

The Inflation Reduction Act: How Do Tribal Communities Benefit?

Article By:

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (“IRA”), ushering in substantial changes for tax law, climate resilience, healthcare, and more in the United States. According to the Biden administration’s [press release](#), the new \$750 billion legislation aims to lower everyday costs for families, insist that corporations pay their fair share, and combat the climate crisis. [During the signing ceremony](#), President Biden stated, “With this law, the American people won and the special interests lost [...] For a while people doubted whether any of that was going to happen, but we are in a season of substance.”

Notably, the legislation provides significant provisions for tribal communities and the Bureau of Indian Affairs. [Once the funding is appropriated by Congress](#), it will be directed toward drought mitigation programs, fish hatcheries, modernization of electric systems, and more for Native communities, including ones in Alaska and Hawaii.

How the Inflation Reduction Act of 2022 Supports the Environment and Tribal Communities

The Inflation Reduction Act of 2022 contains an array of provisions, including the reduction of drug prices, the lowering of energy costs, and, notably, federal infrastructure investments that benefit Native communities. [Andrew M. VanderJack](#) and [Laura Jones](#), Co-Coordinator of [Van Ness Feldman’s Native Affairs Practice](#), highlight the most significant facets of the bill: “This legislation provides some opportunities specifically for tribes and tribal entities, including programs related to climate resiliency and adaptation, electrification, and drought relief. For example, the Emergency Drought Relief program for Tribes extends direct financial assistance to tribal governments to address drinking water shortages and to mitigate the loss of tribal trust resources.”

[Pilar Thomas](#), Partner in [Quarles & Brady’s Energy, Environment & Natural Resources](#) Practice Group, expanded on the most significant inclusions for Tribes: “[...] the creation of a Direct Pay tax credit payment program that allows Tribes to receive a payment equal to the clean energy technology tax credits - especially for solar, wind, storage, geothermal and EV charging stations; [...] direct funding for electrification and climate resiliency through DOI and USDA; [...] access to the greenhouse gas reduction fund, environmental and climate justice grants; and expanded energy efficiency tax benefits and rebates for tribes and tribal members.”

“Tribal governments are also eligible to apply for other programs such as the Clean Vehicle Credit program, the Energy Efficient Commercial Buildings Deduction, and the State and Private Forestry Conservation Programs,” noted [Mr. VanderJack](#) and [Ms. Jones](#).

How the 2022 Inflation Reduction Act Has Been Received by Tribal Communities

The 2022 Inflation Reduction Act has received a warm reception from groups such as the [National Indian Health Board](#) and [Native Organizers Alliance](#), who laud the bill’s potential to improve environmental, medical, and economic conditions for tribal communities, some of whom still lack access to electricity or clean water. The increase in funding will allow tribes to use green energy technology to increase [climate resilience](#) and decrease individual energy costs, while reducing the effects of environmental racism with risk assessments for drinking water and climate hazards. These infrastructural changes will stimulate economic development by creating new jobs. “With critical investments in the Inflation Reduction Act, we’re making sure the federal government steps up to support Native-driven climate resilience, advance tribal energy development, and fulfill its trust responsibility to Native communities,” said Senator and [Senate Committee on Indian Affairs](#) Chairman Brian Schatz.

“This legislation will result in hundreds of millions of funding available for Tribes, and non-profits that work with tribes and [tribal communities](#) to support the clean energy transition for tribal communities, reduce energy costs for tribal members, and create jobs,” said Ms. Thomas of Quarles & Brady. “The IRA will provide a substantial down payment for every tribe to take advantage of clean energy technologies, energy efficiency and energy savings, and climate resilient solutions for their communities and tribal members individually. The new projects, technology implementation and economic development opportunities are substantial and will create long term community and economic development sustainable improvements in tribal communities.”

Some groups feel that the new legislation does not go far enough. In an [open letter](#) to President Biden, Senate Majority Leader Chuck Schumer, and House Speaker Nancy Pelosi, Indigenous-led advocacy organization [NDN Collective](#) argued that Congress’ hesitance to fully reject fossil fuels undermines the stated goals of addressing climate change, a misstep that could disproportionately affect tribal communities at the frontlines of the environmental crisis. “We believe that moving away from investments in the fossil fuel and other extractive industries and reallocating the funding to further research and development will help us find the solutions we need for true decarbonization and large-scale equitable carbon emissions reductions,” the collective stated. “We are already aware of innovative, Indigenous-led solutions that just need the proper funding and support to be scaled and replicated.”

Challenges in Getting the 2022 Inflation Reduction Act Passed

Up to this point, the Inflation Reduction Act has faced significant challenges in Congress. The legislation is the product of extensive compromise over the Build Back Better Act within the Democratic party. The Build Back Better Bill was initially estimated to cost over \$3 trillion, and ultimately, the Inflation Reduction Act was passed with a budget of \$750 billion. Senator Joe Manchin of West Virginia [held back his support of the bill](#) until late July, and Republicans successfully blocked an aspect of the bill that would have capped the price of insulin for Americans with private health insurance. When presented to Congress, the vote was split by party lines with every Republican voting against the bill. Biden has criticized Republicans for this decision, saying at the signing of the Inflation Reduction Act, “every single Republican in the Congress sided with the special interests in this vote — every single one.”

Challenges for tribal governments remain as well, specifically concerning the IRA's implementation. "Despite the incredible opportunity for tribes, major barriers remain including tribal internal capacity and capabilities, [and] federal regulatory hurdles (such as BIA leasing and easement approvals)," said Ms. Thomas.

"[...] Navigating the complexities of each program and actually obtaining funding is always the challenge," said Mr. VanderJack and Ms. Jones of [Van Ness Feldman](#). "Tribes and tribal entities should engage directly, whenever possible, with the grant funding agencies to make sure proposals are tailored to fit both program requirements and community needs."

Early Assessment of How the IRA will Impact Tribal Communities

The Inflation Reduction Act, ultimately, provides meaningful resources and investments for tribal communities in a variety of ways. While the provisions are not as significant as [COVID-19 relief](#) and infrastructure funding that tribal governments have received in previous years, the new legislation is nonetheless beneficial. "While the federal grant funding is relatively small, the potential major impact is the ability to access funding through [tax credit payments](#) and rebates," said Ms. Thomas. "This mechanism is critical as it simplifies tribes' access to funding (rather than, for example, seeking to obtain funding through the competitive grant programs)."

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