



October 14, 2010

Memorandum

To: Members of the Board

From: Julia E. Ranagan, Assistant Director
J. E. Ranagan

Through: Wendy M. Payne, Executive Director
Wendy M. Payne

Subject: Proposed Draft Exposure Draft of Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*¹ – Tab H

MEETING OBJECTIVE

The purpose of the 60-minute session on Thursday is to provide members with an opportunity to discuss and ask questions about the enclosed draft exposure draft (ED) of Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*.

BRIEFING MATERIAL

The following documents are attached to this transmittal memorandum:

- Attachment 1** – timeframe for issuing the proposed technical bulletin
- Attachment 2** – text of Technical Bulletin 2000-1, *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*

In addition, the following enclosures are included following this transmittal memorandum:

- Appendix 1** – draft ED of Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other than Oil and Gas*
- Appendix 2** – Information Sheets on Selected Natural Resources

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

Appendix 3 – Staff Analysis of Receipts and Collections for Natural Resources-Related Activities

In an effort to cut down on the amount and cost of duplicate material that is provided for each meeting, the following materials that have been provided in the past will be available at the board table in an individual binder for each member (as was done at previous board meetings):

- Task Force Discussion Paper, *Accounting for the Natural Resources of the Federal Government*, issued June 2000
- Original ED, *Accounting for Federal Oil and Gas Resources*, issued May 2007
- Comment Letters on Original ED
- Field Test Questionnaire Responses (in color to mark differences)
- Comparison of ED to Field Test Questionnaire Responses (in color to mark differences)
- Revised ED, *Accounting for Federal Oil and Gas Resources*, released July 2009
- Comment Letters on Revised ED
- SFFAS 38, *Accounting for Federal Oil and Gas Resources*, issued April 2010

You may electronically access all of the briefing material at <http://www.fasab.gov/meeting.html> (the reference material is located at http://www.fasab.gov/pdffiles/tabfnr_reference.pdf).

NEXT STEPS

See **Attachment 1**—Technical Bulletin Timeline—for next steps in issuing the proposed technical bulletin. Tuesday, November 8, 2010, will be the release date of this ED absent six board member objections. Editorial comments are always welcome.

BACKGROUND

At the October 21, 2009, board meeting, the board deferred the application of the proposed standard on oil and gas to other types of natural resources to a technical bulletin to be developed by staff immediately following the issuance of the standard on oil and gas.

Technical bulletins are staff documents that are released for public comment if a majority of members do not object. Briefly, the steps required to issue a technical bulletin are:

1. Provide members of the Board with a 15-day review period for draft EDs.
2. If a majority of members do not object to the issuance, release the ED electronically to members of the community for comment. Generally, this distribution includes the CFO Council, Council of Inspectors General on Integrity and Efficiency (CIGIE), relevant AICPA and AGA committees, CPA firms, and posting on the FASAB website.
3. Consider comments on the ED at a public meeting.
4. If a majority of members do not object, issue the final technical bulletin.

The full text of technical bulletin requirements can be located in Attachment 2 – Technical Bulletin 2000-1, *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*.

STAFF ANALYSIS

In order to determine the potential impact of this proposed Technical Bulletin, staff reviewed available information on natural resources other than oil and gas. Because annual receipts and collections for natural resources other than oil and gas are generally considered immaterial at the reporting entity level, there is little information reported on natural resources other than oil and gas in annual agency financial reports.

Therefore, staff obtained detailed information on the annual budget receipts and collections for 2009 by function and sub-function and analyzed it for information about potential natural resources-related activities (see Appendix 3: Staff Analysis of Receipts and Collections for Natural Resources–Related Activities).

Based on staff's review, the only two resources that might be material based on annual receipts and collections for 2009 are coal and the electromagnetic spectrum. However, it is important to note that it is each agency's responsibility to determine which resources would be material based on an estimate of total receipts and collections over the life of the related lease, contract, or other long-term agreement since that would be the asset value to be reported as required supplementary information (RSI).

Staff then compiled information sheets on coal and the electromagnetic spectrum to determine whether an analogy could be drawn between oil and gas, coal, and the electromagnetic spectrum (see Appendix 2: Information Sheets on Selected Natural Resources).

Based on staff's review of the information on coal, even though it is a solid mineral, whereas oil and gas are liquid minerals, the characteristics are similar enough that a very strong analogy can be drawn between oil and gas and coal.

On the other hand, it is staff's belief that the electromagnetic spectrum is not similar enough to oil and gas that an analogy can be drawn. The spectrum is closer to a renewable resource in that it is inexhaustible in duration but limited in the amount of

spectrum that is available per unit of time. As noted in the information sheet on the spectrum, proceeds from auctions of the spectrum are not received on a consistent basis from year to year since the need for auction depends on the mutual exclusivity of the applications received in any given year (for example, auction proceeds were \$16.8 billion, \$1.8 billion, \$13.9 billion, and \$104 million in fiscal years 2009, 2008, 2007, and 2006, respectively). In addition, the asset that is being sold is the right to use the spectrum for a period of time, similar to a standard operating lease; nothing is being used up or depleted forever. Furthermore, these payments from the proceeds are one-time payments made by each auction's winner; they are not made over the course of a lease, contract, or other long-term agreement.

STAFF RECOMMENDATION

Staff believes it is important to release this Technical Bulletin for comment for three reasons:

1. It will close up an open end in SFFAS 38 that specified the board's intent to follow up the standard with a Technical Bulletin that would apply the principles of SFFAS 38 to other types of natural resources;
2. The Technical Bulletin would provide consistent guidance for future resources placed under lease, contract, or other long-term agreement. The federal government can choose to place additional resources under lease, contract, or other long-term agreement at any time and Congress has in fact indicated an interest in where additional funds can be obtained (see March 6, 2009, letter, "Federal Assets that Could be Sold or Leased to Raise Revenue," from the Congressional Budget Office to Representative Ron Kind; available online at <http://www.cbo.gov/doc.cfm?index=10015>; last accessed October 11, 2010); and,
3. It will provide a formal venue through due process for agencies to evaluate their potential reporting requirements as a result of this Technical Bulletin and provide feedback on its potential impact. Staff would also like to seek volunteers for field testing concurrent with the technical bulletin's comment period.

**Do you object to the release of this proposed
Technical Bulletin for comment?**

If you require additional information or wish to suggest another alternative not considered in the staff paper, please contact me as soon as possible. Ideally, I would be able to respond to your request for information or develop more fully the alternative you wish considered in advance of the meeting. If you have any questions or comments prior to the meeting, please contact me via e-mail at ranaganj@fasab.gov or by telephone at 202.512.7377.

Attachments 1 and 2
Appendices 1 – 3

Technical Bulletin Timeline

Date (Estimated)	Minimum Required Time Period	Step
March 22 – October 14, 2010		Staff researched other types of natural resources and prepared draft technical bulletin.
October 15 – November 5, 2010	15 days	Draft technical bulletin submitted to board members for comment.
<i>November 8, 2010 – January 31, 2011</i>	15 – 30 days	If the majority of members do not object to issuance of the technical bulletin for comment, the executive director would release the ED for public comment.
<i>February 11, 2011</i>		Board binders distributed for the February meeting would include copies of all comment letters received.
<i>February 23 – 24, 2011</i>	Next public board meeting	All comments would be considered by the board members at the next public meeting.
<i>February 25 – March 7, 2011</i>		Staff would update the draft technical bulletin based on comments received and submit revised draft to members for comment via email before presenting the final technical bulletin.
<i>N/A</i>	<i>N/A</i>	No Balloting
<i>March 21 – April 11, 2011</i>	15 Days	Submit final technical bulletin for 15-Day board member review period
<i>April 12, 2011</i>		If the majority of members do not object to issuance, final technical bulletin would be issued.

FASAB Technical Bulletin 2000-1

Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance

1. On October 19, 1999, the Council of the American Institute of Certified Public Accountants (AICPA) adopted an amendment to Rule 203 of the AICPA's Code of Professional Ethics. This amendment recognized accounting standards published by the Federal Accounting Standards Advisory Board as generally accepted accounting principles (GAAP) for federal financial reporting entities. The amendment recognized FASAB as the source of GAAP for federal entities. Consequently, the Federal Accounting Standards Advisory Board has authorized its staff to prepare FASAB Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems of federal financial reporting entities. This Bulletin describes the purpose and scope of FASAB Technical Bulletins, the procedures for issuing them, and related background information.
2. The FASAB anticipates that it will communicate primarily through the issuance of Statements and Interpretations. Such pronouncements may require extensive due process, including appointing task forces and holding public hearings. The FASAB also recognizes the need for providing timely guidance to financial statement preparers and attestors for both currently emerging and existing problems.
3. To provide timely guidance within the context of the standard FASAB procedures, Technical Bulletin procedures provide for both due process (more limited in scope and within a tighter minimum time frame than provided for Statements and Interpretations) and review by FASAB members.
4. FASAB Technical Bulletins provide guidance for applying FASAB Statements and Interpretations and resolving accounting issues not directly addressed by them. The following kinds of guidance may be provided in a Technical Bulletin:
 - a. Guidance to clarify, explain, or elaborate on an underlying Statement or Interpretation,
 - b. Guidance to address areas not directly covered by existing Statements or Interpretations,
 - c. Interim guidance on problems in applying an existing Statement or Interpretation currently under study by the FASAB, or
 - d. If applicable, guidance for applying FASB or GASB standards to federal activities.
5. The FASAB staff analyzes an accounting or reporting problem that comes to the FASAB's attention to determine whether the problem may be resolved by issuing a FASAB Technical Bulletin. Generally, a Technical Bulletin can provide guidance if the problem can be resolved within the following guidelines:
 - a. The guidance is not expected to cause a major change in accounting practice.
 - b. The administrative cost involved in implementing the guidance is not expected to be significant to most affected entities.
 - c. The guidance does not conflict with a broad fundamental principle or create a novel accounting practice.

Generally, a FASAB Statement or Interpretation is more appropriate than a Technical Bulletin if any of these guidelines is not met.

6. FASAB members will be provided with copies of all draft Technical Bulletins before their release for comment by interested parties. Within 15 days of sending the draft TB to FASAB members, the Executive Director will review any member comments and consult with members on any issues identified. Based on the comments and consultation, the Executive Director will determine if a majority of members do not object to the proposed Technical Bulletin.
7. If a majority of the FASAB members do not object, the Executive Director will release the proposed Technical Bulletin to selected knowledgeable persons for comment. Those persons include members of the CFO Council, the President's Council on Integrity and Efficiency, the Joint Financial Management Improvement Program, CPA firms, and others the Executive Director and members of FASAB believe should be consulted. Proposed Bulletins will be publicized by electronic communication with interested parties and by posting to FASAB's World Wide Web site during an exposure period of at least 15 days.¹ The FASAB will maintain a public record of proposed Bulletins and all written comments received. The public record will be available for inspection at the FASAB's offices.
8. All comments received on draft Technical Bulletins will be given to the Board for its consideration at a public meeting before final issuance. A Bulletin will not be issued if a majority of the FASAB members object either to the guidance in it or to communicating that guidance in a Technical Bulletin.
9. The FASAB may support use of a Technical Bulletin because the nature of the accounting issue addressed and the guidance provided do not, in its judgment, warrant more extensive due process. If the appropriateness of issuing a Technical Bulletin is in doubt, the FASAB may choose instead to issue a Statement or Interpretation or take other action as it deems appropriate.
10. Each Technical Bulletin will specify an effective date and transition provisions for initial application. While the FASAB expects that most Technical Bulletins will be applied prospectively, Technical Bulletins may require retroactive application if appropriate in the circumstances.
11. The FASAB monitors the procedures for issuing FASAB Technical Bulletins and may modify these procedures from time to time. Any modification will be announced publicly.
12. FASAB Technical Bulletins are generally in question-and-answer format and are published with this legend:

The Federal Accounting Standards Advisory Board has authorized its staff to prepare FASAB Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with section III. I. 5 of the Board's rules of procedure, as amended and restated through October 1, 1999 and the procedures described in FASAB Technical Bulletin 2000-1, Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance. The provisions of Technical Bulletins need not be applied to immaterial items.

The FASAB has reviewed this Technical Bulletin and a majority of its members do not object to its issuance.

¹ Determination of the length of the exposure period will depend on the nature and urgency of the issue. The Board generally prefers that exposure periods be longer than the minimum required and expects that normally exposure periods will be for at least 30 days.

Appendix 1

***Technical Bulletin
2011-1, Accounting
for Federal Natural
Resources Other
than Oil and Gas***

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Federal Accounting Standards Advisory Board

**Accounting for Federal Natural Resources
Other than Oil and Gas**

Technical Bulletin 2011-1

Exposure Draft

Written comments are requested by January 31, 2011

November 8, 2010

Working Draft – Comments are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

FASAB has authorized its staff to prepare FASAB technical bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the Board’s rules of procedure, as amended and restated through December 2003, and the procedures described in FASAB Technical Bulletin 2000-1, “*Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance.*” The provisions of technical bulletins need not be applied to immaterial items.

Additional background information is available from the FASAB or its website:

- “Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”
- “Mission Statement: Federal Accounting Standards Advisory Board,” exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB’s website at: www.fasab.gov.

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Federal Accounting Standards Advisory Board

1 November 8, 2010

2 TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

3 The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting
4 comments on the exposure draft of a proposed technical bulletin entitled, *Accounting for*
5 *Federal Natural Resources Other than Oil and Gas*. Specific questions for your
6 consideration begin on page 16 but you are welcome to comment on any aspect of this
7 proposal. If you do not agree with the proposed approach, your response would be
8 more helpful to the Board if you explain the reasons for your position and any alternative
9 you propose. Responses are requested by January 31, 2011.

10 All comments received by the FASAB are considered public information. Those
11 comments may be posted to the FASAB's website and will be included in the project's
12 public record.

13 We have experienced delays in mail delivery due to increased screening procedures.
14 Therefore, please provide your comments in electronic form. Responses in electronic
15 form should be sent by e-mail to fasab@fasab.gov. If you are unable to provide
16 electronic delivery, we urge you to fax your comments to (202) 512-7366. Please follow
17 up by mailing your comments to:

18 Wendy M. Payne, Executive Director
19 Federal Accounting Standards Advisory Board
20 Mailstop 6K17V
21 441 G Street, NW, Suite 6814
22 Washington, DC 20548
23

24 The Board's rules of procedure provide that it may hold one or more public hearings on
25 any exposure draft. No hearing has yet been scheduled for this exposure draft.

26 Notice of the date and location of any public hearing on this document will be published
27 in the *Federal Register* and in the FASAB's newsletter.

28

29 Wendy M. Payne
30 Executive Director

1 **Executive Summary**

2 **What guidance is being proposed?**

3 This technical bulletin is intended to clarify that federal entities should report the
4 value of all federal natural resources under lease, contract or other long-term
5 agreement in required supplementary information (RSI), consistent with the
6 guidance contained in Statement of Federal Financial Accounting Standards 38,
7 *Accounting for Federal Oil and Gas Resources*.
8

9 **How would this proposal improve federal financial reporting and contribute to**
10 **meeting the federal financial reporting objectives?**

11 Accounting for and reporting information about federal natural resources that
12 represent federal assets would enhance accountability for and stewardship over
13 assets of the federal government. Accounting for the federal government's natural
14 resources as assets and reporting information on those assets as part of RSI would
15 provide transparency regarding the value and changes in value of these significant
16 assets and result in information that contributes to meeting federal financial reporting
17 objectives.

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1 Questions for Respondents

2 FASAB staff encourages you to become familiar with all proposals in the technical
3 bulletin before responding to the questions in this section. In addition to the questions
4 below, staff would also welcome your comments on other aspects of the proposed
5 technical bulletin.

6 FASAB staff believes that this proposal would improve federal financial reporting and
7 contribute to meeting the federal financial reporting objectives. Staff has considered the
8 perceived costs associated with this proposal. In responding, please consider the
9 expected benefits and perceived costs and communicate any concerns that you may
10 have in regard to implementing this proposal.

11 Because the proposals may be modified before a final technical bulletin is issued, it is
12 important that you comment on proposals that you favor as well as any that you do not
13 favor. Comments that include the reasons for your views will be especially appreciated.

14 The questions in this section are available in a Word file for your use at [www.fasab.gov/
15 exposure.html](http://www.fasab.gov/exposure.html). Your responses should be sent by e-mail to fasab@fasab.gov. If you
16 are unable to respond electronically, please fax your responses to (202) 512-7366 and
17 follow up by mailing your responses to:

18 Wendy M. Payne, Executive Director
19 Federal Accounting Standards Advisory Board
20 Mailstop 6K17V
21 441 G Street, NW, Suite 6814
22 Washington, DC 20548
23

24 All responses are requested by January 31, 2011.

25 Q1. This proposed technical bulletin would explicitly apply the requirements of SFFAS
26 38, *Accounting for Federal Oil and Gas Resources*, to all federal natural resources
27 under lease, contract or other long-term agreement and reasonably estimable as
28 of the reporting date (see paragraphs 9 and 17). The Board believes that explicitly
29 applying SFFAS 38 to all federal natural resources is preferable to remaining silent
30 and relying on preparers and auditors to follow the hierarchy of generally accepted
31 accounting principles and apply SFFAS 38 to other federal natural resources
32 through analogy. The Board believes that being explicit will result in more
33 complete, consistent, and useful reporting of federal natural resources. Do you
34 agree or disagree with the Board's decision? Please explain the reason for your
35 position in as much detail as possible.

36

-
- 1 Q2. Appendix B: Federal Natural Resources is a listing of various categories/types of
2 natural resources. It is intended as a general guide to the universe of natural
3 resources that were considered during development of this technical bulletin (see
4 Appendix B).
- 5 a. Which categories/types of federal natural resources, if any, result in
6 annual receipts and/or collections that are material to your reporting entity
7 over the life of the related lease, contract, or other long-term agreement?
- 8 b. Are there any categories/types of federal natural resources that have been
9 omitted from the listing in Appendix B which result in annual receipts
10 and/or collections that would be considered material to your reporting
11 entity over the life of the related lease, contract, or other long-term
12 agreement? If so, please explain.
- 13 Q3. This proposed technical bulletin applies the same valuation guidance contained in
14 SFFAS 38 for federal oil and gas proved reserves to all federal natural resources
15 under lease, contract or other long-term agreement and reasonably estimable as
16 of the reporting date (see paragraphs 24 through 28). Do you agree or disagree
17 that the valuation guidance is sufficient? Please explain the reasons for your
18 position in as much detail as possible.
- 19 Q4. One of the respondents to the July 6, 2009, exposure draft, *Accounting for Federal*
20 *Oil and Gas Resources*, questioned whether fiduciaries should be required to
21 value non-monetary assets. In addition, the Board questioned whether there are
22 currently any oil and gas reserves that would meet the definition of fiduciary
23 assets. The proposed technical bulletin contains a requirement that would require
24 fiduciary natural resources to be valued only if they are substantially managed
25 and/or controlled by the federal government on behalf of others (see paragraph
26 33). Do you agree or disagree with the guidance on fiduciary assets? Please
27 explain the reasons for your position in as much detail as possible.

1 Introduction

2 Purpose

- 3 1. Statement of Federal Financial Accounting Standards (SFFAS) 38,
4 *Accounting for Federal Oil and Gas Resources*, requires the value of the
5 federal government's **estimated petroleum royalties**¹ from the production of
6 federal oil and gas **proved reserves** to be reported in required
7 supplementary information (RSI) as part of a discussion of all significant
8 **federal oil and gas resources** under management by the entity.
- 9 2. This technical bulletin clarifies that federal entities should report the value of
10 all **federal natural resources** under lease, contract or other long-term
11 agreement in RSI, consistent with the guidance contained in SFFAS 38 for
12 federal oil and gas proved reserves.

13 Materiality

- 14 3. The provisions of this technical bulletin need not be applied to immaterial
15 items. The determination of whether an item is material depends on the
16 degree to which omitting or misstating information about the item makes it
17 probable that the judgment of a reasonable person relying on the information
18 would have been changed or influenced by the omission or the misstatement.

19 Effective Date

- 20 4. Consistent with SFFAS 38, the guidance in this technical bulletin is effective as
21 RSI for periods beginning after September 30, 2011. Earlier implementation is
22 encouraged.
- 23 5. It is the Board's intent that the information required by SFFAS 38 transition to
24 basic information after being reported as RSI for a period of three years.
25 Prior to the conclusion of the three-year RSI period, the Board plans to make
26 a determination as to whether the information will transition to basic
27 information as financial statement **recognition** or note disclosure. It is
28 anticipated that a similar determination would be made for natural resources
29 other than oil and gas based on agencies' experiences implementing the
30 guidance in this technical bulletin.

¹ Terms defined in the Glossary are shown in **bold-faced type** the first time they appear.

1 Technical Guidance**2 Scope****3 6. What entities are affected by this technical bulletin?**

4 7. This guidance applies to federal entities that (a) manage federal natural
5 resources and (b) prepare general purpose federal financial reports, including
6 the consolidated financial report of the U.S. Government, in conformance with
7 SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles,*
8 *Including the Application of Standards Issued by the Financial Accounting*
9 *Standards Board (FASB).*

10 8. What accounting practices are addressed in this technical bulletin?

11 9. This guidance clarifies the responsibility of federal entities to report the value
12 of all federal natural resources under lease, contract or other long-term
13 agreement in RSI, consistent with the guidance contained in SFFAS 38 for
14 federal oil and gas resources.

15 10. What are federal natural resources?

16 11. Federal natural resources are resources occurring in nature (for example, oil,
17 gas, coal, sand, gravel, stones, timber, and the electromagnetic spectrum)
18 over which the federal government may exercise sovereign rights with respect
19 to exploration and exploitation and from which the federal government has the
20 authority to derive revenues for its use.²

21 12. What is excluded from the guidance in this technical bulletin?

22 13. This guidance does not apply to natural resources included in the definition in
23 paragraph 11 that are not contained on federal lands or the federal
24 government does not substantially manage and/or control (e.g., royalties
25 collected by the federal government from resources produced from non-
26 federal lands on behalf of non-federal parties from leases that are negotiated
27 and signed by such non-federal parties).

28 14. This guidance does not apply to **renewable natural resources** that differ
29 from oil and gas resources in key ways. For example, costs to develop certain
30 renewable resources may be incurred by the federal government while
31 revenues may relate to annual production rather than extraction of long-

² Adapted from SFFAS 38, available at <http://www.fasab.gov/codifica.html>; last accessed September 14, 2010.

1 standing reserves. Agencies may apply the principles in this Technical
 2 Bulletin to renewable resources if a reasonable analogy can be made.³

3 15. This guidance also does not apply to federal natural resources (e.g., timber)
 4 that are already being recognized as an asset in some agency financial
 5 statements. Agencies are to continue reporting such resources as assets
 6 unless the Board specifies otherwise.⁴

7

8 **Required Supplementary Information (RSI)**

9 16. **Should federal entities apply the general principles of SFFAS 38 to all**
 10 **federal natural resources under management by the entity?**

11 17. No, federal entities should apply the general principles of SFFAS 38 beyond
 12 just oil and gas to all federal natural resources under lease, contract or other
 13 long-term agreement and reasonably estimable as of the reporting date.
 14 This is consistent with SFFAS 38 requirements for reporting on federal oil and
 15 gas proved reserves.⁵

16 Component Entity RSI

17 18. **What should be reported in component entity RSI for federal natural**
 18 **resources other than oil and gas?**

19 19. The estimated value of the reporting entity’s federal natural resources under
 20 lease, contract or other long-term agreement and reasonably estimable as of
 21 the reporting date should be reported in a schedule in RSI as part of a
 22 discussion of all significant federal natural resources under management by
 23 the entity (SFFAS 38, paragraph 15).

24 20. The estimated value of the reporting entity’s federal natural resources should
 25 be calculated on a regional basis if material differences would otherwise
 26 result. For purposes of this technical bulletin, the regions used in determining
 27 and reporting regional amounts or factors should be collaboratively developed
 28 by all the component entities involved in natural resource activities within the

³ Federal entities should follow the GAAP Hierarchy in SFFAS 34 to determine the appropriate accounting and reporting standards for revenue-producing renewable resources.

⁴ See paragraph 5.

⁵ While SFFAS 38 does not specifically address other types of federal natural resources, the Board believes that SFFAS 38 should be considered when applying the hierarchy of generally accepted accounting principles to other types of federal natural resources (SFFAS 38, paragraph 9).

- 1 reporting entity.⁶ Regions used in calculating regional natural resources and
 2 in applying this guidance should be consistent and aligned with regions used
 3 internally by the component entities in administering federal natural resources
 4 activities within a particular reporting entity (SFFAS 38, paragraph 20).
- 5 21. The estimated value of the reporting entity’s federal natural resources should
 6 be reported by major types of natural resources. Resources may be further
 7 divided by subtype of resource and calculated separately if material
 8 differences would otherwise result. Each of the individual calculations should
 9 be reported separately and summed together to arrive at the reporting entity’s
 10 total estimated natural resources (SFFAS 38, paragraph 21).
- 11 22. If a majority of the reporting entity’s estimated revenue from natural resources
 12 is designated to be distributed to others, the value of the revenue to be
 13 distributed should be estimated and reported in a schedule of estimated
 14 revenue to be distributed to others (SFFAS 38, paragraph 26).
- 15 23. **How should the value of federal natural resources be determined?**
- 16 24. The estimates that are developed should approximate the **present value** of
 17 future receipts of federal natural resources under lease, contract or other
 18 long-term agreement and reasonably estimable as of the reporting date. The
 19 estimates should be based on the best information available at fiscal year-
 20 end, or as close to the fiscal year-end as possible (SFFAS 38, paragraph 17).
- 21 25. Discount rates as of the reporting date for present value measurements of
 22 federal natural resources should be based on interest rates on **marketable**
 23 **Treasury securities** with maturities consistent with the cash flows being
 24 discounted (SFFAS 38, paragraph 18).
- 25 26. The reporting entity’s estimates should reflect its judgment about the outcome
 26 of events based on past experience and expectations about the future.
 27 Estimates should reflect what is reasonable to assume under the
 28 circumstances. While the entity’s own assumptions about future cash flows
 29 may be used, the entity should review assumptions used generally in the
 30 federal government as evidenced by sources independent of the reporting
 31 entity, for example, those used by the Bureau of Economic Analysis for the
 32 National Income and Product Accounts. If the entity’s own assumptions do
 33 not reflect data that are consistent with sources independent of the reporting

⁶ In some cases, there may be several bureaus or offices within a reporting entity that are involved in natural resource activities and define regions differently.

- 1 entity, an explanation of why the entity’s own assumptions are preferred
 2 should be provided (SFFAS 38, paragraph 19).
- 3 27. The preferred measurement method for valuing the reporting entity’s federal
 4 natural resources is the present value of future receipts on federal natural
 5 resources under lease, contract or other long-term agreement and reasonably
 6 estimable as of the reporting date using a risk-free discount rate as described
 7 in paragraph 24; however, alternative methods for measuring **fair value** or
 8 current price may be acceptable if it is not reasonably possible to estimate
 9 present value of future federal receipts using the methodology described in
 10 paragraphs 24 through 26 (SFFAS 38, paragraph 22).⁷
- 11 28. Once established, the estimation methodology should be consistently
 12 followed and explained in the financial reports. If environmental or other
 13 changes would provide for the development of an improved methodology, the
 14 nature and reason for the change in methodology, as well as the effect of the
 15 change, should be explained (SFFAS 38, paragraph 23).
- 16 29. **What else should be reported?**
- 17 30. The reporting entity responsible for managing federal natural resources
 18 should provide the following as a narrative to the schedules presented as
 19 RSI:
- 20 a. A concise statement explaining how the management of federal natural
 21 resources is important to the overall mission of the entity.
- 22 b. A brief description of the entity’s stewardship policies for federal natural
 23 resources.
- 24 c. A narrative describing the estimation methodology used to calculate the
 25 value of the federal government’s natural resources. At a minimum, the
 26 narrative explanation should include a “plain English” explanation of the
 27 measurement attribute or method, the significant assumptions
 28 incorporated into the estimate, and any significant changes to the
 29 estimation methodology, including the underlying assumptions, from the

⁷ Calculating the present value of future federal receipts employs the use of a number of estimates; unforeseen circumstances may result in situations where it is not possible for the entity to reasonably estimate the present value of future federal receipts. In these situations, it may be possible to estimate current price. Current price, sometimes referred to as a “fresh-start” or “remeasured” price, is a general term for various attributes measured as of a financial statement date subsequent to the period of initial recognition, including replacement price, market price, and settlement price.

- 1 prior year. As required by paragraph 28, the nature and reason for any
 2 changes, as well as the effect of the changes, should be explained.
- 3 d. A reference to the source reports used to calculate the value of the federal
 4 government’s estimated natural resources.
- 5 e. A narrative describing and a display showing the sales volume, the sales
 6 value, the royalty or other revenue, and the estimated value of royalty or
 7 other relief (i.e., foregone revenue) that resulted from the extraction and
 8 removal of federal natural resources for the reporting period. To the
 9 extent that regional information is available and would contribute to
 10 understanding, the information for each region should be provided.
- 11 f. A narrative describing other significant natural resources under
 12 management by federal entities that are not reported in the schedule
 13 required in paragraph 19 because they are not measurable.⁸ The
 14 narrative should be sufficient to enable the financial statement reader to
 15 gain an understanding of the full extent of natural resources under
 16 management by the entity, including resources contained on land that has
 17 been administratively or legislatively withdrawn from leasing (SFFAS 38,
 18 paragraph 28).

19 Consolidated Financial Report of the U.S. Government RSI

- 20 31. **With regard to federal natural resources other than oil and gas, what**
 21 **should be reported in the consolidated financial report of the U.S.**
 22 **Government?**
- 23 32. The governmentwide entity should provide the following information related to
 24 federal natural resources in RSI as part of a discussion of all significant
 25 federal natural resources under management by the federal government:
- 26 a. A concise statement explaining the nature and valuation of federal natural
 27 resources.
- 28 b. The asset value of federal natural resources by the types identified for use
 29 in calculating the federal government’s estimated natural resources as of
 30 the end of the reporting period (see paragraph 21).
- 31 c. A reference to specific agency reports for additional information about
 32 federal natural resources (SFFAS 38, paragraph 29).

⁸ Statement of Federal Financial Accounting Concepts (SFFAC) 5, paragraph 5.

1 Fiduciary Natural Resources RSI

2 33. Fiduciary activities are defined in SFFAS 31, *Accounting for Fiduciary*
3 *Activities*. Information consistent with the requirements of paragraphs 16
4 through 28 of this document should be reported as RSI in situations where
5 fiduciary natural resources are substantially managed and/or controlled by the
6 federal government on behalf of others (e.g., natural resource leases
7 negotiated and signed by a federal entity on behalf of the owners of the right
8 being leased). No additional RSI is required by this Statement.

9

10 **Effective Date**

11 34. This technical bulletin is effective for periods beginning after September 30,
12 2011. Earlier implementation is encouraged.

13 35. It is the Board's intent that the information required by SFFAS 38 transition to
14 basic information after being reported as RSI for a period of three years.
15 Prior to the conclusion of the three-year RSI period, the Board plans to make
16 a determination as to whether the information will transition to basic
17 information as financial statement recognition or note disclosure. It is
18 anticipated that a similar determination would be made for natural resources
19 other than oil and gas based on agencies' experiences implementing the
20 guidance in this technical bulletin.

**The provisions of this bulletin need not be applied to
immaterial items.**

1 Appendix A: Basis for Conclusions

2 The Federal Accounting Standards Advisory Board has authorized its staff to prepare
3 FASAB technical bulletins to provide timely guidance on certain financial accounting
4 and reporting problems, in accordance with the Board's rules of procedure, as amended
5 and restated through December 2003, and the procedures described in FASAB
6 Technical Bulletin 2000-1, "*Purpose and Scope of FASAB Technical Bulletins and*
7 *Procedures for Issuance.*" The provisions of technical bulletins need not be applied to
8 immaterial items.

9 This appendix discusses some factors considered significant by staff in reaching the
10 conclusions in this technical bulletin. It includes the reasons for accepting certain
11 approaches and rejecting others. Some factors were given greater weight than other
12 factors. The guidance enunciated in the technical guidance section – not the material in
13 this appendix – should govern the accounting for specific transactions, events or
14 conditions.

15 Project History

16 A1. In April 2010, FASAB issued SFFAS 38, *Accounting for Federal Oil and Gas*
17 *Resources*. SFFAS 38 requires the value of the federal government's
18 estimated petroleum royalties from the production of federal oil and gas proved
19 reserves to be reported in a schedule of estimated federal oil and gas
20 petroleum royalties. SFFAS 38 also requires the value of estimated petroleum
21 royalty revenue designated for others to be reported in a schedule of estimated
22 federal oil and gas petroleum royalties to be distributed to others. These
23 schedules are to be presented in required supplementary information (RSI) as
24 part of a discussion of all significant federal oil and gas resources under
25 management by the entity.

26 A2. Federal lands contain a variety of natural resources that are not specifically
27 addressed by SFFAS 38, including coal, gold, and silver, as well as timber and
28 grazing rights. Originally, the Board intended to address each category of
29 resources in separate phases as noted in paragraph A2 of SFFAS 38.
30 Although in principle a broader application was desirable to several Board
31 members, the majority believes that the Board has already devoted a
32 substantial amount of time to the oil and gas standard and developing
33 additional guidance for the other types of resources would significantly delay
34 implementation of a broad standard. Therefore, because federal oil and gas
35 resources represent the most significant portion of all federal natural resources,
36 the majority of members felt it was important to begin recognizing them as
37 soon as possible.

- 1 A3. Nonetheless, the majority of the members believe that the substance of the
2 standards developed for federal oil and gas resources may serve as a good
3 analogy for other categories of federal natural resources.⁹ Therefore, while
4 SFFAS 38 does not specifically address other types of federal natural
5 resources, the Board believes that SFFAS 38 should be considered when
6 applying SFFAS 34, *The Hierarchy of Generally Accepted Accounting*
7 *Principles, Including the Application of Standards Issued by the Financial*
8 *Accounting Standards Board*, to other types of federal natural resources. As a
9 result, while not explicitly encouraging agencies to recognize other categories
10 of natural resources, the Board explicitly states that SFFAS 38 does not require
11 or preclude entities from reporting information about other types of federally-
12 owned natural resources; however, members believe SFFAS 38 should be
13 considered in conjunction with SFFAS 7, *Accounting for Revenue and Other*
14 *Financing Sources*, when applying SFFAS 34 to other types of federally-owned
15 natural resources.¹⁰
- 16 A4. During deliberations on SFFAS 38, the Board explicitly directed staff to apply
17 the requirements of SFFAS 38 to other types of natural resources through the
18 issuance of a technical bulletin. In doing so, the board members noted that the
19 technical bulletin comment period would provide federal entities with an
20 opportunity to comment on the standards as they would apply to the specific
21 natural resources under their management.

22 **Components of Federal Natural Resources**

- 23 A5. *Figure 1, Components of Federal Natural Resources*, presented on the next
24 page identifies the universe of federal natural resources (total resources).
25 Total resources incorporate “original in-place” resources, that is, resources in
26 the earth before human intervention. The components are first separated into
27 “undiscovered resources” and “discovered resources.”
28
- 29 A6. The terms in Figure 1 are defined in Appendix D: Technical Terms under the
30 subheading “Definitions of Federal Natural Resources Components and
31 Subcomponents.”

⁹ SFFAS 34, Paragraph 7.

¹⁰ SFFAS 38, Paragraph 9.

1
2

Figure 1 – Components of Federal Natural Resources

Accounting Standards	Components of Federal Natural Resources									
	Undiscovered Resources			Discovered Resources						
	Non-Recoverable	Recoverable		Not Available for Sale			Available for Sale			
		Undiscovered Conventionally Recoverable Resources	Undiscovered Economically Recoverable Resources	Legislatively Withdrawn	Administratively Withdrawn	Other	Planned to be Offered	Under Contract ¹¹ but Not Conveyed		
							Not Reasonably Estimable	Reasonably Estimable ¹²		
Current Accounting Standards										Bonus bid, rent, royalty and other revenue accounted for by reporting entity either as (1) exchange revenue on the SNC or as (2) as a financing source on the CFR and reporting entity SOCNP ¹³
Proposed Accounting Standards				<ul style="list-style-type: none"> Provide a narrative disclosure in Required Supplementary Information (RSI) of the full extent of natural resources under management by the reporting entity, including resources contained on land that has been administratively or legislatively withdrawn from leasing 			<ul style="list-style-type: none"> Revenue continues to be accounted for as either exchange revenue on the SNC or a financing source on the SOCNP Various RSI disclosures 			

¹¹ “Under Contract” encompasses lease, contract, or other long-term agreement.

¹² Under contract and reasonably estimable is substantially equivalent to “proved reserves” under SFFAS 38.

¹³ SNC = statement of net cost, CFR = consolidated financial report of the U.S. Government, SOCNP = Statement of Operations and Changes in Net Position

1 Selection of Title

2 A7. Staff broadly titled this Technical Bulletin “Accounting for Federal Natural
3 Resources Other than Oil and Gas” because it addresses reporting for all
4 natural resources other than oil and gas. Even if a particular type of natural
5 resource (e.g., renewable resources that differ from oil and gas resources in
6 key ways) is excluded from the specific requirements of paragraph 19 to
7 estimate the value of the reporting entity’s federal natural resources under
8 lease, contract or other long-term agreement, agencies may apply the
9 principles in this Technical Bulletin to renewable resources if a reasonable
10 analogy can be made.

11 Application of Materiality

12 A8. In several places, this Technical Bulletin requires federal agencies to apply the
13 guidance to “all federal natural resources under lease, contract or other long-
14 term agreement.” Staff had considered inserting the word “significant” so that
15 the requirements would be applied to “all significant federal natural resources
16 under lease, contract or other long-term agreement.” Staff felt that inserting the
17 word “significant” with its simple dictionary definition of “having or likely to have
18 influence or effect; important”¹⁴ would be helpful to preparers in implementing
19 the guidance of this Technical Bulletin.

20 A9. However, after reviewing the discussion of materiality in the basis for
21 conclusions of SFFAS 29, *Heritage Assets and Stewardship Land*, paragraphs
22 99 through 104 (excerpted below), staff decided to remove the word
23 “significant” to be consistent with the Board’s application of materiality in
24 SFFAS 29.

25 99. In the ED, the disclosure requirements language read “Entities with significant
26 heritage assets/stewardship land should reference a note...” The Board used
27 the term “significant” to emphasize that some entities may not be subject to
28 the disclosure requirements due to certain entities having only immaterial
29 amounts of heritage assets and stewardship land covered by this standard.

30 100. Although most respondents to the ED agreed that the preparer should have
31 flexibility in determining appropriate categories for aggregation and that the
32 preparer should be allowed to exercise professional judgment in determining
33 which assets are significant, there was some concern raised by respondents
34 that these judgments may be difficult to make. Certain respondents noted that
35
36
37
38

¹⁴ Source: Merriam-Webster Dictionary definition 2(b); available online at <http://www.merriam-webster.com/dictionary/significant>; last accessed October 13, 2010.

Appendix A: Basis for Conclusions

1 “significant” is difficult to apply in the case of heritage assets and stewardship
2 land because there are no financial dollar amounts required to be reported.
3

4 101. The term “significant” was removed from the language establishing disclosure
5 requirements in the final standard because the Board has stated within this
6 standard “The provisions of this Statement need not be applied to immaterial
7 items.” Therefore, entities may omit heritage asset and stewardship land
8 information if they are immaterial.
9

10 102. In SFFAS 3, Accounting for Inventory and Related Property, the introduction
11 included a discussion on “materiality”.³⁵ It explained that materiality has not
12 been strictly defined in the accounting community; rather, it has been a matter
13 of judgment on the part of preparers of financial statements and the auditors
14 who attest to them. It further explained that the determination of whether an
15 item is immaterial requires the exercise of considerable judgment, based on
16 consideration of specific facts and circumstances.

17 ³⁵See SFFAS 3, Accounting for Inventory and Related Property, par. 7-15.
18

19 103. In its discussion in SFFAS 3, the Board relied on the FASB’s concept as
20 modified by certain concepts expressed in governmental auditing standards³⁶.
21 Par. 9 of SFFAS 3 discussed FASB’s Statement of Financial Accounting
22 Concepts No. 2, “Qualitative Characteristics of Accounting Information,” that
23 provides for materiality as the magnitude of an omission or misstatement of
24 accounting information that, in the light of surrounding circumstances, makes it
25 probable that the judgment of a reasonable person relying on the information
26 would have been changed or influenced by the omission or misstatement.
27

28 104. Par. 9 of SFFAS 3 also explains that this concept includes both qualitative and
29 quantitative considerations. An item that is not considered material from a
30 quantitative standpoint may be considered qualitatively material if it would
31 influence or change the judgment of the financial statement user. The Board
32 believes that preparers should consider both quantitative and qualitative
33 characteristics when applying materiality to this standard.

34 ³⁶ Par. 12 of SFFAS 3 explains that the Government Auditing Standards
35 provide “In government audits the materiality level and/or threshold of
36 acceptable risk may be lower than in similar-type audits in the private-sector
37 because of the public accountability of the entity, the various legal and
38 regulatory requirements, and the visibility and sensitivity of government
39 programs, activities, and functions.”
40

41 A10. Staff believes that reporting entities should apply the concept of materiality as
42 described in the basis for conclusions from SFFAS 29 to this Technical
43 Bulletin, and it is therefore unnecessary to include the term “significant.”
44

1 **Exclusion of Renewable Resources that Differ from Oil and Gas in Key Ways**

2 A11. Staff has determined that the guidance in this Technical Bulletin should not be
3 applied to renewable resources that differ from oil and gas resources in key
4 ways. For example, costs to develop certain renewable resources may be
5 incurred by the federal government while revenues may relate to annual
6 production rather than extraction of long-standing reserves. Such revenue-
7 producing renewable resources that result in exchange revenue that is
8 matched against the economic cost of operations would not benefit from the
9 additional reporting requirements of SFFAS 38.

10

11 **Fiduciary Oil and Gas Resources**

12 A12. SFFAS 31, *Accounting for Fiduciary Activities*, par. 12, states that “Fiduciary
13 assets may include assets other than cash, e.g., real or personal property held
14 temporarily pending disposition, or held long-term in a fiduciary capacity.” Both
15 the original and revised EDs of SFFAS 38 included a paragraph on fiduciary oil
16 and gas resources that required similar reporting for fiduciary proved oil and
17 gas reserves. However, one of the respondents to the revised ED raised a
18 question of whether fiduciaries are required to value non-monetary assets. In
19 addition, the Board discussed whether there are currently any oil and gas
20 reserve activities that would meet the definition of fiduciary activity.

21 A13. Since SFFAS 38 requires RSI reporting for federal oil and gas proved reserves
22 and would not trigger reporting under SFFAS 31, the Board deferred the issue
23 of whether reporting should be required for fiduciary proved oil and gas
24 reserves. No reporting on fiduciary oil and gas resources is required as a
25 result of SFFAS 38. The Board decided to revisit the issue of reporting on
26 fiduciary oil and gas resources with this technical bulletin to determine if
27 additional reporting is needed.

1 **Appendix B: Federal Natural Resources**

2 Note: The following list may not include every category/type of natural resource. It is
 3 intended as a general guide to the universe of natural resources that were considered
 4 during development of this Technical Bulletin.

Category/Type of Natural Resource	Examples
Timber	Timber, Woody Biomass (Biofuel)
Leasable Minerals (Solid)	Coal, Oil Shale, Asphalt, Sulfur, Phosphate, Potassium, Sodium, Gilsonite
Leasable Minerals (Fluid)	Oil, Gas, Geothermal Energy
Locatable Minerals	Precious Metals, Ferrous Metals, Light Metals, Base Metals, Precious and Semi-Precious Stones
Mineral Materials	Sand, Gravel, Stones
Grazing Uses	Grazing
Electromagnetic Spectrum	Electromagnetic Spectrum
Non-Timber Vegetative Products	Christmas Trees, Christmas Wreath Materials, Mushrooms, Wild Berries, Medicinal Herbs, Cactus, Pine Nuts
Other Renewable Energy Sources	Solar, Hydropower, Wind and Waves
Other miscellaneous	Land, Fish, Wildlife, Biota, Air, Water, Ground Water, Drinking Water Supplies

1 **Appendix C: Abbreviations**

- 2 CFR Code of Federal Regulations
- 3 FASAB Federal Accounting Standards Advisory Board
- 4 RSI Required Supplementary Information
- 5 SFFAC Statement of Federal Financial Accounting Concepts
- 6 SFFAS Statement of Federal Financial Accounting Standards

1 Appendix D: Technical Terms

2 The terms explained in Appendix D have specific application to federal natural
3 resources and may be useful in applying the requirements of this Technical Bulletin.

4 -----

5 Definitions of Federal Natural Resources Components and Subcomponents

6 Provided below are definitions used in this technical bulletin to describe federal natural
7 resource components and subcomponents.¹⁵ This section of Appendix D defines the
8 terms used in *Figure 1 – Components of Federal Natural Resources*.

9 Undiscovered Resources

10 Resources surmised to exist on the basis of broad geologic knowledge and theory.¹⁶

- 11 • Undiscovered Non-Recoverable Resources – The portion of undiscovered
12 federal natural resources not currently considered to be recoverable. A
13 portion of these resources may become recoverable in the future as
14 commercial circumstances change, technological developments occur, or
15 additional data are required.
- 16 • Undiscovered Recoverable Resources – The portion of undiscovered federal
17 natural resources that are estimated to exist in favorable geologic settings.¹⁷
 - 18 • Undiscovered Conventionally Recoverable Resources: The portion of
19 undiscovered federal natural resources that is producible, using
20 present or reasonably foreseeable technology, without any
21 consideration of economic feasibility.
 - 22 • Undiscovered Economically Recoverable Resources: The portion of
23 undiscovered federal natural resources that is economically
24 recoverable under imposed economic scenarios.

25

26 Discovered Resources

¹⁵ Unless otherwise noted, definitions in this section were adapted from SFFAS 38, Appendix D: Technical Terms.

¹⁶ Adapted from EIA Glossary, available at <http://www.eia.doe.gov/glossary/>; last accessed October 4, 2010.

¹⁷ Ibid.

- 1 Resources whose location and quantity are known or estimated from specific geologic
2 evidence.
- 3 • Not Available for Sale – Resources that are not available for sale or transfer
4 because they have been legislatively or administratively withdrawn.
 - 5 • Legislatively withdrawn resources: Those resources that by law can
6 not be offered for transfer to private entities (e.g., resources in
7 Wilderness Areas, National Parks, and Recreation Areas).
 - 8 • Administratively withdrawn resources: Those resources in areas which
9 by law could be offered for transfer to private entities, but which have
10 been administratively withdrawn. Such resources could be made
11 available for future transfer by administrative decision without change
12 in law (e.g., locatable minerals in scenic or recreational areas).
 - 13 • Available for Sale – Those resources that are available for sale because they
14 have not been legislatively or administratively withdrawn.
 - 15 • Under contract but not conveyed: Resources “under contract” are
16 resources that have been offered for sale through a lease, contract, or
17 other long-term agreement but have not yet been conveyed to the
18 purchaser.
 - 19 – *Reasonably Estimable*: Reasonably estimable resources
20 under contract but not yet conveyed are those resources that
21 are under lease, contract, or other long-term agreement;
22 known to exist as of year-end; and for which the value can
23 be reasonably estimated.
 - 24 – *Not Reasonably Estimable*: Not reasonably estimable
25 resources under contract but not conveyed are those
26 resources that are under lease, contract, or other long-term
27 agreement; known to exist as of year-end; but for which the
28 value cannot be reasonably estimated.
 - 29 • Planned to be offered: Resources planned to be offered are those
30 resources for which it has been determined that specific types of
31 resources in specific locations or within specific areas will be made
32 available for sale or transfer to private entities (e.g., areas open to
33 claims under the Mining Law of 1872).

- 1 • Other: Other resources available for sale are those resources which
2 are neither restricted by law nor administratively withdrawn, are outside
3 of areas for which there are contracts to convey a resource, and are
4 outside of areas for which the determination has been made to offer
5 the resource for sale.

6 End of the terms in Figure 1 that are defined under the subheading “Definitions of
7 Federal Natural Resources Components and Subcomponents.”

8 -----

9 **Other Definitions**

10 **Estimated Petroleum Royalties:** The estimated end-of-period value of the federal
11 government’s royalty share of proved oil and gas reserves from federal oil and gas
12 resources.

13 **Federal Natural Resources:** Resources occurring in nature (for example, oil, gas,
14 coal, sand, gravel, stones, timber, and the electromagnetic spectrum) over which the
15 federal government may exercise sovereign rights with respect to exploration and
16 exploitation and from which the federal government has the authority to derive revenues
17 for its use.¹⁸

18 **Federal Oil and Gas Resources:** Oil and gas resources over which the federal
19 government may exercise sovereign rights with respect to exploration and exploitation
20 and from which the federal government has the authority to derive revenues for its use.
21 Federal oil and gas resources do not include resources over which the federal
22 government acts as a fiduciary for the benefit of a non-federal party.

23 **Proved Reserves:** For crude oil and gas, proved reserves are the estimated quantities
24 that geological and engineering data demonstrate with reasonable certainty to be
25 recoverable in future years from known reservoirs under existing economic and
26 operating conditions. For lease condensate and natural gas plant liquids, proved
27 reserves are the estimated quantities demonstrated with reasonable certainty to be
28 recoverable in future years in conjunction with the production of proved gas reserves,
29 under existing economic and operating conditions. The total quantity of proved
30 reserves is calculated by adding the quantity of reserves reported as revisions and
31 adjustments, net of sales and acquisitions, total recoveries and deducting estimated
32 production during the report year.

¹⁸ Adapted from SFFAS 38, available at <http://www.fasab.gov/codifica.html>; last accessed September 14, 2010.

-
- 1 **Renewable Natural Resources:** Resources that are naturally replenishing but flow-
2 limited. They are virtually inexhaustible in duration but limited in the amount of
3 resources that are available per unit of time. Renewable resources include timber,
4 biomass, hydro, geothermal, solar, wind, ocean thermal, wave action, and tidal action.¹⁹
5 The opposite of renewable is depletable, which refers to resources that are diminished
6 after use, such as coal, oil, and gas.

¹⁹ Adapted from EIA Glossary, available at <http://www.eia.doe.gov/glossary/>; last accessed March 22, 2010.

1 Appendix E: Glossary

- 2 **Fair Value:** Value determined by bona fide bargain between well-informed buyers and
3 sellers, usually over a period of time; the price for which a property, plant and equipment
4 item can be bought or sold in an arm's length transaction between unrelated parties;
5 value in a sale between a willing buyer and a willing seller, other than in a forced or
6 liquidation sale; an estimate of such value in the absence of sales or quotations.
- 7 **Marketable Treasury Securities:** Debt securities, including Treasury bills, notes, and
8 bonds, that the U.S. Treasury offers to the public and are traded in the marketplace.
9 Their bid and ask prices are quoted on securities exchange markets.
- 10 **Present Value:** The value of future cash flows discounted to the present at a certain
11 interest rate (such as the reporting entity's cost of capital), assuming compound interest.
- 12 **Reasonably Estimable:** The ability to reliably quantify in monetary terms the outflow of
13 resources that will be required.
- 14 **Recognition:** The terms recognition and recognize refer to the process of formally
15 recording or incorporating an element into the financial statements of an entity.
16 Recognition comprises depiction of an element in both words and numbers, with the
17 amount included in the totals of the financial statements. For an asset or liability,
18 recognition involves recording not only acquisition or incurrence of the item but also
19 later changes in it, including changes that result in removal from the financial
20 statements.

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Appendix 2

Information Sheets on Selected Natural Resources

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COAL

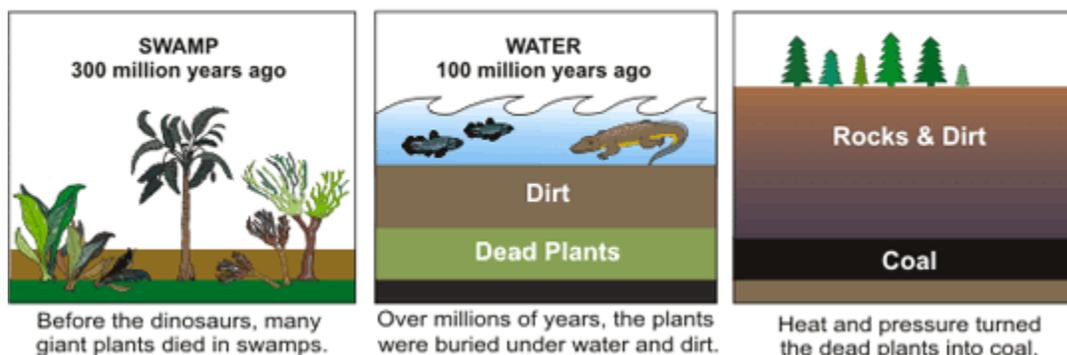
Description of Coal

Coal is a combustible black or brownish-black sedimentary rock composed mostly of carbon and hydrocarbons. It is the most abundant fossil fuel produced in the United States.

Coal is a nonrenewable energy source because it takes millions of years to create. The energy in coal comes from the energy stored by plants that lived hundreds of millions of years ago, when the Earth was partly covered with swampy forests.

For millions of years, a layer of dead plants at the bottom of the swamps was covered by layers of water and dirt, trapping the energy of the dead plants. The heat and pressure from the top layers helped the plant remains turn into what we today call coal.²⁰

HOW COAL WAS FORMED



Source: National Energy Education Development Project (Public Domain)

In the U.S., individual coal beds may be as thin as a few inches or (rarely) as thick as 200 ft and may cover areas as small as a few square yards or as large as several counties or even States.²¹

Types of Coal

Coal is classified into four main types, or ranks (anthracite, bituminous, subbituminous, and lignite), depending on the amounts and types of carbon it contains and on the amount of heat energy it can produce. The rank of a deposit of coal depends on the pressure and heat acting on the plant debris as it sank deeper and deeper over millions of years. For the most part, the higher ranks of coal contain more heat-producing energy.

²⁰ Source: U.S. Energy Information Administration (EIA); available online at [http://www.eia.doe.gov/energyexplained/index.cfm?page=coal_home]; last accessed September 8, 2010.

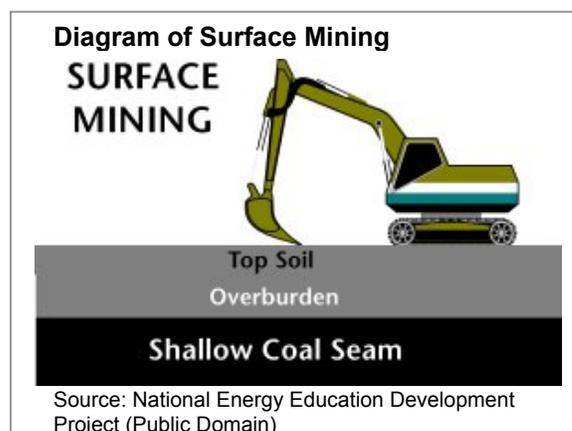
²¹ Source: U.S. Geological Survey (USGS) "Coal: A Complex Natural Resource"; available online at [<http://pubs.usgs.gov/circ/c1143/html/text.html>]; last accessed September 9, 2010.

- **Anthracite** contains 86-97% carbon, and generally has a heating value slightly higher than bituminous coal. It accounts for less than 0.5% of the coal mined in the United States. All of the anthracite mines in the United States are located in northeastern Pennsylvania.
- **Bituminous coal** contains 45-86% carbon. Bituminous coal was formed under high heat and pressure. Bituminous coal in the United States is between 100 to 300 million years old. It is the most abundant rank of coal found in the United States, accounting for about half of U.S. coal production. Bituminous coal is used to generate electricity and is an important fuel and raw material for the steel and iron industries. West Virginia, Kentucky, and Pennsylvania are the largest producers of bituminous coal.
- **Subbituminous** coal has a lower heating value than bituminous coal. Subbituminous coal typically contains 35-45% carbon. Most subbituminous coal in the United States is at least 100 million years old. About 46% of the coal produced in the United States is subbituminous. Wyoming is the leading source of subbituminous coal.
- **Lignite** is the lowest rank of coal with the lowest energy content. Lignite coal deposits tend to be relatively young coal deposits that were not subjected to extreme heat or pressure, containing 25%-35% carbon. Lignite is crumbly and has high moisture content. There are 19 lignite mines in the United States, producing about 7% of U.S. coal. Most lignite is mined in Texas and North Dakota. Lignite is mainly burned at power plants to generate electricity.²²

How Coal is Mined

Coal miners use giant machines to remove coal from the ground. They use two methods: surface or underground mining. Many U.S. coal beds are very near the ground's surface, and about two-thirds of coal production comes from surface mines. Modern mining methods allow us to easily reach most of our coal reserves. Due to growth in surface mining and improved mining technology, the amount of coal produced by one miner in one hour has more than tripled since 1978.

Surface mining is used to produce most of the coal in the United States because it is less expensive than underground mining. Surface mining can be used when the coal is buried less than 200 feet underground.



²² Ibid.

In surface mining, giant machines remove the top soil and layers of rock known as "overburden" to expose the coal seam. Once the mining is finished, the dirt and rock are returned to the pit, the topsoil is replaced, and the area is replanted.

Underground mining, sometimes called deep mining, is used when the coal is buried several hundred feet below the surface. Some underground mines are 1,000 feet deep. To remove coal in these underground mines, miners ride elevators down deep mine shafts where they run machines that dig out the coal.²³

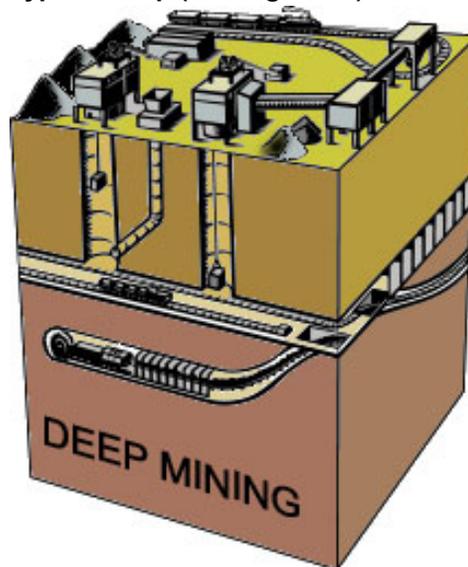
Processing the Coal

After coal comes out of the ground, it typically goes on a conveyor belt to a preparation plant that is located at the mining site. The plant cleans and processes coal to remove other rocks and dirt, ash, sulfur, and unwanted materials, increasing the heating value of the coal.²⁴

Transporting the Coal

After coal is mined and processed, it is ready to be shipped to market. The cost of shipping coal can cost more than the cost of mining it. About 71% of coal in the United States is transported, for at least part of its trip to market, by train. Coal can also be transported by barge, ship, truck, and even pipeline. It is often cheaper to transport coal on river barges, but barges cannot take coal everywhere that it needs to go. If the coal will be used near the coal mine, it can be moved by trucks and conveyors. Coal can also be crushed, mixed with water, and sent through a "slurry" pipeline. Sometimes, coal-fired electric power plants are built near coal mines to lower transportation costs.²⁵

A Typical Deep (Underground) Mine



Source: Adapted from National Energy Education Development Project (Public Domain)

Coal Being Transported by Rail



Source: Stock photography (copyrighted)

²³ Source: EIA; available online at [\[http://www.eia.doe.gov/energyexplained/index.cfm?page=coal_mining\]](http://www.eia.doe.gov/energyexplained/index.cfm?page=coal_mining); last accessed September 8, 2010.

²⁴ Ibid.

²⁵ Ibid.

Coal Reserves at Producing Mines

Each year the U.S. Energy Information Administration (EIA) obtains the amount of “**recoverable reserves at active mines**” from its annual Coal Production and Preparation survey. These are the amounts of coal that can be recovered from reserves at active U.S. coal mines that produced at least 10,000 short tons of coal during the reporting year.

As of January 1, 2009, the recoverable reserves at producing mines were 17.9 billion short tons. (One short ton is 2,000 pounds.)

The amount of coal reserves at producing mines, however, is a small part of the total amount of coal that exists in the United States (see Figure 1 for illustration).

So How Much Coal Is There?

It is impossible to know exactly how much coal there is, because it is buried underground. But estimates can be made.

- “**Total resources**” is EIA’s best estimate of the total amount of coal, including undiscovered in the United States. Currently, total resources are estimated to be about 4 trillion short tons.²⁶ Total Resources includes several categories of coal with various degrees of geologic assurance and data reliability.
- But not all coal is feasible to mine. The **Demonstrated Reserve Base**²⁷ is the sum of coal in both measured and indicated resource categories of reliability, representing 100% of the in-place coal that could be mined commercially at a given time. EIA estimates the Demonstrated Reserve Base to measure 488 billion short tons.

²⁶ The most comprehensive national assessment of U.S. coal resources was that published by the U.S. Geological Survey (USGS) in 1975, which indicated that as of January 1, 1974 coal resources in the United States totaled 4 trillion short tons. While more recent regional assessments of U.S. coal resources have been conducted by the U.S. Geological Survey, a new national level assessment of U.S. coal resources has not been conducted.

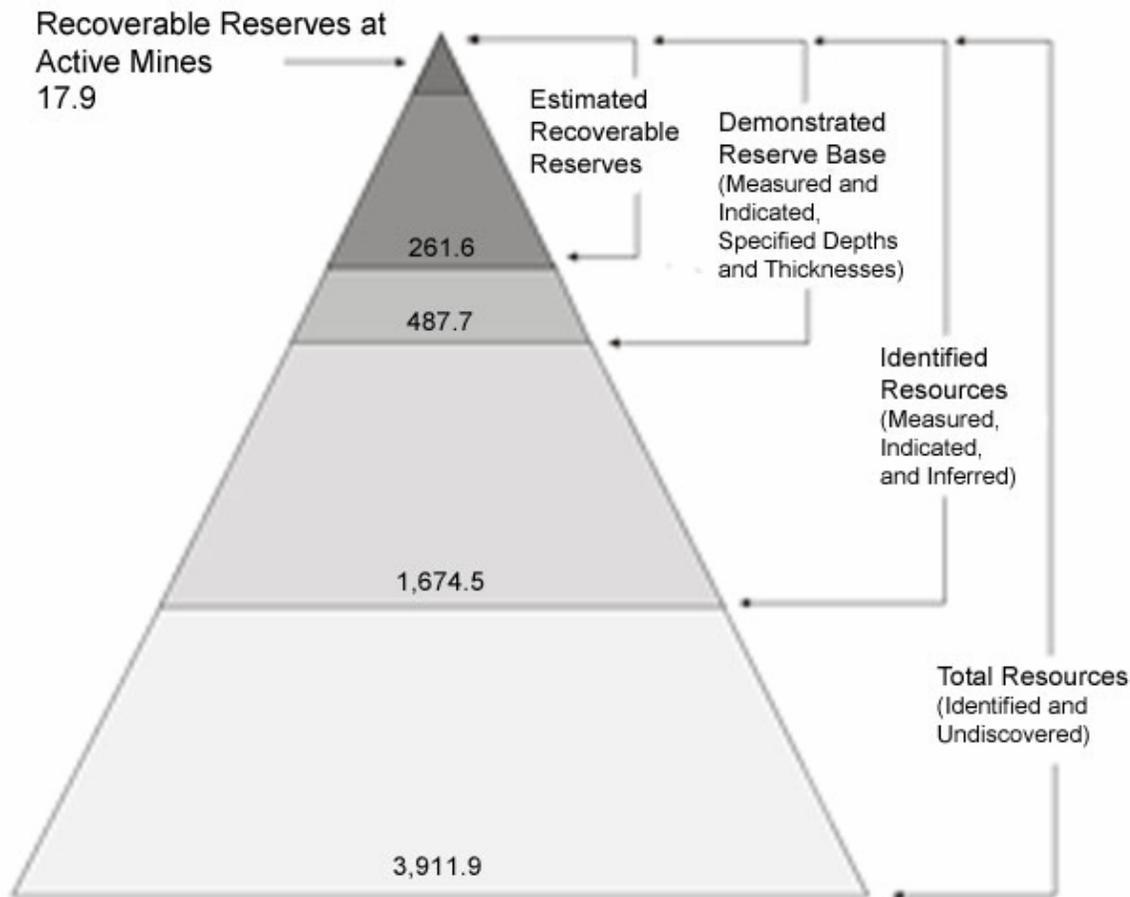
²⁷ The U.S. Bureau of Mines made an assessment of what portion of demonstrated resources were suitable for mining with existing technologies. As of January 1, 1971, the U.S. Bureau of Mines estimated that 434 billion short tons of coal within the demonstrated resource categories lied within what they deemed to be minable coal deposits. Their estimate, published in the 1975 USGS report on U.S. coal resources, was referred to as the Demonstrated Reserve Base (DRB) of coal. However, it was estimated for 1971, so subsequent updates to the DRB reflecting downward adjustments for production begin with data reported for 1971.

The U.S. Energy Information Administration (EIA) now has responsibility for the DRB. EIA’s most recent estimate indicated that there were 488 billion short tons of in-place coal reserves in the DRB as of January 1, 2009. This is 54 billion short tons higher than the original estimate provided by the U.S. Bureau of Mines in 1971 and is primarily due to new regional assessments of coal resources over the years which have added additional resource tonnage.

- **"Estimated Recoverable Reserves"** include only the coal that can be mined with today's mining technology, after accessibility constraints and recovery factors are considered. EIA estimates there are 262 billion short tons of U.S. recoverable coal reserves, about 54% of the Demonstrated Reserve Base.

Based on U.S. coal consumption for 2008, the U.S. recoverable coal reserves represent enough coal to last 234 years. However, EIA projects in the most recent Annual Energy Outlook (April 2009) that U.S. coal consumption will increase at about 0.6% per year for the period 2007-2030. If that growth rate continues into the future, U.S. recoverable coal reserves would be exhausted in about 146 years if no new reserves are added.²⁸

U.S. Coal Resources and Reserves
(Billion short tons as of January 1, 2009)



Source: U.S. Energy Information Administration, Form EIA-7A, *Coal Production Report* (February 2009).

Figure 1

²⁸ Source: EIA; available online at [http://www.eia.doe.gov/energyexplained/index.cfm?page=coal_reserves]; last accessed September 9, 2010.

Coal Prices and Outlook

The price of coal varies by coal rank, mining method, geographic region, and coal quality.

As mentioned previously under “Types of Coal,” coal is classified into four main types, or ranks (lignite, subbituminous, bituminous, anthracite), depending on the amounts and types of carbon it contains and on the amount of heat energy it can produce. Coal with a high heat content is generally higher priced.

In 2008 the average open market price of coal at mines producing each of the four major ranks of coal:

- Lignite: \$16.50 per ton
- Subbituminous: \$12.31 per ton
- Bituminous: \$51.40 per ton
- Anthracite: \$60.76 per ton

Surface-mined coal is generally lower-priced than underground-mined coal. Where coal beds are thick and near the surface, as in Wyoming, mining costs and, therefore, coal prices tend to be lower than where the beds are thinner and deeper, as in Appalachia. The higher cost of coal from underground mines reflects in part the more difficult mining conditions and the need for more miners.

When coal is burned, it releases impurities including sulfur which can combine with oxygen to form sulfur dioxide (SO₂), a chemical that can harm forests and lakes when it combines with moisture in the atmosphere to produce acid rain. Because of environmental regulations limiting sulfur emissions, low-sulfur coals can command a higher price than high-sulfur coals.

Transportation Costs Can be Significant

Once coal is mined, it must be moved to where it will be consumed. Transportation costs add significantly to the delivered price of coal. In some cases, as in long-distance shipments of Wyoming coal to power plants in the East, transportation costs can be more than the price of coal at the mine.

Most coal is transported by train, barge, truck or a combination of these methods. All of these transportation methods use diesel fuel and so increases in oil prices can significantly affect the cost of transportation and, in turn, the final delivered price of coal. In 2008 the average sales of coal at the mine was \$31.26 per ton and the average delivered price to electric utility power plants was \$41.23 per ton, roughly implying a transportation cost of \$9.97 per ton, or 24% of the total delivered price.

Most Coal Is Purchased for Power Plants

Over 90% of the coal consumed in the United States is used to generate electricity. The electricity produced from that coal accounts for almost half of all of our electricity. Since 1976, coal has been the least expensive fossil fuel used to generate electricity when measured based on the cost per Btu (a unit of energy content). Although the cost of generating electricity from coal has increased, it is still lower than generating electricity from either natural gas or petroleum in most areas.

The Price of Coal Can Depend on the Type of Transaction

The majority of coal sold for electric power generation is through long-term contracts, in conjunction with spot purchases to supplement the demand. A "spot purchase" is a single shipment of fuel or multiple shipments purchased for delivery within one year. Spot prices can fluctuate based on short-term market conditions, while contract prices tend to be more stable.

In 2008 about 90% of coal for the electric power industry was bought under long-term contracts and only about 10% on the spot market. In 2008 the average delivered price of coal to power plants was \$38.73 per ton for coal sold under contracts and \$63.64 for spot purchases.

A More Expensive Coal Is Used To Make Iron and Steel

In addition to producing electricity, coal is also used to produce coke, which is used in smelting iron ore to make steel. Coke is made by baking certain types of coal in special high-temperature ovens without contact with air until almost all of the impurities are driven off as gases. The resulting product, coke, consists principally of carbon. Coal used to make coke must be low in sulfur and requires more thorough cleaning than coal used in power plants and so is priced higher. In 2008, the delivered price of coal used to make coke was \$118.09 per ton — more than twice as much as the price of coal delivered to power plants.

The Outlook for Coal Prices

The average delivered price of coal to the electric power sector averaged \$2.22 per million Btu in 2009, a 7% increase compared with the 2008 average price, despite decreases in spot coal prices, lower prices for other fossil fuels, and declines in demand for coal for electricity generation. This higher cost of delivered coal is due to the significant portion of longer-term power-sector coal contracts that were initiated during a period of high prices for all fuels. The delivered price is projected to fall by 7% to average \$2.06 per million Btu in 2010, and to decline by an additional 2% in 2011.²⁹

²⁹ Source: EIA; available online at [http://www.eia.doe.gov/energyexplained/index.cfm?page=coal_prices]; last accessed September 9, 2010.

Coal Statistics

(2009 data except where noted)³⁰

<u>U.S. Production</u> (2009)	1,072.8 million short tons
<u>U.S. Consumption</u> (2009)	1,000.4 million short tons
<u>U.S. Year-End Coal Stocks</u> (2009)	238.8 million short tons
<u>Average Open Market Sales Price</u> (2008)	\$31.25 per ton
<u>Average Delivered Price</u> (2009)	
Electric utilities	\$44.72 per short ton
Coke Plants	\$143.04 per short ton
Other Industrial Plants	\$64.87 per short ton
<u>Largest Producing State</u>	Wyoming — 467.6 million short tons
<u>Share produced west of the Mississippi</u> (2008)	58%
<u>Share produced from surface mining</u> (2008)	69%
<u>Demonstrated Reserve Base</u> (2009)	488 billion short tons
<u>Imports</u> (2009)	22.6 million short tons
<u>Exports</u> (2009)	59.1 million short tons (5.5% of production)
<u>Electric Power Industry Consumption</u> (2009)	936.5 million short tons (94% of consumption)
<u>Coal % of Electricity Generation</u> (2008)	45.9%
<u>Coal % of Electric Power Industry Capacity</u> (2008)	31.0%
<u>Largest Producing Coal Mine</u> (2008)	North Antelope/Powder River Coal, LLC 97.6 million short tons
<u>Leading Producing Company</u> (2008)	Peabody Energy Corporation 200.7 million short tons
<u>Average Number of Employees/Miners</u> (2008)	86,859
Productivity:	
• 2008	6.0 tons/miner-hour
• 1977	1.8 tons/miner-hour
<u>World Coal Production</u> (2008)	7,271.4 million short tons
<u>World Coal Consumption</u> (2008)	7,238.2 million short tons
<u>Coal Consumption by Use</u> (2009):	
• Electric Power Sector	936.5 million short tons
• Other Industrial	45.4 million short tons
• Coke Plants	15.3 million short tons
• Residential & Commercial	3.2 million short tons
<u>Top Five Consuming States of Coal For Electric Power Generation</u> , 2008:	
• Texas	101.9 million short tons
• Indiana	61.2 million short tons
• Ohio	59.0 million short tons
• Illinois	57.4 million short tons
• Pennsylvania	54.0 million short tons

³⁰ Source: EIA; available online at [http://www.eia.doe.gov/energyexplained/index.cfm?page=coal_home#tab2]; last accessed September 8, 2010.

Federal Coal Leasing

Responsibility

The Department of Interior Bureau of Land Management (BLM) has responsibility for coal leasing on approximately 570 million acres of the 700 million acres of mineral estate that is owned by the federal government. The surface estate of these lands could be controlled by BLM, the United States Forest Service, private land owners, state land owners, or other federal agencies.

Authority

The Mineral Leasing Act of 1920, as amended, and the Mineral Leasing Act for Acquired Lands of 1947, as amended, give BLM responsibility for coal leasing. BLM works to ensure that the development of coal resources is done in an environmentally sound manner and is in the best interests of the nation.³¹

Lands Available for Leasing

Public lands are available for coal leasing only after the lands have been evaluated through BLM's multiple-use planning process. Leasing federal coal resources is prohibited on public lands such as military reservations, National Parks, or National Wildlife Refuges. In areas where development of coal resources may conflict with the protection and management of other resources or public land uses, BLM may identify mitigating measures which may appear on leases as either stipulations to uses or restrictions on operations.

Suitable Lands for Coal Leasing

Not all public lands are available for coal exploration or leasing. There is a rigorous land use planning process through which all public lands are reviewed for potential coal leasing. Requirements for the land use plan include multiple use, sustained yield, protection of critical environmental areas, application of specific unsuitability criteria, and coordination with other government agencies.

There are four specific land use screening steps that are unique to developing land use planning decisions for federal coal lands. These are:

- Identification of coal with potential for development
- Determination if the lands are unsuitable for coal development
- Consideration of multiple use conflicts
- Surface owner consultation

The purpose of the coal screening part of the land use planning process (43 CFR 3420.1-4) is to identify those federal lands that are acceptable for further consideration for coal leasing and development.

³¹ Regulations that govern BLM's coal leasing program may be found in Title 43, Parts 3000 and 3400 of the Code of Federal Regulations (CFR); available online at [http://www.access.gpo.gov/nara/cfr/waisidx_09/43cfrv2_09.html#10000]; last accessed September 9, 2010.

Types of Coal Leases

The Federal Coal Leasing Amendments Act of 1976 (FCLAA), which amended Section 2 of the Mineral Leasing Act of 1920, requires that all public lands available for coal leasing be leased competitively. There are two notable exceptions to this requirement: (1) preference right lease applications where a lease may be issued on a noncompetitive basis to owners of pre-FCLAA prospecting permits and (2) modifications of existing leases where contiguous lands of as much as 960 acres are added noncompetitively to an existing lease.

Competitive Leasing Process

There are two distinct procedures for competitive coal leasing: (1) regional leasing where BLM selects tracts within a region for competitive sale and (2) leasing by application where the public nominates a particular tract of coal for competitive sale.

Regional leasing requires BLM to select potential coal leasing tracts based on multiple land use planning, expected coal demand, and potential environmental and economic impacts. This process requires close consultation with local governments and citizens through a federal/state advisory board known as a Regional Coal Team. However, because demand for new coal leasing in recent years has been associated with the extension of existing mining operation on authorized federal coal leases, all current leasing is done by application.

Leasing by application begins with BLM review of an application to lease a coal tract to ensure that it conforms to existing land use plans and contains sufficient geologic data to determine the "fair market value" of the coal. Upon review of the application and consideration of public comments, the BLM will reject, modify, or continue to process the application.

Once the BLM accepts an application, the agency begins either an Environmental Analysis (EA) or Environmental Impact Statement (EIS). When an EA or a draft version of an EIS has been prepared, the BLM seeks public comment on the proposed lease sale. At the same time, the BLM will also consult with other appropriate Federal, state, and tribal government agencies.

Preparations for the actual lease sale begin with the BLM formulating an estimate of the "fair market value" of the coal. This number is kept confidential and is only used to evaluate the bids received during the sale.

Sealed bids are accepted prior to the date of the sale and are publicly announced during the sale. The winning bid will be the highest bid that meets or exceeds the coal tract's presale estimated fair market value, assuming that all eligibility requirements are met and the appropriate fees and payments are attached (at a minimum, this amounts to the first year's annual rental payment and one-fifth of the amount bid).

Processing Costs

The applicant for a new federal coal lease is required to reimburse BLM for all processing costs that are incurred by BLM. BLM will provide an estimate of the total processing fee before any work begins. The applicant must make payment toward the total process fee in advance of BLM initiating any work on the application. Any excess payments will be refunded to the applicant. The total actual processing cost that was incurred by BLM will be disclosed in the lease sale notice. Entities other than the applicant that may desire to competitively bid on the prospective

coal lease must provide, in addition to their competitive bid for the coal resource, funds equal to the total BLM processing cost that will be used to reimburse the applicant if the third-party entity is determined to be the successful high bidder.

Lease Terms and Conditions

A federal coal lease grants the right to explore for, extract, remove, and dispose of some or all of the coal deposits that may be found on the leased lands.

Coal leases are granted on the condition that the lessee will obtain the appropriate permits and licenses from BLM, the Office of Surface Mining, and any affected state and local governments.

Revenues from Coal Leasing

The federal government receives revenues from coal leasing at three points:

- A bonus that is paid at the time BLM issues a lease.
- Rental Fees. The annual rental rate for coal leases is \$3 per acre (or fraction thereof). After the lease is issued, rentals must be received by the Department of Interior's Office of Natural Resources Revenue (ONRR) on or before the lease anniversary date to prevent cancellation of the lease.
- Production Royalties. The royalty for federal coal has been established by law at 12.5% of the gross value of the coal produced. The 12.5% royalty rate applies to coal severed by surface mining methods. For coal mined by underground methods, the statute provides that the Secretary may establish a lesser royalty rate. By regulation, BLM requires an 8% royalty for coal severed by underground mining methods.

All receipts from a lease are shared equally with the state in which the lease is located.

Bonding

Before the BLM issues a coal lease, the lessee must furnish a bond in an amount determined by the agency to ensure compliance with the terms and conditions of the lease. At a minimum, a bond is required that will cover one-fifth of the bonus bid if there is any remaining unpaid balance, as well as one year of advance rental and one-quarter year of estimated royalties if the lease is in production. In addition, the Surface Mining Control and Reclamation Act of 1977 requires sufficient bonding to cover anticipated reclamation costs. This bond is submitted to the Office of Surface Mining Reclamation Enforcement or the state regulatory office. BLM may require a change in bond amount, either an increase or decrease, at any time the agency believes it is warranted.

Transfer or Sale of a Lease

BLM must approve the assignment of a lease in whole or in part to another entity. The other entity must be qualified to hold a federal coal lease. The rights of the entity receiving the lease, however, will not be recognized by the BLM until the assignment is approved. The original lessee remains responsible for all obligations of the lease until the assignment is approved by the BLM.

Under certain circumstances, an exchange of coal leases may be allowed for the purposes of compensation, or when the exchange is in the public interest.

Termination of a Lease

A federal coal lease has an initial term of 20 years, but it may be terminated in as few as 10 years if the coal resources are not diligently developed. A federal coal lease can also terminate if a lessee fails to pay any of the deferred bonus bid payments. In addition, if the lessee fails to comply with the provisions of the Mineral Leasing Act of 1920, as amended, or fails to comply with any applicable regulations, lease terms, or stipulations, BLM may take legal steps to cancel the lease.

A lessee may, at any time, seek to surrender a lease in whole or in part by filing a written request for relinquishment with the jurisdictional BLM office. However, the lessee must be in compliance with all lease terms and conditions and have paid all payments and fees. The lease bond may be used to ensure compliance with the terms and conditions of the lease.³²

Information on Coal Production and Reserves

Federally owned coal plays a major role in the energy supply of the United States. A great increase in coal production from Federal lands began in the 1970's (see Figure 2), resulting from a high demand for low-sulfur coal.

Large reserves of this low-sulfur coal are located in Wyoming, Arizona, Utah, Montana, Colorado, and New Mexico, where the federal government owns the rights to the majority of coal reserves. Today, more than one-third of the nation's coal production comes from coal on federal leases.

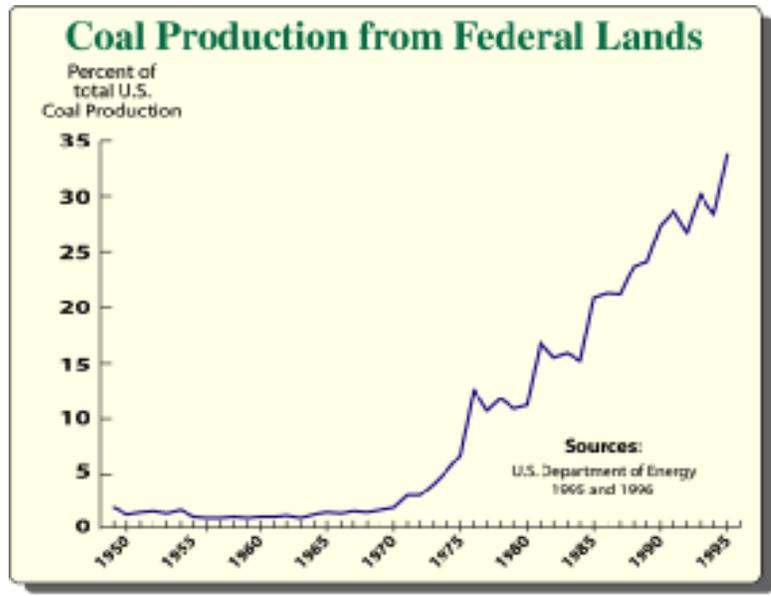


Figure 2

³² Source: BLM; available online at http://www.blm.gov/wo/st/en/prog/energy/coal_and_non-energy.html; last accessed September 9, 2010.

More than three-quarters of a billion dollars in royalties are generated annually from production of federal coal (\$780 million in 2009). Of that amount, about half is disbursed to the States in which the coal was produced (see Figure 3).

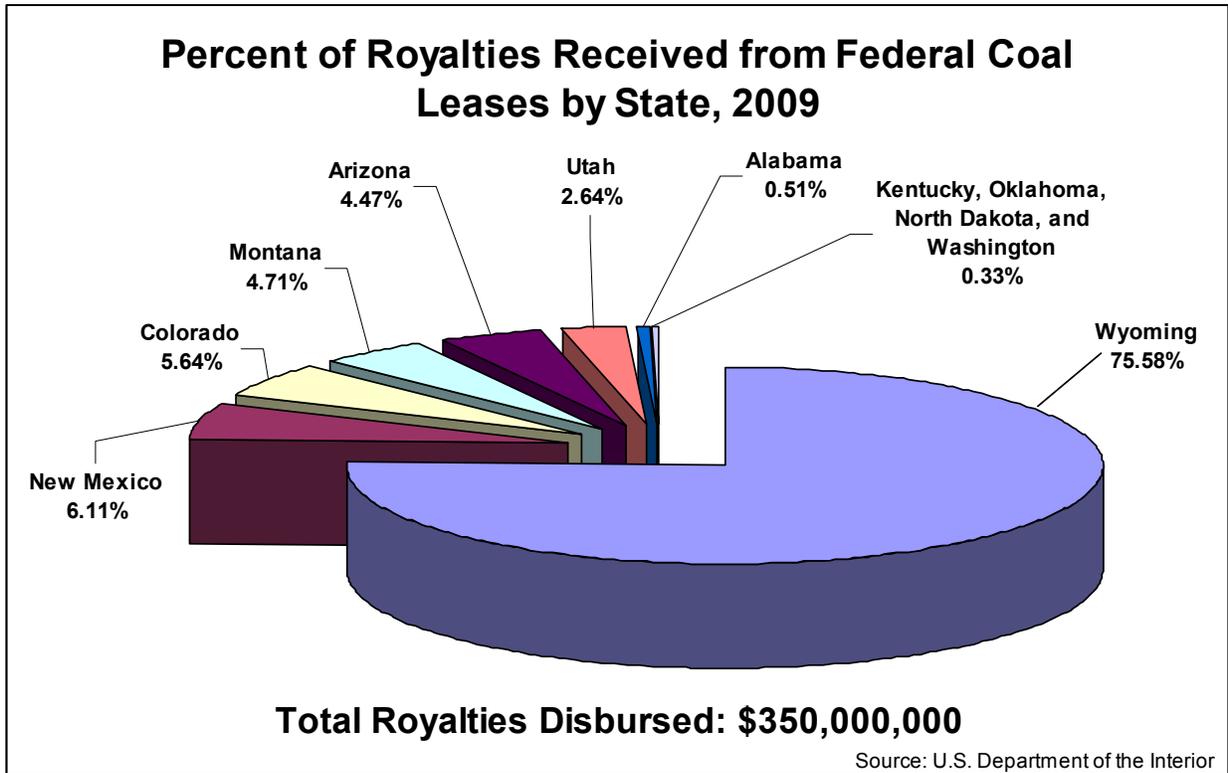


Figure 3

To develop a standardized digital library of federal coal ownership data, USGS in cooperation with BLM is collecting files of surface and mineral ownership and compiling them in ARC/INFO³³ coverages.³⁴ Before this project was undertaken, these ownership files existed only in specific BLM offices, in different formats, and with varying scales. For some areas, no digital ownership coverage existed; for those areas, USGS and BLM are constructing digital files. Once the ownership coverages are generated and standardized, they are combined with digital maps of coal deposits. This combination of digital data enables the user to answer complex geospatial questions about coal quantity, quality, availability, and recoverability.³⁵

³³ ARC/INFO is a geographic information system (GIS) produced by ESRI and is used for making maps and analyzing geographic data.

³⁴ An ARC coverage is a digital vector storage framework for geographic information produced by ARC/INFO and used by ARC/INFO, ArcView, ArcGIS and other widely used GIS software.

³⁵ Source: USGS; available online at <http://pubs.usgs.gov/fs/1998/fs012-98/part2.html>; last accessed September 10, 2010.

**Total Producing and Non-Producing Leases by Mineral Production Type
As of 11/12/2009**

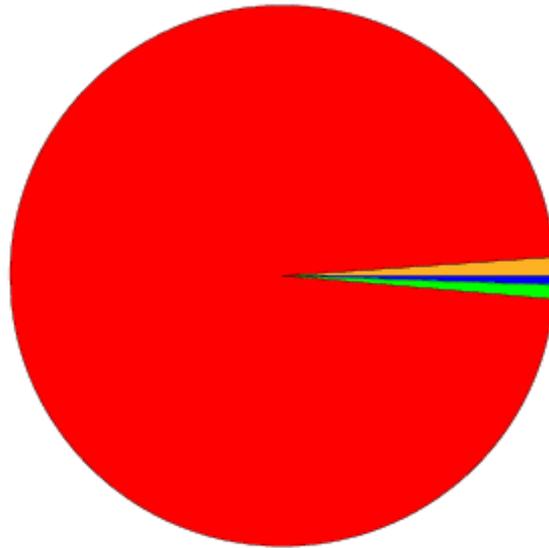
Producing and non-producing lease information on this website is compiled for the sole purpose of royalty collection, verification, and disbursement. For official lease information, please refer to the appropriate leasing management agency: Bureau of Indian Affairs for American Indian leases, Offshore Energy and Minerals Management for Offshore leases, and Bureau of Land Management for Federal Onshore leases.

Any differences between the lease data presented on this website and lease data provided by those agencies are due primarily to timing issues in the lease administration process and differences in definitions of terms.

	<u>Leases</u>	<u>Acreege</u>
Coal		
Non-Producing	95	129,604
Producing	237	538,898
Total	332	668,502
Geothermal		
Non-Producing	590	1,149,411
Producing	63	66,208
Total	653	1,215,619
Oil & Gas		
Non-Producing	34,120	61,017,034
Producing	29,256	24,329,064
Total	63,376	85,346,098
Other Mineral Production Types		
Non-Producing	286	227,761
Producing	426	460,799
Total	712	688,560
Total Minerals	65,073	87,918,779

Source: EIA; available online at http://www.mrm.boemre.gov/MRMWebStats/Disbursements_Royalties.aspx?report=TotalLeasesbyCommodity&yeartype=FY&year=2009&asOfDate=11-12-2009; last accessed September 9, 2010.

**Total Leases by Mineral Production Type
As of 11/12/2009**



Coal	0.5%
Geothermal	1.0%
Oil & Gas	97.4%
Other Mineral Production Types	1.1%
<hr/>	
Total:	100.0%

Total may not add up to 100.0% due to rounding.

Source: Ibid.

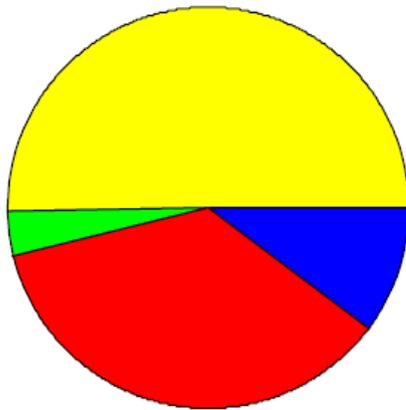
Total Disbursement by Fund & Commodity								
Fiscal Year 2009								
	American Indian Tribes & Allottees	Historic Preservation Fund	Land & Water Conservation Fund	Reclamation Fund	State Share: Offshore 8(g) and 8(p)	State Share: Onshore	U.S. Treasury	Total
Coal	\$ 86,735,702.69	\$	\$	\$ 278,610,870.47	\$	\$ 348,598,424.34	\$ 72,725,862.73	\$ 786,670,860.23
Gas	196,135,929.41			569,192,850.30	26,710,106.40	731,420,036.60	1,632,161,722.12	3,155,620,644.83
NGL	12,146,375.15			64,108,898.17	1,740,006.60	80,386,357.73	138,642,574.17	297,024,211.82
Oil	91,158,765.19			264,373,585.59	25,285,880.11	333,053,102.65	3,399,747,318.50	4,113,618,652.04
Other Royalties	41,061,258.15			6,741,512.50	(1,986,072.75)	19,321,598.19	(98,825,228.04)	(33,686,931.95)
Subtotal	\$ 427,238,030.59			\$ 1,183,027,717.03	\$ 51,749,920.36	\$ 1,512,779,519.51	\$ 5,144,452,249.48	\$ 8,319,247,436.97
Rents	954,174.20			908,556.31	655,570.64	25,881,363.05	275,768,417.58	304,168,081.78
Bonus				258,591,873.60	2,227,310.55	390,383,294.40	1,320,259,597.29	1,971,462,075.84
Other Revenues	21,269,851.95	150,000,000.00	899,000,000.00	11,573,859.86	25,259,207.45	(13,853,017.07)	(1,003,407,100.47)	89,842,801.72
Subtotal	\$ 22,224,026.15	\$ 150,000,000.00	\$ 899,000,000.00	\$ 271,074,289.77	\$ 28,142,088.64	\$ 402,411,640.38	\$ 592,620,914.40	\$ 2,365,472,959.34
Total	\$ 449,462,056.74	\$ 150,000,000.00	\$ 899,000,000.00	\$ 1,454,102,006.80	\$ 79,892,009.00	\$ 1,915,191,159.89	\$ 5,737,073,163.88	\$ 10,684,720,396.31

Source: EIA; available online at http://www.mrm.boemre.gov/MRMWebStats/Disbursements_Royalties.aspx?report=TotalDisbursementsbyCategory&yeartype=FY&year=2009&datatype=; last accessed September 9, 2010.

**All Reported Royalty Revenues
Fiscal Year 2009
(Accounting Year)***

	<u>Sales Volume</u>	<u>Sales Value</u>	<u>Royalty/Revenue</u>
Coal (ton)	490,572,835.00	\$ 7,013,384,284.05	\$ 780,410,307.34
Gas (mcf)	6,600,762,019.90	21,486,411,140.19	2,737,482,362.96
NGL (gal)	3,666,957,665.31	2,988,917,296.48	258,107,131.80
Oil (bbl)	544,280,588.72	29,812,806,735.86	3,837,936,603.90
Other Royalties	0.00	0.00	-824,314.35
Subtotal			\$ 7,613,112,091.65
<u>Non Revenue Volumes</u>	0.00	0.00	0.00
Rents	0.00	0.00	294,325,484.11
Bonus	0.00	0.00	1,980,925,442.46
Other Revenues	0.00	0.00	16,266,505.86
Subtotal			\$ 2,291,517,432.43
Total			\$ 9,904,629,524.08

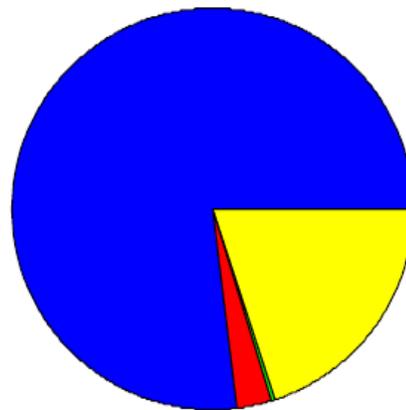
Reported Royalty Revenues by Commodity
Fiscal Year 2009



Coal	10.2%
Gas	36.0%
NGL	3.4%
Oil	50.4%
Other Royalties	0.0%
Total:	100.0%

Total may not add up to 100.0% due to rounding.

Reported Royalty Revenues
Fiscal Year 2009



Bonus	20.0%
Other Revenues	0.2%
Rents	3.0%
Reported Royalties	76.9%
Total:	100.0%

Total may not add up to 100.0% due to rounding.

Source: EIA; available online at [http://www.mrm.boemre.gov/MRMWebStats/Disbursements_Royalties.aspx?report=AllReportedRoyaltyRevenues&yeartype=FY&year=2009&datatype=AY]; last accessed September 9, 2010.

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Electromagnetic Spectrum

Description of the Electromagnetic Spectrum

Spectrum is the range of electromagnetic radio frequencies (waves per second) used to transmit sound, data, and video across the country. It is what carries voice between cell phones, television shows from broadcasters to the TV, and online information from one computer to the next, wirelessly. The Federal Communications Commission (FCC) and the National Telecommunications and Information Administration (NTIA) share responsibility for managing the spectrum.

NTIA manages spectrum used by the federal government (e.g., military, NASA) and the FCC is responsible for spectrum used by others, including individuals (e.g., garage door openers and wireless Internet connections), commercial operators (e.g., radio and television broadcasters, mobile phone providers), and public safety and health officials (e.g., police and emergency medical technicians).

Frequency bands are reserved for different uses. For example, 88 – 108 MHz is used to broadcast FM radio in a car. Whereas, one of the groups of frequency bands used for cell phones is 824-849 MHz and 869-894 MHz.

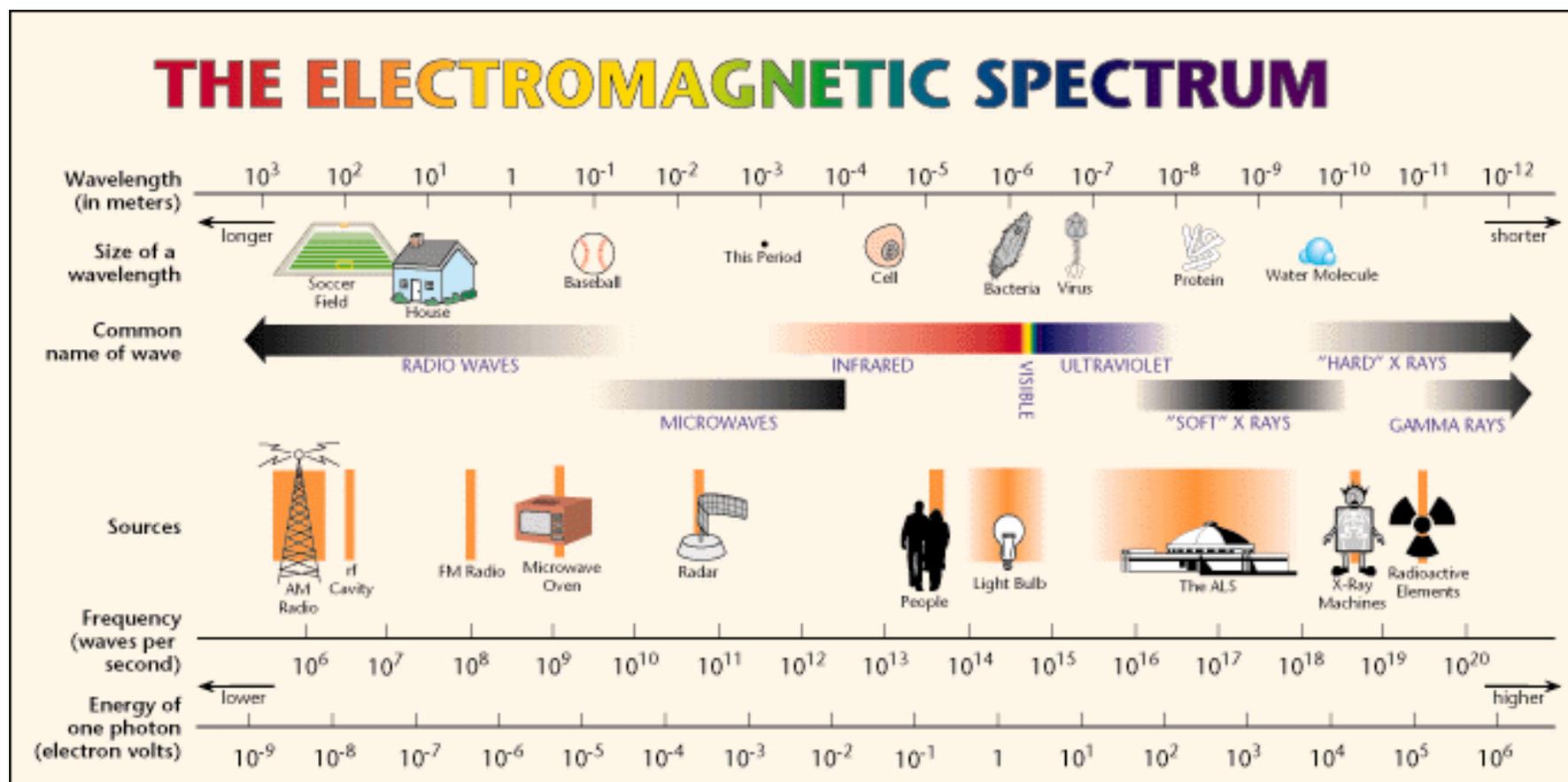
Because there is a finite amount of spectrum and a growing demand for it, effectively managing the available spectrum is an important priority for the FCC.³⁶ Efficient and effective use of non-federal spectrum domestically and internationally promotes the growth and rapid deployment of innovative and efficient communications technologies and services.

Types of Waves

The electromagnetic spectrum includes, from longest wavelength to shortest: radio waves, microwaves, infrared, optical (or visible), ultraviolet, X-rays, and gamma-rays.

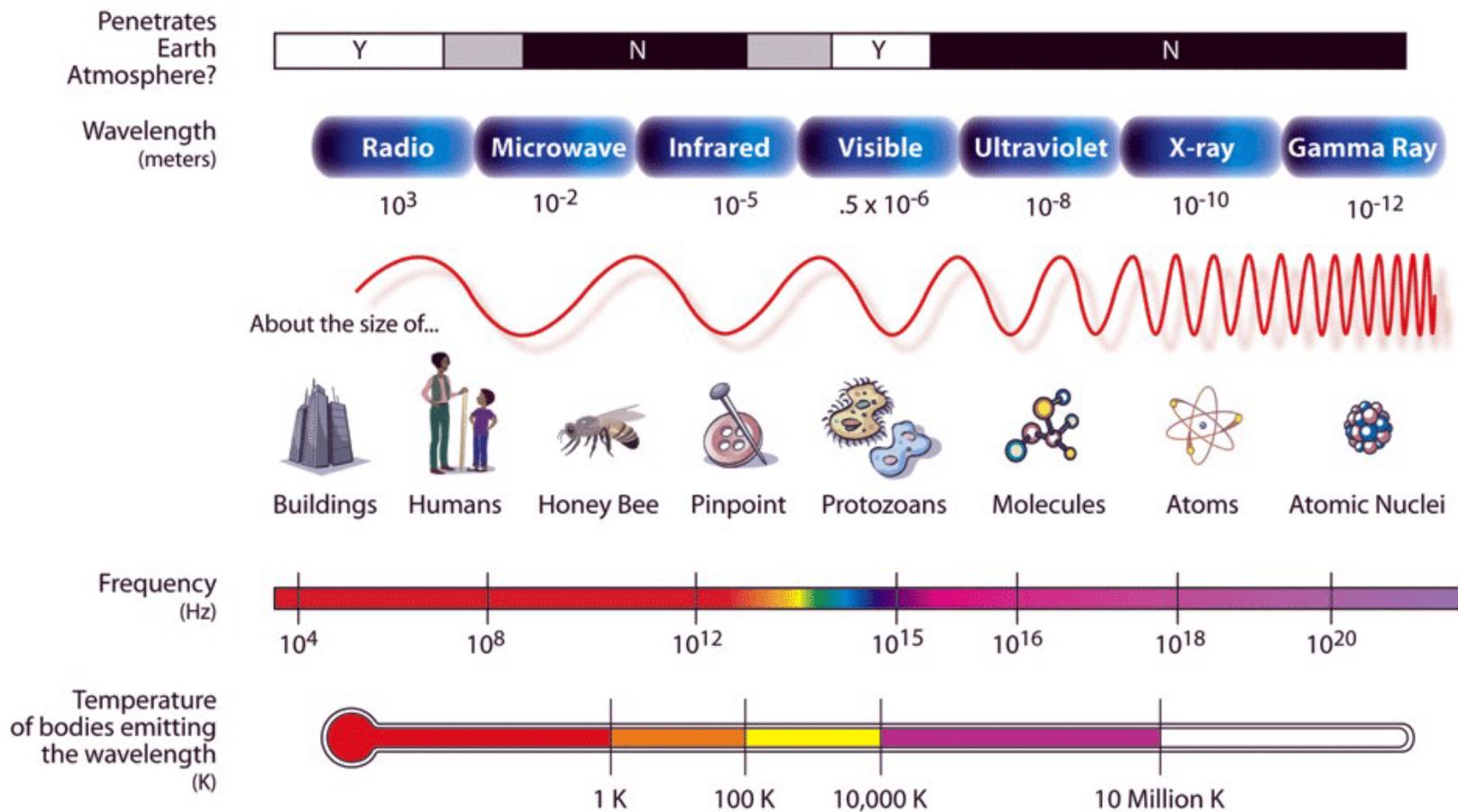
The two charts that follow are depictions of the complete electromagnetic spectrum, including the common name of the wave and each wave type's size, source, frequency, energy, and temperature.

³⁶ Source: FCC; available online at <http://reboot.fcc.gov/reform/systems/spectrum-dashboard/about>; last accessed September 22, 2010.



Source: Department of Energy, Lawrence Berkeley National Laboratory (LBL); available online at <http://www.lbl.gov/MicroWorlds/ALSTool/EMSpec/EMSpec2.html>; last accessed September 22, 2010.

THE ELECTROMAGNETIC SPECTRUM



Source: The Berkeley Center for Cosmological Physics (BCCP) Global Teachers' Academy; available online at http://bccp.lbl.gov/Academy/wkshp_two.html; last accessed September 22, 2010.

Regulating the Use of the Spectrum

Electromagnetic waves propagate outward in all directions. A transmitter generally seeks to communicate with a particular receiver; the transmitting antenna directs the majority of the signal toward that receiver and the receiving antenna is most sensitive to signals coming from the direction of the transmitter. However, an antenna radiates signals at lower levels and can receive signals from all directions. An interfering signal will be amplified and detected just like the desired signal once it enters the receiver. If the interfering signal is sufficiently large, it can prevent the desired signal from being properly demodulated and understood.

People wishing to use radiocommunication devices in a given area must cooperate if they are to avoid interference problems. If they operate on the same frequencies, at the same time and in the same area, their transmissions will produce interference in each other's receivers. Each user, in effect, prevents other simultaneous, nearby uses of a portion of the spectrum while transmitting.

The electromagnetic spectrum exhibits some of the properties of what economists call a “common good.” Other than the cost of designing, building, and operating radio stations, its use is free. Each user has no incentive to individually use the spectrum efficiently since there is no savings; and is, in fact, motivated to secure for his own use the maximum amount of spectrum. However, uncoordinated, wasteful use can easily result in everyone suffering interference, which prevents satisfactory operation and denies access to new users.

The electromagnetic spectrum is an unusual common good, or natural resource because, unlike iron, oil, or coal, it is not destroyed by use. When one user stops using a portion of the spectrum, another can readily use it. The spectrum is scarce, though, because at any given time and place one use of a portion of the spectrum precludes any other use of that portion.

The use of the radio spectrum is regulated, access is controlled and rules for its use enforced because of the possibilities of interference between uncoordinated uses. In the broadcasting service alone, the broadcaster must know where the station's signal can be received in order to meet the needs of advertisers. Interference is unacceptable because it unnaturally limits the broadcaster's market. Similarly, a taxi company or a police department must be able to reliably determine their coverage areas and know that they will be able to operate without interference in that area.³⁷

Reporting on the Spectrum

FCC's newly created “Spectrum Dashboard” at <http://reboot.fcc.gov/reform/systems/spectrum-dashboard> allows new ways for citizens to search spectrum in the United States. Citizens can use the dashboard to find out how spectrum is being used, who owns spectrum licenses around the country, and what spectrum is available in their counties. See the sample screen print that lists all spectrum holders in Stafford County, Kansas on the next page.

³⁷ Source: NTIA; available online at <http://www.ntia.doc.gov/osmhome/roosa3.html>; last accessed September 22, 2010.

Home » Reform » Systems » [Spectrum Dashboard](#)

Spectrum Dashboard BETA

[Browse Spectrum Bands](#) |
 [Browse Using a Map](#) |
 [Search by Name](#) |
 [Search by FCC License Categories](#)

Spectrum Holdings

SEARCH CRITERIA

Counties: 20185-Stafford

[Refine Search](#)

[New Search](#)

FILTERS

Filter by Common Name

Select Common Names:
 Access 700, LLC
 ANTHONY-HARPER UNIFIED SCHOOL DIST
 ARGONIA USD #359
 AT&T

Filter by Licensee Name

Select Licensee Names:
 Access 700, LLC
 Alltel Communications, LLC
 ANTHONY-HARPER UNIFIED SCHOOL DIST
 ARGONIA USD #359

License Results Map View

Showing 1 to 66 of 66

#	Common Name	Radio Service	Tags	Frequency Band (MHz)	Licensee Name
1	Access 700, LLC	700 MHz	Broadband; Fixed Wireless; Mobile Radio; Phone; Television	757 - 758 787 - 788	Access 700, LLC
2	ANTHONY-HARPER UNIFIED SCHOOL DISTRICT #361	EBS	Broadband; Fixed Wireless; Television	2496 - 2690	ANTHONY-HARPER UNIFIED SCHOOL DISTRICT #361
3	ARGONIA USD #359	EBS	Broadband; Fixed Wireless; Television	2496 - 2690	ARGONIA USD #359
4	AT&T	AWS - 1	Broadband; Fixed Wireless; Phone	1735 - 1740 2135 - 2140	AT&T Mobility Spectrum LLC
5	AT&T	Broadband PCS	Broadband; Fixed Wireless; Mobile Radio; Phone	1850 - 1865 1930 - 1945	New Cingular Wireless PCS LLC

Sample: Spectrum Licenses for Stafford County, Kansas from the FCC Spectrum Dashboard

Spectrum Licensing User Fees

To promote efficient use of the electromagnetic spectrum, the Administration proposes in the FCC's 2011 budget request to provide the FCC with new authority to use other economic mechanisms, such as fees, as a spectrum management tool. The Commission would be authorized to set user fees on unauctioned spectrum licenses based on spectrum-management principles. Fees would be phased in over time as part of an ongoing rulemaking process to determine the appropriate application and level for fees. Fee collections are estimated to begin in 2010, and total \$4.8 billion through 2020.

Application Processing Fees

The FCC's authority to impose and collect fees is mandated by Congress. In Section 8 of the Omnibus Reconciliation Act of 1989 (Title III, Section 3001 of the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), Section 8, revising 47 U.S.C. 158), Congress authorized the FCC to impose and collect application processing fees and directed the Commission to prescribe charges for certain types of application processing or authorization services it provides to communications entities over which it has jurisdiction. Application processing fees are deposited in the U.S. Treasury and are not available to the Commission.

Spectrum Regulatory Fees

Section 6003(a) of the Omnibus Budget Reconciliation Act of 1993, P.L. 103-66, added a new section 9 to the Communications Act. The law requires that the Commission annually collect fees and retain them to offset certain costs incurred by the Commission. The fees collected are intended to recover the non-licensing costs attributable to the Commission's competition, enforcement, consumer information, and spectrum management activities. The amount the Commission is required to recover is included in the Commission's annual appropriations.

Regulatory fees are collected and warranted back to the Treasury to offset the Commission's appropriations for the current fiscal year. In FY 2009, the Commission was required to collect \$341.9 million in regulatory fees. The Commission actually collected slightly over \$341.9 million.³⁸

Spectrum Auctions

Under section 309(j)(3) of the Communications Act of 1934, as amended (the Act), Congress directed the Commission to implement a competitive bidding (auctions) system for licensing spectrum to expand economic opportunity, promote competition, and facilitate the development and delivery of new and improved telecommunications services to the public. Section 309(j)(4) of the Act gave the Commission certain instructions for implementing regulations for this system, including a directive to ensure that small businesses, rural telephone companies, and women and minority-owned businesses have an opportunity to participate in providing spectrum-based services. The Commission can use various means to facilitate expanded

³⁸ Source: FCC FY 2009 Agency Financial Report (2009 AFR); available online at www.fcc.gov/Reports/fr2009.pdf; last accessed September 22, 2010.

participation, including alternative payment schedules, tax certificates, bidding preferences, and other procedures.³⁹

Since 1994, the FCC has conducted auctions of licenses for electromagnetic spectrum. These auctions are open to any eligible company or individual that submits an application and upfront payment, and is found to be a qualified bidder by the Commission.

FCC auctions are conducted electronically and are accessible over the Internet. Thus, qualified bidders can place bids from the comfort of their home or office. Further, anyone with access to a computer with a web browser can follow the progress of an auction and view the results of each round.

In 1993 Congress passed the Omnibus Budget Reconciliation Act, which gave the Commission authority to use competitive bidding to choose from among two or more mutually exclusive applications for an initial license. Prior to this historic legislation, the Commission mainly relied upon comparative hearings and lotteries to select a single licensee from a pool of mutually exclusive applicants for a license. The Commission has found that spectrum auctions more effectively assign licenses than either comparative hearings or lotteries. The auction approach is intended to award the licenses to those who will use them most effectively. Additionally, by using auctions, the Commission has reduced the average time from initial application to license grant to less than one year, and the public is now receiving the direct financial benefit from the award of licenses.

In the Balanced Budget Act of 1997, Congress extended and expanded the FCC's auction authority. The Act requires the FCC to use auctions to resolve mutually exclusive applications for initial licenses unless certain exemptions apply, including exemptions for public safety radio services, digital television licenses to replace analog licenses, and non-commercial educational and public broadcast stations.⁴⁰

Frequency of Auctions

FCC is authorized to conduct auctions if mutually exclusive applications are accepted for any initial license or construction permit.⁴¹ Two or more pending applications are mutually exclusive if the grant of one application would effectively preclude the grant of one or more of the others.⁴²

Therefore, revenue from spectrum auctions reported in FCC's annual statements of custodial activity are not consistent from year to year since the need for auction depends on the mutual exclusivity of the applications received in any given year.

To date the Commission has completed 75 auctions. As of December 31, 2009, total net winning bids collected and deposited into Treasury from this program have exceeded \$51.9 billion. Winning bidders are generally required to make full payment of the balance of their winning bids within ten business days after FCC announces that it is prepared to grant the licenses.

³⁹ Source: FCC 2009 AFR.

⁴⁰ Source: FCC; available online at http://wireless.fcc.gov/auctions/default.htm?job=about_auctions; last accessed September 22, 2010.

⁴¹ 47 U.S.C. § 309(j)

⁴² 47CFR22.131

Deferred Revenue

The Commission collects proceeds from the sale of communications spectrum on behalf of the U.S. Government. All proceeds collected up to the amount of the net winning bid are recognized as deferred revenue until a “prepared to grant” or “grant” public notice is issued. In addition, the Commission collects multi-year regulatory fees for five- and ten-year periods that are recorded as deferred revenue and amortized over the period of the fee.⁴³

⁴³ FCC 2009 AFR

Appendix 3

Staff Analysis of Receipts and Collections for Natural Resources– Related Activities

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Staff Analysis of Receipts and Collections for Natural Resources– Related Activities

Monies collected by the federal government during the fiscal year can be classified into one of three major categories:

- (1) governmental receipts (also called budget receipts or federal receipts),
- (2) offsetting collections, and
- (3) offsetting receipts.

Governmental receipts (also called budget receipts or federal receipts) are collections from the public based on the government’s exercise of its sovereign powers, including individual and corporate income taxes and social insurance taxes, excise taxes, duties, court fines, compulsory licenses, and deposits of earnings by the Federal Reserve System. Gifts and contributions (as distinguished from payments for services or cost-sharing deposits by state and local governments) are also counted as governmental receipts. Total governmental receipts include those specifically designated as off-budget by provisions of law. Total governmental receipts are compared with total outlays (net of offsetting collections and offsetting receipts) in calculating the budget surplus or deficit.

Offsetting collections and **offsetting receipts** result from businesslike transactions with the public or transactions between appropriated activities. Offsetting collections and offsetting receipts are recorded as offsets to spending (outlays); they are **not** reported as “receipts” in the federal budget. (Yes, you read that correctly, offsetting collections and receipts are not considered to be receipts for federal budget purposes, but rather reductions in spending).

When the collections are authorized by law to be credited to expenditure accounts, they are considered to be “offsetting collections.” Otherwise, they are deposited in receipt accounts and called “offsetting receipts.”

Offsetting receipts are offsets to gross budget authority and outlays, usually at the agency or sub-function level, but some are undistributed and are offsets to budget authority and outlays in the aggregate. These undistributed offsetting receipts are deducted from totals for the government as a whole rather than from a single agency or sub-function in order to avoid distortion of agency or sub-function totals. Offsetting receipts that are undistributed in both agency and functional tables are the collections of employer share of employee retirement payments, rents, and royalties on the Outer Continental Shelf, and the sales of major assets.⁴⁴

**Receipts – (Gross Outlays – Offsetting Receipts – Offsetting Collections)
= Net (Deficit) / Surplus**

OR

Receipts – Net Outlays = Net (Deficit) / Surplus

⁴⁴ (Source: GAO-05-734SP Budget Glossary available online at <http://www.gao.gov/new.items/d05734sp.pdf>; last accessed October 6, 2010)

**Tab H, Appendix 3 – Staff Analysis of Receipts and Collections
for Natural Resources–Related Activities**

The fiscal year 2009 actual budget numbers are as follows:

Dollars in millions		
Receipts		2,104,995
Outlays		
Gross Outlays		?
<i>Offsetting Receipts</i>		
- from the public		
(distributed)	201,286	
(undistributed)	21,982	
Subtotal, from the public	223,268	
- intragovernmental		
(distributed)	558,002	
(undistributed)	70,657 ⁴⁵	
Subtotal, intragovernmental	628,659	
<i>Total Offsetting Receipts</i>		851,927
<i>Offsetting Collections</i>		
- from the public	200,500	
- intragovernmental	?	
<i>Total Offsetting Collections</i>		?
Less Net Outlays		3,517,681
Unified Budget (Deficit) / Surplus		(1,412,686)⁴⁶

To be updated – information on true gross outlays, which would not include intragovernmental offsetting collections and receipts, is not currently reported in the budget. Waiting to hear back from OMB representative on this.

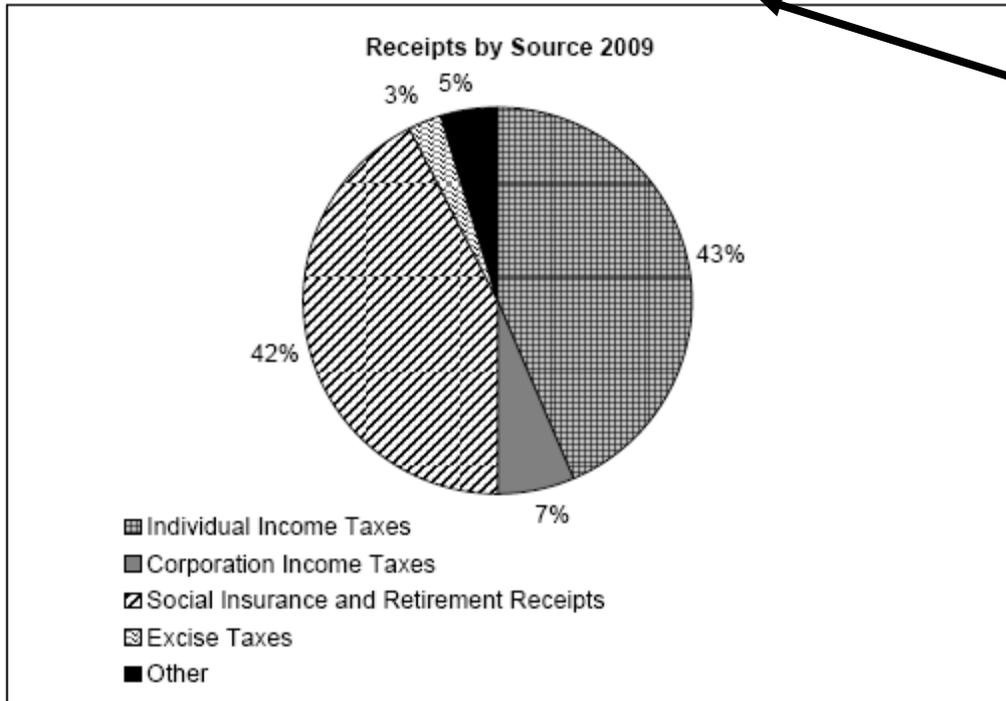
⁴⁵ An additional \$63.6 billion and \$117.9 billion in undistributed interest received by on and off budget trust funds, respectively, is subtracted from interest on public debt and reported on the “net interest” line rather than in the “undistributed offsetting receipts” line (see Table 6.1—Composition of Outlays: 1940–2015; available online at <http://www.whitehouse.gov/omb/budget/Historicals> ; last accessed October 7, 2010).

⁴⁶ Federal Funds Deficit (-\$1,539,975) + Trust Funds Surplus (\$127,289) = Total Unified Budget Deficit (\$1,412,686)

Step One: Staff reviewed total federal government receipts by source for 2009.

Table 2.1—RECEIPTS BY SOURCE: 2009
(in millions of dollars)

Fiscal Year	Individual Income Taxes	Corporation Income Taxes ¹	Social Insurance and Retirement Receipts			Excise Taxes	Other	Total Receipts		
			Total	(On-Budget)	(Off-Budget)			Total	(On-Budget)	(Off-Budget)
2009	915,308	138,229	890,917	236,908	654,009	62,483	98,058	2,104,995	1,450,986	654,009



Source: U.S. Budget Historical Tables, Table 2.1—Receipts by Source: 1934–2015, available online at <http://www.whitehouse.gov/omb/budget/Historicals>; last accessed October 6, 2010.

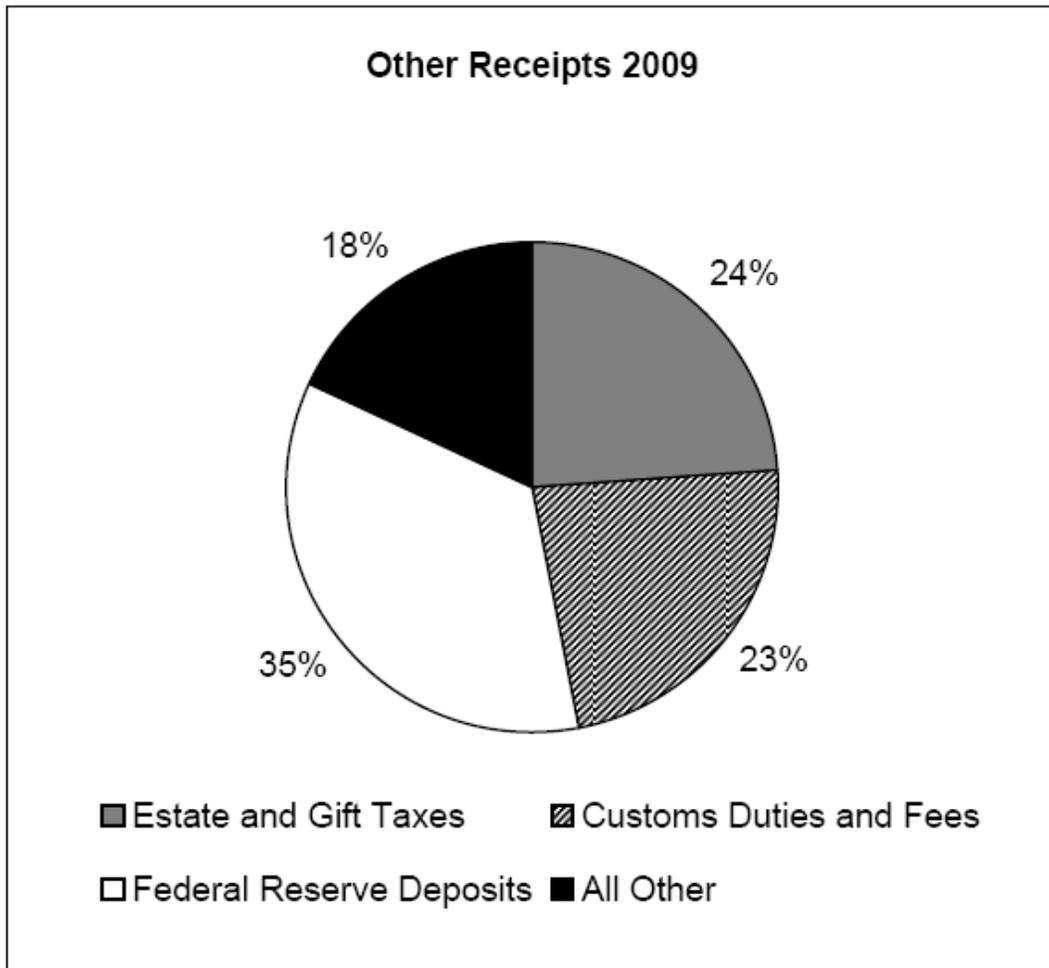
Step Two: Staff reviewed the composition of “other receipts” for 2009 (from A on the prior page).

Table 2.5—COMPOSITION OF "OTHER RECEIPTS": 2009
(in millions of dollars)

Fiscal Year	Total "Other Receipts"	Estate and Gift Taxes	Customs Duties and Fees	Miscellaneous Receipts		
				Federal Reserve Deposits ¹	Allowances ²	All Other
2009	98,058	23,482	22,453	34,318	.....	17,805

¹Deposits of earnings by the Federal Reserve System.

²Includes Allowances for Health Reform and the Jobs Bill (beginning in FY 2010).



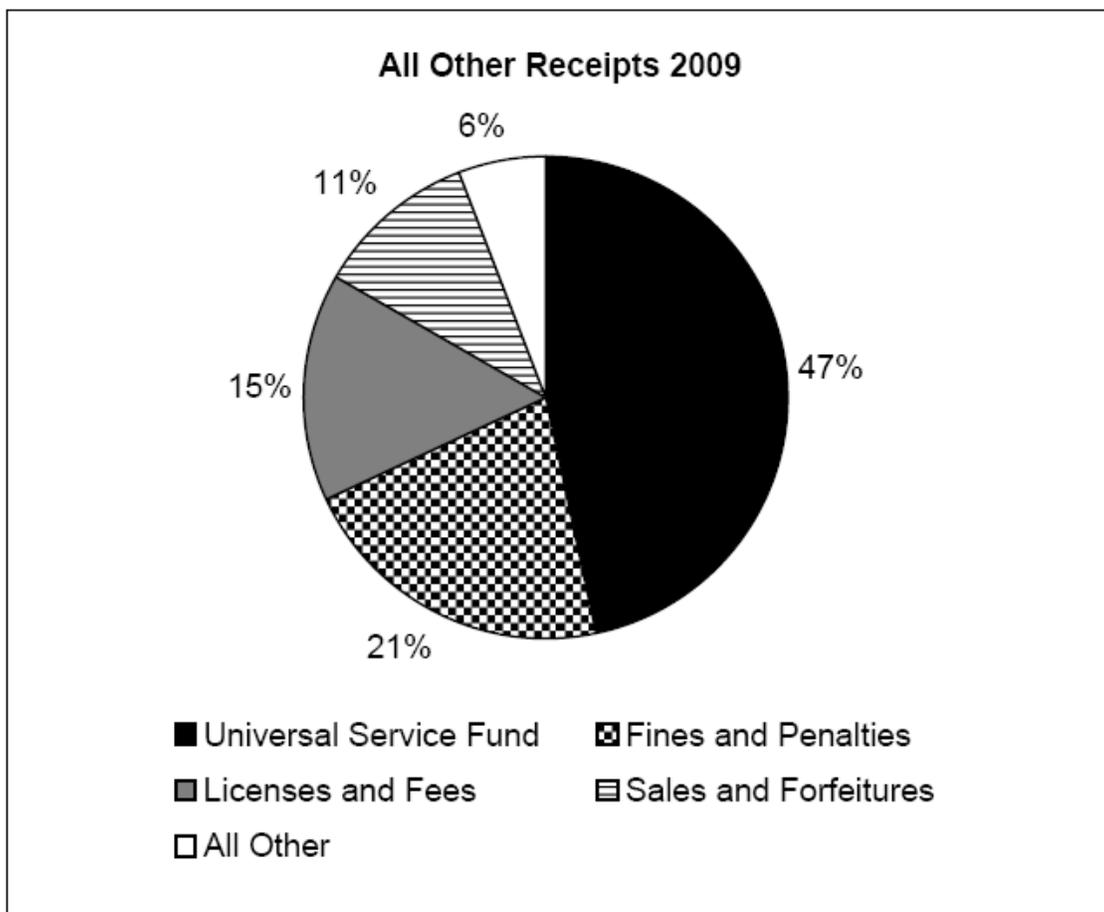
Source: U.S. Budget Historical Tables, Table 2.5—Composition of "Other Receipts": 1940–2015, available online at <http://www.whitehouse.gov/omb/budget/Historicals> ; last accessed October 6, 2010.

Step Three: Staff reviewed the composition of “all other” miscellaneous receipts for 2009 (from B on the prior page).

COMPOSITION OF "ALL OTHER RECEIPTS": 2009
(in millions of dollars)

Fiscal Year	Total "All Other Receipts"	Universal Service Fund	Fines and Penalties	Licenses and Fees	Sales and Forfeitures	All Other ¹
2009	17,805	8,317	3,818	2,704	1,908	1,058

¹ "All Other" includes contributions, duties, premiums (UMWA), assessments, and recoveries



Source: Public Budget Database (Receipts); available online at <http://www.whitehouse.gov/omb/budget/Supplemental>; last accessed October 6, 2010

NOTE: Based on staff review of the makeup of general government receipts, there are no natural resources-related general government receipts.

Step Four: Staff reviewed the makeup of “[Net] Outlays” – this is gross outlays net of offsetting receipts and collections.

Table 3.2—[NET] OUTLAYS BY FUNCTION AND SUBFUNCTION: 2009
(in millions of dollars)

Function and Subfunction	2009
050 National defense:	
051 Department of Defense—Military:	
Military Personnel	147,348
Operation and Maintenance	259,312
Procurement	129,218
Research, Development, Test, and Evaluation	79,030
Military Construction	17,614
Family Housing	2,721
Other	1,499
051 Subtotal, Department of Defense—Military	636,742
053 Atomic energy defense activities	17,552
054 Defense-related activities	6,755
Total, National defense	661,049
150 International affairs:	
151 International development and humanitarian assistance	22,095
152 International security assistance	6,247
153 Conduct of foreign affairs	12,152
154 Foreign information and exchange activities	1,330
155 International financial programs	-4,295
Total, International affairs	37,529
250 General science, space and technology:	
251 General science and basic research	11,052
252 Space flight, research, and supporting activities	18,397
Total, General science, space and technology	29,449
270 Energy:	
271 Energy supply	2,045
272 Energy conservation	1,432
274 Emergency energy preparedness	754
276 Energy information, policy, and regulation	518
Total, Energy	4,749
300 Natural resources and environment:	
301 Water resources	8,063
302 Conservation and land management	9,813
→ 303 Recreational resources	3,550
304 Pollution control and abatement	8,276
306 Other natural resources	5,872
Total, Natural resources and environment	35,574
350 Agriculture:	
351 Farm income stabilization	17,635
352 Agricultural research and services	4,602

[NET] OUTLAYS, 2009 – CONTD.

Total, Agriculture	22,237
370 Commerce and housing credit:	
371 Mortgage credit	99,760
372 Postal Service	-978
(On-budget)	-1,282
(Off-budget)	304
373 Deposit insurance	22,573
376 Other advancement of commerce	170,180
Total, Commerce and housing credit	291,535
(On-budget)	291,231
(Off-budget)	304
400 Transportation:	
401 Ground transportation	54,103
402 Air transportation	20,799
403 Water transportation	9,093
407 Other transportation	294
Total, Transportation	84,289
450 Community and regional development:	
451 Community development	7,719
452 Area and regional development	3,221
453 Disaster relief and insurance	16,710
Total, Community and regional development	27,650
500 Education, training, employment, and social services:	
501 Elementary, secondary, and vocational education	53,206
502 Higher education	-3,258
503 Research and general education aids	3,456
504 Training and employment	7,652
505 Other labor services	1,646
506 Social services	17,044
Total, Educ., training, employ., and social services	79,746
550 Health:	
551 Health care services	300,010
552 Health research and training	30,565
554 Consumer and occupational health and safety	3,752
Total, Health	334,327
570 Medicare:	
571 Medicare	430,093
600 Income security:	
601 General retirement and disability insurance (excluding social security)	8,218
602 Federal employee retirement and disability	118,119
603 Unemployment compensation	122,537
604 Housing assistance	50,913
605 Food and nutrition assistance	79,080
609 Other income security	154,357

[NET] OUTLAYS, 2009 – CONTD.

Total, Income security	533,224
650 Social security:	
651 Social security	682,963
(On-budget)	34,071
(Off-budget)	648,892
700 Veterans benefits and services:	
701 Income security for veterans	45,952
702 Veterans education, training, and rehabilitation	3,495
703 Hospital and medical care for veterans	41,882
704 Veterans housing	-578
705 Other veterans benefits and services	4,678
Total, Veterans benefits and services	95,429
750 Administration of justice:	
751 Federal law enforcement activities	27,552
752 Federal litigative and judicial activities	12,083
753 Federal correctional activities	7,298
754 Criminal justice assistance	4,616
Total, Administration of justice	51,549
800 General government:	
801 Legislative functions	3,813
802 Executive direction and management	535
803 Central fiscal operations	10,752
804 General property and records management	554
805 Central personnel management	102
806 General purpose fiscal assistance	4,097
808 Other general government	3,174
809 Deductions for offsetting receipts	-1,001
Total, General government	22,026
900 Net interest:	
901 Interest on Treasury debt securities (gross)	383,073
902 Interest received by on-budget trust funds	-63,600
903 Interest received by off-budget trust funds	-117,954
908 Other interest	-14,966
(On-budget)	-14,966
(Off-budget)	.....
909 Other investment income	349
Total, Net interest	186,902
(On-budget)	304,856
(Off-budget)	-117,954
920 Allowances:	
921 Health Reform	.....
922 Asset Limit Reform	.....
923 Jobs Bill	.....
925 Future disaster costs	.....

[NET] OUTLAYS, 2009 – CONTD.

Total, Allowances	.....
950 Undistributed offsetting receipts:	
951 Employer share, employee retirement (on-budget)	-56,431
952 Employer share, employee retirement (off-budget)	-14,226
953 Rents and royalties on the Outer Continental Shelf	-5,292
954 Sale of major assets	.....
959 Other undistributed offsetting receipts	-16,690
Total, Undistributed offsetting receipts	-92,639
(On-budget)	-78,413
(Off-budget)	-14,226
Total outlays	3,517,681
(On-budget)	3,000,665
(Off-budget)	517,016

N/A = Not available.

On-budget unless otherwise stated.

Source: U.S. Budget Historical Tables, Table 3.2—Outlays by Function and Subfunction: 1962–2015, available online at <http://www.whitehouse.gov/omb/budget/Historicals> ; last accessed October 11, 2010.

**Gross Outlays – Offsetting Receipts – Offsetting Collections
= Total [Net] Outlays**

**Tab H, Appendix 3 – Staff Analysis of Receipts and Collections
for Natural Resources–Related Activities**

Step Five: Staff reviewed areas where natural resources-related offsetting collections may be recorded and requested detailed source data from OMB.

Table 15-1. OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS FROM THE PUBLIC
(In billions of dollars)

	Actual 2009	Estimate	
		2010	2011
Offsetting collections (credited to expenditure accounts):			
User charges:			
Postal Service stamps and other USPS fees (off-budget)	69.0	64.8	67.4
Defense Commissary Agency	6.1	6.2	6.3
Active and retired employee contributions for health benefits	10.5	11.5	12.5
Sale of energy:			
Tennessee Valley Authority	11.1	10.8	12.1
Bonneville Power Administration	2.9	3.8	4.1
Federal Deposit Insurance Corporation: Insurance fees and recoveries	20.5	88.0	36.1
All other user charges	45.1	51.7	65.3
Subtotal, user charges	165.2	236.8	203.8
Other collections credited to expenditure accounts:			
Commodity Credit Corporation fund	8.0	9.9	8.5
Supplemental Security Income (collections from the States)	4.1	3.8	4.1
Other collections	23.2	18.8	9.2
Subtotal, other collections	35.3	32.5	21.8
Subtotal, offsetting collections	200.5	269.3	225.6
Offsetting receipts (deposited in receipt accounts):			
User charges:			
Medicare premiums, Supplementary Medical Insurance	57.0	61.6	68.8
Outer Continental Shelf rents, bonuses, and royalties	5.3	3.5	7.2
Digital Television Transition and Public Safety Fund	16.7	0.0	0.0
All other user charges	22.3	22.8	28.7
Subtotal, user charges deposited in receipt accounts	101.3	88.0	104.7
Other collections deposited in receipt accounts:			
Military assistance program sales	24.9	24.9	25.5
Interest received from credit financing accounts	26.0	58.2	59.4
Other interest income	4.4	13.2	20.9
All other collections deposited in receipt accounts	66.6	181.4	32.8
Subtotal, other collections deposited in receipt accounts	122.0	277.7	138.7
Subtotal, offsetting receipts	223.3	365.7	243.4
Total, offsetting collections and offsetting receipts from the public	423.7	634.9	469.0
Total, offsetting collections and offsetting receipts excluding off-budget	354.7	570.0	401.5
ADDENDUM:			
User charges that are offsetting collections or offsetting receipts ¹	266.5	324.7	308.5
Other offsetting collections and offsetting receipts from the public	157.3	310.2	160.5
Total, offsetting collections and offsetting receipts from the public	423.7	634.9	469.0

¹ Excludes user charges that are classified as governmental receipts. For total user charges, see Table 15-3.

See Table 15-2 for additional detail on offsetting receipts from the public.

Source: Analytical Perspectives, Budget of the United States Government, Fiscal Year 2011 (2011 Budget), Chapter 15, Offsetting Collections and Offsetting Receipts, pg. 194.

Note: This table only includes offsetting collections and receipts from the public. According to footnote 3 on page 200 of Chapter 15 of the 2011 Budget, “[a] comparable table showing total offsetting collections . . . from intragovernmental transactions is not presented here because the data are not currently reported in a way that would permit such a presentation.”

Step Six: Staff reviewed detailed source data for offsetting collections – “All Other User Charges” and identified those that are natural resources-related.

Excerpt of Natural Resources-Related “All Other User Charges” from table 15-1 based on FASAB staff analysis:

Table 15-1 Offsetting Collections and Offsetting Receipts from the Public
Offsetting Collections -- "All Other User Charges" - Natural Resources - Related
Dollars in millions

Agency	Subfunction Code / Title	Amount
DOI/Bureau of Reclamation	301/ Lower Colorado River Basin Development Fund	203
Corps of Engineers - Civil Works	301/ Operation and Maintenance [Corps of Engineers - Civil Works]	34
Corps of Engineers - Civil Works	301/ Regulatory Program	1
DOI/Bureau of Reclamation	301/ Upper Colorado River Basin Fund	69
DOI/Bureau of Reclamation	301/ Water and Related Resources	162
DOI/Bureau of Land Management	302/ Management of Lands and Resources	59
USDA/Forest Service	302/ National Forest System	25
DOI/United States Fish and Wildlife Service	302/ Resource Management	57
DOI/Minerals Management Service	302/ Royalty and Offshore Minerals Management	177
Environmental Protection Agency	304/ Reregistration and Expedited Processing Revolving Fund	22
DOI/Bureau of Land Management	306/ Helium Fund	97
DOC/National Oceanic and Atmospheric Administration	306/ Operations, Research, and Facilities	59
DOI/United States Geological Survey	306/ Surveys, Investigations, and Research	220
		1,185
	Percentage of total "Other collections"	2.6278%
	Percentage of total "Offsetting Collections"	0.5985%

User charges or user fees refer generally to those monies that the government receives from the public for market-oriented activities and regulatory activities. Laws that authorize user charges, in combination with budget concepts, determine whether a user charge is classified as an offsetting collection, an offsetting receipt or a governmental receipt. Almost all user charges are classified as offsetting collections or offsetting receipts; less than 1.5 percent of user charges are classified as governmental receipts.
 (Source: Analytical Perspectives, Budget of the United States Government, Fiscal Year 2011, page 200)

Source: Table 4-4. Offsetting Collections and Receipts from the Public, Offsetting Collections (deposited in expenditure accounts) , All Other User Fees deposited in expenditure accounts; detailed source data provided by OMB upon staff's request.

Note: Further staff research would be required to determine the nature of the collections on this page and the next page that have been recorded to the “Natural Resources and environment” sub-function code.

Step Seven: Staff reviewed detailed source data for offsetting collections – “Other Collections” and identified those that are natural resources-related.

Excerpt of Natural Resources-Related “Other Collections” from table 15-1 based on FASAB staff analysis:

Table 15-1 Offsetting Collections and Offsetting Receipts from the Public
Offsetting Collections -- "Other Collections" - Natural Resources - Related
Dollars in millions

Agency	Subfunction Code / Title	Amount
DOI/Bureau of Reclamation	301/ Bureau of Reclamation Loan Liquidating Account	4
DOI/Bureau of Reclamation	301/ Central Valley Project Restoration Fund	5
Corps of Engineers - Civil Works	301/ Construction [Corps of Engineers - Civil Works]	225
Corps of Engineers - Civil Works	301/ Flood Control and Coastal Emergencies	9
Corps of Engineers - Civil Works	301/ Investigations	-2
Corps of Engineers - Civil Works	301/ Revolving Fund	23
Corps of Engineers - Civil Works	301/ Rivers and Harbors Contributed Funds	3
USDA/National Resources Conservation Service	301/ Watershed and Flood Prevention Operations	3
USDA/National Resources Conservation Service	301/ Watershed and Rehabilitation Program	1
DOI/Bureau of Reclamation	301/ Working Capital Fund [Bureau of Reclamation]	9
USDA/National Resources Conservation Service	302 / Conservation Operations	11
DOI/Office of Surface Mining Reclamation and Enforcement	302/ Abandoned Mine Reclamation Fund	1
USDA/Forest Service	302/ Capital Improvement and Maintenance	16
USDA/Forest Service	302/ Forest and Rangeland Research	4
USDA/Forest Service	302/ Forest Service Permanent Appropriations	4
USDA/Forest Service	302/ Forest Service Trust Funds	11
DOI/Bureau of Land Management	302/ Service Charges, Deposits, and Forfeitures	1
USDA/Forest Service	302/ Wildland Fire Management	90
DOI/Department-wide Programs	302/ Wildland Fire Management	11
DOI/Bureau of Land Management	302/ Working Capital Fund [Bureau of Land Management]	9
USDA/Forest Service	302/ Working Capital Fund [Forest Service]	18
Presidio Trust	303/ Presidio Trust	73
DOI/Department-wide Programs	304/ Central Hazardous Materials Fund	6
Environmental Protection Agency	304/ Environmental Programs and Management	10
Environmental Protection Agency	304/ Hazardous Substance Superfund	256
Environmental Protection Agency	304/ Science and Technology	9
Environmental Protection Agency	304/ State and Tribal Assistance Grants	3
DOC/National Oceanic and Atmospheric Administration	306/ Coastal Zone Management Fund	1
DOC/National Oceanic and Atmospheric Administration	306/ Damage Assessment and Restoration Revolving Fund	5
DOI/Department-wide Programs	306/ Working Capital Fund [Department-wide Programs]	11
		830
	Percentage of total "Other collections"	3.5830%
	Percentage of total "Offsetting Collections"	0.3990%

Source: Table 4-4. Offsetting Collections and Receipts from the Public, Offsetting Collections (deposited in expenditure accounts) , All Other Offsetting Collections; detailed source data provided by OMB upon staff’s request.

Step Eight: Staff reviewed areas where natural resources-related offsetting receipts may be recorded and requested detailed source data from OMB.

Table 15–2. OFFSETTING RECEIPTS BY TYPE
(in Millions of Dollars)

Source	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
I. INTRAGOVERNMENTAL RECEIPTS							
A. On Budget							
1. Interfund Receipts							
a. Federal Fund Payments to Trust Funds							
I. Distributed by Agency							
Contributions to insurance programs							
Military retirement fund	51,125	58,619	60,818	63,099	65,466	67,920	70,467
Proposed Legislation (Non-PAYGO)			469	487	505	524	604
Supplementary medical insurance	194,268	208,557	228,649	245,430	275,200	301,283	325,679
Proposed Legislation (Non-PAYGO)			-103	-40	-75	-187	-163
Hospital insurance	14,366	15,700	18,614	20,225	22,664	25,194	27,504
Railroad social security equivalent benefit fund	121	164	178	195	217	234	249
Civilian supplementary retirement contributions	31,755	32,387	33,480	34,383	35,285	36,187	36,994
Unemployment insurance	18,093	45,645	1,322	950	904	874	856
Proposed Legislation (Non-PAYGO)		31,000	18,000				
Other contributions	922	842	763	756	736	729	717
Rail industry pension fund	200	313	322	332	343	354	364
Subtotal, Contributions to insurance programs	310,850	393,227	362,512	365,817	401,245	433,112	463,271
Other miscellaneous transactions							
Miscellaneous payments	16,330	1,784	1,770	1,711	1,671	1,704	1,739
Other		80					
Subtotal, Other miscellaneous transactions	16,330	1,864	1,770	1,711	1,671	1,704	1,739
Subtotal, Distributed by Agency	327,180	395,091	364,282	367,528	402,916	434,816	465,010
II. Undistributed by Agency							
Employer share, employee retirement (on-budget)							
Civil service retirement and disability insurance	17,368	16,848	17,555	18,068	18,686	19,443	20,193
Hospital insurance (contribution as employer)	3,120	3,295	3,397	3,416	3,542	3,661	3,811
Military retirement fund	21,288	24,714	25,623	24,883	25,493	26,159	26,740
Proposed Legislation (Non-PAYGO)			408	395	406	416	426
Other federal employees retirements	240	239	245	255	265	274	283
Postal Service contributions to FHI	815	745	739	765	799	837	877
CSRDI from Postal Service	2,955	3,937	4,208	4,442	4,700	4,987	5,275
Subtotal, Employer share, employee retirement (on-budget)	45,786	49,778	52,175	52,224	53,891	55,777	57,605
Other miscellaneous transactions							
Interest received by on-budget trust funds	63,600	72,992	73,738	76,715	80,783	84,851	88,513
Proposed Legislation (Non-PAYGO)			-7	85	94	160	227
Proposed Legislation (PAYGO)				1	6	27	43
Subtotal, Other miscellaneous transactions	63,600	72,992	73,731	76,801	80,883	85,038	88,783
Subtotal, Undistributed by Agency	109,386	122,770	125,906	129,025	134,774	140,815	146,388
Subtotal, Federal Fund Payments to Trust Funds	436,566	517,861	490,188	496,553	537,690	575,631	611,398
b. Trust Fund Payments to Federal Funds							
I. Distributed by Agency							
Other miscellaneous transactions							
Other	1,339	1,174	1,244	1,322	1,398	1,476	1,547
Repayment of loans or advances to trust funds	2,496						
Subtotal, Other miscellaneous transactions	3,835	1,174	1,244	1,322	1,398	1,476	1,547
Subtotal, Distributed by Agency	3,835	1,174	1,244	1,322	1,398	1,476	1,547
Subtotal, Trust fund Payments to Federal Funds	3,835	1,174	1,244	1,322	1,398	1,476	1,547
Subtotal, Interfund Receipts	440,401	519,035	491,432	497,875	539,088	577,107	612,945

**Tab H, Appendix 3 – Staff Analysis of Receipts and Collections
for Natural Resources–Related Activities**

Table 15–2. OFFSETTING RECEIPTS BY TYPE—Continued
(in Millions of Dollars)

Source	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
2. Federal Intrafund Receipts							
a. Distributed by Agency							
General fund payments to retirement and health benefits funds							
DOD retiree health care fund	11,752	15,306	16,039	17,525	18,885	20,363	21,770
Employees health benefits fund	1,400	5,500	5,500	5,600	5,600	5,700	5,700
Miscellaneous Federal retirement funds	400	525	486	487	470	469	477
Subtotal, General fund payments to retirement and health benefits funds	13,552	21,331	22,025	23,612	24,955	26,532	27,947
Interest							
Interest on Government capital in enterprises	991	568	766	1,161	1,546	1,615	1,642
Interest from the Federal Financing Bank	582	1,139	2,153	3,762	5,357	6,063	6,497
Interest received by retirement and health benefits funds	124	156	173	190	203	216	234
Subtotal, Interest	1,697	1,863	3,092	5,113	7,106	7,894	8,373
Other miscellaneous transactions							
Other	3,668	4,334	4,856	5,494	6,184	6,703	7,481
Proposed Legislation (Non-PAYGO)		2,000					
Subtotal, Other miscellaneous transactions	3,668	6,334	4,856	5,494	6,184	6,703	7,481
Subtotal, Distributed by Agency	18,917	29,528	29,973	34,219	38,245	41,129	43,801
b. Undistributed by Agency							
Employing agency contributions							
DOD retiree health care fund	10,645	11,097	11,177	11,909	12,640	13,419	14,250
Proposed Legislation (Non-PAYGO)			143				
Employees health benefits							
Subtotal, Employing agency contributions	10,645	11,097	11,320	11,909	12,640	13,419	14,250
Subtotal, Undistributed by Agency	10,645	11,097	11,320	11,909	12,640	13,419	14,250
Subtotal, Federal Intrafund Receipts	29,562	40,625	41,293	46,128	50,885	54,548	58,051
3. Trust Intrafund Receipts							
a. Distributed by Agency							
Personnel benefits							
Payment to railroad retirement (from off-budget)	5,691	6,455	6,439	6,381	6,524	6,620	6,745
Subtotal, Personnel benefits	5,691	6,455	6,439	6,381	6,524	6,620	6,745
Other miscellaneous transactions							
Other	1	1	1	1	1	1	1
Subtotal, Other miscellaneous transactions	1	1	1	1	1	1	1
Subtotal, Distributed by Agency	5,692	6,456	6,440	6,382	6,525	6,621	6,746
Subtotal, Trust Intrafund Receipts	5,692	6,456	6,440	6,382	6,525	6,621	6,746
Subtotal, On Budget	475,655	566,116	539,165	550,385	596,498	638,276	677,742
B. Off Budget							
1. Interfund Receipts							
a. Federal Fund Payments to Trust Funds							
i. Distributed by Agency							
Personnel benefits							
Old-age, survivors and disability, insurance.	20,824	24,395	26,886	29,530	33,040	36,359	39,512
Subtotal, Personnel benefits	20,824	24,395	26,886	29,530	33,040	36,359	39,512
Subtotal, Distributed by Agency	20,824	24,395	26,886	29,530	33,040	36,359	39,512
ii. Undistributed by Agency							
Personnel benefits							
Employer share, employee retirement (off-budget)	14,226	14,930	15,573	15,894	16,749	17,518	18,442
Subtotal, Personnel benefits	14,226	14,930	15,573	15,894	16,749	17,518	18,442

**Tab H, Appendix 3 – Staff Analysis of Receipts and Collections
for Natural Resources–Related Activities**

Table 15–2. OFFSETTING RECEIPTS BY TYPE—Continued
(in Millions of Dollars)

Source	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
Other miscellaneous transactions							
Interest received by off-budget trust funds	117,954	118,404	119,080	122,281	128,261	135,730	144,286
Subtotal, Other miscellaneous transactions	117,954	118,404	119,080	122,281	128,261	135,730	144,286
Subtotal, Undistributed by Agency	132,180	133,334	134,653	138,175	145,010	153,248	162,728
Subtotal, Federal Fund Payments to Trust Funds	153,004	157,729	161,539	167,705	178,050	189,607	202,240
Subtotal, Interfund Receipts	153,004	157,729	161,539	167,705	178,050	189,607	202,240
Subtotal, Off Budget	153,004	157,729	161,539	167,705	178,050	189,607	202,240
SUBTOTAL, INTRAGOVERNMENTAL RECEIPTS	628,659	723,845	700,704	718,090	774,548	827,883	879,982
II. NON-FEDERAL RECEIPTS							
A. On Budget							
1. Proprietary Receipts							
a. Federal Fund Receipts							
I. Distributed by Agency							
Fees and other charges for services and special benefits							
Nuclear waste disposal revenues	770	773	779	781	784	785	787
Other	4,394	4,713	5,278	5,548	5,790	6,008	6,216
Proposed Legislation (Non-PAYGO)				46	46	46	46
Proposed Legislation (PAYGO)			81	95	98	102	108
Subtotal, Fees and other charges for services and special benefits	5,164	5,486	6,138	6,470	6,718	6,941	7,157
Interest							
Interest on foreign loans and deferred foreign collections	40	40	40	40	40	40	40
Interest on deposits and loan accounts	40	15	279	581	779	793	793
Other interest	26,359	58,532	59,690	63,763	67,641	70,815	73,515
Dividends and other earnings	4,336	12,254	17,565	6,730	6,730	6,730	6,730
Subtotal, Interest	30,775	70,841	77,574	71,114	75,190	78,378	81,078
Realization upon loans and investments							
Negative and downward reestimates	45,792	158,191	5,293	3,575	2,296	1,791	1,615
Proposed Legislation (Non-PAYGO)			7	7	6	7	7
Proposed Legislation (PAYGO)		1,742	5,516	3,468	1,883	566	279
Other	63	62	62	63	64	65	66
Subtotal, Realization upon loans and investments	45,855	159,995	10,878	7,113	4,249	2,429	1,967
Sale of Government property							
Sale of land and other real property	124	195	161	210	182	191	214
Proposed Legislation (PAYGO)			5	10	19	29	29
Other sales of government property	78	72	118	98	49	21	8
Subtotal, Sale of Government property	202	267	284	318	250	241	251
Sale of products							
Sale of timber and other natural land products	205	203	187	190	147	151	152
Sale of minerals and mineral products	51	12	12	13	10	11	11
Sale of power and other utilities	671	495	729	593	715	645	727
Other	156	102	117	122	101	120	125
Proposed Legislation (PAYGO)			30	30	30	30	30
Subtotal, Sale of products	1,083	812	1,075	948	1,003	957	1,045
Other miscellaneous transactions							
Royalties and rents	4,047	3,595	4,243	4,748	4,801	4,911	5,332
Proposed Legislation (PAYGO)			-50	-50	-50	-50	
Recoveries and refunds	5,313	5,424	5,150	5,279	5,446	5,622	5,774
Proposed Legislation (PAYGO)			2	3	3	3	3
Gifts and contributions	7	3	3	3	3	3	3
Miscellaneous receipt accounts	2,151	2,005	2,007	2,020	2,036	2,051	2,067
Proposed Legislation (PAYGO)			19	19	19	19	19

**Tab H, Appendix 3 – Staff Analysis of Receipts and Collections
for Natural Resources–Related Activities**

Table 15-2. OFFSETTING RECEIPTS BY TYPE—Continued
(in Millions of Dollars)

Source	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
Subtotal, Other miscellaneous transactions	11,518	11,027	11,374	12,022	12,258	12,559	13,198
Subtotal, Distributed by Agency	94,597	248,428	107,323	97,985	99,668	101,505	104,696
ii. Undistributed by Agency							
Outer Continental Shelf							
Outer Continental Shelf rents and bonuses	1,521	790	538	522	409	423	413
Proposed Legislation (PAYGO) .....	.....	.....	8	22	38	53	67
Outer Continental Shelf royalties	3,771	2,745	6,638	7,572	8,357	8,675	9,054
Proposed Legislation (PAYGO) .....	.....	.....	50	50	50	50	.....
Subtotal, Outer Continental Shelf	5,292	3,535	7,234	8,166	8,854	9,201	9,534
Other miscellaneous transactions							
Sale of major assets .....	.....	.....	.....	323	.....	.....	.....
Subtotal, Other miscellaneous transactions .....	.....	.....	.....	323	.....	.....	.....
Subtotal, Undistributed by Agency	5,292	3,535	7,234	8,489	8,854	9,201	9,534
Subtotal, Federal Fund Receipts	99,889	251,963	114,557	106,474	108,522	110,706	114,230
b. Trust Fund Receipts							
i. Distributed by Agency							
Fees and other charges for services and special benefits							
Medicare premiums and other charges	57,036	61,618	68,761	76,148	83,802	92,192	99,780
Proposed Legislation (PAYGO) .....	.....	.....	-11	-27	-29	-30	-42
Veterans life insurance (trust funds)	136	122	108	95	82	71	60
Other	8,295	9,011	9,542	10,111	10,702	11,272	11,874
Subtotal, Fees and other charges for services and special benefits	65,467	70,751	78,400	86,327	94,557	103,505	111,672
Interest							
Other interest	404	77	2,008	2,933	3,372	3,796	3,986
Dividends and other earnings	-728	498	768	815	831	802	755
Subtotal, Interest	-324	575	2,776	3,748	4,203	4,598	4,741
Realization upon loans and investments							
Negative and downward reestimates	164	.....	.....	.....	.....	.....	.....
Other	1	1	1	1	1	1	1
Subtotal, Realization upon loans and investments	165	1	1	1	1	1	1
Sale of Government property							
Military assistance program sales (trust funds)	24,913	24,854	25,475	25,221	24,716	24,222	23,011
Subtotal, Sale of Government property	24,913	24,854	25,475	25,221	24,716	24,222	23,011
Other miscellaneous transactions							
Recoveries and refunds	9,417	9,504	9,804	10,104	10,304	10,604	10,704
Proposed Legislation (Non-PAYGO) .....	.....	.....	.....	71	146	149	153
Proposed Legislation (PAYGO) .....	.....	.....	.....	151	178	135	132
Gifts and contributions	269	238	238	252	252	239	239
Miscellaneous receipt accounts	92	95	99	104	110	116	122
Subtotal, Other miscellaneous transactions	9,778	9,837	10,141	10,682	10,990	11,243	11,350
Subtotal, Distributed by Agency	99,999	106,018	116,793	125,979	134,467	143,569	150,775
Subtotal, Trust Fund Receipts	99,999	106,018	116,793	125,979	134,467	143,569	150,775
Subtotal, Proprietary Receipts	199,888	357,981	231,350	232,453	242,989	254,275	265,005
2. Offsetting Governmental Receipts							
a. Federal Fund Receipts							
i. Distributed by Agency							
Other miscellaneous transactions							
Regulatory Fees	6,464	7,056	7,522	7,563	7,689	7,839	8,018
Proposed Legislation (PAYGO) .....	.....	.....	111	111	111	95	95
Other	136	133	134	135	137	138	139
Subtotal, Other miscellaneous transactions	6,600	7,189	7,767	7,809	7,917	8,072	8,252

**Tab H, Appendix 3 – Staff Analysis of Receipts and Collections
for Natural Resources–Related Activities**

Table 15–2. OFFSETTING RECEIPTS BY TYPE—Continued
(in Millions of Dollars)

Source	2009 Actual	Estimate					
		2010	2011	2012	2013	2014	2015
Subtotal, Distributed by Agency	6,600	7,189	7,767	7,809	7,917	8,072	8,252
ii. Undistributed by Agency							
Other miscellaneous transactions							
Spectrum auction proceeds	16,690	341	3,874	850	2,000	.....	.....
Proposed Legislation (PAYGO) .....	.....	50	300	375	650	750	750
Subtotal, Other miscellaneous transactions	16,690	391	4,174	1,225	2,650	750	750
Subtotal, Undistributed by Agency	16,690	391	4,174	1,225	2,650	750	750
Subtotal, Federal Fund Receipts.	23,290	7,580	11,941	9,034	10,567	8,822	9,002
b. Trust Fund Receipts							
I. Distributed by Agency							
Other miscellaneous transactions							
Regulatory Fees	3	7	7	7	6	7	7
Subtotal, Other miscellaneous transactions	3	7	7	7	6	7	7
Subtotal, Distributed by Agency	3	7	7	7	6	7	7
Subtotal, Trust Fund Receipts.	3	7	7	7	6	7	7
Subtotal, Offsetting Governmental Receipts	23,293	7,587	11,948	9,041	10,573	8,829	9,009
Subtotal, On Budget	223,181	365,568	243,298	241,494	253,562	263,104	274,014
B. Off Budget							
1. Proprietary Receipts							
a. Trust Fund Receipts							
I. Distributed by Agency							
Fees and other charges for services and special benefits							
Other	27	29	29	29	29	29	29
Subtotal, Fees and other charges for services and special benefits.	27	29	29	29	29	29	29
Other miscellaneous transactions							
Recoveries and refunds.	60	59	59	59	59	59	59
Subtotal, Other miscellaneous transactions	60	59	59	59	59	59	59
Subtotal, Distributed by Agency	87	88	88	88	88	88	88
Subtotal, Trust Fund Receipts	87	88	88	88	88	88	88
Subtotal, Proprietary Receipts.	87	88	88	88	88	88	88
Subtotal, Off Budget	87	88	88	88	88	88	88
SUBTOTAL, NON-FEDERAL RECEIPTS	223,268	365,656	243,386	241,582	253,650	263,192	274,102
GRAND TOTAL OFFSETTING RECEIPTS	851,927	1,089,501	944,090	959,672	1,028,198	1,091,075	1,154,084

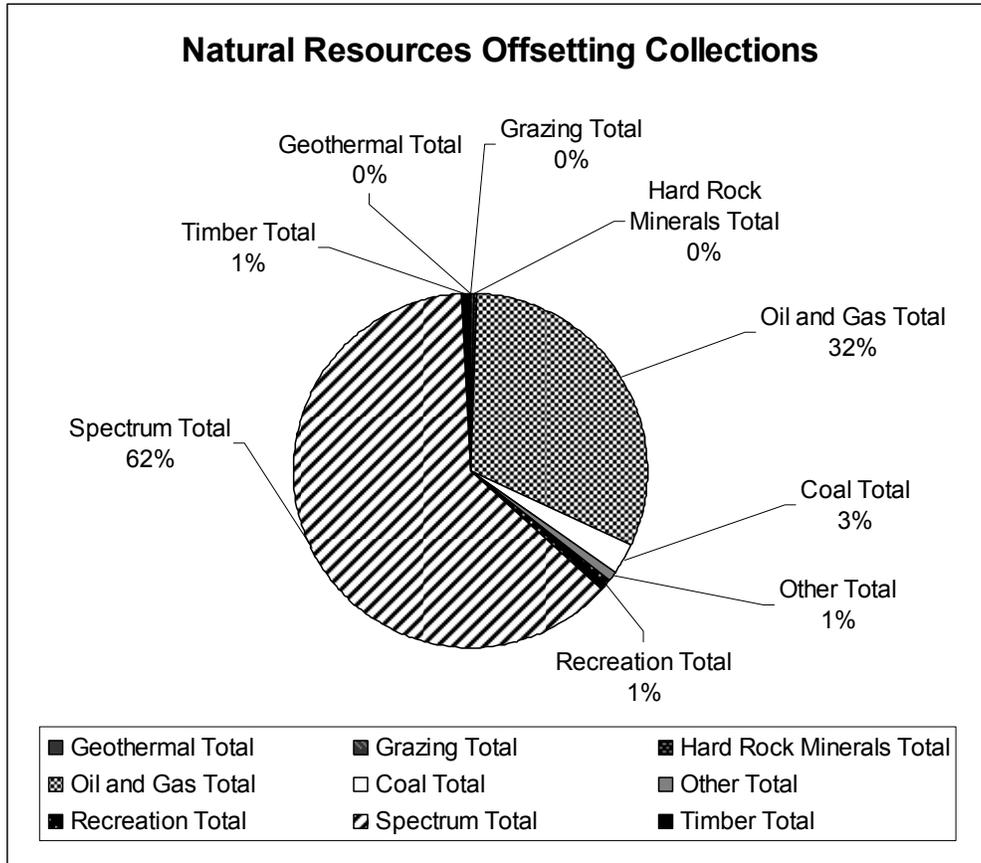
Source: Analytical Perspectives, 2011 Budget; Chapter 15, Offsetting Collections and Offsetting Receipts; Table 15-2, Offsetting Receipts by Type; pg. 194; available online at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/receipts.pdf>; last accessed October 11, 2010.

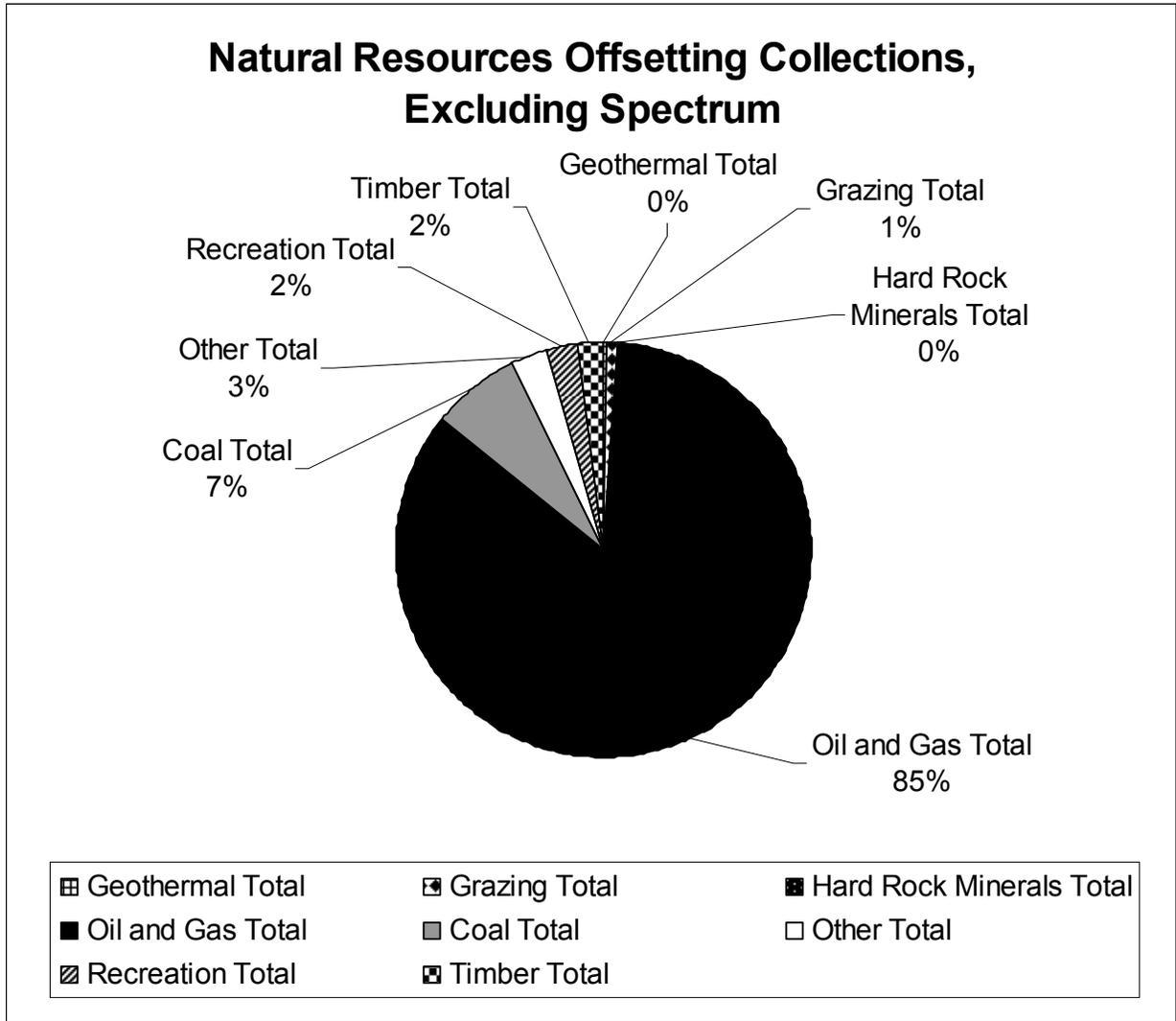
Step Nine: Staff reviewed detailed source data for offsetting receipts and identified those that are natural resources-related. This page and the page that follows present a summary; detailed data is available upon request.

Staff Analysis of Source Data that supports Table 15-2

Type of Natural Resource	Amount of Offsetting Receipts (in millions of dollars)
Electromagnetic Spectrum	-16,690
Oil and Gas	-8,389
Coal ⁴⁷	-700
Recreation	-243
Timber	-185
Grazing	-74
Geothermal	-26
Hard Rock Minerals	-20
Other	-285
Grand Total	-26,612

⁴⁷ This amount for coal was estimated based on royalty revenue reported by the Department of Interior Office of Natural Resources Revenue for fiscal year 2009; available online at <http://www.mrm.boemre.gov/MRMWebStats/Home.aspx>; last accessed October 11, 2010.





Source: Excel spreadsheet, "PB11_Offsetting_Receipts.xlsx" detailed source data that supports Table 15-2, provided by OMB upon staff's request.

Step Ten: Based on staff research, staff concluded that that annual receipts and collections are a reasonable proxy for determining the materiality of natural resources currently under long-term contract.

Staff Conclusions

Based on staff's review of federal receipts, offsetting receipts from the public, intragovernmental offsetting receipts, and offsetting collections from the public (data on intragovernmental offsetting collections is not currently available), the top three types of natural resource collections for fiscal year 2009, representing 97 percent of total receipts and collections, are:

- proceeds from auctions of the electromagnetic spectrum (62 percent);
- rent and royalty revenue for oil and gas (32 percent); and,
- rent and royalty revenue for coal (3 percent).

However, it is important to note that the Federal Communications Commission (FCC) is authorized to conduct auctions if "mutually exclusive" applications are accepted for any initial license or construction permit. Two or more pending applications are "mutually exclusive" if the grant of one application would effectively preclude the grant of one or more of the others.

Therefore, revenue from spectrum auctions reported in FCC's annual statements of custodial activity are not consistent from year to year since the need for auction depends on the mutual exclusivity of the applications received in any given year (see fact sheet on the electromagnetic spectrum for additional information).

Excluding proceeds from auctions of the electromagnetic spectrum due to their unpredictable nature, rent and royalty revenue for oil, gas, and coal leasing represent approximately 92 percent of total receipts and collections, as follows:

- rent and royalty revenue for oil and gas (\$8.4 billion or 85 percent); and,
- rent and royalty revenue for coal (\$700 million or 7 percent).

Staff believes that annual receipts and collections are a reasonable proxy for determining the materiality of natural resources currently under lease, contract, or other long-term agreement. As a result, staff believes that coal is the only other natural resource currently under lease, contract, or other long-term agreement besides oil and gas for which reporting on the quantity and value of resources under lease may be material to federal financial statements.

IMPORTANT NOTE: Recommendation is based on current practice only. The federal government can choose to place additional resources under lease, contract, or other long-term agreement at any time and Congress has in fact indicated an interest in where additional funds can be obtained (see March 6, 2009, letter, "Federal Assets that Could be Sold or Leased to Raise Revenue," from the Congressional Budget Office to Representative Ron Kind; available online at <http://www.cbo.gov/doc.cfm?index=10015>; last accessed October 11, 2010).