
Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Description: Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0% of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. However due to federal legislation, from October 2007 through the current year, state shares were 48.0%. Based on statements by Office of Natural Resources Revenue personnel, the reduced rate is assumed to continue. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

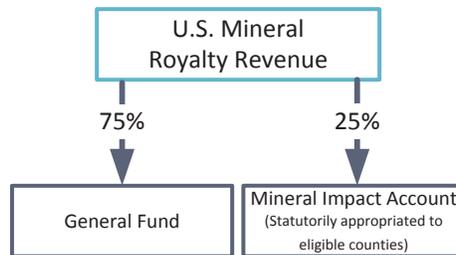
Statutory Reference:

Tax Rate – NA
Distribution – 17-3-240, MCA

Applicable Tax Rate(s): N/A

Distribution: With the enactment of Senate Bill 212 by the 2005 Legislature, receipts are deposited to the general fund and the state special revenue mineral impact account. Money in the mineral impact account is statutorily appropriated for distribution to eligible counties in which the minerals were extracted. An additional 25% or \$10 million, whichever is greater, will be diverted from the general fund portion through 2020 with HB218 for the purpose of an oil and gas impact account.

Distribution Chart:



Summary of Legislative Action: The 63rd Legislature did not enact legislation that impacted this source.

Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 2.08%	FY 2007 – 1.54%	FY 2010 – 1.86%
FY 2005 – 1.78%	FY 2008 – 1.85%	FY 2011 – 1.79%
FY 2006 – 1.72%	FY 2009 – 1.75%	FY 2012 – 1.66%

Revenue Estimate Methodology:

The estimate for Montana’s share of mineral royalties and other mineral related income from its federal lands is produced by estimating each of the major sources of revenue, applying the applicable royalty rate for each, and multiplying by Montana’s share of the revenue.

Data

Data from which to base estimates for this revenues source have been sparse and incomplete. Up until October 2001, the Office of Natural Resources Revenue of the U.S. Department of Interior had provided data used to make the estimate. However, lawsuits and court orders have since stifled the flow of data. Only recently has yearly data been available for federal fiscal years through 2009. The current estimates rely on these data, future prices of oil and natural gas, and coal production on federal land obtained from a survey of Montana’s coal companies.

Analysis

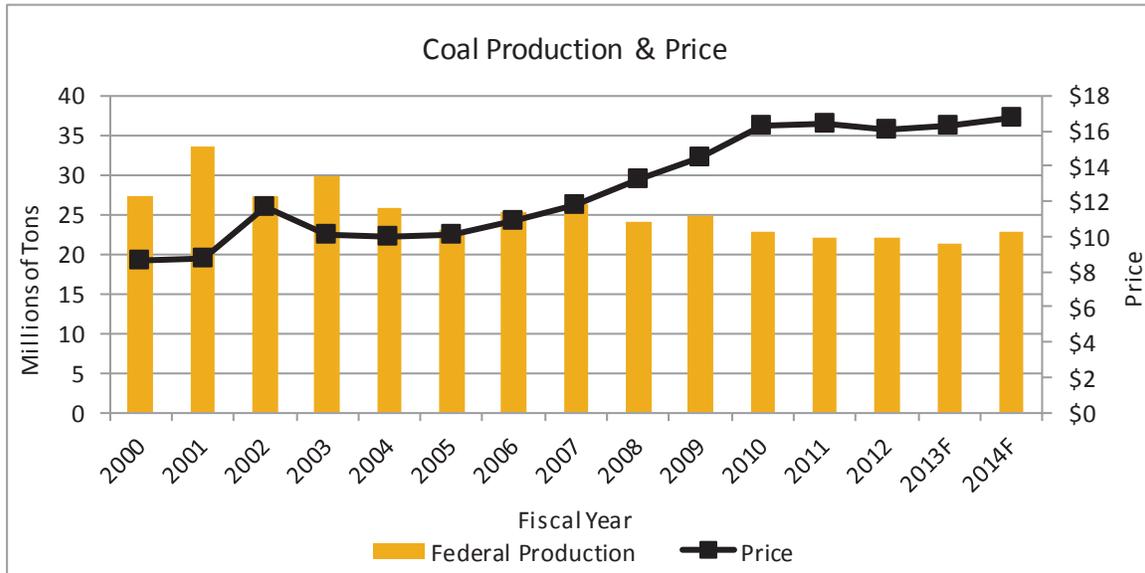
The estimate is derived by first estimating the individual revenue components. The estimate for mineral royalties is obtained by multiplying together estimates for production, price, the applicable royalty rate, and Montana’s percentage share.

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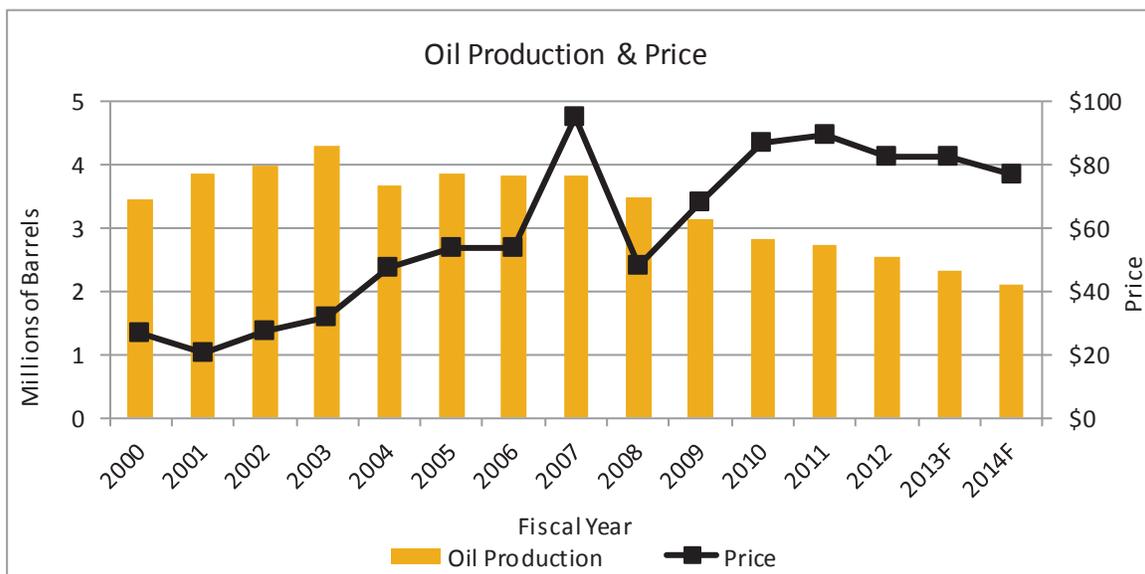
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- Coal—Calendar year production is estimated by multiplying the calendar year production reported by each company on the coal survey by the percent of production each anticipated to be from federal lands multiplied by a federal fiscal year conversion factor. Price is determined by calculating a federal fiscal year growth by converting the calendar year Montana contract sales price into a federal fiscal year price and determining the growth between the current and previous years. Production multiplied by price yields value. The value is then multiplied by the royalty rate for the last known federal fiscal year. This royalty rate is used for all estimated years. Of the total calculated royalty, Montana receives 48%.



- Oil—Federal fiscal year production is estimated by multiplying the current year’s amount by the growth between it and the previous year. Yearly prices are determined by first averaging quarterly future prices of West Texas Intermediate oil as forecast by IHS, based on the federal fiscal year, for the current and previous year. Price for the current federal fiscal year is determined by multiplying current year’s IHS price by the ratio of the previous year’s estimated (or actual) price to IHS price for the previous year. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives 48%.

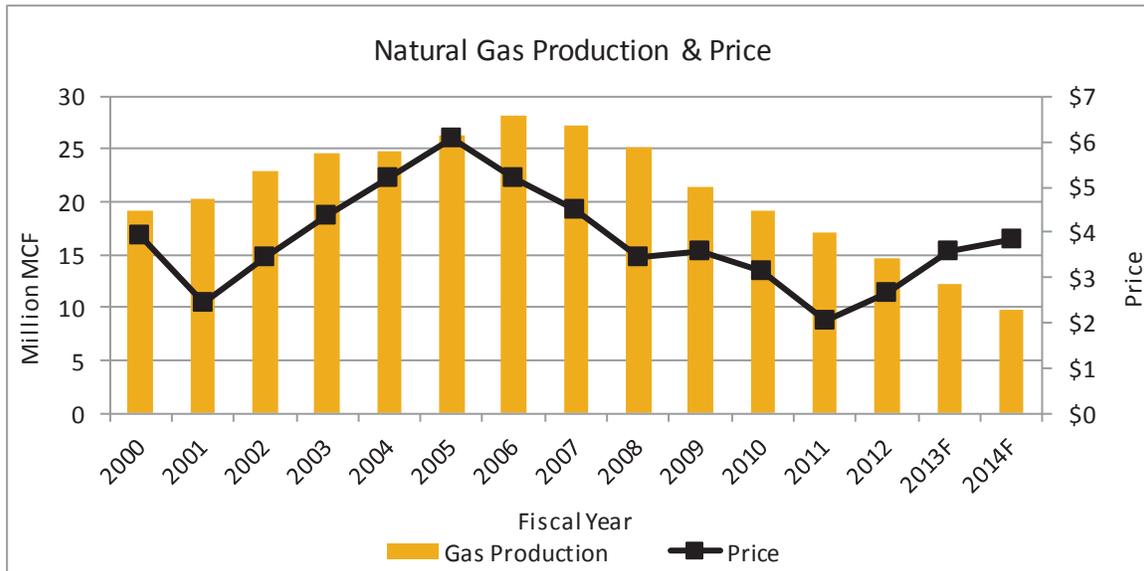


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- Natural Gas—Calendar year production is estimated by multiply the previous year’s production by the growth rate of the two previous years. Yearly prices are determined by first averaging quarterly future prices of well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year’s price to the previous year’s estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives 48%.



- Natural Gas Liquid—Federal fiscal year production is estimated by changing the previous year’s amount by the percentage change in the last two years for all of the estimated years. Yearly prices are determined by first averaging quarterly future prices of well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year’s price to the previous year’s estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives 48%.
- Methane—Federal fiscal year production is estimated by changing the 2009 amount and each forecast year by the average annual change between 2005 and 2009. Yearly prices are determined by first averaging quarterly future prices of national well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year’s price to the previous year’s estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana 48%.
- Rents, Bonuses, and Other—The amounts from actual federal FY 2009 are used for all estimated years. Montana’s portion is 48%.

Adjustments and Distribution

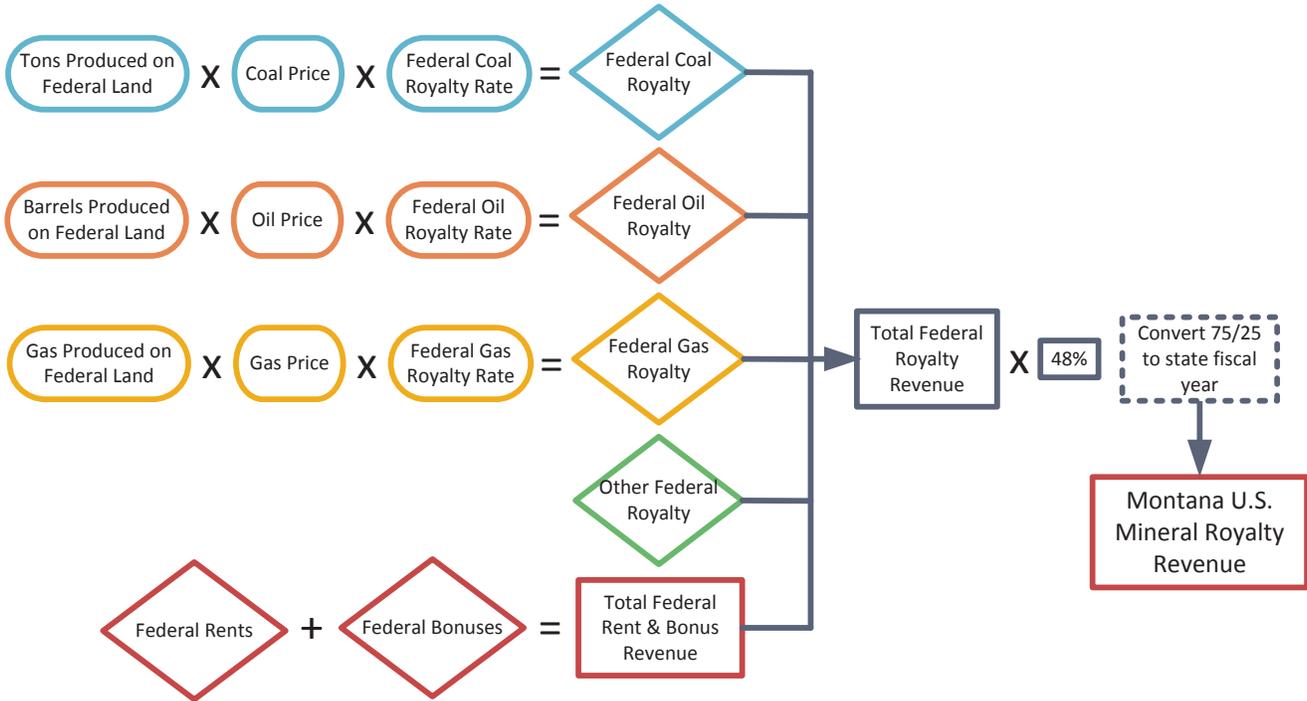
Since the estimates are based on the federal fiscal year a 25/75 split is used to convert to a state fiscal year. The total amount of anticipated revenue is distributed 75% to the general fund and 25% to the state special revenue fund.

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Forecast Methodology:



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Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in Senate Joint Resolution 2. It does not reflect changes, if any, enacted by the 2013 Legislature that may affect future estimates of this revenue source.

	t	Total Rev.	GF Rev.	One-Time	Mineral	GF Allocation
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Settlement</u>	<u>Impact</u>	<u>Percent</u>
				<u>Millions</u>	<u>Millions</u>	
Actual	2002	19.772	19.772	0.000		100.0%
Actual	2003	25.990	25.990	0.000		100.0%
Actual	2004	28.736	28.736	0.000		100.0%
Actual	2005	36.392	27.294	0.000	9.098	75.0%
Actual	2006	39.071	29.304	0.000	9.768	75.0%
Actual	2007	37.628	28.221	0.000	9.407	75.0%
Actual	2008	48.518	36.389	0.000	12.130	75.0%
Actual	2009	42.098	31.573	0.000	10.524	75.0%
Actual	2010	40.384	30.288	0.000	10.096	75.0%
Actual	2011	42.564	31.923	0.000	10.641	75.0%
Actual	2012	41.409	31.057	0.000	10.352	75.0%
Forecast	2013	49.319	36.989	0.000	12.330	75.0%
Forecast	2014	41.271	30.953	0.000	10.318	75.0%
Forecast	2015	38.678	29.009	0.000	9.670	75.0%

	t	Oil	Coal	Gas	Oil	Coal	Gas
	<u>Cal</u>	<u>Barrels</u>	<u>Tons</u>	<u>MCF's</u>	<u>Price</u>	<u>Price</u>	<u>Price</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>			
Actual	2002	3.863	33.491	20.392	20.66	8.79	2.42
Actual	2003	3.975	27.206	23.003	27.51	11.71	3.45
Actual	2004	4.296	29.781	24.538	31.98	10.05	4.36
Actual	2005	3.679	25.938	24.767	47.47	10.04	5.21
Actual	2006	3.845	23.192	26.324	53.70	10.12	6.09
Actual	2007	3.836	25.440	28.181	53.82	10.94	5.19
Actual	2008	3.820	26.286	27.199	95.08	11.74	4.49
Actual	2009	3.483	23.985	25.138	47.72	13.28	3.43
Actual	2010	3.138	24.940	21.489	68.26	14.47	3.58
Actual	2011	2.832	22.842	19.090	86.67	16.31	3.16
Actual	2012	3.113	26.756	16.604	85.65	16.41	2.41
Forecast	2013	2.740	22.147	14.364	80.03	16.07	3.27
Forecast	2014	2.566	21.259	11.911	78.30	16.38	4.18
Forecast	2015	2.391	22.720	9.458	73.51	16.82	4.44

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	<u>t</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>
	<u>Cal</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>
					<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2002	11.5%	11.6%	12.4%	9.052	34.182	6.121
Actual	2003	11.3%	11.8%	12.4%	12.385	37.486	9.803
Actual	2004	11.3%	11.4%	12.1%	15.336	34.201	12.884
Actual	2005	11.2%	12.2%	11.7%	18.877	31.761	15.082
Actual	2006	10.8%	12.2%	11.2%	22.979	28.687	17.962
Actual	2007	11.1%	12.1%	11.1%	22.984	33.709	16.196
Actual	2008	11.1%	12.2%	16.4%	38.614	37.539	20.085
Actual	2009	10.6%	12.0%	11.0%	17.550	38.197	9.483
Actual	2010	10.6%	11.6%	11.0%	23.165	41.926	8.499
Actual	2011	10.8%	11.6%	11.1%	26.417	43.261	6.697
Actual	2012	10.8%	11.0%	12.8%	33.159	48.145	5.104
Forecast	2013	12.4%	11.0%	12.8%	27.272	39.024	5.987
Forecast	2014	12.4%	11.0%	12.8%	24.983	38.190	6.355
Forecast	2015	12.4%	11.0%	12.8%	21.859	41.886	5.360

	<u>t</u>	<u>Other</u>	<u>Rent&Bonus</u>	<u>Other</u>	<u>Total</u>	<u>State</u>	<u>State</u>
	<u>Cal</u>	<u>Royalty</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Share</u>	<u>Share</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Percent</u>
Actual	2002	0.681	3.183	0.293	53.512	26.334	49.2%
Actual	2003	1.018	7.105	1.572	69.369	32.178	46.4%
Actual	2004	0.505	5.009	1.800	69.736	33.427	47.9%
Actual	2005	4.413	4.752	0.976	75.861	36.234	47.8%
Actual	2006	4.014	4.616	1.097	79.355	37.446	47.2%
Actual	2007	2.342	4.318	2.106	81.655	39.323	48.2%
Actual	2008	16.752	7.857	-0.521	120.325	57.903	48.1%
Actual	2009	1.894	8.036	-0.462	74.698	36.007	48.2%
Actual	2010	2.190	13.533	0.148	89.462	43.215	48.3%
Actual	2011	1.745	11.501	6.082	95.704	46.290	48.4%
Actual	2012	1.091	21.264	0.236	108.998	52.319	48.0%
Forecast	2013	1.161	26.984	0.236	100.664	48.319	48.0%
Forecast	2014	1.116	10.208	0.236	81.087	38.922	48.0%
Forecast	2015	0.860	10.208	0.236	80.409	38.597	48.0%

Total Rev. = (Oil Barrels × Oil Price × Oil Roy. Rate + Coal Tons × Coal Price × Coal Roy. Rate +
Gas MCF's × Gas Price × Gas Roy. Rate + Other Royalty + Rent&Bonus Revenue + Other Revenue) ×
State Share

GF Rev. = Total Rev × GF Allocation

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Revenue Projection:

