

U.S. Mineral Royalties (17-3-240)

1. Model Characteristics

- Estimate royalty revenue for coal, oil, and natural gas production on federal land in Montana.
- Resource production on federal land in Montana is estimated using historical ratios of federal-land production to total state production.
- Price estimates are used to calculate total value of the federally-owned resource and then an estimated tax rate is applied to determine total royalty revenue due to the federal government.
 - Effective federal royalty tax rate has been consistently less than the nominal rate of 12.5%.
- The average percentage of royalty receipts remitted by the federal government to the state of Montana is calculated to determine total state royalty revenue.
 - Federal government is required to return 48% receipts to the state.
- Estimate revenue from rental payments, bonus payments, and other resources.

2. Model Data

- Federal production and royalty payment data is received annually from the Office of Natural Resources Revenue (ONRR).
- Montana coal, oil, and natural gas production and price data come from sources including: the Department of Revenue's GENTAX system, the Montana Board of Oil and Gas, IHS Economics, and the U.S. Energy Information Administration.

3. Key Variables

- Coal, oil, and natural gas production on federal and state lands.
- Coal, oil, and natural gas prices.
- Federal royalty rates for resource extraction.
- Percentage of federal royalty revenue that is remitted to the State of Montana.

4. Other Important Points

- Congress can change the amount of royalty revenue that is distributed to the state.
 - Passage of FY 2009 federal budget resulted in the decrease of the state's share of royalty revenue from 50% to 48%.
- Expansion of Montana's coal industry could greatly affect this revenue source.
 - A recent approval of expansion for Signal Peak's Bull Mountain Mine has the potential to increase the amount of coal produced on federal land in Montana.
- As energy prices fluctuate, so will mineral royalty revenue.