



23RD NAVAJO NATION COUNCIL OFFICE OF THE SPEAKER

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MEDIA CONTACTS

Jared Touchin (928) 221-9253
Jolene Holgate (928) 380-4174
nnlb.communications@gmail.com

Budget and Finance Committee begin addressing potential budget shortfalls based on revenue projections report

WINDOW ROCK – The FY2016 Navajo Nation General Funds Revenue Projection report was provided to the Budget and Finance Committee on Wednesday, by the Navajo Nation Office of the Controller and the Office of the Tax Commission.

According to the report, the revenue projection could expect a shortfall of approximately \$2.9 million and could affect the FY2016 Navajo Nation budget. The shortfall is calculated from first-quarter results of actual revenues that the Nation received, and the revenue projection that was established at the beginning of the current budget cycle.

Appointed Controller Jim R. Parris said the shortfall is due to the drop in oil and gas prices internationally, which significantly impacted the Nation's revenues.

BFC chair Council Delegate Seth Damon (Bááháálí, Chichiltah, Manuelito, Tsé Lichíí', Rock Springs, Tsayatoh) asked how the projected shortfalls might affect supplemental funding requests by Council members from the Unreserved, Undesignated Fund Balance.

"Right now there is \$14 million in the UUFB, and there will be numerous supplemental fund requests. Our request is to get recommendations from you to possibly [see if we need to] hold off on those requests, and say that we actually are going to utilize these dollars to cover the shortfalls," said Delegate Damon.

In response, Parris said the UUFB can be used for potential shortfalls, however his office cannot accurately estimate the revenue projections or if the shortfall would occur because there is not a reliable source to approximate actual revenue outcome. He suggested that the Nation could begin implementing controlled spending measures.

BFC vice chair Council Delegate Dwight Witherspoon (Black Mesa, Forest Lake, Hardrock, Piñon, Whippoorwill) said that the Navajo Nation is beginning to identify resources for the Former Bennett Freeze Area, and that the Nation needs to begin looking into promoting other areas of economic development.

"We have resources—so direct them towards economic development and start generating more revenue to meet our growth," said Delegate Witherspoon.

In agreement, Council Delegate Otto Tso (Tó Nanees Dizi) suggested that the Nation begin to look at cost-saving measures such as promoting tourism on Navajo land, restructure the annual leave program, and increase the use of technology to do business to reduce travel expenditures.

The Navajo Nation's three branch chiefs were able to provide input and recommendations regarding the potential shortfalls. Speaker LoRenzo Bates (Nenahnezad, Newcomb, San Juan, Tiis Tsoh Sikaad, Tse'Daa'Kaan, Upper Fruitland) and Acting Chief Justice Allen Sloan were in attendance, as well as a acting chief of staff Robert Joe, in place of President Russell Begaye.

Speaker Bates cautioned the BFC and Council members regarding the use of the Minimum Fund Balance and the Nation's Set-Asides because it could potentially affect the Nation's credit rating, and suggested that they could make amendments to the current FY2016 budget.

"One of the things that could be considered is to amend the budget for FY2016, to reflect the possible shortfall. The question is, to what level would you amend it to reflect the shortfall?" asked Speaker Bates.

Speaker Bates added that when the Permanent Trust Fund was established, it was to recognize that eventually the non-renewable resources would begin to decline and was designed to be a safety net for the Nation. However, to use the principle amount of the PTF, it would require a referendum and would need to be passed with two-thirds majority of Navajo registered voters that participate in the referendum election.

Parris requested time to research alternatives and options to begin addressing the potential shortfall. He also stated that his office would look into developing a more efficient system of estimating potential shortfalls, and possibly switching over to a two-year budget system.

"I would honestly like to have the opportunity to really scrub the budget and the assumptions that it was based on in the projections in FY2015 to build a more solid and dependable number for you," said Parris. "I think the recommendation for a two-year cycle is a good one. If you go to that type of cycle, it is a more realistic way to do business."

At the conclusion of the discussion, BFC members agreed to the Controller's 30-day study and requested an update report in March to discuss the findings to begin developing possible solutions.

BFC members voted 4-0 to accept the report.

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