



Economic Support for Rural Arizona Communities Undergoing Changing Energy Infrastructure

Funding Formula Project Recommendations for State Policymakers

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Background

Four Arizona coal plants, built between 1961 and 2009 and located in Apache, Cochise, Coconino, and Navajo counties, have been the state's powerhouse with a historical combined generating capacity of nearly six gigawatts, or approximately one quarter of the state's electricity generation. Coal plant closures, plans to repower plants with other generation sources, and other electricity infrastructure changes can cause existential threats to the health, vibrancy, and prosperity of rural communities that have been home to these plants and have supported the state's growth for decades. As a result of plant closures, community economic and social resilience has been decreased through the loss of high-paying jobs, direct utility spending in communities, tax payments, and social and community services. Associated reductions in consumer income and spending threaten local businesses and overall economic activity.

Targeted, systematic, and proactive financial and technical assistance programs can support Arizona's rural communities—which have

contributed significantly to the economic growth and robustness of the state—to ensure they avoid the most negative impacts of coal plant closures and modifications. Such programs have precedent at numerous levels of government, including in other states and at the federal level, such as the Department of Defense's Base Realignment and Closure (BRAC) process.

In January 2025, Arizona State University's Just Energy Transition (JET) Center initiated the Coal Plant Community Funding Formula Project. This work researched methods used throughout the United States to support communities undergoing economic transition due to loss of large employers and facilities. We convened a 10-member Advisory Committee to review our research and shape recommendations on how Arizona policymakers could support rural communities in an economic and energy transition (see the list of Advisory Board members at the end of this brief). An accompanying comprehensive report to this policy brief can be found at: <https://justenergy.globalfutures.asu.edu/>.

Key Findings

1. Unlike other states such as Colorado, Minnesota, and New Mexico, Arizona has not established legislative, regulatory, or executive policy to proactively assist locations affected by major energy infrastructure changes.
2. Establishing a statewide standardized process that is followed when there is loss of a large energy facility (200 MW or more) can reduce uncertainty and increase consistency for communities while planning for economic transition. The process should include:
 - a. Early community notification of changes;
 - b. Analyses of expected economic impacts related to plant closure or repowering;
 - c. Frequent and transparent community outreach and engagement from the closing employer;
 - d. Defined parameters for financial assistance from specified government and/or energy utility sources to support community economic transition; and
 - e. Technical support.
3. Arizona energy utilities are often the largest taxpayers and significant employers in rural counties; electricity plants are often the most substantial assets in the region.
4. Arizona does not provide county governments with facility-level tax assessment information and payments for state-assessed property such as coal plants. As a result, county governments do not have the information to be able to plan for the potential impact of coal plant closures on local and school property tax revenues.
5. As new energy infrastructure is being developed in a county, there is an opportunity to include—in Community Benefit Agreements or other approval processes—specific funding to be paid to a community should a facility close before the end of its expected life.
6. The Arizona Office of Economic Opportunity (OEO) has a limited number of programs that support industry closures. However, the OEO programs are not specific to electricity plant closures or repowering.
7. Because communities that host large energy infrastructure are often rural and small, they have limited capacity to attract external financial and technical resources, which are essential. Additionally, these communities are unlikely to have the experience and resources necessary to advocate on behalf of themselves for transition assistance.

Policy Recommendations

Based on research and discussion with the Advisory Committee, the JET Center developed the following nine recommendations designed to provide meaningful support to Arizona communities in transition. Although these recommendations are specific to Arizona, they could be considered by other states as they manage energy facility closures.

Potential funding sources for implementing these recommendations include the state legislature, utility ratepayers (if approved by the Arizona Corporation Commission (ACC)), utility shareholders (existing funding for affected

communities has come from shareholders, and this does not require approval from the ACC), and/or through spending by the state executive. Federal and philanthropic funds can also support communities in transition.

Recommendation 1 – Designated State Entity (DSE)

An existing state entity should be designated by the Arizona legislature or executive branch to lead support for communities impacted by the energy transition. Designees could include the Arizona OEO, the Governor's Office of Resiliency, or a state university. The DSE should be funded and responsible for performing economic studies on impacts to communities from energy facility repowering or closures; creating and managing Local Redevelopment Task Forces (LRTF); and providing data and information collected by the LRTFs to the Arizona legislature, ACC, and the state executive branch.

Recommendation 2 – Local Redevelopment Task Force

The DSE should be funded to appoint and manage an LRTF for each instance of plant closure or repowering for large plants (200 MW or more). The LRTF would bring key stakeholders (local, tribal, and state leaders) together to provide capacity and fiscal oversight, support local and tribal transition capacity, identify needs and priorities for community redevelopment, and support local governments, tribal governments, and school districts' planning for reduced tax revenue. The LRTF would make recommendations to the DSE. The LRTF would meet on an as-needed basis and would be composed of 12 to 15 individuals.

Recommendation 3 – Utilize Existing OEO Funds to the Extent Possible

The OEO should work with the DSE to ensure all available and applicable public sector workforce development resources for plant closures or repowerings are deployed (e.g., Rapid Response services, adult education and retraining services), to the extent possible.

Recommendation 4 – Rural County and Tribal Employment Impact Study

The DSE should be funded to develop an Employment Impact Study for impacted rural and tribal communities in Arizona. Analyses should be completed as soon as the closure or repowering of a large electric facility is announced and not less than five years before closure or repowering. Analyses should also be performed for large plants closed or repowered in the past five years. Analyses should be performed using empirical data and may use economic models.

Recommendation 5 – Rural County and Tribal School District Financial Impact Study

The DSE should develop a School District Financial Impact Study for impacted rural and tribal school districts in Apache, Cochise, Coconino, and/or Navajo counties. Analyses should be completed as soon as closure of a large facility is announced and not less than five years before closure or repowering. Analysis should be performed for large plants closed or repowered in the past five years. The Financial Impact Study should be based on the expected impact to schools' Average Daily Membership (ADM) of students for a five-year period before and ten-year period after closure.

Recommendation 6 – Data Availability

The DSE should secure disaggregated data (with appropriate confidentiality protections) from regulated and non-regulated electric utilities necessary to conduct the Employment Impact and School District Financial Impact Studies through requests for information, discovery data requests, or utilities' voluntary provision of information. Data should include total employment, total employment compensation, intermediate spending (spending by a utility in the local area on goods and services), and local government tax payments.

Recommendation 7 – Tax Replacement Funding for Local Governments and Tribes

Impacted local governments and tribes should be provided with replacement tax revenue that equals 75 percent of lost revenues with a step down over five years, using a baseline from the year of the facility closure or first reduction in generating capacity (see our full report for a more detailed discussion of funding levels). Funding can be provided before closure or repowering if the local government or tribe can show the LRTF that funds will support economic diversification. New economic activity that replaces lost revenue should reduce revenue replacement payments. The DSE and LRTF will develop metrics to ensure that lost revenues and replacement revenues are accurately accounted for.

Recommendation 8 – Job-Based Funding for Rural Counties and Tribes

Impacted local governments or tribes should be provided replacement funding as calculated in the Employment Impact Study to equal not less than 50 percent of the total impact, wages, and benefits, paid in equal installments over 10 years.

These funds should be used for worker-based support programs. Funding can be provided before closure or repowering if the county or tribe can show the LRTF that funds will immediately support displaced workers.

Recommendation 9: Pupil Funding for Rural Counties and Tribal Schools

Each impacted rural or tribal school district should be provided replacement funding as calculated in the School District Impact Study equal to the aggregate of per-pupil funding loss affecting the weighted ADM. Payment should be made at 80 percent replacement the year after complete closure or repowering, decreasing by 15 percent per year. Any increase in ADM from the baseline closure or repowering year should directly reduce replacement revenues provided to the school district.

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Advisory Committee Members

The following members comprised the Advisory Committee, who provided feedback and guidance in the development of these

recommendations. Advisory Committee membership does not imply endorsement of specific recommendations contained in this document.

- Nancy Baca, Northern Arizona University Director, Economic Policy Institute
- Tim Grubbs, The Adjacent Possible Founder & Community Advocate
- Theresa Hatathlie, Arizona State Senator, District 6Dr. Robert Koerperich, Holbrook School District Superintendent
- Barbara Lockwood, Arizona Public Service Company Former Senior Vice President of Public Policy
- Kayla Lucero-Matteucci, State of Arizona Governor's Office of Resiliency Manager of Finance

- Mike Montandon, Navajo County Assessor
- Jenna Rowell, Local First Arizona Director, Rural Development
- Anna Tovar, Former Arizona Corporation Commissioner; Former Mayor (Tolleson)

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..... About the Resilient Energy Economies Initiative

The REE Initiative was established in 2024 to develop strategies that support the economies of fossil fuel-dependent communities across the United States as the energy system transforms. In addition to supporting action-oriented research to find what works, REE has built a community of scholars, policymakers, and economic development practitioners from the local, state, tribal, and federal levels to share knowledge and build relationships across the nation's energy communities.

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