



Mike Kadas
Director

Montana Department of Revenue



Steve Bullock
Governor

Memorandum

To: Dan Villa, Budget Director State of Montana
From: Mike Kadas, Director Montana Department of Revenue
Date: December 4, 2017
Subject: County Impact of US Mineral Royalties

Based on an analysis from the Congressional Budget Office (CBO), both the House and the Senate tax bills will would cause sequestration under the Pay-As-You-Go Act of 2010 (PAYGO). One of the programs subject to sequestration is the Federal Mineral Royalties Program (FMR). If Congress does not change PAYGO to mitigate the impact of the House and Senate tax bills the CBO the funding for the FMR payment will be eliminated.

The table on the next page shows the distribution of FMR to counties for the last three fiscal years and the number of local mills require to offset the loss in revenue.

I have also attached the CBO letter to Congressman Hoyer.

**Distribution of US Mineral Royalties to Counties and
Estimated Mill Increase to Replace Revenue**

County	FY 2015	FY 2016	FY 2017	Mill Levies to Replace Revenue
Beaverhead	\$13,947	\$3,213	\$1,429	0.107
Big Horn	\$3,316,532	\$2,158,534	\$2,011,949	82.283
Blaine	\$157,103	\$34,289	\$43,046	2.659
Broadwater	\$511	\$0	\$0	0.000
Carbon	\$237,308	\$127,082	\$133,009	3.222
Carter	\$25,758	\$12,933	\$10,528	0.224
Cascade	\$0	\$0	\$0	0.000
Chouteau	\$14,105	\$6,692	\$5,370	0.237
Custer	\$2,444	\$11,731	\$1,024	0.285
Daniels	\$394	\$355	\$480	0.054
Dawson	\$174,314	\$110,598	\$129,076	4.633
Deer Lodge	\$17	\$15	\$15	0.001
Fallon	\$985,448	\$502,793	\$505,804	11.452
Fergus	\$3,944	\$2,611	\$2,486	0.074
Flathead	\$0	\$0	\$0	0.000
Gallatin	\$84	\$24	\$88	0.000
Garfield	\$2,612	\$1,456	\$1,449	0.269
Glacier	\$5,084	\$5,813	\$2,818	0.161
Golden Valley	\$542	\$173	\$78	0.020
Granite	\$0	\$0	\$0	0.000
Hill	\$14,001	\$3,449	\$12,367	0.201
Jefferson	\$229	\$146	\$141	0.005
Judith Basin	\$0	\$0	\$0	0.000
Lake	\$0	\$0	\$0	0.000
Lewis & Clark	\$95	\$66	\$64	0.000
Liberty	\$8,359	\$5,403	\$7,712	0.682
Lincoln	\$0	\$0	\$0	0.000
Madison	\$38	\$38	\$389	0.002
McCone	\$12,640	\$9,990	\$2,364	0.816
Meagher	\$0	\$0	\$0	0.000
Mineral	\$0	\$0	\$0	0.000
Missoula	\$0	\$0	\$0	0.000
Musselshell	\$20,061	\$33,602	\$21,518	2.177
Park	\$29	\$2	\$1	0.000
Petroleum	\$8,580	\$4,763	\$5,623	3.105
Phillips	\$227,726	\$139,302	\$22,674	4.300
Pondera	\$4,063	\$3,595	\$0	0.110
Powder River	\$277,491	\$231,042	\$285,719	16.899
Powell	\$4	\$4	\$3	0.000
Prairie	\$60,300	\$32,417	\$34,011	6.135
Ravalli	\$0	\$0	\$0	0.000
Richland	\$738,661	\$279,662	\$241,993	3.585
Roosevelt	\$309,963	\$0	\$172,014	2.415
Rosebud	\$1,800,224	\$1,719,123	\$1,919,616	19.213
Sanders	\$0	\$0	\$0	0.000
Sheridan	\$18,864	\$7,736	\$11,193	0.524
Silver Bow	\$245	\$165	\$159	0.002
Stillwater	\$8,306	\$2,610	\$422	0.037
Sweet Grass	\$934	\$4	\$1	0.000
Teton	\$279	\$278	\$28	0.007
Toole	\$46,634	\$29,633	\$35,639	1.369
Treasure	\$135,971	\$108,325	\$25,099	12.464
Valley	\$18,146	\$4,653	\$773	0.086
Wheatland	\$29	\$29	\$29	0.002
Wibaux	\$241,918	\$128,899	\$130,510	8.317
Yellowstone	\$508	\$55	\$61	0.000
Total Distributions	\$8,894,445	\$5,723,301	\$5,778,774	



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Keith Hall, Director

November 13, 2017

Honorable Steny H. Hoyer
Democratic Whip
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

This letter responds to your request for information about the effects of legislation that would raise deficits by an estimated \$1.5 trillion over the 2018-2027 period, specifically with respect to a sequestration—or cancellation of budgetary resources—in accordance with the Statutory Pay-As-You-Go Act of 2010 (PAYGO; Public Law 111-139).

The PAYGO law requires that new legislation enacted during a term of Congress does not collectively increase estimated deficits. The Office of Management and Budget (OMB) is required to maintain two so-called PAYGO scorecards to report the cumulative changes generated by new legislation in estimated revenues and outlays over the next five years and ten years. If either scorecard indicates a net increase in the deficit, OMB is required to order a sequestration to eliminate the overage. The authority to determine whether a sequestration is required (and if so, exactly how to make the necessary cuts in budget authority) rests solely with OMB.

CBO has analyzed the implications of enacting a bill that would increase deficits by \$1.5 trillion over a 10-year window, without enacting any further legislation to offset that increase. In accordance with the PAYGO law, OMB would record the average annual deficit on its PAYGO scorecard, showing deficit increases of, in the example provided, \$150 billion per year. If the bill were enacted before the end of the calendar year, that amount would be added to the current balances on the PAYGO scorecard, which for 2018, show a positive balance of \$14 billion. (For years after 2018, the balances range from a \$14 billion credit to a \$1 billion debit.)

Honorable Steny H. Hoyer

Page 2

Without enacting subsequent legislation to either offset that deficit increase, waive the recordation of the bill's impact on the scorecard, or otherwise mitigate or eliminate the requirements of the PAYGO law, OMB would be required to issue a sequestration order within 15 days of the end of the session of Congress to reduce spending in fiscal year 2018 by the resultant total of \$136 billion. However, the PAYGO law limits reductions to Medicare to four percentage points (or roughly \$25 billion for that year), leaving about \$111 billion to be sequestered from the remaining mandatory accounts. Because the law entirely exempts many large accounts including low-income programs and social security, the annual resources available from which OMB must draw is, in CBO's estimation, only between \$85 billion to \$90 billion, significantly less than the amount that would be required to be sequestered. (For a full list of accounts subject to automatic reductions, see *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2018*, <https://go.usa.gov/xnZ3U>.)

Given that the required reduction in spending exceeds the estimated amount of available resources in each year over the next 10 years, in the absence of further legislation, OMB would be unable to implement the full extent of outlay reductions required by the PAYGO law.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,



Keith Hall
Director

cc: Honorable Kevin Brady
Chairman
Committee on Ways and Means

Honorable Richard Neal
Ranking Member