COLSTRIP COMMUNITY IMPACT ADVISORY GROUP (CCIAG)

CCIAG PLAN

FINAL REPORT

Executive Summary

The Colstrip Community Advisory Group (CCIAG), jointly chaired by Governor Steve Bullock and Attorney General Tim Fox, was formed pursuant to the Puget Sound Energy (PSE) rate case settlement agreement of December 2017 to guide the disbursement of economic impact funds provided by PSE, an owner in the Colstrip Generating Facility.

Three economic development objectives guided CCIAG's work:

Economic:	Industry, Services, Support
Workforce:	Labor Force Development, Retention, Attraction and Gap Financing for Impacted Workers
Community:	Infrastructure, Water/Sewer, Housing, Schools, Healthcare, Law Enforcement, Parks/Recreation, Agriculture

The full CCIAG met a total of seven times. There were also subcommittee and community meetings. During these meetings, information was presented to the committee on closure impacts and challenges faced, potential projects for funding, and suggestions on where to establish the funds.

The approved CCIAG draft plan provides for the establishment of a seven-member Colstrip Impact Foundation (CIF) board comprised of government, economic development, union, and local community representatives. The $10 million community impact fund is to be divided into two funds – a short-term $7.5 million non-permanent loan fund and a $2.5 million permanent endowment. The CIF will use a request for proposal (RFP) process to find one or more organizations to establish and manage the two funds

The PSE will next review the draft CCIAG plan. If PSE approves, the plan will be sent to the Colstrip City Council and to the Rosebud County Commission for review and approval. Upon approval of these two local governing bodies, the plan will then be filed with the Washington Utilities and Transportation Commission.

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CCIAG Plan

Colstrip Community Impact Advisory Group (CCIAG)

The CCIAG, jointly chaired by Governor Steve Bullock and Attorney General Tim Fox, was formed to develop a plan for addressing the economic impact following the closure of Colstrip Units 1 & 2 and guide the disbursement of economic impact funds provided by Puget Sound Energy (PSE), an owner in the Colstrip Generating Facility.

A list of CCIAG members and the committee's workplan can be found in Appendix A.

Goals & Objectives for CCIAG Plan

The CCIAG Plan guides the disbursement of the $10 million economic impact fund received from PSE.

Specific development objectives the committee established for use of the funds include:

Economic:	Industry, Services, Support
Workforce:	Labor Force Development, Retention, Attraction and Gap Financing for Impacted Workers
Community:	Infrastructure, Water/Sewer, Housing, Schools, Healthcare, Law Enforcement, Parks/Recreation, Agriculture

A list of suggested projects for potential funding from the economic impact funds is provided in Appendix B.

Focus and Scope of CCIAG Work

Governor Steve Bullock and Attorney General Tim Fox convened and co-chaired the Colstrip Community Impact Advisory Group (CCIAG) to address the economic impact following the closure of Power Plants 1 and 2 in Colstrip. In a 2016 settlement agreement, the owners agreed to close Units 1 & 2 by 2022. Recognizing the significant economic impact this closure would have to the area, Puget Sound Energy, one of six owners of the Colstrip Generating Facility, agreed to set aside a $10 million fund to help the community of Colstrip.

The goal of the CCIAG was to develop a community impact plan that would guide disbursement of $10 million impact fund to bring about economic development, job training, and community sustainability.

To ensure a voice in the draft plan, the CCIAG committee included state and local officials, community and tribal leaders, union labor, and economic development organizations.

The Guiding Principles for CCIAG

- The 'community' is defined as the city of Colstrip, the County of Rosebud, and any impacted worker who has lost his/her job as the result of the loss of coal production or power generation.
- All funds will be used to the benefit of the 'community,' as defined.

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- Funds will not be held in the hands of government at any time.
- Funds will be leveraged with identifiable and available funds as a first priority. A second priority is to use the funds to leverage or attract other funds.

The CCIAG Process
The committee met a total of six times and adopted a three-stage approach to developing the CCIAG Plan:

> Stage 1 (January – March 2018) - Background materials were presented to the committee to assist CCIAG members in understanding Colstrip's potential and the challenges experienced by the stakeholders in the system. A key part of this phase was fostering public involvement throughout the process.
>
> Stage 2 (April – September 2018) – During this stage, CCIAG worked to identify and prioritize the problems to be addressed. The committee also set up a subcommittee to research and recommend fiduciary oversight options.
>
> Stage 3 (October – November 2018) Synthesizing the input, information, and working discussions from all the meetings, the committee drafted a plan which was presented to the committee on October 23, 2018.

To gather ideas and feedback from the public on how the funds should be used, five community meetings were held in August. One meeting each was held in the Forsyth and Lame Deer. Three additional meeting were held in Colstrip. These meetings were facilitated by Commerce Staff and consultants. The summary reports of the input provided at the community meetings are presented in Appendix C. A six-member CCIAG Funding Subcommittee provided recommendations to the full committee fiduciary oversight options for the $10 million that will come from Puget Sound Energy.

The Anticipated Impacts of the Closure

The closure of Colstrip Units 1 & 2 is expected to have significant community effects. The loss of jobs, displacement of workers, lost tax revenues, and reductions in community services are among the many expected impacts to the area.

Memos providing more detail on the estimated impacts can be found in Appendix D.

Creation of the Colstrip Impacts Foundation (CIF)

Based on the CCIAG Funding Subcommittee work, the CCIAG unanimously recommended the forming of the Colstrip Impacts Foundation (CIF). The reasons include that a foundation would provide the flexibility to fund impacts as they occur, allow for local not state control, provide a repository for other funds to be received from corporate and private donors, and maintain a revenue stream for the Colstrip community's future.

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The CCIAG Funding Subcommittee recommendation and discussion points regarding the creation of the foundation funds are provided in Appendix E.

The suggested structure of the CIF would include two funds:

- **CIF Nonpermanent Fund of $7.5 Million**
  The nonpermanent dollars would be available for immediate granting and possibly short-term loans. These funds would be held in an interest-bearing fund with a short-range investment horizon. As a revolving loan fund, financial gifts into this fund would not meet the requirements for the charitable donation.

  The objectives for this fund are to have a source of funds that could be immediately accessed to address impacts but still earn a fair investment return. The specific operational aspects for the loans process, lending criteria, and other operational aspects for the nonpermanent fund will be established by the CIF Board once it is established. The Attorney General's office will provide guidance once the CIF Board is formed.

- **CIF Permanent Endowment of $2.5 Million**
  These funds will be set up in a local community fund preserved for the perpetual benefit of the impacted Colstrip workers and community. Investments are made with a long-term time horizon allowing higher returns. The fund would provide an annual endowment payout distribution for grantmaking. As an endowment, contributions to this fund would be eligible for the Montana Endowment Tax Credit. Appendix F gives an overview of the tax credit.

  The specific operational aspects and criteria for granting will be established by the CIF board. The CIF board will establish the nonpermanent and permanent funds through an RFP process. The CIF board will follow the CCIAG plan adopted on October 23, 2018.

Colstrip Impacts Foundation (CIF) Board

The CCIAG recommends a seven-member board to oversee the CIF funds with the following membership:

- One City government representative selected by the City Council
- One County government representative selected by the County Commission
- One representative from the Certified Regional Development Corporation (CRDC)
- One local workforce representative from the Colstrip power plant (Local 1638)
- One local workforce representative from the mine (Local 400)
- Two citizen representatives chosen by the initial five committee members from the community at large. Preference may be given to applicants who are tribal members, senior citizens, small business owners, or agricultural producers.

The process for choosing representatives will be determined by each of the first five groups listed. Once the board is established, it will be the board's responsibility to develop an

application and selection process for the two citizen representatives. The two citizen representatives will be selected by unanimous approval of the first five board members.

CIF Board Fiduciary Functions & Responsibilities
All fiduciary and reporting responsibilities for the nonpermanent funds would be the responsibility of the lending agent. This includes handling fund investment, auditing, tax preparation and payment, and all reporting including those required by Puget Sound Energy.

All fiduciary and reporting responsibilities for the permanently endowed funds would be the responsibility of the foundation's sponsoring organization. This includes handling fund investment, auditing, tax preparation and payment, and all reporting including those required by Puget Sound Energy.

An example, provided by Montana Community Foundation (MCF), of the duties of a granting board such as the CIF is included in Appendix G. Information provided by MCF and the Billings Community Foundation is also included in Appendix H.

Finalizing the CCIAG Plan
After this plan is finalized by CCIAG the PSE will review and, if approved, it is then reviewed by the Colstrip City Council and the Rosebud County Commission. Upon approval of these two local governing bodies, the plan will then be filed with the Washington Utilities and Transportation Commission. The terms for the PSE settlement are included in Appendix I.

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Appendices

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Appendix A
CCIAG Members and Workplan

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- Adam Schafer
  Governor's Office (co-chair)

- Jon Bennion
  Attorney General's Office (co-chair)

- Puget Sound Energy representative

- John Williams
  Colstrip Mayor

- Doug Martens
  Rosebud County Commissioner

- State Senator Duane Ankney
  Senate District 20

- State Representative Geraldine Custer
  House District 39

- Jim Atchison
  Southeastern Montana Development Corporation

- State Senator Jason Small
  President Boilermakers 11 at Colstrip

- Stacey Yates
  Business Manager IBEW 1638 at Colstrip

- Wally McRae
  Colstrip area rancher

- Director Pam Haxby-Cote, or Designee
  Montana Department of Commerce

- Director Tom Livers or Designee
  Montana Department of Environmental Quality

- Commissioner Galen Hollenbaugh or Designee
  Montana Department of Labor & Industry

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Colstrip Community Impact Advisory Group

- Workplan[1]-
Updated March 2, 2018

Introduction and Membership

The Colstrip Community Impact Advisory Group is a collection of stakeholders convened by the Governor and Attorney General to develop a community plan to address future closures at the Colstrip Generation Plant. The Group includes state and local officials, community leaders, and labor and economic development organizations. The group will help the community of Colstrip develop a community impact plan guiding disbursement of economic impact funds provided by Puget Sound Energy, one of the 5 owners of the Colstrip Generating Facility.

Colstrip Community Impact Advisory Group members:

- Adam Schafer, Governor's Office (co-chair)
- Jon Bennion, Attorney General's Office (co-chair)
- Puget Sound Energy representative
- John Williams, Colstrip Mayor
- Doug Martens, Rosebud County Commissioner
- State Senator Duane Ankney
- State Representative Geraldine Custer
- Jim Atchison, SMDC
- Senator Jason Small, President Boilermakers 11
- Stacey Yates, Business Manager IBEW 1638
- Wally McRae, Colstrip area rancher
- Director Pam Haxby-Cote, Dept. of Commerce
- Director Tom Livers, or Designee, DEQ
- Commissioner Galen Hollenbaugh, DLI

Goals and Objectives
The Colstrip Community Impact Advisory Group is tasked with the development of a community impact plan for the $10 million provided in the 2017 Puget Sound rate case in the Washington Utilities and Transportation Commission. The Advisory Group's plan will ultimately be reviewed and approved by the Colstrip City Council, the Rosebud County Commission and the Washington Utilities and Transportation Commission.

Study Process
This work plan proposes a three-stage study process, including the following activities during the time periods noted:

[1] The Advisory Group should discuss and adopt a workplan for 2018 by the end of the Advisory Group's second meeting. The workplan may be adjusted as needed at the pleasure of the Advisory Group as a whole.

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Stage 1 - Compile and Study Background Information: January – March 2018. This stage is designed to help the advisory group develop an understanding of Colstrip's potential and the challenges experienced by the stakeholders in the system. This stage sets the foundation for the rest of the advisory group's work. Activities or work products could include:
• collection and review of available reports, studies and other documents;
• presentations from key stakeholders in Colstrip and subject-matter experts on topics relevant to Colstrip;
• brainstorming on issue areas that need further exploration; and
• driving public involvement in the advisory group process.

Stage 2 - Identify and Research Issues: April – September 2018. The focus of activities during this stage will be identification by the advisory group of problems that might be addressed through further analysis or other action. Activities or work products could include:
• presentations from key stakeholders in Colstrip and subject-matter experts on topics relevant to Colstrip;
• visiting another location of an area that diversified its economic base; and
• brainstorming on potential plan specifics.

Stage 3 - Develop and Finalize Plan for Consideration: September – November 2018. After compiling background information, identifying issues, and researching options, the advisory group will discuss and act on recommendations it wishes to make to include in the draft plan that will be presented to the Colstrip City Council, the Rosebud County Commission, and the Washington Utilities and Transportation Commission.

Proposed Meeting Schedule and Activities

At its first meeting, the Advisory Group expressed hope that a draft plan could be developed before the end of 2018. The proposed schedule would allow the Advisory Group to complete its work within that timeframe.

First Meeting – January 22, 2018 in Colstrip

- *Introductions, Review of Term Sheet; Discussion of Existing Studies; Workplan Development; and Public Comment*

Second Meeting – March 2, 2018 in Colstrip

- *Presentations on Economic Development Studies, Revenue Data and Water Issues; Workplan Development; and Public Comment; 2 dot electrical*

Third Meeting – April 16, 2018 in Colstrip

- *Potential topics: Panel on Effects to Outlying Areas (Treasure & Rosebud Counties & Tribes); Panel on Coal Mining and Use of Coal; Presentation on other impacted coal communities and successful strategies; Roundtable Discussion on Ideas for the $10 million*

Fourth Meeting – May 14, 2018 in Colstrip – Identify Infrastructure needs – impacts to medical district, school district, etc; Mayor's Land Acquisition Proposal;

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Fifth Meeting – June 29, 2018 in Colstrip – Replacing power on transmission line, alternative energy potential and jobs, Eastern MT Tourism/Outdoor Rec Economy;

Sixth Meeting – September 24, 2018 in Colstrip

Seventh Meeting – October 23, 2018 in Colstrip

Final Meeting – November TBD, 2018 in Colstrip

- *Finalize Plan and Refer to Colstrip City Council, Rosebud County Commission and Washington UTC*

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Appendix B
Potential Projects

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Economic Development

AREA	IDEA	DESCRIPTION	SOURCE	DOCUMENTS
BUSINESS ATTRACTION AND SUPPORT	Provide small business support i.e. revolving loans, training etc.; Support entrepreneurship development	Provide $600,000 to SEMDC to create a new revolving loan fund to be matched with bank financing and existing funds totaling $1,450,000	CCIAG June Meeting SEDC Request / Community Meetings; Commerce Plan	1, 3
	Prepare for a clean-up/remediation workforce opportunities		Community Meetings	2
	Support technology development to build business opportunities		Commerce Plan	3
	Provide better telecommunication, particularly broadband and better internet access		Community Meetings, Commerce Plan	2, 3
	Encourage / focus on new industry, businesses, and value-added firms	Use impact funds to attract new industry. Potential industries include coal-ash for beneficial use and pre-cast products, data centers, wind farms, and formic acid.	Community Meetings, Commerce Plan	2, 3
	Encourage new jobs	Use impact funds to develop jobs in remediation, renewable energy technology, other in-demand areas	Community Meetings	2
	Provide funding for feasibility studies and business plans	Provide $400,000 for feasibility funding pool to fund 4-6 large studies. Would be matched by an additional $400,000	CCIAG June Meeting SEDC Request / Community Meetings	1
	Create a "co-work" incubator location		Community Meetings	2
	Provide funding for economic development	Leverage impact funds with other monies/create "local match" fund	Community Meetings	2
	Develop and market agricultural opportunities		Commerce Plan	3
	Leverage existing industry expertise to drive development around coal, energy and renewable technology	Montana companies and inventors have commercialized technologies that lower carbon emissions and raise thermal efficiency	Commerce Plan	3
REUSE OF GENERATING PLANT	New coal/carbon technology		Community Meetings	2
	Develop manufacturing facilities; Build a unique manufacturing ecosystem		Community Meetings, Commerce Plan	2, 3
	Convert to natural gas power generation		Community Meetings	2
MAINTAIN COAL INDUSTRY AND POWER GENERATION	Hire a professional marketing firm		Community Meetings	2
	Conduct a media campaign to build government and public support		Community Meetings	2
	Encourage developers to consider opportunities in Colstrip		Community Meetings	2
	Invest in the export of coal		Community Meetings	2
	Keep all the generating units running		Community Meetings	2
	Support responsible natural resource development		Commerce Plan	3
	Maintain mine shipments, jobs and tax revenues at 2015 levels		Commerce Plan	3
	Use electrical transmission system to attract industry		Community Meetings	2
MARKET COLSTRIP	Hire a professional marketing firm to assist community		Community Meetings	2
	Reinvent the community, perhaps a retirement community		Community Meetings	2
EXPAND IMPACT AREA RECREATION ECONOMY	Create marketing plan for area; market private and public sector entities		Community Meetings, Commerce Plan	2, 3
	Promote tourism, outdoor recreation, and increase marketing of communities		Community Meetings, Commerce Plan	2, 3
	Expand Ponderosa Butte Golf Course		Community Meetings	2
	Support Colstrip Parks and Recreation District		Community Meetings	2
	Need for hospitality facilities in the area i.e. hotels, shops etc.		Community Meetings	2
	Consider a tax abatement for businesses affected by closures		Community Meetings	2
TELECOMMUNICATIONS	Fund better internet/broadband access for business		Community Meetings	2
	Upgrade wireless phone service	Work with Range Telephone to upgrade services	Community Meetings	2
BUSINESS TAXES	Consider a tax abatement for businesses affected by closures		Community Meetings	2
	Permit a local option sales tax with rebate for residents		Community Meetings	2
	Utilize funds to off-set some of the anticipated tax revenue losses		Community Meetings	2

Sources

1 SEDC Atchison Updated Funding Request.pdf
2 CCIAG Public Meeting Economic Development 092018.docx
3 Colstrip Planning Document Overview.pdf

Note: Two locally-commissioned reports "The Changing Coal Industry" prepared by Taimerica and "Colstrip Economic Diversification Report" prepared by KLJ, have additional information and ideas.

Workforce Development

AREA	IDEA	DESCRIPTION	SOURCE	
DIRECT SUPPORT FOR WORKERS	Provide resources for unemployed or laid off workers to find jobs and/or relocate from Colstrip etc.	Use impact fund to aid unemployed/laid-off workers to assist workers relocate	Community Meetings	1
	Direct support for unemployed or laid-off works	Use impact fund to aid unemployed/laid-off workers to assist with short-term expenses while workers are retrained / find other work	Community Meetings	1
	Retention of impacted (direct or indirect) workers		Community Meetings	1
	Finding and maintaining quality medical staff		Community Meetings	1
	Finding and maintaining quality teachers	Use impact funds for education services	Community Meetings	1
	Recruiting EMTS	Funding for training, apprenticeships; funding for pensions for EMT's	Community Meetings	1
	Allow EMTS to work in clinics		Community Meetings	1
	Financial counseling		Community Meetings	1
	Provide funds for job/entrepreneur related equipment/supplies		Community Meetings	1
WORKER RE-TRAINING AND RE-EDUCATION	Partner with colleges and universities	Provide workforce training opportunities at Dull Knife College and Miles City Community College (3) Work specifically with "older" workers to identify needs/retraining interests	Community Meetings, Commerce Plan	1, 2
	Expand apprenticeship and "hands on" training programs		Community Meetings	1
	Diversify jobs through the re-deployment of existing human resources	Diversify economies with jobs in manufacturing, corporate headquarters, back office operations, and pipeline construction	Commerce Plan	2
	Train on areas of demand: alternative energy, agricultural workers, trades on the reservations, technical education		Community Meetings	1

Sources

1 CCIAG Public Meetings Workforce 092018.docx
2 Colstrip Planning Document Overview.pdf

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Community Development

AREA	IDEA	DESCRIPTION	SOURCE	
COMMUNITY SERVICES	Maintaining medical services		Community Meetings	1
	Maintaining good school facilities and services	Use impact funds for maintenance of the existing school system	Community Meetings	1
	Maintaining law enforcement facilities and services		Community Meetings	1
	Need affordable & available childcare that matches work schedules	Use funds to assist with childcare while impacted workers are retraining/finding new work	Community Meetings	1
	Maintain existing level of community services and be more efficient, Encourage improvement of quality of life	Foundation can help distribute funds – needs in all impacted communities	Community Meetings, Commerce Plan	1, 3
	Providing services to senior residents	Provide housing and transportation assistance	Community Meetings	1
	County and City etc. need to work together		Community Meetings	1
	Support the work of SEMDC		Community Meetings	1
	Use $475 to renovate and expand classrooms at Chief Dull Knife College allowing for new and expanded degree and certificate programs	Certificate programs in Environmental Restoration, Licensed Addiction Counseling; AA Degrees in Business Management and Behavioral Health; Build a Nursing Skills Lab and Telemedicine Classroom	June meeting CDKC request	2
HOUSING	Stabilization of housing including mortgages with closures	Match impact funds with grants/loans	Community Meetings	1
	Support for impacted workers, retirees, residents	Use impact funds to provide temporary housing assistance while impacted workers/families find new work/retrain; support for retirees and other residents	Community Meetings	1
INFRA-STRUCTURE	Not enough land for development	Deed additional land to the City of Colstrip for new development	Community Meetings	1
	Need a real main street in Colstrip		Community Meetings	1
	Planning for the future of Colstrip and the other impacted communities	Create a community "master plan" identifying available developable land and existing/needed infrastructure	Community Meetings	1
	Maintaining infrastructure		Community Meetings, Commerce Plan	1, 3
	Increasing broadband for community services particularly for		Community Meetings	1
	Focus funds on Colstrip / public placemaking initiatives to enhance culture and economic attractiveness	Use some of the impact monies to tear down abandoned buildings & repurpose vacant land/property	Community Meetings	1, 3
	Address abandoned buildings in Colstrip	Use some of the impact monies to tear down abandoned buildings & repurpose vacant land/property	Community Meetings	1
	Need for land accessibility; Increase efficiency		Community Meetings, Commerce Plan	1, 3
WATER	Address polluted water wells	Foundation can help distribute funds to leverage other state/federal resources	Community Meetings	1
	Generation plants pump water for the City	Foundation can help distribute funds to leverage other state/federal resources	Community Meetings	1
	Reduce cost of providing water to Colstrip		Community Meetings	1
	Need for water rights	Work with the owners of the generation plants to transfer water rights to City	Community Meetings	1
	Pay off Colstrip's water & sewer	Foundation can help distribute funds to leverage other state/federal resources	Community Meetings	1
	Flooding issues	Use impact monies to upgrade the City's flood levee	Community Meetings	1
TAX BASE & OTHER COMMUNITY REVENUES	Tax base impacts on community services	Use impact funds to offset potential tax increases - Colstrip and Rosebud County	Community Meetings	1
	Tax base impact on schools	Redistribute taxes	Community Meetings	1
	Providing a source of revenue for programs and facilities	Invest the funds in a trust/foundation; save impact funds for future needs	Community Meetings	1
	Identifying leverage opportunities	Leverage impact funds with other monies	Community Meetings	1
	Reduce cost of providing water to Colstrip		Community Meetings	1
	Maintain impact monies for future needs			1

Sources

1 CCIAG Public Meeting Community Development 092018.docx
2 CDKC Request.pdf
3 Colstrip Planning Document Overview.pdf

Appendix C
Summary Reports from Community Meetings

To: Colstrip Community Impact Advisory Group (CCIAG)
From: Commerce – Community Development Division
Re: Community Meetings

This brief memo summarizes the community meetings that were organized and held in August 2018 at the request of, and on behalf of CCIAG. The intent of the meetings were to gather the input from community residents about how the impact funds from Puget Sound Energy should be utilized. The meetings were facilitated by Commerce - Community Technical Assistance Program Consultants and attendance sheets were signed by participating CCIAG members and community members.

1. Meetings were held in five locations on three separate days, throughout August, as follows:
   - Forsyth City Hall on Tuesday, August 14th @ 6pm
     - Attendance 28
   - Lame Deer Little Wolf Capital Building on Wednesday, August 15th @ 10am
     - Attendance 22
   - Colstrip City Hall on Wednesday, August 15th @ 6pm
     - Attendance 24
   - Colstrip Schoolhouse History Center on Monday August 20th @ 1pm
     - Attendance 21
   - Colstrip Ponderosa Butte Golf Course on Monday August 20th @ 6pm
     - Attendance 27

2. The meetings focused on three main areas/buckets where the impact funds might be used:
   - Community development (*i.e. services, infrastructure, facilities, such as medical, schools or community facilities*)
   - Economic development (*i.e. small business assistance, entrepreneurship, diverse industry*)
   - Workforce development (*i.e. training, retention, direct assistance to impacted workers*)

3. Three ideas, regarding the use of the impact funds, and had the highest level of input or support. These were:
   - Place the funds in a trust/foundation to allow the impacted community to access now and in the future,

    - Placing the impact funds into a trust or foundation to allow the interest earned on the monies to be used for projects in the impacted community and provide a long-term funding source. Impact funds should be required to leverage other funding sources such as local, state and federal funding. Distribution of funding should be decided by the trust or foundation board, similar to how other boards award funding with specific uses or characteristics to access funds.
- Maintain quality of life,
- Ensure that impact funds are leveraged with other non-impact funds to complete needed projects or provide a benefit to the community, and
- Don't spend the money all at once or right away

When viewed by category the other priorities of meeting attendees focused on:

- Community development:
    - Maintaining medical services
    - Increased Broadband sooner than later
    - "Planning" for the future of Colstrip and the other communities
        - Unknown needs at this time (what are the future needs of the community)
    - Need for water rights and land accessibility

- Economic development
    - Provide small business support i.e. revolving loans, training etc.
    - Focus on new industries
    - Prepare for a clean-up/remediation workforce opportunities
    - Promote tourism and increase marketing of communities
    - Provide better telecommunication, particularly Broadband internet access

- Workforce development (*i.e. training, direct assistance*)
    - Relocation assistance for unemployed workers
    - Direct support for unemployed or laid-off works
    - Retention of impacted (direct or indirect) workers

Detailed tables categorizing, and tallying attendee responses accompany this memo and provide a detailed list of the ideas and comments made.

COLSTRIP COMMUNITY
IMPACT ADVISORY GROUP

CCIAG OPEN HOUSES: ATTENDEE INPUT ON ECONOMIC DEVELOPMENT*

TOPIC	ISSUE/OPPORTUNITY	SOLUTION/ACTION
New Industry/Businesses	• Encourage new industry, businesses, and value-added firms (9) • Clean up/remediation jobs (8) • Focus on area's skilled workforce • Renewable energy technology (4) • Feasibility studies and business plans (4)	• Use impact funds to attract new industry
Reuse of Generating Plants	• Facilities for new coal/carbon technology (7) • Manufacturing facilities • Use electrical transmission system to attract industry (3) • Convert to natural gas power generation	
Maintain Coal Industry and/or Power Generation	• Promote coal and power generation (7) • Keep all the generating units running • Media campaign to build government and public support • Invest in the export of coal (2)	• Hire a professional marketing firm to assist • Encourage developers to consider opportunities in Colstrip
Small Business Support	• Startup funds, revolving loan funds and tax breaks (13) • Support local shopping and retail (4) • Need additional land in Colstrip • Training for existing and new businesses (7) • Support local investment (2)	• Create a "co-work" incubator location
Marketing of Colstrip	• Colstrip a great place to live, work and play (3) • Attract long-term businesses • High wages and low cost of living • Reinvent the community, perhaps a retirement community (2)	• Hire a professional marketing firm to assist community (4)
Recreation Economy	• Promote tourism and outdoor recreation (9) • Expand Ponderosa Butte Golf Course • Support Colstrip Parks and Recreation District • Need for hospitality facilities in the area, i.e. hotels, shops etc.	• Create marketing plan for area

*The numbers in parentheses denote the number of times a comment/topic was mentioned.

TOPIC	ISSUE/OPPORTUNITY	SOLUTION/ACTION
Telecommunications	• Need better internet/broadband access (9) • Upgrade wireless phone service	• Work with Range Telephone to upgrade services
Regional Cooperation	• County and City etc. need to work together (2) • Support the work of SEMDC	• Leverage impact funds with other monies/create "local match" fund (10)
Taxes – Local Govt Funds	• Permit a local option sales tax with rebate for residents (3) • Consider a tax abatement for businesses affected by closures • How does the County makeup a 20 percent loss of tax revenue?	• Utilize funds to off-set some of the anticipated tax revenues

COLSTRIP COMMUNITY
IMPACT ADVISORY GROUP

CCIAG OPEN HOUSES: ATTENDEE INPUT ON COMMUNITY DEVELOPMENT*

TOPIC	ISSUE/OPPORTUNITY	SOLUTION/ACTION
Housing	• Impact of closures upon housing market (8) • How to stabilize mortgages • Housing support for residents • Housing shortage • What will happen to the tax base	• Match impact funds with grants/loans • Focus on retirees • Use impact funds to provide temporary housing assistance while impacted workers/families find new work/retrain
Medical Services	• Finding and maintaining staff (7) • Maintain good medical services and staff (7) • Recruit more EMTs (4) • Allow EMTs to work in clinics • How will tax districts continue for services (2) • Cooperation between Rosebud Hospital and Colstrip Hospital • Broadband is needed to increase telemedicine opportunities	• Training, apprenticeships, pensions for EMT's • Telemedicine
Schools	• Preserve access to school property for potential redevelopment • Recruit and maintain teachers (2) • Maintain good facilities and services (6) • Right size the schools. • School closures will impact and potentially overburden neighboring schools	• Use impact funds for education and maintenance of the existing school system • Redistribute taxes
Law Enforcement	• Do the City or County need new facilities? • Eliminate Colstrip police department	
Water	• The City of Colstrip does not own water rights • Address polluted water wells on properties surrounding the Colstrip area • Generation plants pump water for the City, who will maintain that after they close? • Maintain the water system in Colstrip • Reduce cost of providing water to Colstrip	• Work with the owners of the generation plants to transfer water rights to City (7) • Foundation can help distribute funds to leverage other state/federal resources

*The numbers in parentheses denote the number of times a comment/topic was mentioned.

COLSTRIP COMMUNITY
IMPACT ADVISORY GROUP

CCIAG OPEN HOUSES: ATTENDEE INPUT ON COMMUNITY DEVELOPMENT*

Affected Communities – Planning and Development	• Not enough land for development (6) • Future is a much smaller community • Need to plan for future changes (6) • Develop a real main street in Colstrip (3)	• Deed additional land to the City of Colstrip for new development • Create a community "master plan" identifying available developable land and existing/needed infrastructure
Infrastructure and Services: General Topics	• Maintain or replace facilities such as water, sewer etc. (7) • Maintain existing level of services and be more efficient (3) • Pay off Colstrip's water and sewer debt • Right size the infrastructure to ensure the community can maintain	• Foundation can help distribute funds – needs in all impacted communities • Focus funds on Colstrip (4)
TOPIC	**ISSUE/OPPORTUNITY**	**SOLUTION/ACTION**
Childcare	• Needs to match work schedules • Needs to be affordable	• Use funds to assist with childcare while impacted workers are retraining/finding new work
Taxes-Services	• Maintain City and County services	• Use impact funds to offset potential tax increases (3) • Split impact funds between Colstrip and County
Long-Term Funding of Programs	• Providing a source of revenue for programs and facilities	• Invest the funds in a trust/foundation (20) • Leverage impact funds with other monies (13) • Saves impact monies for future needs (2)
Quality of Life	• Maintain Colstrip's identity and small-town atmosphere (5) • Address abandoned buildings • Increase marketing of communities	• Use some of the impact monies to tear down abandoned buildings & repurpose vacant land/property
Senior Services	• Provide housing and transportation assistance (2)	
Flood Protection - Forsyth	• Use monies to upgrade the City's flood levee	

COLSTRIP COMMUNITY
IMPACT ADVISORY GROUP

CCIAG OPEN HOUSES: ATTENDEE INPUT ON WORKFORCE DEVELOPMENT*

TOPIC	ISSUE/OPPORTUNITY	SOLUTION/ACTION
Worker Retraining-Education	• Partner with colleges and universities (2) • Focus on alternative energy training • Older workers not interested in retraining • Difficult for older workers to find jobs • Need for other trades and skills on the Reservation i.e. carpentry, welding, plumbers and electricians • Need trained agricultural workers • Career counseling • Train people to stay in the communities and/or, at minimum, in Montana (3) • Create a technical education program • Need Broadband	• Expand apprenticeship and "hands on" training programs (4) • Provide workforce training opportunities at Dull Knife College and Miles City Community College (3) Work specifically with "older" workers to identify needs/retraining interests • Complete broadband upgrades
Direct Support to Workers	• Use impact fund to aid unemployed/laid-off workers (4) • Financial counseling • Need jobs (with comparable pay) for retrained workers • Impacted workers are not just the mine employees, but also those employees that work in a community that is impacted by the closure	• Provide funds for job/entrepreneur related equipment/supplies • Provide funds to assist with short-term expenses (housing, etc..) while workers are retrained/find other work • Leverage other resources
Expand Area of Impact	• Include Ashland as a member of the Colstrip community with impacted workers	
Relocation Assistance	• Provide resources for unemployed or laid off workers to find jobs and/or relocate from Colstrip etc. (5)	

Appendix D
Memos on the Impacts of the Closure of Colstrip Units 1 & 2

PAM HAXBY-COTE
DIRECTOR

MONTANA
DEPARTMENT OF COMMERCE

STEVE BULLOCK
GOVERNOR

TO: Adam Schafer, Deputy Chief of Staff, Office of the Governor
FROM: Mary Craigle, Bureau Chief / Census Program Manager, Montana Department of Commerce
CONTACT: Mary.Craigle@mt.gov or 406-841-2742
DATE: September 11, 2018
SUBJECT: Summary of Colstrip Units 1&2 Closures impacts presented to CCIAG

This memo provides a summary of the various types of impacts presented to the Colstrip Community Impact Advisory Group (CCIAG) due to the closure of Colstrip Units 1 & 2. The information presented in this memo comes from the minutes of the meetings and materials provided to the committee. Committee testimony and the study findings in some cases, vary widely in their conclusions on these impacts. This memo serves to encapsulate the information presented without supporting any specific findings or views.

In summary:

- Estimated loss of employee and contractor positions associated with Colstrip Units 1 & 2: 233 to 289 FTE employee positions.
- Regional / statewide job loss estimates due to partial or full closure of Colstrip: 723 to 7,137 jobs.
- Estimated decrease in state tax revenues: $9.3 to $12.7 million.
- Rosebud County / local taxing districts within Rosebud County estimated tax revenue loss: $1.4 million (assuming full mill float) to $6.4 million (without a full mill float). Expected population decreases of 10-15% are also expected to impact property tax values.
- With decreased revenue, additional impacts to Rosebud County include fewer county services, significant impacts to the medical center, ambulance service, the library, senior center and parks/recreation. The area is already experiencing the loss of key staff, an inability to recruit paid and volunteer workers, and population losses.
- Impacts to the Colstrip School District are already experiencing include less support for local mill levies and decreased enrollment. Significant additional impacts are anticipated with property taxable value decreases and further population loss.
- Expected impacts to Treasure County include loss in U.S. mineral royalties, less electrical generation and transmission tax revenues, fewer jobs with a reduction in coal mining, and population loss.

- The Northern Cheyenne tribe impacts include job losses affecting some or all 116 tribal members employed at Colstrip and losses in tribal revenues.
- Fort Peck and Crow tribes also have impacts to workforce and loss of tribal revenues.
- Effects on area housing and commercial properties including declining values, foreclosures, increased vacancies, and reduced marketability.
- Anticipated loss of business revenues in nearby cities and towns including Billings and Miles City is expected.

Job Losses

According to a 2018 Legislative Fiscal report [2], 803 full-time workers are employed directly at Colstrip 1-4, the Rosebud Mine and Rosebud Power Plant. One of the plant owners, Puget Sound Energy (PSE), has stated there are 34 workers assigned to Units 1 & 2 and, essentially, no workers would be laid off with the closure of these plants due to a combination of retirements and jobs in remediation.[3] However, this figure does not include contract workers or the many workers in ancillary businesses that support the current mine operations which will be impacted by a partial closure. There will also be losses in tax revenues to the community and county which will likely further affect employment. The closure of Units 1 & 2 at the plant is expected to have large economic impacts for the community and beyond.

Impact to jobs at Units 1 & 2 and the Rosebud Mine

None of the research to date clearly provides a definitive total number of direct, contract and supporting employees who will lose jobs when Units 1 & 2 close. Two studies provide estimates. In June 2018, the Bureau of Business and Economic Research (BBER) released a study on the economic impacts of closing Colstrip Units 3 & 4. The analysis in this study was built from the assumption that Units 1 & 2 had been decommissioned. On page 21, the report states current employment at all four units is 328 full time and 20 part-time plant workers, in addition to a year-round equivalent of 164 contractors."[4] This is a total of 512 employees / contractors. Page 22 of the report indicates that the closure of Units 3 & 4 would result in a loss of 279 plant jobs and 125 year-round equivalent contractor jobs for a total of 404 jobs. Comparing these figures to the total current employment for all four units of 512, this is a difference of 108 jobs or 21% of the workforce presumably associated with Units 1 & 2. Page 22 of the report indicates the closure of Units 3 &4 would result in the loss of 289 workers at the Rosebud mine.

A second study estimating the number of workers directly employed with Units 1 & 2 is provided from Nick Van Brown and Sam Schaefer in a June 17, 2016 memo to Senator Duane Ankney. The memo states that Colstrip Units 1 & 2 make up 29% of the plants total generating capacity. [5] The analysis assumed that 29% of the workforce at the Colstrip facility and the Rosebud mine would be lost.

[2] Environmental Quality Council Legislative Environmental Policy Office -MT Legislative Services Division "SJ5: Coal in Montana Changing Times Challenging Times" May 2018

[3] Puget Sound Energy "Colstrip Facts | SB338" April 2017

[4] Bureau of Business and Economic Research "The Economic Impact of the Early Retirement of Colstrip Units 3 and 4" June 2018

[5] Legislative Fiscal Division Schaefer and Van Brown, "Direct tax impacts of closing Colstrip units 1 and 2" September 2017

Using the figure of 803 current employees for both facilities, a 29% decrease would represent a loss of approximately 233 jobs. At the April 2018 CCIAG meeting, Talen confirmed that Units 1 & 2 comprise approximately 1/3 of the power plant's operations. [6]

In summary, the closure of Units 1 & 2 is estimated to cause a loss of 233 to 289 FTE employee positions.

Estimates on the impact to jobs statewide

Various studies have provided net job loss estimates ranging from a minimum of 723 to 7,137 jobs which could be lost across the region from the partial or full closure of Colstrip and the declining production at all Eastern Montana coal mines.[7] Some of these studies include impact estimates from a region-wide decline in coal mining, coal exports, and power-plant closures.

A 2015 study by the Bureau of Business and Economic Research (BBER) at the University of Montana estimated that the statewide economic impact of closing all four Colstrip units would be a loss of approximately 4,000 jobs by 2022 and 7,137 jobs by 2025.[8] It should be noted that this estimate does not include the impacts of declining global demand for coal – only the coal consumed at the Colstrip plant.

A separate 2017 study by Taimerica Management Company examined the export and domestic shipping of Montana's coal to other states. [9] The report presents two scenarios in which Colstrip Units 1 & 2 close, but Units 3 & 4 continue operations. Under Scenario #1, the assumption is made that increased exports offset declines in domestic shipments. Under this scenario, the job loss impact was 723 jobs – 360 direct impacts and 363 indirect or induced. Under the Taimerica Scenario #2, domestic shipments of coal decline. In this analysis there is an estimated loss of 1,291 jobs – direct job impact of 689 and an indirect or induced impact of 592 jobs.

In 2017, the MT Department of Labor & Industry (MTDLI) staff, was awarded a POWER grant which covers twenty-three Montana counties and three tribal nations. MTDLI developed an estimate for the number of coal workers requiring retraining due to the closure of Units 1 & 2 based on the BBER and Taimerica studies, coal job related employment, and wage and unemployment figures. In the proposal, MTDLI estimated an annual job loss of 1,140 employees - 950 direct, indirect and induced from the closure of Units 1 & 2 and additional 190 annual job loss due to the lower demand for coal. This worker impact was presented to the CCIAG committee in a POWER Grant update at the March meeting. [10]

[6] CCIAG Meeting Minutes for April, 16, 2018

[7] Colstrip the Status of Key Policies and Decision Processes

[8] Bureau of Business and Economic Research, University of Montana. "The Economic Implications of Implementing the EPA Clean Power Plan in Montana" November 2015.

[9] Taimerica Management, Competitive Solutions, and the Trent Lott National Center "The Changing Coal Industry: Regional Economic Impacts- Workforce Analysis –Transition Strategies" March 2017

[10] CCIAG meeting minutes for March 2, 2018

In summary, the estimated impact to regional / statewide jobs due to the closures of some or all the units at the Colstrip Power Plant ranges from 723 to 7,137 jobs.

State Tax Impacts

A 2018 Department of Revenue and a 2016 Legislative Fiscal Memo provide estimates to state tax revenues from the closure of Units 1 & 2. [11 & 12] These memos are attached in their entirety to provide the specific details and assumptions used for estimating the reduction to the various taxes. In summary:

- Using the DOR estimate based on TY 2017, coal severance tax collections into the general fund and state special revenue and trust funds would decrease by $5.5 million. The LFD analysis which used TY 2015 as the base was $3.9 million.
- The LFD analysis indicates U.S. mineral royalties would be reduced by an estimated $1.1 million with a $0.8 million impact to the general fund and the remaining a loss to counties.
- The LFD analysis indicates electrical generation and transmission taxes into the general fund would decrease by an estimated $0.8 million and wholesale transmissions taxes by $0.6 million. This LFD analysis assumes that no new revenues were received from another energy producer using the transmission line. Conversely, the DOR memo assumes no impact because the line would be used by another energy producer.
- Under the LFD analysis which assumes a loss of 29% of the workforce and an average salary of $75,000, individual income tax revenues into the general fund would be reduced by $0.8 million. Under the DOR analysis, the estimated impact is $1.2 million.
- Receipts from the coal gross proceeds tax are estimated by the LFD to be reduced by $1.1 million to the general fund and the 6-mill level reduced by $0.2 million.
- The closure of Colstrip Units 1 & 2 is estimated to reduce resource indemnity and ground water assessment (RIGWA) taxes into the state special revenue accounts by $0.1 million.
- Using tax year 2015 taxable values and mill rates, the LFD estimated a loss in state property taxes into the general fund of $2.1 million.

In total, the estimated impact to state tax revenues is a loss of $9.3 to $12.7 million with the closure of Units 1 & 2.

Rosebud County and Local Tax Impacts

The estimated local tax impacts from the closure of Units 1 & 2 to Rosebud County and local tax jurisdictions within the county are provided in a 2018 memo to the Governor's Office from Barbara Wagner, the state's Chief Economist[13]. This memo is attached in its entirety and lays out the various specifics for each tax and the assumptions used in the estimates. In summary:

[11] Department of Revenue Bender, "Colstrip Units 1 and 2 Analysis" February 2018
[12] Legislative Fiscal Division Schaefer and Van Brown, "Direct tax impacts of closing Colstrip units 1 and 2" September 2017
[13] Department of Labor & Industry Wagner memo "Local Tax Impacts of Colstrip 1 & 2 Closures, February 2018

- US mineral tax revenues received by Rosebud County would decrease by an estimated $0.5 million. This figure was confirmed in testimony by Rosebud County Commissioner Doug Martens at the April 2018 CCIAG meeting. [14]
- Revenues from the coal gross proceeds tax would be reduced by $0.9 million to the county and local jurisdictions. Commissioner Martens confirmed this anticipated impact at the April 2018 CCIAG meeting[13].
- At the April meeting, Commissioner Martens told the committee that the county expects the closure of Units 1 & 2 to reduce the county population by 10-15%. This population reduction is expected to reduce property tax values by approximately $22.3 million. Since local governments can float mills to keep tax revenues relatively level to the prior year, the actual impact to local tax revenues of property tax decreases would depend on whether each tax district chose to increase mills. With full mill float of county and local mills, there would not be no impact to tax revenues. However, Rosebud County Commissioner Doug Martens indicated they are estimating a $5 million dollar decrease in property taxes. [13]

In conclusion, assuming local property tax revenues are unaffected due to higher mills, the estimated impact to Rosebud County and the local tax jurisdictions is an estimated loss of approximately $1.4 million. Without mill float, the estimated loss is approximately $6.4 million.

Impacts to Residential and Commercial Real Estate

Along with reduced property taxes, the plant closures are expected to effect real estate throughout the region. At the May meeting, Jennifer Olson from the Department of Commerce presented potential impacts including declining values, foreclosures, increased vacancies, and reduced marketability.

Colstrip School District Impacts

Superintendent Bob Lewandowski from the Colstrip School District presented impacts to the district at the May 15, 2016 meeting. He said the closure of Units 1 & 2 are already impacting the districts. Local school mill levies barely passed and the district required an additional $1.7 million in block funding from the Montana legislature to address funding needs.[15] In addition, there are fewer 25 students enrolled and the Colstrip School District has had to defer $2 million in maintenance.[14] The Superintendent indicated the school district would not be requesting impact funds.

Additional Impacts to Rosebud County and the region

At the April 2018 CCIAG meeting, County Commissioner Doug Martens provided the committee an overview of the expected impacts the closure of Units 1 & 2 will have on and within Rosebud County. Because of the decreased tax revenues provided above, many governmental services will need to be reduced. These cuts will have significant impacts to the medical center, ambulance service, the library, senior center and parks/recreation. Commission Martens also said there will be a loss of business revenues in nearby cities and towns including Billings and Miles City due to the closures.

[14] CCIAG meeting minutes for April 16, 2018
[15] CCIAG meeting minutes for May 15, 2018

Impacts to Colstrip Medical Center and Rosebud County Ambulance Service

John Poole, Administrator for the Colstrip Medical Center provided additional information on the impacts to the Medical Center and Rosebud County Ambulance Service at the May 15, 2018 CCIAG meeting indicating 93% of the taxes levied to support the center come from the power plant.[16] He indicated the Center is losing both a doctor and a nurse before the end of 2018 and is not able to recruit nurses due to the uncertainty in the area's economy. Currently, 40% of the Medical Center staff live outside Colstrip. [15] The staffing issues are also impacting the ambulance service reducing the volunteer staff from fourteen to five.

Impacts to Treasure County

Hanna Schantz, Treasure County Attorney presented to the CCIAG at the April 16, 2018 meeting. The impacts she said the county expects include a loss in U.S. mineral royalties, electrical generation and transmission tax revenues, fewer jobs with a reduction in coal mining, and population loss. [17]

Impacts to the Northern Cheyenne

Northern Cheyenne Tribal Council member Sheldon King provided testimony at the CCIAG April meeting. Councilman King said the Northern Cheyenne tribe expects job losses affecting some or all 116 tribal members employed at Colstrip who support 15-19 family members. Councilman King also said they expect losses in revenues to the tribe. [16]

Impacts to Regional Workers and Tribes

The committee heard about anticipated impacts in updates on the MTDLI POWER Grant at the March and April meetings. Liz Ching, the Power Grant Tribal & Apprenticeship coordinator and Barb Wagner, Chief Economist said they have been working across the 23-county region and with the three tribal nations – Crow, Fort Peck, and Northern Cheyenne to identify and assist workers impacted by the notice of the closure of Units 1 & 2 in 2022 and the lower demand for Montana's coal. The grant runs through September 2019 with a target of identifying / serving 1,100 impacted workers with potential one-year extensions through 2020. [18]

[16] CCIAG meeting minutes for May 15, 2018
[17] CCIAG meeting minutes for April 16, 2018
[18] CCIAG meeting minutes for March 2, 2018 April 16, 2018

Montana Department of Revenue

Mike Kadas
Director

Steve Bullock
Governor

Memorandum

To: Director Kadas

From: Rose Bender

Date: February 6, 2018

Subject: Colstrip Units 1 and 2 Analysis

History

Colstrip was formed in 1924 when the Northern Pacific Railroad started mining coal nearby to fuel their locomotives. The mine closed and Colstrip was nearly abandoned when the railroad switched to diesel fuel. In 1959, Northern Pacific sold its coal leases, mining equipment, and the townsite to Montana Power Company (Hanson, 2011). A subsidiary of Montana Power named Western Energy Company started to mine in 1968 and construct a power plant. In 1983 the construction of the 4 units was completed. In 1999 Colstrip became a city (State of Montana, 2015).

The Rosebud Mine, the mine at Colstrip, has been owned by the Westmoreland Coal Company since 2001.

Tax Revenue

The following estimates attempt to illustrate tax revenue currently coming from Colstrip units 1 and 2. Each estimate assumes that Colstrip units 1 and 2 each produce about 14.7% of the total energy produced by all of Colstrip's 4 units. That figure comes from Centrally Assessed and Industrial Properties, BIT Division, Department of Revenue and DEQ's report *Understanding Energy in Montana.* Please note that for the tax years covered in this memo, PPL and Puget Sound Energy each own half of both Colstrip units 1 and 2 and PPL is the operator. Talen Energy, a subsidiary of PPL, was transferred PPL's ownership of Colstrip in 2015.

An estimate of **property tax** revenue for tax year 2017 by Colstrip units 1 and 2 is shown below. The units are identical as they produce similar amounts of energy, as discussed in the previous paragraph.

	Unit 1	Unit 2
Taxable Value	11,153,907	11,153,907
Mills - State	101	101
Property Tax - State	1,126,545	1,126,545
Mills - Local	120	120
Property Tax - Local	1,338,469	1,338,469
Mills - Schools	74	74
Property Tax - Schools	825,389	825,389
Total Mills	295	295
Total Property Tax	3,290,403	3,290,403

However, PPL began writing down the value of their portion of the ownership of the Colstrip plant in 2014 and 2015, when they transferred their ownership to Talen Energy. Talen has continued with a lower value from 2015.

Electrical energy producers' license tax is a tax of $0.0002 per kilowatt hour of electrical energy generated, manufactured, or produced in the state for barter, sale or exchange, other than plant use. This tax produced approximately $4.3 million in revenue to Montana in FY 2017. The department is unable to provide an estimate for the amount of this tax attributed to Colstrip units 1 and 2 due to confidentiality concerns.

Approximately $1.2 billion was collected in **personal income tax** in FY 2017. Using estimates from other sources, Colstrip units 1 and 2 are responsible for a total of 0.1% or $1.2 million annually.

Approximately $125 million was collected in **corporate income tax** in FY 2017. The department is unable to provide an estimate for 2017 for Colstrip units 1 and 2 due to confidentiality concerns.

Wholesale energy transaction tax is a tax levied at a rate of $0.00015 per kilowatt hour on all electricity transmitted by a transmission service provider in the state. This analysis assumes that the owner of that transmission would continue to pay **wholesale energy transaction tax** in the future as the transmission would likely be used by another energy producer.

Approximately $55 million was collected in **coal severance tax** in FY 2017. Using estimates from other sources, approximately 10% or $5.5 million in coal severance tax can be attributed to Colstrip units 1 and 2 annually.

The following table shows a summary of annual tax revenue from Colstrip units 1 and 2 which serves as an estimate for lost tax revenue if they were to close down. However, some tax revenue would likely be replaced with other energy sources that may come online to use the existing transmission system. Approximately $13.3 million in tax revenue could be lost to the state and local governments if Colstrip units 1 and 2 were to shut down.

Tax Type	Estimated Tax Revenue
Property tax	$6,580,806
Indivdual income tax	$1,200,000
Coal severance tax	$5,500,000
Total	$13,280,806

MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

DATE: September 7, 2016

TO: Revenue and Transportation Interim Committee

FROM: Sam Schaefer, Fiscal Analyst

RE: Energy Impacts on State Revenue

This analysis provides information on the direct tax impacts of closing Colstrip units 1 & 2. It does not analyze the indirect effects of these units closure such as other electrical generation coming online or the loss of service jobs in the Colstrip area. This paper is divided into impacted tax types that the Legislative Fiscal Division tracks at a statewide level, along with the corresponding local impacts. However, due to confidentiality for the owners of units 1 & 2, the corporation tax effect was not estimated in this analysis. The analysis results found that combined state and local tax reductions from the closure amount to $17.1 million when compared to the FY 2015 baseline. In addition, general fund tax reductions amount to $7.2 million when compared to the FY 2015 baseline.

The Colstrip power plant has a generation capacity of 2094 MW. Colstrip units 1 and 2 each have a capacity of 307 MW, totaling 614 MW or 29% of the plants total generating capacity. For the purposes of this analysis, it was assumed that 29% of the total electrical generation, transmission, and coal mined at the Rosebud mine would be lost. It was also assumed that 29% of the workforce at the Colstrip facility and the Rosebud mine would be lost.

Coal Severance Tax

Current estimates show that if units 1 and 2 closed, coal severance tax collections would decrease by $3.9 million. Of this amount, $1.0 million would have went to the state's general fund while the remainder would have been deposited into a variety of state special revenue funds and trust funds. The total coal severance tax impact is shown in the table below.

Coal Severance Tax Impacts	Amount
General Fund	$1,045,480
Coal Trust Principle	$1,981,620
Long-range Building Program	$475,589
Coal Natural Resource Account	$114,934
Shared Account (Agriculture, Conservation Districts, Library)	$216,393
State Parks Trust Principle	$50,333
Renewable Resource Debt Service	$37,658
Cultural Trust Principle	$24,968
Coal Severance Tax Total Impact	$3,946,975

U.S. Mineral Royalties

Decreased mining activity will also impact revenues that the state receives from U.S. mineral royalties. Less activity at the Rosebud mine would cause an estimated decrease in U.S. mineral royalty collections of $1.1 million. Of this $1.1 million, the general fund may lose $0.8 million while the mineral impact fund which would be distributed to counties may see a loss of the remaining $0.3 million.

Electrical Generation & Transmission

The state of Montana has a tax on both electrical generation and transmission. These taxes are currently deposited into the state's general fund. Closures of plants 1 and 2 are estimated to decrease electrical generation taxes by $0.8 million and wholesale transmission taxes by $0.6 million.

Individual Income Tax

Under the assumption that 29% of the workforce would be lost, individual income taxes to the general fund would decrease. Using the Quarterly Census of Employment and Wages (QCEW) data, an average salary of $75,000 was used for workers that would lose employment. Using these data and assumptions, the effect on the general fund may be a decrease of $0.8 million.

Coal Gross Proceeds

State and local governments do not levy or assess any mills against the reported gross proceeds of coal. Instead, a flat tax is levied against the reported gross proceeds of coal mines. This tax contributes to the state's general fund, local governments, and the 6-mill levy. Closure of units 1 and 2 could decrease the general fund portion by $1.1 million, the local government portion by $1.0 million, and the 6-mill revenue by $0.2 million.

RIGWA

The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal. This tax contributes to multiple natural resource and environmental quality state special revenue accounts and may decrease by approximately $0.1 million if units 1 and 2 closed.

Property Tax

The following numbers represent the loss in tax dollars to various entities based on TY 2015 taxable values and mill rates. These numbers split the known taxable value and mill rates of the power plant property into units using company ownership percentages. A comparatively small amount of additional taxable value in non-telecom and non-pipeline property in class 9 electrical utilities, class 5 pollution control equipment, and class 13 telecom and electrical generation is proportioned out based on unit production capacity and simply split between county mills for Rosebud County.

Additionally, the combined taxable value for class 9, electrical transmission property, for Portland General Electric, Puget Sound Energy, PacifiCorp, and Avista Corporation, the majority owners of the transmission line from the Colstrip plant, was reduced proportional to the megawatt hour reduction from units 1 & 2. These transmission lines are what cause the property tax reduction outside Rosebud County. There is a level of uncertainty, especially with other counties, as the transmission lines are centrally assessed.

	Rosebud Total	All Other Counties	Total
State	$1,484,058	$631,006	$2,115,064
City	$826,567	$852	$827,419
Countywide	$565,852	$904,353	$1,470,205
Countywide Education	$329,872	$262,380	$592,252
Local Elementary	$296,518	$397,212	$693,730
Local High School	$285,497	$734,740	$1,020,237
Roads	$54,562	$179,980	$234,542
All Other	$512,220	$46,130	$558,350
	$4,355,146	$3,156,653	$7,511,799

Source	Effect
Coal Severance Tax	
General Fund	$1,045,480
Coal Trust Principle	$1,981,620
Long-range Building Program	$475,589
Coal Natural Resource fund	$114,934
Shared Account (Ag, Conservation, Library)	$216,393
State Parks Trust Principle	$50,333
Renewable Resource Debt Service	$37,658
Cultural Trust Principle	$24,968
Coal Severance Tax Total	$3,946,975
Individual Income Tax	
General Fund	$752,000
Electrical Energy Tax	
General Fund	$763,087
Wholesale Energy Tax	
General Fund	$572,315
U.S, Mineral Royalties	
General Fund	$842,638
SSR Mineral Impact fund	$280,879
U.S, Mineral Royalties Total	$1,123,517
Coal Gross Proceeds	
General Fund	$1,132,830
Local Government	$1,006,990
6-mill	$151,044
Coal Gross Proceeds Total	$2,290,864
Resource Indemnity Tax	
State Special Revenue	$120,000
Property Tax	
General Fund	$2,115,064
Local Governments & School Districts	$5,396,736
Property Tax Total	$7,511,800
General Fund Total	$7,223,414
Statewide Total	$17,080,558

Memorandum

Montana Department of LABOR & INDUSTRY

TO: Adam Schafer, Office of the Governor
FROM: Barbara Wagner, Chief Economist, Montana Department of Labor & Industry
CONTACT: bwagner@mt.gov or 406-444-5474
DATE: February 20, 2018
SUBJECT: Local tax impacts of Colstrip Units 1&2 Closures

As you know, Colstrip Units 1&2 are required to close by 2022 under a legal settlement. This closure will impact the county, city, and school district finances. This memorandum provides background information on the local funding impacts of the closure of units 1&2, using information available from the Montana Department of Revenue and the Legislative Branch.

There are several tax revenue sources that will impact the state's budget, but will not directly affect the local governments in Rosebud County. These state revenue impacts include receipts from the coal severance tax, resource indemnity trust and ground water assessment tax, individual and corporate income taxes, electrical energy producer's license tax, and wholesale energy generation tax. These revenue sources are not discussed in this memorandum, but the attachments from the Montana Legislative Branch both provide additional information about the size of these revenues and estimated state-level impacts from the Colstrip Units 1&2 closure. The state is also impacted by the loss of revenue from the three revenue sources discussed in this memo (U.S. mineral royalties, coal gross proceeds, and property tax), but the state impacts are not the focus. This memorandum only discusses revenue sources with direct impacts to local jurisdictions.

The revenue impact varies depending on assumptions regarding the distribution of value within each of the four units at the Colstrip power plant. The total taxable value for the Colstrip plant, including all property within Rosebud County that is owned by the Colstrip owners, was $75.9 million in tax year (TY) 2017.[19] Estimates developed by the Legislative Fiscal Division assumed that 29% of the Colstrip plant's taxable value would be lost with the closure of 1&2, basing that assumption on the generating capacity.[20] Estimates developed by the Montana Department of Revenue assumed that units 1&2 each contained 14.7% of the taxable value of the plant, or 29.4% of the total plant.[21] This memorandum continues the assumption that 29.4% of the taxable value falls within units 1&2, but it's difficult to know the exact impact on the power plant's taxable value.

The three main sources of local revenues affected by the closure of units 1&2 are local share of U.S. mineral royalties, coal gross proceeds taxes, and property tax.

[19] Montana Department of Revenue in email conversation with Rose Bender, Tax Policy Analyst.
[20] See attached memo from Nick VanBrown and Sam Schaefer, Legislative Fiscal Division, to Senator Duane Ankney, June 2016.
[21] See attached memo from Montana Department of Revenue written by Rose Bender, Feb. 2018.

U.S. Mineral Royalties-
The federal government collects royalties on every ton of coal mined on federal lands. Roughly 49% of royalties collected from federal lands in Montana are re-distributed back to the state. The majority of the state's share of the royalties go to the general fund, but 25% are deposited into a mineral impact account for local governments. The Department of Revenue indicates Rosebud County received $1.7 million from federal mineral royalties in FY2016.[22]

Data collected by the Energy Information Administration (EIA) indicates that units 1&2 used roughly 2,318,000 short tons in 2016, or about 27% of the total production at the Rosebud mine.[23] Using this assumption, the closure of units 1&2 may decrease U.S. Mineral Royalty distributions to Rosebud County by 27%, or about $459,485 in FY2016. However, 2016 coal production was relatively low, and coal production forecasts suggest an increase in production levels from the 2016 lows.[24] Units 3&4 may need to increase their coal consumption to continue to meet power demand, thus countering the loss of coal demand from the Units 1&2 closure. Any growth in coal production for use in Units 3&4 (or other customers) will help offset the revenue losses from the closure of Units 1&2.

Coal Gross Proceeds-
A 5% annual flat tax is levied on the reported gross proceeds of coal mines, then distributed to both the state general fund and to local jurisdictions with coal production. The amount of revenue redistributed back to local jurisdictions depends on the production and number of mills levied in 1990. For example, if the city mills comprised 15% of total mills levied in 1990, 15% of the coal gross proceeds tax collected from production in Rosebud County should be transferred to the city.

Like the federal mineral royalty distributions, the closure of Units 1&2 would affect the coal gross proceeds revenues because of lower demand and production at the Rosebud mine. In FY2016, Rosebud County received $3.286 million from coal gross proceeds taxes, which was distributed across different taxing jurisdictions. If we assume that the value of coal mined at the Rosebud mine decreases by 27% due to the Units 1&2 closure, that would have resulted in a loss of $887,300 in FY2016. However, as mentioned above, coal prices are expected to increase through 2022 due to increased market demand. As coal prices increase, the gross proceeds tax base will grow, minimizing the impact of the Units 1&2 closure. Further, it is possible that coal demand from the remaining two units will help counter the loss in demand from Units 1&2.

Property Tax-
In TY2017, Rosebud County had $94.7 million in taxable value for property taxes, according to the Montana Department of Revenue (see attachment). The total taxable value for the Colstrip plant, including all property within Rosebud County that is owned by the Colstrip owners, was $75.9 million in tax year (TY) 2017, or about 80% of the taxable value in the county. According to the same source, Units 1&2 comprise $22,307,814 of that taxable value, or roughly 24% of the total taxable value in the county. The attached memo from Rose Bender

[22] Montana Department of Revenue. "2014-2016 Biennial Report" available at https://mtrevenue.gov/publications/biennial-reports page 356.
[23] Energy Information Administration. Form EIA-923 detailed data. Available at https://www.eia.gov/electricity/data/eia923/.
[24] Energy Information Administration. Annual Energy Outlook. Coal Production Forecasts without the Clean Power Plan. Available at www.eia.gov/coal.

at the Montana Department of Revenue elaborates on the impact of the Units 1&2 closure, indicating that the estimated loss of property tax is roughly $6.58 million using TY2017 values. Assuming the loss of taxable value occurs in the same levy district as the plant (levy district 29-3796), the following taxing jurisdictions will experience a loss of taxable value equal to $22.3 million in TY2017 values:

Taxing Jurisdictions Impacted by Closure of Units 1&2 (TY2017 Values)

Tax Jurisdiction	Unit Code	Existing Taxable Value (TY2017)	Taxable Value after Closure (in TY2017 Values)	Percent Decline
CITY OF COLSTRIP	29-COLSTRI	60,699,201	38,391,387	-36.8%
COLSTRIP ELEMENTARY	29-0796	83,478,458	61,170,644	-26.7%
COLSTRIP HIGH SCHOOL	29-0797	83,478,458	61,170,644	-26.7%
COLSTRIP MEDICAL	29-COLMED	80,627,190	58,319,376	-27.7%
COLSTRIP PARK	29-COLPARK	80,627,190	58,319,376	-27.7%
COUNTY WIDE CEMETERY	29-CNTYWID	94,694,598	72,386,784	-23.6%
COUNTY WIDE FUNDS	29-CNTYWID	94,694,598	72,386,784	-23.6%
COUNTY WIDE SCHOOL LEVIES	29-CTYSCHL	94,694,598	72,386,784	-23.6%
Specials from County TLR	29-OTHER	94,694,598	72,386,784	-23.6%

Source: Worksheet provided by Montana Department of Revenue, compiled by Montana Department of Labor & Industry

The above losses in taxable value would have substantial impacts on local revenues if mills were not allowed to adjust. However, Montana laws governing property tax assessment allow local mills to "float," or automatically adjust to keep tax revenues relatively level to the prior year. While the purpose of the mill float is to limit the growth of property tax at the local level, the mill float will also allow taxing jurisdictions to automatically increase mills (rather than receiving voter approval on a mill levy). The applicable law can be found in Montana Code Annotated 15-10-420, with section 1(a) reprinted here:[25]

> ***15-10-420. Procedure for calculating levy.*** *(1) (a) Subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's newly taxable value, plus one-half of the average rate of inflation for the prior 3 years.*

If local jurisdictions choose to maintain level revenues from the prior year and allow mills to float in response to the closure, the mills in all affected taxing units will increase, thus increasing the taxes on all other property owners. The increase in mills required to keep revenues level is shown in Table 2

[25] For more information on the limitation on property tax revenues in MCA, 15-10-420, see the Montana Department of Revenue's biennial report.

below. This calculation assumes uses the existing mill levies from TY2017 and assumes that the impact of the Units 1&2 closure happens all in one year. The mills from the special levy districts and the state levy are excluded from Table 2 because the majority of these mills would not float.

Table 2: Change in Mills Required to Keep Level Revenues with Closure of Units 1&2

Tax Jurisdiction	Unit Code	TY2017 Mills	After Closure Mills	Increase in Mills	Tax Revenues (both before and after)
CITY OF COLSTRIP	29-COLSTRI	47.60	75.26	27.66	2,889,281.97
COLSTRIP ELEMENTARY	29-0796	21.10	28.79	7.69	1,761,395.46
COLSTRIP HIGH SCHOOL	29-0797	16.32	22.27	5.95	1,362,368.43
COLSTRIP MEDICAL	29-COLMED	8.60	11.89	3.29	693,393.83
COLSTRIP PARK	29-COLPARK	21.97	30.37	8.40	1,771,379.36
COUNTY WIDE CEMETERY	29-CNTYWID	0.35	0.46	0.11	33,143.11
COUNTY WIDE FUNDS	29-CNTYWID	43.85	57.37	13.51	4,152,642.21
COUNTY WIDE SCHOOL LEVIES	29-CTYSCHL	12.63	16.52	3.89	1,195,992.77
Total		***172.42***	***242.94***	***70.51***	

Source: Worksheet provided by Montana Department of Revenue, compiled by Montana Department of Labor & Industry

In other words, if local officials chose to allow all mills to float, a homeowner taxed by all levies listed would experience an increase of 70.51 mills. While the 70.51 mill increase is sizeable in comparison to the existing mill amount, it may still be manageable by property owners. The resulting mill levy of 242.94 is still far below the 573.83 average mills across all jurisdictions in Montana (TY2016). Table 3 below illustrates the increase in taxes due on hypothetical properties in classes 3 and 4. For agricultural land valued at $1 million, the 70.51 mill increase would raise taxes by $1,523 annually. For a residential single-family home valued at $150,000, the impact would be about $143 per year. Finally, for a hypothetical commercial building valued at $1,000,000, the tax increase from 70.51 mills would be about $1,333 annually.

Table 3: Hypothetical Impact of 70.51 Mill Increase on Taxes for Property of Different Classes			
	Market Value	Taxable Value	Tax Increase
Class 3: Agricultural Land	500,000	10,800	$762
	1,000,000	21,600	$1,523
Class 4: Residential Property	100,000	1,350	$95
	150,000	2,025	$143
	200,000	2,700	$190
Class 4: Commercial Property	500,000	9,450	$666
	1,000,000	18,900	$1,333

How Reliable are These Estimates?

All forecasts are based on assumptions and existing knowledge of future possibilities. If the assumptions or knowledge change, so will the tax impacts. The assumption that Units 1&2 hold $22.3 million in taxable value was based on the share of generation coming from each unit. Units 1&2 could be worth less or more than $22.3 million in taxable value. Further, the above calculation of property tax impacts assumes that no other investments are made to counter that loss of taxable value. For example, with the closure of Units 1&2, Units 3&4 may increase generation to meet energy demands. The increase in generation would require additional coal, thus increasing mineral royalties and gross proceeds taxes. The increase in generation may also increase the valuation of Units 3&4 because they are producing more income with the units.

In addition, the remediation of the Colstrip property will likely add some value in upcoming years. The Class 8 business equipment currently used at the power-plant site may be repurposed in remediation and cleanup activities, reducing the loss of taxable value. Increases in pollution controls could increase the amount of Class 5 property, further mitigating the impacts.

Finally, any new investments in Rosebud County would add to the tax base, allowing the local jurisdictions to raise similar revenues with a lower mill increase. As the community moves forward with planning profitable investments, the valuation of new developments should be an important consideration in prioritizing projects.

Mill Shift Tool

To assist the community of Colstrip understand the impacts of various investments on mill rates, the Montana Department of Revenue will provide a Mill Shift Estimation tool that is pre-loaded with data for Rosebud County. This spreadsheet allows the user to enter an estimated increase (or decrease) in taxable value from proposed projects, then the tool will automatically calculate the impact on mills for each taxing jurisdiction. This tool can be obtained by contacting Barbara Wagner at bwagner@mt.gov, or Rose Bender at rbender@mt.gov. The tool should be helpful to local officials and economic development professionals wanting to evaluate the impact of various investments on local tax revenues.

Attachments:

1. Bender, Rose. Montana Department of Revenue. Memo to Director Kadas dated February 6, 2018.

2. Montana Department of Revenue. Rosebud County Taxable Value, Mills and Taxes for TY2017.

3. Nowakowski, Sonja. "Senate Joint Resolution 5: Coal in Montana; Fiscal Impacts" report produced for the Environmental Quality Control Interim Committee, Montana State Legislature. Jan. 17, 2018. Available at http://leg.mt.gov/content/Committees/Interim/2017-2018/EQC/Meetings/Jan-2018/sj-5-coaltaximpacts.pdf.

4. VanBrown, Nick and Schaefer, Sam. Montana Legislative Branch. Memo to Senator Duane Ankney dated June 17, 2016.

Appendix E – CCIAG Funding Subcommittee
Colstrip Impacts Foundation Recommendation and Discussion

CCIAG Funding Subcommittee Meeting Agenda – September 5, 2018, 9am-11am – Colstrip City Hall

Attendees: Representative Geraldine Custer, Senator Duane Ankney, Commissioner Doug Martens, Stacey Yates, Jim Atchison (SEMDC), Chris Dorrington (DEQ)
- Mary Rutherford (Montana Community Foundation) – consulted ahead of time
- Wally McRae

Objective: To draft recommendations for the full committee regarding the PSE settlement funds (what, where, how much, overseen by whom)

9am. <u>Open and overview of meeting objective</u>

9:15am <u>PSE Settlement Funds</u>

- Community Foundation
- Board makeup – who serves on the board
- Role of the Foundation v Board – recommendations to fund applications
- Leveraging/matching of funds – other 501c3 contributions to the foundation
- Management of fund, and risk
- Options to name of the Foundation
  - *Colstrip Community Foundation*
  - *Colstrip Impacts Foundation*
  - *Other suggestions*

Recommendations
- Use the Montana Foundation
- Develop a Board to receive, oversee, approve applications for funds
- Name the foundation – Colstrip Impacts Foundation

10:00am <u>What portion of funds might fit where and who oversees them?</u>

- Divide the $10M into pots and allocate portions to different needs
  - *Foundation*
  - *Identified needs (consider immediate and long-term)*
- Presentations/Requests so far include
  - *City of Colstrip*
  - *SEMDC*
  - *Dept of Commerce – Housing*
  - *Dept of Labor – Workforce training*
  - *Colstrip school system*
  - *Colstrip community healthcare*
  - *Chief Dull Knife College*
  - *Other (e.g. Broadband)*
  - *Labor and workforce needs of both the plant and mine*

Recommendations
- Place the entire $10M into the Colstrip Impacts Foundation

    - $7.5M short-term and $2.5M in long-term
- Bylaws of the board should include the ability for the above entities to apply, and ensure labor is included, within three “bins”
    - Workforce needs
    - Community Development
    - Economic Development

10:30am Next meeting, agenda and preparation for September 24th
10:45am Public Comment

Appendix F
Montana Charitable Endowment Tax Credit

Rule: 42.4.2704
Rule Title: TAX CREDIT AND DEDUCTION LIMITATIONS

TAX CREDIT AND DEDUCTION LIMITATIONS

(1) The credit allowed the corporation, estate, trust, or individual against its tax liability for a contribution of a planned gift is the percentage, as shown in the following table, of the present value of the allowable contribution as defined in ARM 42.4.2701. The credit allowed against the tax liability of the corporation, estate, or trust for a direct contribution is equal to 20 percent of the charitable contribution. The maximum credit that may be claimed in one year is $10,000 per donor. A contribution made in a previous tax year cannot be used for a credit in any subsequent tax year.

Planned Gifts by Individuals or Entities

Planned Gift Date	Percent of Present Value	Used to Calculate Maximum Credit	Maximum Credit Per Year
7/1/03 - 12/31/19	40%	$25,000	$10,000

(2) The credit allowed against the corporate, estate, trust, or individual tax liability for a charitable gift made by a corporation, small business corporation, estate, trust, partnership, or limited liability company directly to a qualified endowment is the percentage, as shown in the following table, of the allowable contribution as defined in ARM 42.4.2701.

Unplanned Gifts by Eligible Entities

Qualified Charitable Gift Date	Percent of Allowable Contribution	Allowable Contribution Used to Calculate Maximum Credit	Maximum Credit Per Year
7/1/03 - 12/31/19	20%	$50,000	$10,000

(3) The balance of the allowable contributions not used in the credit calculation may be used as a deduction subject to the limitations and carryover provisions found in 15-30-2131, MCA, or for corporations, the limitations and carryover provisions found in 15-31-114, MCA.

(a) Example of an allowable deduction when a planned gift is used for the Qualified Endowment Credit:

Time Period	Present Value	Maximum Credit	Credit Percentage	Allowable Deduction
7/1/03 - 12/31/19	$50,000-	($10,000 /	.40) =	$25,000

(b) Example of an allowable deduction when an outright gift is used for the Qualified Endowment Credit:

Time Period	Market Value	Maximum Credit	Credit Percentage	Allowable Deduction
7/1/03 - 12/31/19	$55,000-	($10,000 /	.20) =	$5,000

(4) A contribution to a qualified endowment by a small business corporation, partnership, or limited liability company qualifies for the credit only if the entity carried on a trade or business or rental activity during the tax year the contribution was made.

(5) The contribution to a qualified endowment from a small business corporation, partnership, or limited liability company is passed through to the shareholders, partners, or members in the same proportion as their distributive share of the entity's income or loss for Montana income tax purposes. The proportionate share of the contribution passed through to each shareholder, partner, or member becomes an allowable contribution for that donor for that year, and the credit allowed and the excess contribution deduction allowed are calculated as set forth in (1) and (2). The credit maximums apply at the corporation and individual levels, and not at the pass-through entity's level for partnerships, small business corporations, and limited liability companies.

(6) Deductions and credit limitations for an estate or trust are as follows:

(a) if an estate or trust claims a credit based on the computation of the full amount of the contribution, there is no credit available to beneficiaries;

(b) any portion of a contribution not used in the calculation of credit for the estate may be passed through to the beneficiaries, in the same proportion as their distributive share of the estate's or trust's income or loss for Montana income tax purposes; however, beneficiaries may deduct only that portion of allowable contributions not used toward the credit or deduction claimed by the estate or trust; or

(c) if the estate or trust has deducted the full amount of the contribution, the credit may not be claimed by either the estate, trust, or the individual beneficiaries.

(7) The rate a beneficiary will use to calculate their credit for an allowable contribution passed to them by an estate will be based on the nature of the gift made by the estate. For example, if an estate makes an outright gift to a qualified endowment on July 17, 2017, and the contribution is passed to a beneficiary, the beneficiary will calculate their credit using the 20 percent rate.

(8) At no time can a corporation, small business corporation, partnership, limited liability company, estate, trust, or individual be allowed to receive the benefit of both a contribution deduction and a credit from the same portion of a contribution.

(9) The maximum credit that may be claimed in a tax year by any donor for allowable contributions from all sources is limited to the maximum credit stated in (1) and (2). In the case of a married couple that makes a joint contribution, the contribution is assumed split equally. If each spouse makes a separate contribution, each may be allowed the maximum credit as stated in (1) and (2).

Appendix G
Sample Job Description of a Foundation Granting Committee

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JOB DESCRIPTION

Montana Community Foundation Community Grantmaking Committees Purpose

of the Committee

At Montana Community Foundation (MCF), we believe communities across Montana are often their own best experts. Whenever possible, we work directly with communities to utilize local community experts in the grantmaking process.

Community Grantmaking Committees play an integral role in the grantmaking from MCF endowed funds for the benefit of their specific community. Members of the Community Grantmaking Committees are responsible for reviewing grant applications for the competitive grant cycle from the fund designated to benefit their community. This involves reading and critically reviewing each of the grant applications.

Committee members should be prepared to commit a minimum of 10 hours a year to reviewing grant proposals through MCF's online grant application software and making grant recommendations. Before their first grant cycle, committee members are required to participate in a grantmaking orientation conducted by MCF staff. The committee will meet a minimum of two times a year, both before and during the competitive grant cycle. Attendance at all grant review meetings is critical to the integrity of the process. Committee members may also choose to participate in site visits to applicant organizations. The committee conducts a grant review process in order to make recommendations to the MCF Board for approval

Composition of the Committee

- The Committee shall be comprised of members of the local community for which the fund is designated to benefit.
- Committee members shall be representative of the community's professional composition to provide a deep breadth of knowledge for the benefit of the community being served.
- The committee will be chaired by an MCF staff person.
- The Committee shall consist of no fewer than five and no more than seven members.
- Each member of the Committee shall commit to serve a term of three years. The terms shall be staggered so that approximately one-third of the members' terms shall expire each year.

Responsibilities

- All Committee members will be required to participate in grantmaking orientation training with MCF staff before participating in the grant cycle.
- Identify and help the MCF Board develop responses to current and emerging issues and needs of the community.
- Review all competitive grant applications, including letters of intent and full proposals.
    - Give equal consideration to all eligible applications and maintain confidentiality regarding all grant applications and the discussions of those applications during Committee meetings.

    - Actively participate in discussions during Committee meetings to build consensus for recommending grants to the MCF Board.
- Disclose any personal biases, and formal or informal conflicts of interest.
    - Committee members are responsible to disclose any conflicts of interest and recuse themselves from funding decisions should formal conflicts of interest arise.
    - Committee members should have no financial interest in the funding decisions made in the grantmaking process.
- Committee members should resign from the Committee in the event they relocate from the community the fund serves.
- Committee members may not use the grants they recommend to satisfy the payment of a pledge or other personal or corporate financial obligation and no goods or services (memberships, tickets to events, benefits of a personal or corporate nature, etc.) will be provided to any individuals or entities from grant recipients.

Quorum: A majority of the members of the committee.

Appendix H
Montana Community Foundation and Billings Community Foundation Information

MONTANA COMMUNITY FOUNDATION

Planned Giving Services for Your Organization

Planned giving can be an incredible source of funding for nonprofits. It can also be complex, costly and time consuming. The Montana Community Foundation (MCF) offers nonprofits all the advantages of planned giving, while removing the administrative responsibilities, and legal and financial liabilities.

Why should you consider partnering with MCF for your planned giving program? Here's what we offer:

- Licensed by the State of Montana to offer annuities, which requires:
  - Minimum of three years continuous operation
  - Minimum assets of $300,000 in net worth or at least $100,000 in unrestricted cash or cash equivalent assets (exclusive of annuity assets)
  - Reserve fund or reinsurance by a licensed insurance company qualified to do business in Montana
- Trained and experienced professional staff to work with your donors to determine the best planned gift to meet their philanthropic and financial goals
- Professional management of investments with lower investment manager fees, taking advantage of economies of scale from our pooled endowment fund of $80+ million
- Complete assumption of all legal and financial liability associated with planned gifts
- In-house accounting and administrative staff including a CPA to handle all processing of planned gifts and endowments:
  - Oversee investment managers
  - Track investments
  - Make annuity payments to donors
  - Issue tax forms to donors receiving payments
  - File tax returns for all charitable remainder trusts
  - Handle relinquishment of annuities after the five-year minimum has been met
  - Calculate annual distributions from endowments and make payouts
- Ability to accept a wide range of gifts, including non-cash gifts such as equities, real estate, commodities (e.g. crops or cattle), art and other real property
- Assistance with marketing materials to promote planned giving to your donors
- Enormous investment in professional software to run planned giving illustrations for donors and provide information for their tax professionals
- A standing board investment committee
- Current and regularly reviewed gift acceptance policy
- Current knowledge of UPMIFA (Uniform Prudent Management of Institutional Funds Act) and Montana Code Annotated regulations for annuity and endowment management

Planned giving requires licensure, resources and expertise. Before you commit your valuable resources and staff to a planned giving program, consider partnering with MCF.

For more information about how your organization can enjoy the benefits and avoid the hassles of offering donors the tax benefits of planned giving, contact Amy Sullivan at 406.541.7406 or amy@mtcf.org or Nick Dietzen at 406.443.4271 or nick@mtcf.org.

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Celebrating 30 Years of Ensuring Montana's Future

Question & Answer – Colstrip Community Impact Advisory Group

What is Montana Community Foundation's (MCF) philosophy on working with local communities?
Early in Montana Community Foundation's history, we realized the importance and value of local community knowledge. Our philosophy on philanthropy has always been – and will always be – that local communities are best served by the local community itself because of their ability to identify local challenges and determine the best way to address those challenges. This is perhaps best reflected in the 75 local community foundations and funds across Montana, many of which were established through the efforts of MCF. Many still reside under our 501c(3) and/or entrust their funds with us.

How is MCF's work represented in our area and with other local communities?
- Billings Community Area (Yellowstone County) – 109 Funds representing $14,797,835
- Southeastern Montana (Not including Yellowstone County) – 20 Funds representing $3,062,643
- Northeastern Montana – 50 Funds representing $4,569,197
- Local Community Foundation Funds in Montana held by MCF – 113 Funds representing $10,207,344

What does it mean that MCF is "accredited"?
MCF is proud to be the first community foundation in Montana accredited by the National Standards Board for U.S. Community Foundations, the nation's highest standard for philanthropic excellence. The National Standards for U.S. Community Foundations was created to demonstrate effectiveness and accountability to policymakers, regulators, and the public, establishing legal, ethical, and effective practices for community foundations. Meeting the National Standards' benchmark was a rigorous, comprehensive process. It encompasses, examines, and qualifies every aspect of a community foundation's work, including financials, legal compliance, fundraising, grantmaking, governance, donor education and services, marketing, community leadership, and much more.

What professional expertise and services can MCF offer?
MCF has 30 years of philanthropic experience in Montana. With a professional staff of 16 employees, MCF offers the highest level of philanthropic services available in Montana. This encompasses a wide range of areas including administration, grantmaking, finance, fundraising, local community development, marketing, and more. We also work with highly-respected and effective partners for our accounting/auditing and investment needs.

Key Points:
- Our President and CEO has twenty five years' experience in resource development (fundraising) and foundation administration. She has a master's degree in philanthropic studies from the Lilly Family School of Philanthropy at Indiana University, and a bachelor's degree in business from Lewis-Clark State College.
- Our Director of Operations & Grants has a master's degree in Rural Community Development, which helps ensure grantmaking in rural Montana delivers the greatest positive impact for the communities.
- Our Local Community Foundation Program Director has been working with local communities and local community foundations across the state, helping them organize, build capacity, fundraise, and ultimately improve those communities according to self-identified needs.

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Celebrating 30 Years of Ensuring Montana's Future

- The Montana Office of Gift Planning (MOGP) was established by MCF in 2014. This four-person team is responsible in great part for MCF's assets increasing from approximately $64 million to approximately $100 million at the end of calendar year 2017. MOGP is considered one of the most competent and successful development teams in the state by donors, development experts, and peer organizations.
- Our finance department consists of three, full-time accounting and finance professionals dedicated to meeting the rigorous needs associated with administering more than 1,400 charitable funds and planned gifts.
- MCF has invested more than $250,000 in financial, grantmaking, and customer relationship management software to effectively and efficiently manage philanthropic funds.
- MCF has an annual external audit, conducted by Moss Adams. All funds held at MCF are subject to the audit review process. The Colstrip funds would be included in the annual audit.
- MCF uses one of the most sought after investment management firms by philanthropic organizations in the country, Cambridge Associates. Because of the size of our fund pool and relationships, funds invested through MCF gain access to very desirable investment options, which throughout our history of prudent investment have produced an overall average rate of return of 8.4% and more than $65 million in investment earnings.
- By partnering with MCF, a community gains access to all of these professional services and more, leaving them free to focus on their philanthropic mission within the community.

Why would we choose to keep the permanent fund in Helena?
Sophisticated and prudent investment of funds dictate the funds should be invested in the global financial market, not in smaller local market, regardless of which organization the fund is with or where that organization is located. Good due diligence dictates thoughtful consideration of which organization is best suited to administer the fund effectively, additional funds are secured, ensuring grantmaking from the fund is most impactful, IRS reporting is properly filed, audits are properly conducted, investments are prudent and designed to grow over time, proper reporting is provided to donors, etc. MCF is committed to providing daily excellence in for over 1,400 distinct funds benefiting Montana.

What would MCF's presence in Colstrip and the surrounding area be like if the fund was held at MCF?
MCF is dedicated to providing in-person staff support as needed and requested by the advisory committee. When the Colstrip funds are established at MCF, we are committed to ensuring your community's needs are met. Staff may be permanently located in the region to ensure the community's needs are met.

What happens to the money if something happens to Colstrip?
Like any other philanthropic fund where the benefiting organization or purpose no longer exists, MCF will work with the Colstrip Impact Fund committee and the Montana Attorney General's office to determine how best to ensure the alignment with the original charitable intent of the fund.

What can MCF offer related to future contributions to the fund?
MCF has a professional staff of four dedicated to fundraising and donor services. In the last five years, MCF has raised over $30 million in contributions for the benefit of Montana. Our organization and development staff have a proven track record in raising money to benefit charitable funds.

MONTANA COMMUNITY FOUNDATION

Fee Schedule

Administrative fees are used to support community development and enhance donor grantmaking. Essentially, fee income is what allows us to continue our mission of cultivating a culture of giving so Montana communities can flourish. Fees are assessed monthly based on the monthly average fund balance.

Donor Advised Funds*

$25,000 minimum**

Administrative Fees

first $100,000	1.50%
next $400,000	1.25%
next $500,000	1.00%
next $4,000,000	0.75%
next $5,000,000	0.50%

Premier Donor Advised Funds

$25,000 minimum**

Premier service includes research, solicitation of proposals, application review and evaluation of grantee effectiveness.

Administrative Fees

1.50% on entire fund balance

Donor Designated and Agency Funds

$25,000 minimum**

Administrative Fees

first $100,000	1.25%
next $400,000	1.00%
next $500,000	0.75%
next $4,000,000	0.50%
next $5,000,000	0.25%

Scholarship Funds*

$100,000 minimum**

Administrative Fees

first $100,000	2.25%
next $400,000	2.00%
next $500,000	1.75%
next $4,000,000	1.50%
next $5,000,000	1.25%

Planned Gifts

$5,000 minimum to benefit a charity with an existing endowment fund

$25,000 minimum to create a new endowment fund to benefit a charity**

Administrative Fees

first $100,000	1.00%
next $400,000	0.75%
next $500,000	0.50%

Local Community Foundation Affiliate Funds

$25,000 minimum to create a fund**

Administrative Fees

1.00% on entire fund balance

*Non-permanent funds are subject to a 2.00% fee when grants are made if funds are invested less than one year.
**$25,000 minimum may be accumulated over a 5-year period from initial gift.

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Billings Community Foundation
Administrative Fee Schedule
Approved 3/15/2018

Deferred or Immediate Charitable Gift Annuities – $100 requested donation to establish. Annual Endowment Fund fees outlined below apply. If funds are transferred from BCF to a qualified permanent endowment fund, the transferred amount shall be subject to a 2% "exit fee" if held by BCF for less than five years after conversion.

Endowment Funds – $100 requested donation to establish unless fund is established with a planned gift and donation already received from donor. An annual fee of 0.75% (3/4 of 1%) will be assessed on all funds with a balance of $25,000 or more based upon the average ending balance of the prior 4 quarters. The fee will be reduced to 0.5% for funds over $500,000. Newly created endowment funds with a balance of less than $25,000 will have no minimum fee for the first year of inception. After the first twelve months that a new endowment fund is held by BCF, endowments with a balance of less than $25,000 will have a minimum fee of $150 per year regardless of account balance. If funds are transferred from BCF to a qualified endowment fund, the transferred amount shall be subject to a 2% "exit fee" if held by BCF for less than five years.

Endowment Funds (established prior to 9/1/2011) - Grandfathered at half the fee schedule of newer endowment funds. Administrative fees charged annually in January based on the average ending balance of the prior 4 quarters. Grandfathered funds three years old or older that are below $25,000 are subject to the $150.00 annual minimum fee.

BCF Field of Interest Funds - $100 requested donation for new funds established by donors. The fees associated with any new fund will be handled individually and appropriate charges or no charge will be written in an agreement with the donor.

Special Project Funds - $100 requested donation to establish. Assistance with special projects will be handled individually and appropriate charges or no charge will be written in an agreement between parties.

Memorial/Honorarium or Scholarship Funds – $100 requested donation to establish. Annual fees shall be the same as applied to the Endowment Funds outlined above.

Fiscal Sponsor Programs – $100 requested donation to establish. Each request for fiscal sponsorship will be handled individually and appropriate charges or no charge will be written in an agreement between parties.

Donor Advised Funds (DAF) - $100 requested donation to establish DAFs. A $5,000 minimum is required. Minimum distributions to grantees shall be $100.00. Donors can request distributions quarterly. Applicable administrative fees shall be applied quarterly at the end of the first three months that a fund is held by BCF with payment through separate donor gifts to BCF or distributions from DAF's. The annual administrative fee is 0.75% or a minimum fee of $200 per year will be charged quarterly regardless of account balance unless that charge would result in a negative balance. Administrative fees will be based upon the average ending balance of the prior 4 quarters.

** Fees charged by BCF are in addition to costs charged by investment firms. These fees help support the expenses of BCF associated with: oversight/management of funds, development of investment policies and distribution guidelines, planned giving development and services, endowment education and outreach, review of grant recipients, and the Community Grant Program of the Billings Community Foundation.*

Billings Community Foundation

Let your good works begin with your Billings Community Foundation

The Montana Endowment Tax Credit
by Obert Undem
Planned Giving Officer
PlannedGiving@BillingsCommunityFoundation.org

With end of the year approaching at great speed, it is again time for a quick review of options to cut tax liabilities for 2018 by gifting to donor chosen charities. Billings Community Foundation (BCF) can help you realize these planning efforts.

The Montana Endowment Tax Credit provides an extraordinary opportunity to reduce your Montana taxes by directing funds to an endowment managed by the Billings Community Foundation. Currently, the tax credit provides one of the greatest philanthropic opportunities. You may receive a federal income tax deduction for your gift, a credit on your Montana state income taxes and capital gains tax savings if appreciated assets are given. Funding for the future through endowment giving means your gift is held and invested in perpetuity and only investment income is used for accomplishing the purpose of your gift.

Individuals

To take advantage of the 40% Montana Endowment Tax Credit, individuals are required to donate through a planned gift, which is as simple as establishing a Charitable Deferred Gift Annuity with the Billings Community Foundation to benefit the Nonprofit Endowment Fund of your choice. This giving vehicle allows a tax credit of up to 40 percent against Montana income tax owed as well as the standard Federal deduction. The maximum credit is $10,000 per individual or $20,000 if you file jointly. Cash, securities, real estate and other assets may be used to fund a charitable planned giving instrument to qualify for the tax credit. If the Billings Community Foundation does not already have an Endowment Account for your favorite charity, we can easily work with that nonprofit to establish one!

Donation made with cash, check, or credit.

Donation =$7,500.00

MT Endowment Tax Credit - direct offset of MT taxes due: $2,593.00 Credit

Federal deduction tax saved at 33%: $2,139.00

Estimated out of Pocket cost of endowment: $2,768.00

This gift to the Billings Community Foundation or other qualifying endowment cost only 37% of the value of the donation due to tax advantage savings.

** This serves as a Crescendo illustration only. Your actual tax savings will vary based on your personal tax profile. Details: 33% tax bracket, DOB 12/1/1956, age 61.

Billings Community Foundation

Let your good works begin with your
Billings Community Foundation

Billings Community Foundation (BCF)
2017 Service Accomplishments

As a 'regional community foundation', our service encompasses many highly rural communities of south-central and south eastern Montana located in Yellowstone, Musselshell, Rosebud, Custer, Treasure, Bighorn, Carbon, Stillwater, and Ferguson County. Our clients include community funds throughout this service area, as well as numerous nonprofits and philanthropic minded individuals.

For Individuals

- **Montana Tax Credit Planned Gift Annuities** – Accepted 32 Gifts totaling $283,678 with 15 new donors.
- **Endowment Funds** – Established 8 New Endowments benefiting area nonprofit organizations.
- **Donor Advised Funds** – Received $133,000 from individual donors.
- **Assist with Donor Advised Fund Grants** – Distributed $10,500 through the BCF Grant Cycle.
- **Scholarship Funds** – Awarded $6,150 to area students.
- **Estate Planning** – Volunteer Board of Seasoned Philanthropists meets as needed with individuals.

For Regional Nonprofits

- **Endowment Funds** – Distributed $52,473 in unrestricted funds to benefitting Nonprofits.
- **Grants for Programs** - Presented $40,000+ in unrestricted funds presented to 27 Nonprofits.
- **Yellowstone Valley Gives** – Raised $85,000 for 84 participating Nonprofits from 9 MT counties.
- **Connecting with Donors** – 800+ FB followers, 900+ newsletter subscribers, and a new website coming!
- **Regional Collaboration** – Building relationships and combining resources for regional 'Day of Giving'.
- **Capacity Building** – Partnership with Big Sky Institute with $15,000 pledged for 2018 Grant Cycle.
- **BCF Endowment Fund** – Received $73,795 in annual contributions from donors.

For Community & Regional Engagement

- **Fiscal Sponsorships** - $172,827 Fiscal Sponsorship Distributions.
- **Billings Leadership Network** – Working with Rocky and NextGEN on student Mentorship program.
- **Encourage Collaboration** – Established $2,500 grant to support Nonprofit collaborative projects.
- **Promote Philanthropy** – Yellowstone Valley Gives, Awards Banquet Workshop, Regional outreach.
- **Support Regional Community Foundations** – Assist regional nonprofits with MT Tax Credit gifts.

Menu of Support Opportunities

- **Yellowstone Valley Gives Sponsorship – various levels $500 - $20,000**
  - Recognition: BCF & YVGives2018 Website, Prize Lists, Facebook, Newsletter, T-shirts, Posters, etc. Please see Partnership Packet attached.
- **Billings Nonprofit Excellence – Three $5,000 Grants needed in 2018**
  - Recognition: Newsletter, Awards Dinner Program, Facebook
- **Murdock Matching Grant - $21,000 needed in 2018 to bring these funds to Billings**
  - Recognition: BCF Website, Newsletter, Facebook

Revised: September 9, 2019

BILLINGS COMMUNITY FOUNDATION
Fund Distribution Request Form

Please complete the application below and return it to:
Billings Community Foundation
PO Box 1255
Billings, MT 59103

Fund Name _____

I recommend the following grants to the Billings Community Foundation Board of Directors. I understand that final judgment rests with the Board, whose charge it is to see that all grants are within the charitable purposes of the Foundation. I certify that this recommendation does not represent payment of a legally binding pledge or other personal financial obligation on behalf of the fund representative(s), family members, or businesses they control, and that no tangible benefit, goods, or services (including dinners, tickets, etc.) were or will be received by any individual or entities connected with the Fund. I understand that I may request that the check and accompanying materials be sent to me for delivery, in which case I agree to provide all materials to the grantee as delivered to me by BCF without supplementary instruction and in accordance with grant terms and conditions.

I. Recipient Organization: _____

Address: _____ **City:** _____ **State:** _____ **Zip:** _____

Contact Person: _____ **Title:** _____ **Phone #:** _____

Grant Amount: $ _____ **($100 minimum)** **Contact E-Mail:** _____

Grant Purpose (if not general operating support): _____

☐ **Send Check to Organization** ☐ **Send Check to Me for Delivery** ☐ **This Grant is ANONYMOUS**

In addition to the grants recommended below, I would like to make a grant of $_____ to the Billings Community Foundation Endowment to support the Foundation's philanthropic work across our Region.
_____ (initial here)

My signature below certifies that I have read, understand, and agree to the above terms.
Grants will not be processed without this certification. Please keep a copy of this form for your records.

_____ _____ _____
Signature of Fund Representative **Name of Fund Representative** **Date**

Phone: _____ **Email:** _____

OFFICE USE ONLY			
Amount Available:		Guide Star Verified:	
Grant Entered into CRM:		Grant #:	
Batch #:		Fund Acct #:	
Date Dispersed:		Authorization:	

Billings Community Foundation

FUND DISTRIBUTION REQUEST PROCESS

1. Fund Distribution Request Form should be submitted at least two weeks before Distribution. Completed request form(s) must be received by the Billings Community Foundation. Please allow up to two weeks for funding requests to be processed and dispersed. **Please note that the form must be signed by the authorized Fund Representative on file for the request(s) to be fulfilled.** Completed request(s) may be e-mailed to Lwright@BillingsCommunityFoundation or mailed to The Billings Community Foundation at P.O. Box 1255, Billings MT 59103

2. Confirmation of grant amount availability and purpose:
The Billings Community Foundation reviews the Grant Recommendation form to ensure the requested amount is available for disbursement and that the purpose of the grant is charitable, meets the purpose of the Fund, and that no quid pro quo benefit is associated with the grant.

Grants will not be made for debt reduction, loans, for-profit businesses, tickets for benefits, tours, telephone solicitations, political campaigns. Scholarships will only be paid to accredited educational institutions (no payments directly to students).

3. **Grant Recommendations and Designation:**
The Fund Representative may submit recommendations to The Community Foundation with respect to grant distributions. Recommendations with respect to distributions made by the Representative or his/her designee(s) are solely advisory and The Community Foundation is not bound by any such recommendations. The Representative may recommend to The Community Foundation the revocation of any designation of an Advisor made by the Representative. Any and all such designations or revocations made by the Representative shall be in writing and become effective when received and approved by The Community Foundation. Grant recommendations received from the Representative or his/her designee shall be for awards of $100.00 or more and for grants to organizations with a current 501(c)(3) status with the Internal Revenue Service. Recommendations for grant distributions shall be forwarded in writing to The Community Foundation on a Representative Information Form supplied by The Community Foundation.

4. Grantee's eligibility is confirmed:
The Billings Community Foundation can, by law, only grant to qualified 501(c)3 charitable organizations and educational or governmental institutions. We use Guide Star verification to confirm a recommended grant recipient's IRS status ruling prior to disbursing a grant. In the case of a Field of Interest, Fiscal Sponsorship, or Fundraising Funds, disbursements may be made directly to vendors or service providers only with prior approval from the Executive Director.

5. Billings Community Foundation Executive Board Approval
All grant disbursement requests are subject to the approval of the Billings Community Foundation Executive Committee of the Board of.

6. Grant disbursement processed and prepared
Please note that grant disbursement checks are typically mailed out 2 to 5 business days after approval is received.

7. Communication with grantee(s)
Fund disbursement(s) are sent to the grantee(s) with an acknowledgement letter confirming receipt of the distribution, and unless otherwise indicated, including the source funds information for letters of gratitude.

Appendix I
Puget Sound Energy Term Sheet

PSE Term Sheet

Language from Multiparty Settlement stipulation – Attachment B to Final Order[26]

- PSE shall engage in a process with stakeholders to develop a community transition plan, including funding mechanism, to address the transitioning of PSE's interest in the community of Colstrip, MT.
- PSE shall contribute $5 million of shareholder funds and $5 million of monetized PTCs.
- PSE shall place $5 million of shareholder funds into an Escrow Account by end of calendar year 2018.
- When available, PSE shall place the first $5 million of monetized PTC account (referenced above) into the Escrow Account.
- All such funds in the Escrow Account shall remain until such time that there is a community transition plan, including a funding mechanism, in place.

Term Sheet for Release of PSE Sponsored Funds ($10 million)

- The Advisory Group must include at least one representative from the City of Colstrip, the Rosebud County Commission, and a current employee of the Colstrip Steam Electric Station.
- The Advisory Group will provide PSE with a Community Transition Plan, including a funding mechanism, ("CTP", "Plan") for review and approval
- The CTP must be approved by the Colstrip City Council and Rosebud County Commission to ensure that the Plan fulfills the intended purpose
- The CTP must satisfy the following criteria:
    - Address the transitioning of PSE's interest in the community of Colstrip, MT
    - Establish specific priorities and goals for the PSE Sponsored Funds
    - The Plan must provide a good faith estimate of both timing and cost of expenditures for the PSE Sponsored Funds
    - The Advisory Group must provide PSE by December 31st of each year an annual accounting of expenditures to date and a budget for the ensuing year
    - In addition to the accounting, the Advisory Group must also provide PSE each year a brief written summary description of progress made toward satisfying the established goals for the PSE sponsored funds

[26] Multiparty Settlement Agreement – Appendix B to Final Order 08, p.32, paragraphs 117 & 118

  - The Advisory Group must provide PSE an auditing right to ensure consistency with the General Rate Case (GRC) Order, this Term Sheet, and the Community Transition Plan.
- PSE will place $5 million of shareholder funds into an Escrow Account by December 31, 2018
- When available, PSE will place $5 million of monetized PTC account into the Escrow Account
- PSE will not release the PSE Sponsored Funds until all steps above are completed