



# Bill to Spark Federal Post-Coal Reinvestment in Arizona Tribal Communities Is a Good Beginning

*Replacement-Revenue Formula for Lost Tax Base Is a Potential Model for Regional Recovery Nationally; Bipartisan Congressional Support Is Possible; Appropriations Will Be Key*

## Overview

A new piece of proposed federal legislation called the PROMISE Act<sup>1</sup> (Providing Recovery Opportunities & Mitigating Industry's Shifting Economics) would direct the federal government to reinvest in Hopi and Navajo communities hurt by the impending closure of Navajo Generating Station (NGS) and the recent shutdown of Kayenta Mine.

The bill, introduced last week by Rep. Tom O'Halleran, whose district includes Hopi and Navajo tribal lands in north-central and northeastern Arizona, would create several ways for the government to reinvest quickly in communities that are being hit hard economically across the board by the plant and mine closure.

### The PROMISE Act includes:

- Language calling on the Interior Department to study the potential reuse of the NGS site after its closure this December;
- Unspecified federal funding for "adjustment and diversification assistance" requiring only a 10 percent match from local, tribal or state agencies;
- Provision for a 70 percent federal match on local infrastructure projects;
- Appointment of a committee made up of federal cabinet-level officials, tribal representatives, and municipal, union and state leaders to oversee the initiative;
- Creation of a new Department of the Interior Office of Economic Adjustment to administer the program.
- Direct payments to tribal and local governments for revenues lost to the closure of the plant and the mine under a schedule that would replace 80

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<sup>1</sup> House.gov. [Providing Recovery Opportunities & Mitigating Industry's Shifting Economics](#). September 2019.

percent of lost revenue initially, stepping down by 10 percentage points annually over the life of the seven-year program, to 20 percent in the final year.

The bill aims to ease effects on households, businesses, public services and communities within 100 miles of NGS and the Kayenta mine. It is modelled loosely after programs run for years by the Department of Defense Office of Economic Adjustment, which was deployed and funded through congressional appropriations to mitigate the local impacts of base closures nationally beginning in the 1980s.



The bill does not specify appropriations for the initiative, leaving it to the Interior Department to support the program “to the extent funds are made available.” It does, however, appear to leave the door open for congressional appropriations, which are likely to prove crucial to the success of the initiative.

The legislation also highlights the fact that NGS and Kayenta came into existence mostly through federal policy actions and that the federal government owns a stake in the soon-to-be-closed NGS, implying—correctly—that federal transition support is simultaneously appropriate and obligatory.

The bill could very well serve as a template for broader bipartisan legislation supporting federal reinvestment in coalfield communities nationally, including especially in Kentucky and West Virginia and in the Powder River Basin of Montana and Wyoming, regions that are taking disproportionately heavy casualties as power-generation demand for coal recedes and as local coal-based economies adjust to new market realities.

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## High-Impact Potential

### Revenue Replacement

Already pressed by the shutdown this past August of the Peabody Energy-owned Kayenta Mine, Hopi and Navajo governments will face an urgent shortfall in operating budgets with the closure in late December of Navajo Generating Station.

An IEEFA reported published in May 2019<sup>2</sup> found the closures will result in a 23 percent annual revenue reduction for the Navajo Nation in the first fiscal year following NGS' retirement this December. The Hopi government, which represents a smaller population but one that is even more dependent on the NGS-Kayenta complex, will take an even harder hit, losing upward of 85 percent of the revenue in their budget through loss of mining royalties.

The IEEFA report noted also that local county governments will suffer, citing an analysis by Coconino County showing that the \$6 million in annual revenue the county receives from NGS are crucial for operations at public schools, the local community college and vocational training programming. Some Coconino County NGS revenue goes also to crucial public-health services and to fire and flood control.

The Coconino County analysis<sup>3</sup> emphasized how NGS is a federal project created by an act of Congress in 1968 with about one-fourth of its ownership under the umbrella of the Department of Interior's Bureau of Reclamation. It pointed out, importantly, that the plug is being pulled now contrary to promises made a generation ago:

*"NGS was developed on tribal lands using tribally owned coal with the intention it would operate 70 years; instead the plant may close 25 years ahead of schedule, which will deeply impact tribal communities and the regional economy."*

It stated also that because of its federal-project imprimatur, NGS's closure creates a situation now in which "the federal government has a trust responsibility to the Navajo Nation."

The PROMISE Act's provision for adoption of a formula to replace the region's lost tax base is essential on this point.

Under Title III of the bill, Funds for Loss of Revenue, payment to local governments would occur "to the extent funds are made available for this purpose" under guidelines that would have "the (Interior) Secretary... make annual payments under this section to an eligible State, Tribal, or local government entity reflecting the loss of revenues due to the cessation of operations of an electric generating facility, owned in part by the Department, located within such State, Tribal, or local government entity on a first-come, first serve basis" under a seven-year program.

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<sup>2</sup> IEEFA. [As Coal Economy Collapses, Imminent Public Budget Crisis Confronts Hopi-Navajo Tribes](#). May 2019.

<sup>3</sup> Coconino County. [Navajo Generating Station \(NGS\)](#). February 2019.

The program would cover up to 80 percent of lost revenue initially and be scaled back systematically to 20 percent before being phased out.

### *Workforce Retooling*

Other important pieces of the PROMISE Act speak to the effects the plant and mine closures are having on the regional workforce of north-central and northeastern Arizona, turning specifically to federal law already on the books that is well-suited to use in the affected region.

On this point, the PROMISE Act cites provisions in the Workforce and Innovation Opportunity Act of 2014 that support employment-dislocation grants “to workers affected by major economic dislocations, such as plant closures, mass layoffs, or closures and realignments of military installations.”<sup>4</sup>

The O’Halloran bill calls specifically, and appropriately, under Title II, Workforce Innovation and Opportunity Act, for establishing a “dislocated worker demonstration project... to assist communities impacted by the electric generating station owned in part by the Department.”

The bill also calls for additional federal support for “business planning and market exploration services under the program to displaced workers that seek modernization or diversification assistance.”

Such support is vital to the hundreds of households whose incomes are being affected by layoffs at NGS and Kayenta.

### *Reinvestment Incentives*

The bill includes language meant to encourage investment in a post-coal economy, as can be seen, for instance, in passages that call for “a community adjustment and economic diversification program (including State industrial extension or modernization efforts to facilitate the economic diversification of displaced workers) in addition to planning such a program.”

Other language in the bill calls for the federal government to match funding for up to 70 percent of community infrastructure investments—and waives local-match requirements altogether in rural areas, which by definition would include most of the region affected by the NGS-Kayenta closures. Community infrastructure projects can include schools, hospitals, fire and police services, telecommunications and utility operations.

Part of the bill’s mandate, notably, is “to assist in the diversification of local economies to lessen dependence on Federal activities.” Supporting language stresses the value of public-private investment and passages emphasize the potential in repurposing the plant site itself for more modern enterprises. It includes language that supports repurposing the NGS-Kayenta complex for post-coal

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<sup>4</sup> GovInfo.gov. [PUBLIC LAW 113-128](#). July 2014.

commerce around solar-energy development,<sup>5</sup> restoration and reclamation,<sup>6</sup> tourism and retail trade.<sup>7</sup>

The bill is informed clearly by—even modeled after—the Department of Defense’s Base Realignment and Closure Program (BRAC), set up in the late 1980s to manage the impacts of closure or downsizing of military installations nationally through responsible transition initiatives. “It is very similar to a concept used when military bases close down,” Congressman O’Halloran said in a recently published interview.<sup>8</sup>

Indeed, the DOD program seems a perfect template for national post-coal transition generally. That program has a record of success that can be seen in scores of communities across the country—even one in Arizona, in the redevelopment of Williams Air Force Base as a post-military industrial and educational complex.

Congressional appropriations and a degree of bipartisanship were key to the effectiveness of the DOD program.”<sup>9</sup>

## **Bipartisan Support Is Possible**

The O’Halloran bill has a good chance of passage.

Key support could come from members of the House who represent districts that include Hopi and Navajo populations. Among them are John Curtis and Chris Stuart of Utah (2<sup>nd</sup> and 3<sup>rd</sup> congressional districts) and Scott Tipton of Colorado (3<sup>rd</sup> congressional district). Crucial Senate support could come from Cory Gardner of Colorado, Debbie Lesko of Arizona, and Mike Lee and Mitt Romney of Utah.

The PROMISE Act could well serve as a platform for larger federal policy that would apply core features of the bill nationally and in a way that would be in the best interest of American coalfield communities everywhere.

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<sup>5</sup> IEEFA/DinéHóhzo. *Window of Opportunity: Navajo Solar*. December 2017.

<sup>6</sup> IEEFA. *Long-Term Opportunity for Navajo Nation in Post-Coal Reclamation Economy*. December 2018.

<sup>7</sup> IEEFA. *Navajo-Hopi Transition Impact Investment Fund: Four Opportunity Areas*. March 2019.

<sup>8</sup> Arizona Republic. *Arizona coal communities could get federal aid for closure of Navajo mine, power plant*. Sept. 12, 2019.

<sup>9</sup> IEEFA. *“As Coal Economy Collapses, Imminent Public Budget Crisis Confronts Hopi-Navajo Tribes.”* May 2019.

## About IEEFA

The Institute for Energy Economics and Financial Analysis conducts research and analyses on financial and economic issues related to energy and the environment. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. [www.ieefa.org](http://www.ieefa.org)

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