate for expanded gaming, Mr. Shields said that "our relatively remote, rural area cannot produce the kind of revenues that tribes near urban areas enjoy." Mr. Shields suggested that reforms to the 1988 IGRA should exclude the state from involvement in tribal gaming. He went on to say:

It is a cruel irony indeed that state policy should determine the difference between poverty and plenty for Indian tribes, for from the earliest days of our Republic, states have been excluded from controlling reservations.¹⁹

Crow

Representatives from Crow joined those from Fort Peck, Fort Belknap, Flathead, Rocky Boy's, Blackfeet and Northern Cheyenne in Great

Falls in August, 1992 to review developments related to Class III, or casino-style Indian gaming. This was just two months after Doris Poppler announced the ban on all gaming on reservations without state-tribal compacts. During the next seven months, tribal-state relations were strained by efforts to negotiate compacts, with Congress finally stepping in to extend the period during which reservation gaming could be conducted without a compact in order to give the tribes and state of Montana more time. In April, 1993, the Crow tribe signed a compact and by January 1994 opened a casino just off Interstate 90 at the exit to the Little Big Horn Battlefield.

The Crow compact, like the one signed with Fort Peck, limited the number of machines to 100 per site, and the payouts to \$1000, whereas the state payout limit is set at \$800. The Little Big Horn Casino opened in January, 1994, with 100 machines on each of two floors, a restaurant, and room to expand for possible card playing or other gambling activities.

In April, 1993, the Crow tribe signed a compact and by January 1994 opened a casino just off Interstate 90 at the exit to the Little Big Horn Battlefield.

In February Governor Racicot notified the tribe that the state considered the presence of 200 machines in the casino a violation of the compact, and issued a 90-day notice of intent to terminate the compact unless the violation ceased. In March the Crow Tribal Gaming Commission, the body authorized to settle compact-related disputes, held a hearing in the Crow tribal offices. The Commission invited the state, but the state did not send representatives, holding that the violation was clear cut and did not fall under the category of a compact dispute.

The Commission heard testimony from casino manager Carl Venne as well as from the attorney representing Absalooka Casino Enterprises, the company in whose name the casino was operated on behalf of the Crow tribe. Testimony from these

witnesses held that “premises”, as defined in the gaming compact, referred to any area for which there exists an external entrance and which shares no walls with another such gambling premise. The two levels of the casino, it was argued, each maintained a separate external entrance, and shared a common horizontal floor/ceiling, but not, strictly speaking, a horizontal “wall.” The Commission ruled, not surprisingly, that the casino was not in violation of the terms of the compact.

In spite of the Commission’s ruling, casino management arranged to remove 100 of the machines by May, just within the deadline set by the Governor. Casino managers explained the move in terms of “consumer demand” and as a “business decision,” opening up the area for live bingo.

Slot machines were moved into the casino in June, and the Governor warned the tribe that the machines were in violation of the compact. Two potentially contradictory rulings on the issue of slot machines had already been rendered in federal courts. In September, 1991, Judge Crabb issued an opinion which held that the term “lottery” refers to any game of chance. But two months later the federal court in Billings ruled that “the use of slot machines and other gambling devices illegal in Montana are not protected by state-tribal compacts.” Again the Tribal Gaming Commission held a hearing, and ruled that both slot machines and roulette constituted “lotteries.” Since lotteries were legal in the state of Montana, and not prohibited by the compact, the Commission reasoned that the machines did not constitute a violation. The next day the casino was raided by the FBI with warrants issued by the U.S. Attorney, the slot machines were confiscated and the casino manager was arrested and charged with a violation of the Johnson Act. The U.S. Attorney’s office held that the matter was one of the violation of a federal statute, and took no position on the issue of state laws.

Crow Tribal Judge Ron Arneson issued a restraining order demanding the return of the machines and blocking further action against casino property or personnel. The U.S. Attorney responded by filing a request for federal court to declare that

the tribal court does not have jurisdiction in the case. In September, the U.S. District Judge in Great Falls determined that the state could not unilaterally terminate the compact at this stage in response to the alleged Crow violations.

Unilateral assertions of tribal authority to test the limits of the compact itself as well as state jurisdiction were not the only source of conflict involving the Little Big Horn Casino. In July, the FBI seized records allegedly indicating improper and perhaps illegal involvement of the casino management company in casino development with the Crow prior to the completion of the compact and without satisfying the IGRA requirement of a background investigation prior to the National Indian Gaming Commission’s approval of the agreement. Although the company stated that it had withdrawn from its arrangement to manage the casino in April, the tribe agreed to honor a repayment agreement of \$3.1 million for the management company’s initial investment in the casino.²⁰

The casino employs about 120 people. The U.S. Census Bureau reported a 30.4% unemployment rate in 1990. Including jobs created as a result of increased employment at the casino, the unemployment rate has dropped to around 21% since January. Additionally, the tribe is considering long-range plans for a motel and truck stop near the casino location. One gas station and convenience store in the same area now generates over \$1 million per day during the tourist season from April to September. Casino manager Carl Venne estimates that about 80% of the week-end business in the casino is derived from non-Indians driving to Crow from Wyoming, about 80 miles away.

The Economic Impact of Indian Gaming in Montana

In 1985 there were fewer than 2,000 video gaming machines in the state of Montana.²¹ In 1987 the state enacted a 15% tax that produced \$10.5 million the first year. By 1990 there were 10,971 machines and the state collected \$17 million in taxes and \$2.2 million in permit revenues

One-third of gambling revenues go into the State General Fund, and the remaining two-thirds are returned to local governments. Helena, for example, received \$301,000 in 1988 and over \$450,000 in 1990; East Helena's share increased from \$29,000 to \$36,000 from 1989 to 1990, and Lewis and Clark County received \$100,000 in 1990. As local governments benefitted from the enormous growth in video gaming between 1988 (\$7 million) and 1993 (\$17.9 million) so also did opposition to expanded Indian gaming. Local governments' share of gaming revenue for 1994 should total around \$29.8 million.

Expanded Indian gaming, however, does not have to mean a reduction in revenues to either the state or local governments. In fact, as Representative Schwinden proposed, the state stands to gain income -- although from negotiated agreements with tribes rather than from state-imposed taxes -- from Indian gaming. The only question here is to what extent do Indian gaming operations actually compete with existing non-Indian owned enterprises. Even the Gaming Industry Association does not believe that the two necessarily compete.

Expanded Indian gaming, however, does not have to mean a reduction in revenues to either the state or local governments.

An industry representative expressed the belief that the fact that non-Indian establishments serve liquor and Indian establishments do not, that the two are drawing from different markets. I would tend to agree, and would point out additionally that Indian gaming appeals primarily to tourists, or to the off-reservation residents who from time to time might enjoy the higher stakes (as in the Bingo offered by the Silver Wolf Casino in Wolf Point) or expanded hours. The non-Indian owned establishments, even those on the Flathead Reservation, are primarily taverns offering gambling in addition to alcohol, meals or snacks, pool and other recreational activities. These are more like "neighborhood bars" where patrons are interested primarily in socializing, and secondarily in recreation, in-

cluding gaming. Large casinos on Indian reservations are exciting to people on vacation, from out of town, or just for getting away from familiar surroundings. There are local, and there are out of state markets, and the Indian and non-Indian owned gaming operations share only a small overlapping portion of each. Growth of gaming and gaming revenues in general may slow down or even level off within the next few years as the markets become saturated, but this is not exactly the same as "losing" business and revenue.

In addition to gaining some revenue through negotiated agreements (compacts) with the tribal governments, state and local governments can benefit through a reduction in public assistance, payroll taxes collected from non-Indian employees of Indian casinos, and increased business activity in areas where Indian gaming attracts out of state and/or tourist patrons. Probably the most convincing evidence in this regard was obtained through a study conducted in Michigan by University of Michigan professor Carol Bergquist. Seven Michigan tribes had opened casinos in 1988 without state-tribal compacts. Ms. Bergquist's study came in response to an unwillingness of the legislature to negotiate compacts with tribes in 1992, as well as complaints by local merchants that they had not benefitted from the Indian casinos. For two pay periods, casino employees were paid with \$2 bills and within a month virtually every local business had loads of the bills.²³ The study also revealed that three-fourths of casino employees spend their income within 20 miles of home. Additionally, gaming counties showed increases in tourism, but a significantly lower increase in crime rates as compared to the increase of non-gaming counties. Each casino job also created 2.5 jobs in the surrounding communities.

Nationwide, Indian gaming revenues in 1988 of \$110,000,000 represented less than one-half of one percent of total gaming revenues in the United States. Today, the Mashantucket Pequots are paying the state of Connecticut more than that in one year out of the gaming revenue from the

	Public Assistance Spending	%Households receiving Public Asst.	Annual Cost per Household	Potential Jobs from Gaming	Potential Public Assistance Reduction
Northern Cheyenne	\$1,400,000	59.7	\$3,645	174	\$634,230
Fort Belknap	\$830,000	58.9	\$3,192	265	\$685,850
Rocky Boy's	\$658,000	67.6	\$4,910	88	\$432,000
Blackfeet	\$2,500,000	33.9	\$4,180	174	\$727,320
Flathead	\$2,700,000	11.5	\$3,284	174	\$571,416
Fort Peck	\$2,090,000	23	\$3,291	442	\$1,454,622
Crow	\$1,600,000	29.6	\$4,134	212	\$876,408
Total	\$11,778,000			1529	\$5,381,846

Foxwoods Casino. Minnesota tribes made payments of \$700,000 to state and local governments in 1993. In 1992 casino employees in Wisconsin paid \$380,000 in state income taxes, and \$2.1 million in federal income taxes. Indian gaming in Wisconsin not only generated a \$68 million payroll for 4,500 employees (2,000 of whom are non-Indian) in 1992, but another 5,600 jobs created in the tourism sector have been attributed to the increased tourist traffic attracted by Indian gaming in the state.²⁴ The Wisconsin Oneidas, one of the first and most successful gaming tribes, have pumped \$7.2 million into the economy of the area surrounding their casino operations. Michigan Indian casino operators spend an estimated \$41 million a year to purchase supplies, food, insurance, and utilities, 95% of it in the state.

The Mille Lacs made cash transfers of \$160,000 to tribal members in 1992. Twenty percent of the employees of the Leech Lake's casino had previously been on public assistance. In New Mexico, the Sandia Pueblo unemployment rate

dropped from 14.4% to 3% with per capita income increasing by 27%. The Mille Lacs unemployment went from 45% to 0% and will create an additional 1,000 jobs in 1994. Eighteen counties with new Indian gaming operations in South Dakota reported between 6.5% and 37.3% increases in employment between 1990 and 1993.²⁵

Montana state and local governments, reservation residents seeking employment, and the communities and businesses surrounding reservations also have much to gain from the potential employment through the expansion of Indian gaming in the state. Households receiving public assistance statewide represent 7.2% of the total households in the state (Table I). The percentage of households receiving public assistance on Indian reservations in Montana, however, ranges from 11.5% at Flathead to 67.6% at Rocky Boy's. With casinos employing the number of people anticipated by various market studies, or suggested here given the present or potential flow of tourists, these rates could be reduced to a low of 1% at Flathead

to 32.6% on the Northern Cheyenne Reservation. Using either the relatively conservative projections in this study or the number of jobs projected by various casino development companies that have evaluated specific proposals, these figures could be reduced to 9% for Flathead and 23% for Rocky Boy's. In the case of Fort Belknap, there is the potential to reduce public assistance from a 1990 level of 58.9% to around 1 percent of all households on the reservation. Total public assistance spending could be cut by \$5.4 million just through the savings from increased employment in Indian casinos and the jobs created secondarily by them. The Bergquist study in Michigan found exactly these kinds of reductions due to casino employment on the seven reservations with gaming in that state.

Analysis

The two primary organizations lobbying on behalf of gaming interests in Montana are the Gaming Industry Association and the Montana Tavern Association. Both have long lobbied to expand gaming in Montana including, at different times, elimination of limits on the number of machines, hours of operation, and types of games allowed under state law. When the issue of Indian gaming arrived on the scene, these organizations began to lobby for applying the same restrictions to Indian gaming as apply to non-Indian operators in the state, or to use the fact of fewer restrictions on Indian gaming to bolster their efforts to expand gaming for non-Indian operators. To these forces aligned against Indian gaming must be added the moral concerns of various state political leaders and the general policy of Governor Racicot to keep gambling in Montana "small" in the belief that "big time" gambling would attract "big time" gamblers and that, in turn, would mean higher crime rates and a degenerating social climate in the state.

Like state and local government leaders, leaders of tribal governments in Montana must also consider the social risks of gaming as well as the moral concerns of their constituents. The issue is not one of whether gambling is good or bad, or

whether economic benefits can be traded off for social risks and moral objections. The issue is *who should decide these issues in which jurisdiction*. Should the state decide the scope of gambling on reservations? Put differently, should tribal governments decide the scope of gambling in communities bordering reservations? When the state attempts to restrict gambling on reservations because non-Indian residents of the state may be more inclined to gamble irresponsibly, how is this different hypothetically from the Crow tribal government attempting to restrict the sale of alcohol in Billings or Hardin because its availability there may induce more Indian residents of the nearby Crow Reservation to use alcohol irresponsibly? In the long run, the reality of tribal sovereignty means that state and local governments must accept the jurisdictional propriety of tribal governments in reservation communities. In Montana and Indian nations a growing number of Indian lawyers and other professionals as well as experienced and knowledgeable government leaders are engaged in a reassertion of tribal sovereignty. State and local policy makers must learn to work cooperatively and voluntarily toward the solution of shared problems and mutual concerns. The issue may be gaming today, or environmental regulation, water resource management, or energy development in the future. The need for cooperative relationships that reflect an understanding of and respect for tribal sovereignty remains the same.

Opposition to Indian gaming in Montana has also arisen in connection with the protection of non-Indian gaming from the competition of expanded Indian gaming. This was not a role for the state intended by Congress in passing the IGRA nor is it, in my opinion, the appropriate role for state government. The IGRA was intended to provide a forum for states and tribal governments, each as sovereign within the federal system, to take one another's interests into account, much as an interstate compact would. Virtually all federal legislation affecting the relationship between state and tribal governments reflects similar considerations - the IGRA, Public Law 280 - and in particular, amendments to it - and the Indian Self-Determina-

tion and Educational Assistance Act, are examples. As former Secretary of Interior Lujan said, "Governors must remember that Indian tribes are sovereign nations and must be treated as such...The laws of the state do not apply within Indian reservations any more than the laws of North Dakota apply in Canada or South Dakota."²⁶

Clearly the greatest conflict is between non-Indians living within the boundaries of a reservation and the tribal government attempting to assert control over the people, resources and activities within its territorial boundaries. However, the fact that a large number, even a majority, of non-Indian individuals choose to live within reservation boundaries does not diminish the sovereignty of the tribal government nor its primary concern for serving the interests of its own citizens. This is "part of the deal" for non-Indians living on reservations. This becomes strikingly clear in the case of the Flathead Reservation where lobbying efforts on behalf of protecting the competitive position of non-Indian gaming businesses were most intense, and where the Polson Mayor finally proposed abolishing reservation boundaries. The implication is that if enough non-Indians move into reservation territories, then the state may assume an overriding interest in tribal self-government. This is tantamount to the proposition that large-scale foreign investment in the United States warrants the intrusion of the foreign government into American politics.

When state and tribal governments first came into conflict over the negotiation of gaming compacts, many tribal governments, including three in Montana, filed suit under the IGRA against states for failing to negotiate in good faith. States responded by claiming sovereign immunity from suit under the 11th amendment. Although a few early cases seemed to support the claims of the tribal governments, the larger number of recent cases have upheld state immunity. However, the more recent cases also held that tribes do not *derive* their ability to conduct gaming activities from state governments, and that when states fail to negotiate compacts, the responsibility for regulating Indian gaming returns to the federal government and to the Secretary of Interior to conduct negotiations with

the tribe in question, enabling the tribe to conduct gaming according to a federal-tribal compact.²⁷ States, in other words, are not in a position of "allowing" Indian gaming. The IGRA merely requires that the conduct of Indian gaming not conflict with state policy when state policy criminally prohibits gaming in general or specific instances. The right to conduct gaming operations derives from tribal sovereignty and within a framework provided for by Congress. Even this, most Indian leaders agree, represents a significant threat to Indian sovereignty.

The proposed changes to the IGRA reflect this position. Congress debated, without conclusion, a set of proposals to amend the IGRA that included (1) the development of a test to determine whether a particular game can be included in the tribal compact; and (2) allowing tribes to negotiate directly with the Secretary of Interior, exclusive of states unless that state formally requests to enter into negotiations, and (3) a provision that when a state makes such a request, it does so by voluntarily waiving its immunity from suit and undertakes an obligation to conclude negotiations within a set period of time.

The first proposal would resolve disputes such as the issue of slot machines at the Little Big Horn Casino, and whether Fort Peck is eligible to offer the expanded gaming (slots, craps, roulette, blackjack) that tribal leaders claim is essential to the competitiveness of any casino located on that reservation. Specifically, the proposed amendments suggest that a game is generally legal unless prohibited by state law. The problem for Montana would be that rather than prohibiting games, state law requires voter initiatives to legalize specific forms of gambling. Whether defeating such initiatives, as occurred in 1982 when voters defeated blackjack, constitute prohibitions is not clear. The second and third provisions would eliminate the conflicts involving the Flathead, Blackfeet and Fort Belknap by allowing the tribes to negotiate directly with the Secretary of Interior, or with the state within a time limit and in good faith without fear of the state claiming 11th amendment immunity.

Recommendations

Few, if any, state and local policy makers presently look at the issue of Indian gaming from the perspective of whether or not it would be good for the state as a whole, although Schwinden of Wolf Point certainly demonstrated such a view when he introduced a bill to expand allowable gaming and provide the state with 8% of the profits generated by Indian gaming operations. In evaluating the conflicts that have plagued efforts by the state to negotiate compacts with the tribes as required by the IGRA and remain sensitive to the concerns (both socio-moral and economic) of non-Indian citizens in the state, the above concerns suggest several recommendations:

- (1) **Increased demand for local services resulting from increased Indian gambling operations, and the costs associated with this demand must be evaluated in light of the economic benefits as well.** The state might encourage (but not coerce) local and tribal government leaders to enter into more constructive and cooperative relationships in which they can evaluate the impact and negotiate management solutions to any problems. There are plenty of precedents in other states, and Fort Peck, for example, has already more than demonstrated a willingness to develop such relationships.
- (2) **There is a need for the development of specific programs aimed at improving state-tribal institutional and community relations.** This could be undertaken by the state office of Indian Affairs, or could consist simply of the development of liaison relations with tribal leaders. Early in the process of negotiating compacts tribal leaders met frequently and considered the advantages of a unified position vis-a-vis the negotiation process. The state should make an effort to communicate regularly with tribal governments.
- (3) **Indian economic development is in the long-term interest of both the state and tribal governments and should be encouraged by state policy.** State policy should not be formulated on

the basis of protecting non-Indian economic activity at the expense of either the exercise of tribal sovereignty or of the economic development of Indian communities. This not only ignores the interdependence of Indian and non-Indian interests, but also leaves tribes with no recourse except to seek legal (for now federal) protection for their sovereign rights. The state stands to gain in the form of the savings from reduced public assistance, increased tourism, and increased spending as Indian communities thrive. All tribal leaders are aware of the need for long-term economic diversification, but also realize that an initial infusion of capital is a prerequisite to development. Gaming has done in six years what the federal government has failed to do in sixty.

Endnotes

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- ¹⁶ *Great Falls Tribune*, "Flathead chairman pins blame on state," April 27, 1993, 7A.
- ¹⁷ *Great Falls Tribune*, "Reservation gambling won't be wide open," April 17, 1992, 8C.
- ¹⁸ Interview with Caleb Shields, April 8, 1994 and Bunty Anquoe, "Fort Peck declares state of emergency," September 8, 1994, *Indian Country Today*, A1.
- ¹⁹ Anquoe, op cit.
- ²⁰ Nancy Nottingham, "Casino firm investigated in fraud case," *Billings Gazette*, July 17, 1994, 1A.
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DOES "TREASURE STATE ENDOWMENT" WORK?

Richard L. Haines

Department of Political Science, Montana State University

In June 1992 Montana voters approved a diversion of Coal Tax Trust money to fund a program of assistance to local government in meeting infrastructure needs. In particular, the concern was that smaller cities and towns, in addition to typical water and sewer districts, could simply not afford to meet their capital expenditure needs in response to the tightening of EPA water quality regulations. After the first round of grants has been made, an opportunity exists to assess whether, and how the issue of affordability has been addressed. Evidence suggests that financial need has been a primary consideration, co-equal with more typical issues of technical and financial feasibility and that the primary purpose of the Treasure State Endowment, to assure equity, has been met to date. The residual problem is that the amounts of money available under this program are insufficient to make more than a small impact on the problem.

The Treasure State Endowment Program (TSEP) is a financial assistance program designed to assist small cities and towns in Montana to build or upgrade water and wastewater systems in order to meet Federal EPA water quality standards. Its primary purpose is to deal with the fact that the great majority of the Montana's municipalities are too small and financially limited to be able to afford the substantial capital expenditures necessary to clean up their water and sewer systems.

The state has completed one cycle of the TSEP program. Requests for assistance have been solicited, project proposals reviewed, and monies awarded. In broad terms, Treasure State Endowment has successfully allocated the available monies in accordance with both the letter and spirit of the law. The narrower, but more central issue dealt with here is whether TSEP has dealt fairly and effectively with the issue of affordability.

Can Small Communities Afford Clean Water?

In May of 1994 the U.S. Senate voted overwhelmingly to ease EPA drinking water standards because they're too rigid, forcing mayors and governors to spend money they don't have to deal with water contaminants that have little to do with public health; tests are required for chemicals known not to be in the water; e.g., pesticides used only in Florida, or fertilizers used only on Hawaiian pineapples. This was a legislative response to the growing body of evidence that the cost of compliance to EPA standards, even narrowing the range of contaminants, is well beyond the financial capacity of most local governments, particularly small ones.

In March of 1994 the U.S. General Accounting Office (GAO) reaffirmed their own and other reports since 1990, that America's small towns can't afford to meet EPA standards. According to the GAO report meeting drinking water standards is an problem for the 50,000 or so small communities that account for 90 % of the drinking water

\$3 billion for these small communities to comply with the current drinking water regulations, and another \$20 billion to repair, replace and expand current facilities to meet needs through the 1990's.

¹ In effect, then, 70% of the cost of compliance to EPA standards will be incurred by 10% of the population.

In light of these findings the GAO urged the EPA to help communities use more cost-effective technologies. Neither the federal government nor the states have developed policies that will turn to cheaper technology or better financing mechanisms. A partial exception to this finding, since it was not one of the seventeen states reviewed, is Montana, where financial conditions allowed an innovative approach to funding.

The Montana Situation

Throughout the 1980's Montana's municipal infrastructure was slowly but perceptibly deteriorating, along with that of the rest of the nation's cities and towns. Congress's reauthorization of the Clean Water Act, in the mid-1980's and the resulting expansion and elaboration of the U.S. EPA's water quality standards triggered the current crisis.

All local governments, large and small, were required to test their water systems for an ever expanding list of contaminants, and those out of compliance were directed to build, improve or repair their physical facilities. But it became obvious, almost immediately, that both the added cost of testing water quality as well as the price of building or improving water and wastewater system during this period of "Fend For Yourself Federalism" exceeded the financial capacity of most of the Montana's small towns and cities.

By the time of the 1991 Legislature it was evident to all sides that something had to be done to assist the small cities and towns in meeting Federal standards. The debate was over just what form this assistance should take. Should the state

make available a system of low interest loans to ease the financial burden of Montana's small cities? Or, was a program of direct grants more appropriate?

Many leaders supposed that the financial problem for small cities and towns was a limited ability to borrow money at affordable rates, and that the answer was a program of subsidized low interest loans. Studies performed by the Local Government Assistance Division of the Montana Department of Commerce and the Local Government Center at Montana State University concluded uniformly that, given the large amounts involved, the great majority of the states rural and small community water districts, towns and cities couldn't afford to service an adequate debt load whatever the rate of interest. Hence, if the state was to be of significant service, there had to be some provision for direct grants to ease the burden.

Whether assistance would come in the form of loans or grants, there was agreement that any new state funding during this period of tight budgets would require tapping Montana's Coal Tax Trust Fund, with the knowledge that any such diversion of these funds would require the matter to be posed to the voters by initiative or referendum.

Governor Stan Stevens proposed for consideration by the Legislature a plan, called "Big Sky Dividend," that would use money from the Coal Tax Trust to create a system of grants-in-aid for small cities. The legislative Democrats, as an alternative, carried the "Treasure State Endowment," under which the trust funds would finance a system of low cost loans. By action of the Legislature, Treasure State Endowment (TSEP) was submitted to the voters in June of 1992, and passed by a 62% margin. Big Sky Dividend, the Governor's proposal, made it to the ballot in November of that year, only to be voted down.

The Legislature and the voters were now on record in support of diverting Coal Tax Trust

Funds into a loan program. In view of the testimony that low cost loans by themselves contribute little to affordability, TSEP was further elaborated to include provisions for grants-in-aid. State-wide public hearings as well as input from state agency professionals enhanced the flexibility and, therefore, the effectiveness of the program in tailoring the law to unique circumstances.

At present TSEP provides a package of incentives including direct loans with subsidized interest rates, annual debt subsidies, matching grants up to 50% of project cost, and deferred loans to fund preliminary planning and engineering. Under the current, improved version, the program provides scope for those administering it to deal directly with the affordability issue.

Why is Affordability the Issue?

If there was plenty of money available for upgrading municipal infrastructure then our main concern would be for the technical effectiveness of the capital improvements being funded. In times of scarcity, however, every public sector funding decision is a also decision not to spend on some other programs -- known as a "zero sum game" situation. Under these circumstances economists urge us to focus on standards of financial rationality. Is this a better use for public money than alternative uses? Is this the most efficient use of resources?

In the case of TSEP, however, there are a different set of criteria that have been brought to bear. Technical effectiveness of the facilities funded is presumed, largely because in the area of water and wastewater treatment there is professional consensus on a stable technology. Moreover, because this is "new" money from the Coal Tax Trust Fund, the issue of tradeoffs against other uses, or "opportunity costs," is avoided. As a result, efficiency may give way to equity as the primary consideration.

Under TSEP we are not attempting to maximize return on public investment, nor are we

concerned with optimizing the production, distribution, use, collection and treatment of domestic water. Rather, the law is based on the idea that cities, towns and water/sewer districts are corporate entities that are obligated to provide vital services to their citizens. Moreover, even though they are all held to the same high standards of water quality, these local government vary substantially in their financial ability to meet these standards. In a very real sense, many small Montana cities and towns have been victimized by imposition of standards they cannot afford to meet.

What Can We Afford?

As with our own personal spending, the matter of affordability has both subjective and objective dimensions. Some new expenditure out of current income is largely a matter of deciding what we are willing and able to give up. However, if a planned purchase entails borrowing from some third party, such as the bank, then more abstract and objective standards are included in the calculation. TSEP establishes a system of financial incentives for local government officials to respond to their infrastructure needs that includes both their willingness to assume an added financial burden and an objective assessment of the weight of this burden.

The TSEP guidelines for scoring and ranking public works projects emphasize several criteria ahead of that of affordability, or financial need. Is there an urgent public health or safety crisis? Does the project address state or federal standards? Does the technology proposed offer a cost-effective long term solution to the problem? And, is the benefit to the community commensurate with the cost? In other words, is funding for this project a good use of public money? If so, then how should financial need be considered?

In the project review process each of the criteria listed was addressed by representatives of the appropriate state agency or office according

to prevailing professional standards. On the matter of affordability, however, the Department of Commerce was faced with several possible standards. One of these sets the maximum per household municipal debt at 8% of the community's median household income (MHI). Another finds that annual debt service on water and sewer systems should not exceed 1% of MHI, while a third sets a \$2,000 per household limit on this sort of infrastructure debt. In establishing initial guidelines the Montana Department of Commerce proposed to use a standard used by the U.S. Rural Development Administration (RDA) and other Federal entities: That annual debt service plus operations and maintenance ought not to exceed 1.5% of a community's median household income. This was estimated to be the average user charge paid statewide on recently improved water and sewer facilities. In other words, communities with this sort of infrastructure need should be willing to pay at least what others are paying if they expect to be assisted.

Public comment at hearings on the guidelines, however, made clear what should have been evident from the beginning: That different circumstances support different standards of equity. Though 1.5% of MHI was generally accepted as a baseline, in response to public input the TSEP guidelines now encourage consideration of other matters, such as total current bonded indebtedness, overall tax burden, and existing water/sewer system user fees. The point is, that while affordability in matters of loans and grants should be assessed objectively it is paradoxical that such standards may have to be subjectively applied to each set of circumstances in order to assure fairness.

Did TSEP Work?

In 1993 the Montana Legislature was greeted by the Department of Commerce's ranking and recommendations of TSEP projects. Of the thirty-two requests, fifteen entailed water and

The Relationship Between Need and TSEP Assistance on Water and Sewer Facilities for Small Cities and Towns 1994-1995 Biennium		
Town/City	Median Family Income as % of State Median	% of Amount Requested That Was Approved
<u>Successful Applicants</u>		
FROID	64.6%	100.0%
NEIHART	81.6%	88.4%
HARLEM	82.6%	100.0%
CIRCLE	87.7%	100.0%
DUTTON	90.5%	72.7%
<u>Less Successful Applicants</u>		
RONAN*	69.0%	32.4%
CHESTER**	97.9%	0.0%
SHELBY	110.6%	13.7%
ENNIS	119.3%	25.0%

* Applied for \$400,000 CDBG grant after TSEP request
 ** Uncertainty about nature of local contribution.

wastewater system improvements for small cities and towns, and water and sewer districts, the intended clientele.² All but one of the six incorporated communities that were successful, in that they received 70% or more of their original grant request, had a reported median household income of 90% or less of the Montana average. Of the four that received significantly less than they asked for, only one had a comparatively low reported median household income.

Using merely one of the possible standards of affordability, it is evident that demonstrated financial need played a significant role in allocating assistance from the Treasure State Endowment program during the first biennial funding cycle. Furthermore, the issue of affordability has not been overwhelmed by technical and financial issues, as one might expect in such public works project.

Beginning with a firm commitment to equity in the treatment of municipalities and water/sewer districts, the Montana Department of Commerce has developed a funding program that assures high technical and financial standards while keeping the problem of equity always in mind. This is reinforced by an ongoing responsiveness to public input, particularly on matters of affordability. To this degree, TSEP works. There are still some issues remaining, however.

To begin with, it is estimated that the funding mechanism for TSEP will generate an average of \$5 to \$6 million per annum over the next twenty years, which is a small portion of the estimated \$50 million worth of current funding needs for water and wastewater improvements. Given the relatively small amounts involved, at best TSEP will continue to work "at the margin," dealing with worst case emergencies. Unless priorities are changed, perhaps, the state will be subsidizing the smallest communities at the expense of larger, more efficient systems. At some point affordability may have to give way to

efficiency if political leaders feel pressure to make the "best use" of public money.

Finally, given the unique and innovative funding mechanism the state has developed, it is not surprising that there is little evidence of innovation in the area of the technology itself. There is, among financing entities, a bias in favor of a stable, rather than experimental technology, for obvious reasons. But, as the GAO reports, and other Federal agencies are suggesting, at some point there will be an expectation that future support may depend on evidence that lower cost, innovative water and wastewater treatment are being employed.

Endnotes

¹ The added burden to the states entailed by their responsibilities under EPA drinking water regulations are expected to increase by hundreds of millions of dollars annually.

² The remainder to the project proposals included water system improvements for three larger cities, five small loans to fund engineering studies, two for storm drain improvements, three for solid waste facilities, and four for bridge repairs.

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THE CREDIBILITY GAP: A CRISIS OF LEGITIMACY

Jon Pierce: Senior Public Service Associate; Center for Governance, University of South Carolina

Ed Thomas: Director of Center for Governance, University of South Carolina

The credibility gap is so important because it goes to the very core and fabric of our governmental system; legitimacy. Legitimacy in this sense refers to the right of the government to exist, govern, and act in our behalf.

. . . Until we have restored credibility, we in government are not going to be able to satisfactorily address any of the major issues facing our communities because our citizens won't let us.

Much lamenting and gnashing of teeth has been heard in recent years about the overwhelming problems facing government at all levels. At the local government level, our primary focus here, the most common refrain has revolved around the twin terrors of unfunded mandates and fiscal scarcity as the root causes of all problems great and small. Although certainly important, we believe they are merely symptomatic of a larger and far more vexing problem; a loss of credibility. As Kouzes and Posner point out in their recent book "Credibility", credibility is mostly about the "consistency between words and deeds." People listen to the words and look at the deeds." Many, we among them, are concerned that the "credibility" problem has reached, or is in danger of reaching, epidemic proportions. This manifests itself in numerous ways: in the increasing reluctance of the citizenry to pass bond referendums; low voter turnout and political participation; increased cynicism and less than healthy civic cultures; calls for term and spending limitations; and demand for greater accountability. The credibility gap is so important because it goes to the very core and fabric of our governmental system; legitimacy. Legitimacy in this sense refers to the right of the government to exist, govern, and act in our behalf. Legitimacy is conferred by the constituent on the government, not the other way around. Credibility is a key component of legitimacy. Without it, legitimacy is eroded and the ability of government to govern is significantly impaired. Until we have restored credibility, we in government are not going to be able to satisfactorily address any of the major issues facing our communities because our citizens won't let us.

If we are right, how did we get into this fix? What are the causes of this credibility gap? A broad range of causes have seemingly coalesced to create the situation we now face; some of which are of government's doing, but many of which are not. These include:

■ expectation inflation resulting from over-promising on the part of government, often designed to sell a program or insure election or reelection;

■ the entitlement mentality shared by an increasing portion of society;

■ a failure of government to “deliver the goods” and satisfy these expectations (realistic as well as unrealistic);

■ widespread apathy;

■ fiscal scarcity;

■ unfunded mandates;

■ the inability or, in many cases unwillingness, of government officials to communicate with their constituencies;

■ the short time perspective of both government and the citizens and the desire for instant gratification;

■ the problems faced by government are increasingly complex, expensive and contentious;

■ an increasingly polarized and fragmented society;

■ continual government bashing by both those inside (primarily elected officials) and those outside government;

■ the media bias toward reporting the “scandal” and the assistance too many governments and officials have given in making these stories easy to write;

■ the practice of politics of “self-interest” or district interest;

■ a negative self-image held by those in government;

■ a misfocused concern with and understanding of accountability resulting in the creation of control mechanisms which erect procedural barriers to efficiency and effectiveness, particularly in the areas of budgeting, personnel and procurement;

■ governments are often out of touch with their citizens; and

■ a loss of concern about the common good and an acceptance that greed is good.

Other contributing causes can certainly be cited and we are sure each of you can add to this list from your own experiences and perspectives.

What the admittedly less than exhaustive list above suggests however is that there is no quick fix or “magic bullet” that will restore credibility and guarantee the continued legitimacy of our system of government. Restoring credibility will be hard work and will require a concerted effort on the part of both government and the general citizenry.

Obviously it is much easier to point out the problem than to prescribe a cure. Nevertheless, we suggest the following as potential remedies to the credibility gap:

■ develop more effective mechanisms for getting the true story of government out to the people;

■ commit to and establish systems for educating the public about the complexity of the problems facing government and the ramifications of policy choices;

■ involve the public in a dialogue about the role and future of local government;

■ actively involve citizens in the governance of their communities through such mechanisms as citizens forums and broad-based community strategic planning and visioning processes;

■ insure that individual councilmember and council behavior reflects positively on the governing body and the government;

■ focus on the outcomes of governmental policy and activity rather than on controlling every penny;

■ remove unnecessary barriers so that government employees can do their jobs;

■ understand and behave in a manner that shows that we understand that ethics goes beyond the letter of the law;

■ create partnerships with other governmental entities and sectors, private and not-for-profit;

■ foster the development of healthier civic culture;

■ identify and affirm shared values and commit to focus on the common good; and

■ look for creative solutions and recognize, to paraphrase Albert Einstein, the solutions of the past have created the problems of today.

Other solutions may hold equal validity, but whatever the solution or solutions, we should never forget that credibility is not deserved, it is earned.

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Local Government Perspectives*



ACCOUNTING FOR COMMUNITY CHANGE: BUILDING TRENDS ON A SOCIO-ECONOMIC PROFILE

Jerry D. Johnson

Department of Political Science, Montana State University

Many rural communities in the Rocky Mountain West have traditionally relied on farming, ranching and extractive industries such as, timber harvesting, oil exploration, and mining. In the past, a state, county, or community's economic and social well-being was largely a function of its natural resource endowments and the availability of labor and capital. Although these factors continue to be important to any economy, other factors are understood to be increasingly important. The contemporary economic structure of western rural communities and immigration to parts of the rural west is widely recognized to be the result of increased demand for rural amenities and a quality of life not available in urban areas.

As the so-called "rural turnaround" is better understood, policy makers need to be cognizant of the changing western economy and demographics. They need access to, and understanding of, tools that can enable them to examine the economic and demographic changes at the community and county-wide or even regional level. Such an examination will enable them to ask questions about the underlying causes and consequences of ongoing change. Armed with factual information and informed questions, policy-makers are then able to link the demand for quality environment, with the shifting economy of rural communities.

A recent publication entitled Measuring Change in Rural Communities: A Workbook for Determining Demographic, Economic and Fiscal Trends (Rasker, Johnson and York 1994) offers a new tool for community leaders. The methodology presented in the workbook adopts a trend analysis approach as it helps users build a socio-economic profile for their community or county. Tom Power, economist at the University of Montana, likens many community economic development efforts to looking at

the economy “through the rear view mirror”. The result is, he suggests, that communities tend not to realize the extent to which their community has changed from, for example, an agricultural community to a retirement destination. Conversely, a socio-economic profile using trend analysis urges community leaders to examine recent changes and then project the nature and rates of change into the near future. Small but steady shifts in economic and demographic makeup can be documented using trend analysis.

The profile methodology, as presented in the workbook, is comprised of three chapters: *People and Where They Live*, *People and Where They Work*, and *People and Their Government*. The generic process for each section is to complete a series of exercises consisting of accessing the relevant data, filling in blank worksheets provided, optionally build graphics for presentation and finally, answering a se-

ries of questions relevant to the topic. The intent of the methodology is to use the data to suggest to users a path of inquiry that will lead them to a more useful understanding of their community. The methodology reinforces the axiom that good answers will emerge from good questions. As specific questions are asked of the data and documented, research and discussion questions relevant to the findings emerge. The workbook provides example questions and encourages users to design their own approach.

The end product of the trend analysis exercise is comprehensive documentation of change in a rural community life style. The workbook is currently being used in regional studies in the Upper Missouri River Basin in Montana (a NWAFF project), Alaska, the Colorado Plateau, New Mexico and was tested in the Greater Yellowstone region of Montana, Idaho and Wyoming.



**LOCAL
GOVERNMENT
NEWS**

**TRENDS IN MONTANA LOCAL
GOVERNMENT**

JUDY MATHRE
Local Government Center

During 1993-94 the Local Government Center gathered information from 126 municipal governments, 54 county governments and 2 city/county consolidated governments, and calculated averages by classification for a number of different characteristics describing local government in Montana. Trends over a five year period (fiscal years 1990-1994) were measured by averaging data according to city or county class. Classification for cities is measured by population, but for counties is measured by county taxable value.

MUNICIPAL GOVERNMENT
Municipal Government Classification and Population

CLASS	POPULATION	NUMBER	AVERAGE POP. 1992	% CHANGE POP. 1990-92
1	more than 10,000	9	33,451	2.6
2	5,000-10,000	3	7,238	2.5
3	1,000-5,000	38	2,473	1.2
TOWN	less than 1,000	78	484	2.4
AVERAGE			3,550	2.1

Average city populations increased statewide between 1990-92 in all municipal classes in contrast with that of the previous decade. From 1980-90 populations declined statewide except in class 1 which showed slight growth (2.9%).

Average Municipal Taxable Valuation

CLASS	MILL VALUE 1994	% CHANGE 1990-94
1	\$46,121.46	13.9
2	\$6,936.11	6
3	\$2,591.87	3.3
TOWN	\$436.88	5.8
AVERAGE	\$4,441.17	5.6

During the five year period 1990-94 mill valuation increased in all classes of cities. Considering the fact that inflation increased on average 3.6% per year during this time, the growth in real taxable valuation at 1.1% per year did not keep pace with the rate of inflation.

Average Municipal Mill Levies

CLASS	GENERAL FUND MILLS 1994	% CHANGE 1990-1994	TOTAL MILLS LEVIED 1994	% CHANGE 1990-94
1	82.09	-3	125.77	-1.6
2	120.18	12.9	127.48	-3.9
3	79.13	1	100.90	1.4
TOWN	72.07	5.8	86.56	4.7
AVERAGE	76.06	3.9	94.66	3

The modest growth of taxable value from 1990-94 helped to keep increases in mill levies fairly minimal, and even negative in the case of cities of the first and second classes.

Average General Fund Appropriations and Per Capita Appropriation

CLASS	GENERAL FUND APPROPRIATION 1993	% CHANGE 1990-1994	GENERAL FUND APPROPRIATION PER CAPITA 1994
1	\$8,863,070	33.1	279.62
2	\$1,607,708	13.5	213.35
3	\$595,609	24.4	230.35
TOWN	\$108,491	32.6	215.54
AVERAGE	\$949,808	29.6	224.9

During the five year period 1990-94 general fund appropriations grew at about 6% per year on average. The average annual change in mill value during the same period of time was 1.1%, while the average change in total mills levied was 0.6%. With the average annual change in general fund appropriations at 6% per year for the five year period, one must conclude that the increases must have come from non-tax revenues such as gambling revenues distributed by the state to jurisdictions of origin.

Per capita appropriations averaged \$227.57, and the statewide average actually declined modestly from the preceding five year (FY 89-93) average of \$227.57.

Average Municipal Fund Balances

CLASS	GENERAL FUND BALANCE 1994	% CHANGE 1990-94
1	\$2,648,456	1068.1
2	\$194,897	402.3
3	\$221,250	196.1
TOWN	\$43,160	119.2
AVERAGE	\$301,568	223.8

General fund balances increased significantly over the five year period suggesting that municipalities have recovered and are, in general, maintaining their fiscal stability.

Average Municipal Full Time Employees

CLASS	AVERAGE NUMBER FTE 1994	% CHANGE 1990-94
1	290	22.8
2	65	1.6
3	17	10.5
TOWN	3	18.7
AVERAGE	28	16.0

Increase in number of full-time employees was relatively stable over the 1990-94 period. The largest increase occurred in first class cities with about 4% per year. Population growth occurred in all classes of cities from 1990-92.

COUNTY GOVERNMENT

County Classification and Population

CLASS	TAXABLE VALUATION	NUMBER OF COUNTIES	AVERAGE POP. 1992	% CHANGE POP. 1990-92
1	OVER \$50 MILLION	10	50,554	3
2	\$30-50 MILLION	11	12,845	0.5
3	\$20-30 MILLION	10	8,664	1.3
4	\$15-20 MILLION	4	8,190	-0.6
5	\$10-15 MILLION	6	3,307	0
6 & 7	UNDER \$10 MILLION	15	2,414	-2.2
AVERAG			14,683	.2

Population gains occurred in all classes except for classes 4, 6, & 7. This contrasts with a population decline of -4.3% on average from 1980 - 90.

Average County Taxable Valuation

CLASS	MILL VALUE 1994	% CHANGE MILL VALUE 1990-94
1	\$102,179.56	-2.7
2	\$25,334.09	-22.6
3	\$21,684.61	-3.7
4	\$15,473.81	-3.2
5	\$8,356.68	-32.9
6 & 7	\$6,839.70	2.2
AVERAGE	\$30,927.63	-8.8

Taxable value declined in all except Class 6 & 7 counties during the 1990-94 time period. The cumulative effect on an average annual inflation rate of 3.6% magnifies the significance of these declining mill values.

Average County Mills Levied

CLASS	GENERAL FUND MILLS LEVIED 1994	% CHANGE GEN. FUND MILLS 1990-94	TOTAL MILLS LEVIED 1994	% CHANGE TOTAL MILLS 1990-92
1	28.33	37.2	75.00	-0.3
2	23.36	27	68.59	27.5
3	23.78	-6.7	75.12	9.3
4	27.98	3	94.93	15.1
5	54.93	78.5	113.73	68.4
6 & 7	40.32	11.9	97.89	13.7
AVERAGE	32.58	22.6	85.47	19.1

Change in total mills levied ranged from -0.3% in Class 1 counties to 68.4% in class 5 counties over the five year period. This change appears to be related to the loss of taxable value.

Average County General Fund Appropriation

CLASS	GENERAL FUND APPROPRIATION 1994	% CHANGE GENERAL FUND APPROPRIATION 1990-94
1	\$6,340,149	26.2
2	\$2,065,778	15.4
3	\$1,571,032	23.3
4	\$1,135,951	0.9
5	\$1,027,798	12.5
6 & 7	\$728,666	25
AVERAGE	\$2,204,928	20

The change in general fund appropriations by class was similar except for class 4 counties. Class 4 counties on average increased only 0.9%. The increases in other classes ranged from 12.5 - 26.2% over five years or an average for all counties of 4% per year.

Arkansas County Total Appropriation (16 Funds)

CLASS	TOTAL 16 FUNDS*	% CHANGE 16 FUNDS* 1990-94	PER CAPITA EXPENDITURES 16 FUNDS* 1994
1	\$15,042,030	16.4	\$535.78
2	\$5,569,730	18.4	\$619.24
3	\$3,487,258	18.9	\$444.80
4	\$2,690,249	9	\$348.34
5	\$2,665,388	14.8	\$1,091.46
6 & 7	\$1,472,738	17.3	\$719.14
AVERAGE	\$5,275,077	16.8	\$630.48

Sixteen fund totals increased in all classes with a range of 9.0% - 18.9%. The average increase for all counties over five years was 16.8% or 3.4% per year which approximated the average inflation rate of 3.6% per year.

Expenditures per capita were lowest in class 4 counties, at \$348.34, and highest in class 5 counties, \$1,091.46. The average for all counties was \$630.48.

County Full Time Employees

CLASS	FULL TIME EMPLOYEES 1994	% CHANGE FULL TIME EMPLOYEES 1990-94
1	275	16.7
2	104	33.4
3	73	29
4	60	12.8
5	48	38.6
6 & 7	35	59.1
AVERAGE	101	35.6

Full time employees changed statewide 35.6% during the five year period 1990-94. Changes ranged from a low of 12.8% in class 4 counties to 59.1% in class 6 & 7 counties.

* 16 FUNDS INCLUDED IN COUNTY APPROPRIATION

- | | |
|------------------------|----------------------------------|
| 1. General Fund | 9. Extension Fund |
| 2. Road Fund | 10. Airport Fund |
| 3. Poor Fund | 11. Health Fund |
| 4. District Court Fund | 12. Planning Fund |
| 5. Bridge Fund | 13. Hospital Fund |
| 6. Weed Fund | 14. Bond Interest Fund |
| 7. Fair Fund | 15. Senior Citizens Fund |
| 8. Library Fund | 16. Comprehensive Insurance Fund |