



23rd Navajo Nation Council
Spring Council Session
Speakers Report



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Spring Council Session
Monday, April 20, 2015
Navajo Nation Office of the Speaker

Yá'át'ééh my colleagues of the 23rd Navajo Nation Council, President Ben Shelly, Vice President Rex Lee Jim, chapter officials, federal, state, and county officials, legislative staff, and most importantly, to our Diné Citizens in the gallery and those viewing online. Thank you for joining us as we welcome you to the opening of the 2015 Spring Council Session.

Nearly three months ago, my fellow Council colleagues and I gathered in the Council Chamber soon after taking the oath of office at the inauguration for our Nation's elected officials. During the inauguration, we as Council stood before our families, friends, government officials, dignitaries, and our community members as we took the oath of office — an honor bestowed upon us by the Navajo People through the casting of their ballots.

At that time, I stated that we as delegates had chosen a path filled with challenges and difficulties. However, I emphasized that it is also a path filled with opportunity for us to help our Nation's youth, families, elderly, veterans, teachers, first responders, and many others that seek a better life for themselves and their loved ones.

As Speaker, I strongly believe that we as Council have the power and the will to overcome the challenges and to create a prosperous future for the Navajo Nation. We have been placed in our positions as elected leaders to hear the voices of our People and to serve our Diné Citizens.

Although the efforts to improve and strengthen the future of the Navajo Nation are continuous and ever challenging, I am confident that this Council will work collectively to address the many issues at our forefront including, housing, roads and transportation, water rights, energy issues, waste management, education, and many more.

Priorities - Standing Committees and 23rd Navajo Nation Council

Since February, each of the Navajo Nation Council's four Standing Committees — Law and Order Committee, Health, Education, and Human Services Committee, Resources and Development Committee, and Budget and Finance Committee — has met with the departments, divisions, and programs for which they oversee in order to develop a priority listing that will assist in guiding the committees in the coming years.

I extend my appreciation to each of the standing committees and their advisors for the time and effort in finalizing each priority listing. The Office of the Speaker is reviewing the listings which entail many needs, many of which center on funding shortfalls. In recognizing the tremendous financial needs of our Nation, it is important to take into account how the use or investment of the Nation's funds from the Trust Mismanagement Litigation Settlement, factors into the way in which we as Council decide to proceed.

As I have previously explained, the purpose of the standing committee priority listings will be to assist in the development of an overall priority listing to guide the 23rd Navajo Nation Council, which will be formally established through legislation.

Síhasin Fund Subcommittee

On April 9, 2015, through the passage of Resolution NABIAP-20-15 the Navajo Nation Council's Naabik'iyáti' Committee established the Síhasin Fund Subcommittee, comprised of Council Delegates Tom Chee, Seth Damon, Jonathan Perry, Nelson S. BeGaye, Mel R. Begay, Davis Filfred, Lee Jack, Sr., Walter Phelps, Nathaniel Brown, Kee Allen Begay, Jr., Leonard Tsosie, and Otto Tso.

The Subcommittee's task will be to develop and recommend to the Navajo Nation Council, through legislation, a plan to address how to use and/or invest the settlement funds from the Trust Mismanagement Litigation Settlement.

A net amount of \$509 million remains in the Síhasin Fund, which was established last December to hold the funds. The Net Amount requires legal guidance from the Navajo Nation Council in the form of legislation.

Additionally, the task force will have to consider many other items including whether the projects or services will require recurring costs, the possible establishment of an investment policy should the Council decide to proceed with investing any portion of the funds, and the development of a mechanism to drawdown funds for projects or services.

The legislation calls for the subcommittee to present a report to the Council during the Summer Session in July and to present a final version for consideration by the Fall Session in October.

This will be a process that will take time as the Subcommittee proceeds diligently to ensure that we remain consistent with our Nation's laws and policies throughout. Our People are well-aware of the many needs of our Nation, evident by the hundreds of recommendations issued through a total of seven public hearings conducted by the Office of the Speaker through the Navajo Nation and in the cities of Phoenix and Albuquerque.

I have assigned Legislative Staff Assistant Lashawna Tso, to work with the Subcommittee in the development of the plan. I have full confidence that the Subcommittee will finalize a plan that maximizes the benefits for our People and our communities.

Navajo Nation Transportation Stimulus

Realizing the many road and transportation needs of the Navajo Nation, Delegate Dwight Witherspoon proposed a directive to the Office of the Speaker to develop a plan for a transportation stimulus package to consider. Legislative Staff Assistant Pete Ken Atcitty with the Office of the Speaker is coordinating efforts for the stimulus plan document, based upon the directive issued by the Navajo Nation Council.

The Office of the Speaker is working with the Navajo Division of Transportation to compile necessary information for the plan to be considered by Navajo Nation Council. A working draft of the stimulus plan is now available for all delegates to review and to provide further discussion, recommendations, and consideration.

The working draft focuses on the areas of Road Construction, Road Maintenance, Airport Improvement, Maintenance Yards, and Heavy Equipment. Estimated costs are also included, based on NDOT's data and project listing. A tentative timeline is included, which is subject to change at the discretionary of Council.

Sanders and Chambers Liquor Licenses

Within the last quarter, there has been significant progress involving liquor businesses — Old Red Barn, Lee's Liquor, and Hi Country Liquor — that have plagued Navajo families near the community of Sanders for decades. Through the partnership of the former and current members of Council, Office of the Speaker, and the Navajo Nation Human Rights Commission, the liquor establishments have been shut down and closed for business since January 2015.

The successful efforts stem from a directive issued by the Naabik'iyáti' Committee to the Office of the Speaker and the NNHRC in March 2014, following numerous complaints from Navajo community members over the negative effects of the liquor businesses on Navajo individuals and families. The complaints were brought to the attention of the NNHRC by Nahata Dziil community members who formed the Renewal of Hope Task Force to bring awareness to the issues.

The NNHRC and the Office of the Speaker exerted tremendous time and resources to oppose the renewal of four liquor licenses from owner Gary McDonald to George Ryan. On January 8, 2015, the Office of the Speaker arranged transportation for community members from Sanders, Chambers, and Klagetoh to Phoenix, to attend and to support the efforts of the Navajo Nation,

during an Arizona State Liquor Board hearing in which the board members voted six in favor and zero opposed to deny the transfer of the four liquor licenses. I extend my appreciation to the Navajo Nation Human Rights Commission, Delegate Raymond Smith, Jr., Renewal of Hope Task Force, Arizona Senator Carlyle Begay, and many others who led a successful effort to deny the transfer of the licenses.

In February, the members of the Navajo-Hopi Land Commission passed a resolution to purchase the liquor licenses, businesses, and properties. The purchase of the three components guarantees that the businesses will never sell alcohol to our People living near Sanders again.

New Mexico Gaming Compact

I am pleased to report that through the combined efforts of the Navajo Nation Council, Navajo Nation Gaming Enterprise, Navajo Nation Department of Justice, our Nation's lobbyists, Office of the President, state legislators, and other New Mexico gaming tribes, the Gaming Compact with the State of New Mexico was passed by New Mexico Senate and House of Representatives in March, and signed by Governor Susana Martinez on April 13, 2015. The Compact was sent to the U.S. Department of the Interior for final review and approval on April 17.

On February 28, myself along with 11 other delegates testified before the New Mexico Committee on Compacts in support of the Compact. Our efforts were successful in that the committee approved the Gaming Compact with a vote of 15-1 with no amendments. The Senate approved the Compact with a vote of 35-7 on March 11, and the House approved it on March 19 with a vote of 61-5.

With the Nation's current Compact set to expire on June 30, 2015, the members of Council exerted tremendous time and effort to lobby at the state level. To my fellow colleagues, I am honored to congratulate you and the many others that brought about this successful outcome.

Your efforts and persistence will preserve nearly 800 jobs for Navajo and non-Navajo families, with the potential of creating hundreds more in the years to come. The Compact will also allow the Navajo Nation to operate up to four Class III gaming facilities in New Mexico. Currently, the Nation operates two Class III gaming facilities — Fire Rock Navajo Casino and Northern Edge Navajo Casino. It will also allow the facilities to operate 24-hours a day, 7-days a week.

Over the life of the Compact, revenue-sharing with the State of New Mexico will increase until the Compact expires in the year 2037. Overall, the Nation's gaming industry provides over 1,000 jobs, 90% of which are occupied by Navajo People. This Compact will benefit both the State of New Mexico and the estimated 115,000 Navajo People residing in New Mexico.

Utah Navajo Trust Fund

On March 30, 2015, I had the honor of joining Delegates Davis Filfred and Nathaniel Brown, as well as members of the Utah Navajo Commission as Utah Governor Gary Herbert signed Senate Bill 90 into law to reinstate the Utah Navajo Trust Fund.

The Trust Fund will replace the Utah Navajo Royalties Holding Fund and allow the State of Utah to serve as the trustee, manager, and executor of the funds at the direction of the Diné Advisory Committee, whose task it will be to advise the State of Utah on which projects to fund on behalf of the seven Navajo chapters in Utah. The seven chapters include Aneth, Mexican Water, Naa'tsis'áán, Oljato, Dennehotso, Red Mesa, and Teec Nos Pos.

The Navajo Nation receives oil and gas royalties in the Aneth area, also known as Aneth Extension, located on Navajo land in the southeastern region of Utah in San Juan County. The Navajo Nation receives 62.5% of the royalties and the State of Utah receives 37.5% on behalf of Utah Navajos.

The Navajo Nation formally issued its support for S.B. 90 on February 19, 2015 through legislation sponsored by Delegate Davis Filfred. On February 12, Council Delegates Jonathan Nez, Otto Tso, Davis Filfred, Nathaniel Brown, Tom Chee and I met with Utah state legislators to advocate for several bills at the state level including the Utah Navajo Trust Fund.

On February 25, the State Senate unanimously passed S.B. 90 and on March 11, the House of Representatives also unanimously passed the bill. The successfully lobbying efforts are an example of the collective influence of this Council at the state level. Once again, I thank my Council colleagues and the Utah Navajo Commission for their persistent efforts to help our Diné Citizens in the State of Utah.

Office of Legislative Services - Web-Based Legislation Tracking Project

Over a year and a half ago, the Office of Legislative Services (OLS) began the development of a new website to automate the legislative tracking process for easy web-based access by Council members and the public. A Request for Proposals was issued in summer 2014. After completing the RFP process, Real Time Solutions (RTS) of Albuquerque was selected as the contractor.

OLS staff examined the legislative process through the course of several meetings to ensure that every step in the process was incorporated into the system design. The diagrams generated by the legislative mapping were turned over to RTS to begin the programming process. As the system was being developed, OLS made changes to refine the system.

The last two entities consulted on the system development were the Office of the Speaker and Office of Legislative Counsel — each made additional changes. The changes resulted in the RTS's programming staff having to revise the system designs. OLS is now in the testing phase, which will continue until the second week of May 2015.

In addition to the legislative tracking system, the OLS/RTS team is working on public access to legislative information. Our goal is to have a roll out meeting with Council Delegates the second week of May. Thereafter, we will continue making adjustments to ensure the system is fully functional. The RTS contract also entails a calendar feature, which will be the second phase of the project. It is anticipated that the calendar feature will be in operation by summer 2015.

Title II Reform Subcommittee

From the time this Council took office, my colleagues and I have had several discussions — formally and informally — over the composition of authorities of the Council's standing committees and the need for changes in order to improve efficiency and effectiveness. Collectively, the Council also recognizes that the legislative process is in need of improvements in order to establish a greater sense of direction and accountability throughout.

With these thoughts in mind, the Naabik'iyáti' Committee established the Title II Reform Subcommittee on February 19, 2015 through Resolution NABIF-9-15, for the purpose of reviewing, evaluating, and recommending changes to the Navajo Nation Council in regards to the following: the legislative process, issues concerning the Council's standing committees, and to identify internal administrative and legislative process issues and concerns.

In accordance with the resolution, each of the Council's five standing committees selected two of its members to serve on the subcommittee. The membership includes Council Delegates Tuchoney Slim, Jr., Jonathan Nez, Amber Kanazbah Crotty, Norman M. Begay, Tom Chee, Seth Damon, Otto Tso, Jonathan Perry, Alton Joe Shepherd, and Davis Filfred.

Subcommittee members held their initial meeting on April 9, where they selected Delegate Alton Joe Shepherd as the chair and Delegate Filfred Davis as vice chair to lead the group's efforts. The Office of the Speaker and the Office of the Legislative Services have also assigned staff members to assist the Title II Reform Subcommittee as mandated through the resolution.

The subcommittee will meet on April 20 and 21 to further development recommendations for the Council to consider during the Summer Session in July.

Development of State Task Force

The Office of the Speaker is developing legislation to create a “task force” comprised of Council Delegates, whose responsibility will be to address the Navajo Nation’s issues at the state level. Since the new Council took office in January, it is clear that one of the primary goals and focuses is centered on being more involved in issues and legislations at the state level that impact the Navajo Nation.

The governors of Utah, New Mexico, and Arizona have each expressed support for working more closely with the Navajo Nation. The Office of the Speaker will continue to work with officials from the states of Utah, New Mexico, and Arizona to establish a consistent line of communication and protocols to work with the state. The overall goal of this effort is to advocate strongly for issues at the state level and to increase the political clout of the Navajo Nation — a primary goal of the 23rd Navajo Nation Council.

NAHASDA Reauthorization

On February 10, 2015, the Navajo Nation Council established the Navajo Nation’s position regarding the reauthorization of the Native American Housing Assistance and Self-Determination Act (NAHASDA), through Council Resolution CF-7-15.

The Navajo Nation Council generally supports H.R. 360, but strongly opposes the effective date of withholding language contained in the bill. Aside from a few technical differences, the withholding language contained in H.R. 360 is similar to that agreed upon by tribes and the U.S. Department of Housing and Urban Development, during an August 2014 meeting of the Negotiated Rulemaking Committee.

However, the key difference is over the effective date of the withholding language. Tribes agreed to an October 1, 2017 effective date that would apply to FY2018 funding, which would allow time to plan for the withholding provision. H.R. 360, on the other hand, applied to FY2015 funding. According to the Navajo Housing Authority (NHA), a 2015 effective date would result in approximately \$81 million of the Navajo Nation’s \$85 million allocation being withheld.

As a result, Council strongly opposes the January 1, 2015, effective date and urges Congress to amend the effective date to “January 1, 2018, to align more closely with the effective date agreed to by the Negotiated Rulemaking Committee.”

On March 23, the U.S. House of Representatives passed H.R. 360. The bill bypassed the House Financial Services Committee and passed under a suspension of the rules by a vote of 298-98. A modification was made to the bill prior to the vote, which changed the effective date from January 1, 2015 to January 1, 2016. H.R. 360 was then sent to the Senate, where it was referred to the Senate Committee on Indian Affairs for consideration.

On March 11, U.S. Senator John Barrasso, R-Wyo., Chairman of the U.S. Senate Committee on Indian Affairs (SCIA), introduced S. 710, the Native American Housing Assistance and Self-Determination Act of 2015. S. 710 and H.R. 360 are not identical bills. Senator Barrasso was aware of the work of the Negotiated Rulemaking Committee and attempted to incorporate language to set the effective date of January 1, 2018. On March 18, 2015, the SCIA held a legislative hearing on S. 710.

The Navajo Nation Washington Office (NNWO) believes that a business meeting for the SCIA will occur on Wednesday, April 22, 2015 to consider S. 710. At the business hearing, NNWO believes an amendment will be introduced to change the effective date from January 1, 2018 to October 1, 2017 — the exact date the Negotiated Rule Making Committee agreed to.

The Committee is also expected to consider another amendment that would change the way in which the total amount of undispersed Indian Housing Block Grant funds a recipient can carry over before its new allocation is either reduced or withheld entirely. The Negotiated Rulemaking Committee agreed to use the “sum of the prior 3 years allocation calculations” as the amount of undispersed IHBG funds a tribe could receive before its new allocation is reduced or withheld entirely. This is important because NHA has indicated that Indian Housing Block Grant allocations are expected to decrease with time. The Office of the Speaker remains in contact with the NNWO as this matter moves forward.

Energy

Energy continues to be one of the most pressing concerns of the Navajo Nation, with all its complexities, challenges, and opportunities. The Navajo Nation has an abundance of natural resources that account for more than two-thirds of our overall general revenues. General revenues that feed many important programs and services that impact every facet of Navajo living, from our newborn children to our elders and every one in-between.

In our time as the 23rd Navajo Nation Council, we will not hear the end of the ‘transition’ of our energy resources to meet the ever increasing demand to accommodate the U.S. EPA’s ever increasing regulations on our coal, gas, and oil industries. The Navajo Transitional Energy Company (NTEC) has shored up Navajo Mine to prevent closure and to continue to fight this battle on behalf of hundreds of Navajo workers and families. NTEC is also mandated by the Navajo Nation to utilize 10% of their annual profits to invest in alternative and renewable energy resources in an effort to balance our energy portfolio.

Over the course of the last 10 years, our Nation has experienced declines in coal production greater than 50%, dramatically impacting jobs and revenues. Over the next four years, we will see an additional \$2 billion investment in clean air technologies made by our energy partners in

an effort to meet the environmental demands of today. By the end of 2016, we hope to see our first commercial solar projects come online through the strategic planning efforts of Navajo Tribal Utility Authority (NTUA), Navajo-Hopi Land Commission, and other private investors. Alternative, Clean Coal technologies are being studied and investors are being sought to consider the development of gasification facilities on the Navajo Nation, which will effectively bridge the gap between our coal resources and environmental demands. The Navajo Nation is doing far more than its fair share of meeting the environmental challenges brought on by the federal EPA, and it is incumbent upon us to fight for the jobs and revenue for our People.

In this continuous effort, the Office of the Speaker has reached out to other tribes who are experiencing similar challenges, such as the Crow Tribe of Montana. Together with the Crow Tribe, Delegate Raymond Smith, Jr. and I testified in a U.S. Senate field hearing on “Empowering Indian Country: Coal, Jobs, and Self-Determination,” in an effort to bring to light the distortions in the U.S. EPA’s regulations. While the Navajo Nation is striving to secure a local economy to meet the needs of our people, the U.S. Government is once again creating barriers for tribes to obtain economic prosperity, with untenable regulations.

I extend my appreciation to Delegate Smith and U.S. Senator Steve Daines for insisting on this hearing and for inviting the Navajo Nation along with the Crow Tribe, and others. Our story has always been about maintaining a balance with the world around us, taking only what we need and expressing gratitude for what is given. We will continue to reach out to our allies at the federal level to help our Nation maintain balance through financial incentives that will encourage investors to pursue energy projects in Indian Country. Energy projects that will replace the production we have lost and provide additional jobs and revenues to meet the demands of our growing Nation.

It is difficult to comprehend the dynamics that are stressing our Nation with high unemployment rates and a stagnant economy. Our energy resources will be an important factor in providing jobs and revenue for our Navajo People for many years to come as well as providing the funding for critical programs such as our police force, social service programs, and essential governmental functions from the local chapter level to our central government.

We are nearing the conclusion of the Environmental Impact Statement for Navajo Mine and Four Corners Power Plant, with a Record of Decision expected sometime in June 2015, which will allow us to expand the mine operations enough to continue to supply coal to FCPP through the next 15 years.

During the Spring Session, Council will entertain legislation for NTEC that requests additional funding necessary for NTEC’s day-to-day operations. Although the actual mine purchase and operations are covered through the operating profits, there are no revenues available to cover

NTEC's administrative expenses until Navajo Mine is fully paid for some time in 2016. While considering these additional expenses, please be mindful that we do not have to fund any part of the mine purchase, which is the bulk of expenses. Also consider that we are continuing to receive royalties, taxes and lease rents because of the continued operation of Navajo Mine, which represents a significant portion of our General Funds; not to mention the hundreds of jobs and the secondary and tertiary jobs and revenues those create.

In regards to the Navajo Generating Station, a shutdown of one of the three power units is anticipated by 2019, which in turn will impact our coal production at Peabody Mine. I call upon my Council colleagues to continue to work with our energy partners to seek alternatives to maintaining our jobs and revenues while striving to minimize the proposed impact. The EIS has moved from the public input stage to the initial drafting. The Nation can expect to view the draft statement sometime in the summer of 2016, with the final draft completed sometime in the summer of 2017.

Additional work needs to be done to stabilize the Navajo Nation's oil and gas industry to ensure long term viability and maximum benefit. As with our coal industry, there is a push to minimize the dependence on oil and gas resources and transition to cleaner fuel sources through the development of alternative and blended fuels. These alternative and blended fuels can be developed and realized through several methods including Coal to Liquids, Gas to Liquids as well as several biofuel technologies. One emerging market involves the creation of an alternative diesel source currently being utilized by a partnership between Volvo trucks and the Safeway Corporation, known as DME or Dimethyl ether. DME can be created through coal or gas resources and is currently being researched by the Navajo Nation Oil and Gas Company. The U.S. military is currently involved in a gas to liquids program to fuel their equipment and will require suppliers to provide the product for the program.

With this rapidly shifting energy market and emerging technologies it is important that the Navajo Nation continue to work on developing a Navajo Nation Department of Energy to research, network, and spearhead energy projects while utilizing our unique tribal status, resources, and drive to compete in the worldwide energy marketplace. To drive these efforts, I will sponsor legislation to create the Naabik'iyáti' Committee Energy Task Force, which will include members from each of the standing committees, as energy issues have very broad impacts across all areas of our government.

Land Buy-Back Program

Through the efforts of the Eastern Navajo Land Commission, members of Council, and the Office of the President, I am proud to report that the Navajo Nation has finalized a Cooperative

Agreement with the U.S. Department of the Interior to initiate the federal Land Buy Back Program on the Navajo Nation.

The agreement allows the Navajo Nation to implement the land consolidation component of the Cobell Settlement, which resulted from a class action lawsuit led by the late Elouise Cobell, over claims that the government mishandled and incorrectly accounted for the income from Indian Trust assets, specifically Individual Indian Money accounts.

The 2012 settlement provided \$1.9 billion for tribes to consolidate fractional land interests. Of the overall amount, \$1.5 billion is allocated to purchase fractional land interests, \$285 million for implementation and administrative costs, and \$60 million for scholarships.

The Scholarship Fund provides financial assistance through scholarships to American Indian and Alaska Native students to pursue post-secondary and graduate education and training. The Scholarship Fund is administered by the American Indian Graduate Center (AIGC) located in Albuquerque, New Mexico. I strongly encourage our Navajo youth to apply through the AIGC.

The Land Buy Back Program will be completed in four phases: Outreach, Land Research, Land Valuation, and Land Acquisition. Through the program individual Navajo allottees will be provided the opportunity to voluntarily sell their land, which would then be placed in trust for the Navajo Nation.

According to federal officials, the Navajo Nation has nearly 34,000 individual landowners who reside in 49 states and two foreign countries with a large majority of the landowners' whereabouts unknown.

Individuals who choose to sell their land will receive fair market value for the land. Once an offer is made, landowners will have 45 days to consider the offer. The total estimated cost to purchase all fractional land interests for the Navajo Nation exceeds \$102 million.

The program will be headquartered in the community of Crownpoint, with three satellite offices in Gallup, Farmington, and Winslow. A total of 14 staff members including a program manager, administrative assistant, public relations officer, seven community involvement specialists, and four office specialists will be hired to implement the Land Buy Back Program. The Cooperative Agreement will expire on April 30, 2016.

Once again, I congratulate and commend the members and staff of the Eastern Navajo Land Commission for successfully finalizing the Cooperative Agreement and I look forward to the implementation of the program in the coming weeks and months.

Issues Affecting Services on Navajo Nation within San Juan County, New Mexico

Transfer Station Operations – Currently, San Juan County is operating several Transfer Stations located in county areas within the boundaries of the Navajo Nation. The Navajo Nation has had an agreement (JPA) in place with San Juan County since 1994, for Transfer Station Operations.

The agreement included language to guide how funding for operations may be considered, and states that the cost of operations is to be divided equally between the Navajo Nation and San Juan County. San Juan County in recent years has seen a decline in revenues, which has impacted their overall operating budget along with the services they provide county-wide.

San Juan County has asked to Nation to assist in addressing funding shortfalls for operating three Transfer Stations for the communities of Upper Fruitland, Shiprock, and Newcomb, in its upcoming Fiscal Year.

The County has presented the Nation with options in addressing the matter. The Office of the Speaker, along with Delegates Amber Kanazbah Crotty and Tom Chee and the Executive Branch, has worked with the impacted programs to consider the options presented by San Juan County. Information is currently being gathered and a timeline between the parties involved has been determined. More information on the issue is forthcoming.

Fire and Rescue/EMS Services - San Juan County has provided Fire Protection and EMS services to the Navajo Nation for a number of years. The county currently operates fire stations that provide services to the communities of Newcomb, Shiprock, Ojo, and Waterflow. The county has indicated that due to declining revenues, there is uncertainty over whether or not the county can continue to fully fund services that are provided to the Navajo communities.

The county has presented options for the Nation to consider. The Office of the Speaker and Delegate Crotty and Delegate Chee continue to hold discussions with San Juan County officials in an attempt to bring some direction and resolution to the matter. The projected timeline for both governmental parties to make a determination on the matter is July 2015.

Navajo Nation Fiscal Year 2016 Revenue Projection

The first revised Fiscal Year 2016 budget General Fund revenue projection was issued on April 7, 2015. The projection for budgeting is \$20.677 million less than the current year due to a reduction in revenue of \$25.126 million from Oil & Gas. It is important to keep in mind that the revenue projection is subject to change. This is more reason the Navajo Nation Council needs to establish its goals and priorities to guide us through the funding shortfalls.

Federal Budget

Congress is currently holding hearings over President Obama's FY2016 budget proposal for the Bureau of Indian Affairs (BIA) and Bureau of Indian Education (BIE). President Obama's request amounts to \$2.9 billion, which is over \$323.5 million over the current FY2015 appropriation.

This includes full-funding for Contract Support Costs (CSC). In addition, a legislative proposal is included to reclassify CSC as permanent/mandatory funding beginning in FY2017. If it becomes law, it will potentially free up over \$240 million to budget for direct services. Tribal Grant Support Costs similar to the CSC is also part of the request for an increase of \$12.9 million.

The TGSC assists tribes that operate their own schools by covering administrative costs for the programs. The Navajo Nation received over \$90 million in PL 93-638 funds with 34 grant schools under PL 93-297. We must continue to lobby Congress and to emphasize the benefits and impacts of funding, while reminding Congress that the Budget Control Act-Sequester is still in effect and that funding has yet to be restored to pre-sequester levels.

The FY2017 Budget Formulation is in the process for BIA/BIE and Indian Health Services. The Navajo Nation in March issued budget priorities and funding justifications to the agencies. The U.S. Department of the Interior (DOI) has issued instructions and guidance of the budget submission, which is due on May 27, 2015. The internal planning targets for the FY2017 Departmental submission cover a wide range of contingencies – from a potential FY2016 sequestration budget to the adoption of the President's FY2016 budget request. The following are the targets of submission by each agency under DOI.

Low Target – Assumes department funding for FY2017 is level with a FY2016 sequestration budget estimated at 1.5% below the 2015 Enacted level. BIA/BIE target is \$2,509,000.

Medium Target – Mid-point between a FY2016 sequestration budget and the FY2016 plus inflation, or 5.1% below the FY2016 request. The target for BIA/BIE is \$2.7 million.

High Target – Funding remains equal to President Obama's FY2016 request. The target would be \$2,925,000.

State Budgets - Utah, New Mexico, and Arizona

Utah - Total budget expenditures for FY2015 are estimated at \$13.3 billion. Available revenue estimates are based on a Revenue Forecast completed by the Utah Governor's Office of Management and Budget in November 2013. This estimate includes revenue from all sources including, but not limited to taxes, federal funding, usage and fees, and tuition. However, many of these funds are restricted or earmarked for particular uses, primarily education and

transportation. Unrestricted revenues are placed in the general fund. The 2013 Forecast estimates general fund revenue for FY2015 at approximately \$2.2 billion. Essentially all the \$2.2 billion is budgeted to general fund expenses and \$530 million of the \$2.2 billion is earmarked for specific projects. There is a trend toward increasing earmarks, meaning fewer and fewer funds will be available for other projects. There is \$130 million in the General Fund Reserve Fund — a rainy day fund for general fund expenses. However, this fund is growing. Governor Gary Herbert did not release any of the funds in the current budget.

There is very little room for change in the budget at this time. All general fund revenues have been allocated at this time. There was no general fund surplus in FY2013, and the trend towards increasing earmarks means that surpluses in particular areas will continue to contribute to funding for that area. For example, although there was no general fund surplus in FY2013, there was an education fund surplus in FY2013, leading to \$120 million being deposited into the Education Fund Reserve Fund.

The Navajo Nation might, therefore, have more success working into well-funded programs in earmarked areas rather than attempting to secure funding for new projects from the general fund. For education, per pupil dollars are available for charter schools and money for adult education has been allocated to serve Utah's goal of giving all adults the opportunity to achieve a degree or certificate. The state is also increasing capital improvements funding, allocating more dollars to infrastructure maintenance and development. This revenue comes from earmarks like the gas tax, and therefore must go towards transportation.

Though there is little to no excess in general fund spending, earmarked dollars are increasing and likely to continue growing for some time. Therefore, the best opportunity for the Navajo Nation to finance new projects is likely through these earmarked funds.

New Mexico - The First Session of the 52nd New Mexico State Legislature ended at noon on Saturday, March 21, 2015. It was an unusual Session, as the Republicans controlled the House of Representatives for the first time in sixty years. This change in control, along with dramatic decreases in oil prices made the "money bills" vulnerable.

The capital outlay process is always the subject of intense disagreement between the two parties and the executive and legislative branches. This year, disagreements were so intense that the capital outlay bill, which would have funded more than \$280 million in projects, did not pass. As a result, many local communities across New Mexico will not benefit from new projects funded by the state, adversely impacts jobs and economic development.

For this reason, local governments, business people and the construction industry are calling for a special session to pass a capital outlay bill. The Governor Susana Martinez has indicated that

she will not call a special session. Approximately \$5 million of the overall total for capital outlay would benefit the Navajo Nation as designated by individual State Senators. The House has not produced a list of capital projects that the Representatives seek to fund in their districts. Eleven capital projects on the Nation were re-authorized.

Governor Martinez had until April 10, 2015 to sign, veto, line-item veto or pocket veto legislation passed during the two-month session. One-hundred and ninety-one bills passed both the House and Senate and went to the Governor's Office for consideration. Governor Martinez vetoed thirty-three of those bills. One-hundred and fifty-eight bills were signed into law, including a bill impacting the Tribal Infrastructure Fund (H.B.236). Despite opposition from tribes, bills carrying an emergency clause became effective as soon as the Governor signed the bill. Otherwise, unless specifically stated, all other legislation signed by the Governor becomes effective on June 19, 2015.

Arizona - The 2015 Arizona legislative session concluded on April 3, 2015. During the session, legislators passed a budget with a number of negative changes included. However, there were also some positive gains made that impact Navajo as well.

The state budget has been struggling since the Great Recession began in 2008. This year's budget problems were more difficult with the approach of Governor Doug Ducey, who insisted that the budget be balanced with cuts rather than other fiscal alternatives and the current implementation of past tax cuts for business. In addition, Arizona's sluggish economy, pending court cases against the state and a series of previously enacted business tax reductions taking effective left the state, again, in a budget crisis with a shortfall of \$1.5 billion. In early March, the legislature passed further reductions to state spending, an additional \$350 million—including significant cuts to universities, community colleges and K-12 as well as cuts to health care and social services.

Traditional public schools educate most Navajo children in Arizona. This year, state support for the K-12 education budget for discretionary funding was reduced by \$117 million. Non-discretionary funding increases, such as additional funds for student growth, were made. There is a debate as to whether schools received a total increase or not. It seems it will depend on the individual school district.

It is clear that the state did not comply with court-ordered school funding increases for education cuts made during the recession. The amount of underfunding leaves state support \$350 million short next year and the court directs that it be raised to that amount. The legislature appropriated \$75 million, in spite of the court order. The court also ordered that previous underpayments dating back to 2009, must be repaid to the schools, which totals nearly \$1 billion. No funds were appropriated for this obligation by the legislature this year. There are

ongoing negotiations between the state and the education community to determine if an agreement can be reached on an appropriation that is acceptable to the courts as well as the education community, and be less than the current obligation. What is clear and troubling is that at this time, the State of Arizona has the lowest per student funding of any other state. State universities also received a cut of \$104 million, or 13% of state support.

On the positive side, Senator Carlyle Begay managed to obtain a budget reallocation of 15% of unclaimed lottery monies to pay for tribal dual-enrolled students that attend both high school and community colleges simultaneously. This benefit will positively impact Diné College and Navajo Technical University — both will be able to admit dual-enrolled students.

S.B. 1332 - Empowerment Scholarships for Reservation Residencies, expanded eligibility for Empowerment Scholarship Accounts (ESA) for students who live within reservation boundaries, and also established the Empowerment Scholarship Account Special Education Study Committee. This provides charter school students, living on the Navajo Nation the same right to access this program as all others. The availability of School Choice programs such as Empowerment Scholarship Accounts empowers parents to choose the education that best fits their child. S.B. 1332 essentially gives students on the Navajo Nation the option to allow parents to fit the education around their child and not force-fit the child into the education. This bill's passage was also led Senator Carlyle Begay.

The budget reduced AHCCCS reimbursements for healthcare professionals and hospitals treating Medicaid patients by 5% — cutting \$127 million over two years, resulting in a loss of \$588 million in federal matching funds. Most of the cuts will not impact tribal facilities and health care professionals. AHCCCS has been very aggressive in working with the federal government to fully fund benefits for tribes. The Navajo Nation continues to work closely with AHCCCS Director Tom Betlach, a very effective and respected leader of AHCCCS who has advocated for and obtained funding from the Medicaid system for tribes.

Funding for social services was reduced as well. Temporary Assistance for Needy Families, (TANF) was cut once again. Benefits have now been cut to only one year from two years previously. Several years ago the benefit was for five years. This cut in duration is unnecessary. The reductions will save approximately \$9 million in a state general fund budget of \$9.1 billion. There were also cuts to the new Department of Child Safety at a time when there are not enough resources in the Department to investigate all the reports of child abuse or neglect.

S.B. 1080 - Tribal social agencies information, was sponsored by Senator Carlyle Begay and Representative Albert Hale. The measure was passed by the legislature and signed into law by the Governor on April 1. The law expands the duty to report child abuse or neglect to include reporting to a tribal law enforcement or social services agency for any Indian minor who lives

on a reservation and authorizes the Department of Public Safety (DPS) to share criminal justice information with a tribal social services agency.

A significant reduction was made to the Arizona Commerce Authority's Deal Closing Fund of \$75 million and \$25 million from its job training fund. These were primary tools in trying to bring economic development to the state as a whole. There was little movement with any of the TPT bills that were introduced by our Navajo delegation.

On a positive note, the budget included \$41.2 million negotiated by Senator Carlyle Begay to be dedicated toward Navajo transportation. Senator Begay said that NDOT believes that 1,600 miles of unpaved road maintenance for school bus routes can be performed with this funding.

Arizona Counties have been hit with a number of cuts and cost shifts to them. \$60 million of Highway User Revenue Funds currently being used to fund DPS operations was to have been transferred to their intended use, which is to build and maintain roads. Only \$30 million will go back to local governments, including counties for road improvements. There is also a cut to ADOT funds for airports.

Conclusion

In summary, the issues covered in this report are of great concern and in great need of additional focus and resources. However, as Speaker I also recognize that many other issues exist within all communities across the Navajo Nation that require this Council's attention now and in the coming years.

I extend my greatest appreciation to the members of the 23rd Navajo Nation Council for their successfully efforts thus far. The road ahead will undoubtedly be filled with challenges, however, with the diverse backgrounds and knowledge that comprise this Council, I am certain that we will continue to work together to overcome obstacles for the benefit of the Navajo Nation.