LEGISLATION NO: _0100-21__  SPONSOR: Seth Damon

TITLE: An Action Relating to the Budget and Finance Committee; Accepting the Navajo Nation Fiscal Year 2022 General Fund Revenue Projection, Establishing the General Fund Budget Amount and Three Branch Planning Allocation Amounts for the Preparation of the Fiscal Year 2022 Navajo Nation Comprehensive Budget; and Other Related Actions

Date posted: __June 18, 2021__ at 5:36PM

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LEGISLATIVE SUMMARY SHEET
Tracking No. 0100-21

DATE: June 18, 2021

TITLE OF RESOLUTION: AN ACTION RELATING TO THE BUDGET AND FINANCE COMMITTEE; ACCEPTING THE NAVAJO NATION FISCAL YEAR 2022 GENERAL FUND REVENUE PROJECTION, ESTABLISHING THE GENERAL FUND BUDGET AMOUNT AND THREE BRANCH PLANNING ALLOCATION AMOUNTS FOR THE PREPARATION OF THE FISCAL YEAR 2022 NAVAJO NATION COMPREHENSIVE BUDGET; AND OTHER RELATED ACTIONS

PURPOSE: The purpose of this legislation is for the Budget and Finance Committee to approve the Navajo Nation FY 2022 General Fund Revenue Projections provided by the Controller, to establish the FY 2022 General Fund Budget Amount, to accept the Three Branch Planning Allocation amounts for preparation of the FY 2022 Comprehensive Budget, and to accept the FY 2022 Budget Instructions Manual prepared by the Office of Management and Budget.
PROPOSED STANDING COMMITTEE RESOLUTION
24th NAVAJO NATION COUNCIL – Third Year, 2021

INTRODUCED BY

(Primary Sponsor)

TRACKING NO. 0100-21

AN ACTION
RELATING TO THE BUDGET AND FINANCE COMMITTEE; ACCEPTING THE NAVAJO NATION FISCAL YEAR 2022 GENERAL FUND REVENUE PROJECTION, ESTABLISHING THE GENERAL FUND BUDGET AMOUNT AND THREE BRANCH PLANNING ALLOCATION AMOUNTS FOR THE PREPARATION OF THE FISCAL YEAR 2022 NAVAJO NATION COMPREHENSIVE BUDGET; AND OTHER RELATED ACTIONS

BE IT ENACTED:

SECTION ONE. AUTHORITY

A. The Budget and Finance Committee of the Navajo Nation is empowered to review and recommend to the Navajo Nation Council the budgeting and appropriation of all funds. 2 N.N.C. § 301(B)(2).

B. The Navajo Nation Code (the “Code”) provides, “[t]he Controller shall prepare an annual long-term revenue projection for use by the Navajo Nation government. This long-term revenue projection shall include all sources of funds and revenues available for use by the Navajo Nation government within at least the next three fiscal years. The annual long-term revenue projection shall be submitted by the Controller to and be reviewed by the Budget and Finance Committee. The Budget and Finance Committee will present the
same to the Branch Chiefs by the end of the second quarter of each fiscal year. A written narrative describing the methodology utilized to estimate revenues and a discussion of key variables affecting the actual revenue, including assumptions made, shall be included in the report. If deemed necessary by the Controller, the long-term revenue projection may be changed as economic circumstances require.” 12 N.N.C. § 830(B).

C. The Code reads, “[t]he Controller shall review and recommend an annual fiscal year revenue projection for all revenue generating sources for all governmental, proprietary and fiduciary funds of the Navajo Nation. The annual fiscal year revenue projection shall be submitted for review by the Budget and Finance Committee of the Navajo Nation Council and will serve as the annual revenue estimate at the beginning of the annual budget process for the next fiscal year. The Budget and Finance Committee will present the annual revenue projections to the Branch Chiefs by the end of the second quarter of each fiscal year. A written narrative describing the methodology utilized to estimate revenues and discussion of key variables affecting the actual revenues, including assumptions made, shall be included in the report. 12 N.N.C. § 830(C).

D. The Code provides, “[t]he Office of Management and Budget shall prepare an estimate of all external funding to be received by the Navajo Nation in the upcoming fiscal year and shall present this information to the Budget and Finance Committee and the Controller by the end of the second quarter of each fiscal year.” 12 N.N.C. § 830(D).

E. The Code further provides, “[t]he Office of Management and Budget shall prepare budget instructions for each fiscal year which shall be approved by the Budget and Finance Committee no later than 30 days after the Controller releases the annual revenue projection as delineated in § 860(C). The budget instructions shall include fiscal, financial, operational, policy guidelines, budget development timelines and planning base amounts for each fiscal year for the Executive Branch, the Judicial Branch, and the Legislative Branch.” 12 N.N.C. § 830 (H).

SECTION TWO. FINDINGS

A. The Navajo Nation Controller has provided the Fiscal Year 2022 General Fund Revenue Projections, showing a total gross recurring revenue of $187,323,000 and a net total
general fund amount of $137,205,000 which is less the set-asides for projected revenue, as follows:

1. $22,479,000 (12%) for the Navajo Nation Permanent Fund;
2. $3,746,000 (2%) for the Navajo Nation Land Acquisition Trust Fund;
3. $12,400,000 for the Diné Higher Education Grant Fund;
4. $2,000,000 for the Capital Outlay Match Funding Special Revenue Fund;
5. $2,000,000 for the Navajo Nation Water Rights Claim Fund;
6. $7,493,000 (4%) for the Navajo Veterans Trust Fund.

The Controller’s memorandum, dated March 31, 2021 is included as Exhibit A.

B. The Navajo Nation Three Branch Chiefs met and agreed upon their recommendations for the FY2022 base planning amounts, funding sources, and other financial matters, to be presented to the Budget and Finance Committee. The Three Branch Chiefs’ Agreement (“Agreement”) is attached hereto as Exhibit B.

C. According to the Agreement, the total projected revenue, consisting of General Fund Revenues and interest income from the Permanent Trust Fund (“PTF”), that is available for FY2022 is $177,205,000. Exhibit B.

D. As shown in the Agreement, the funding sources for the $177,205,000 are as follows:

General Fund Revenue Projection - $137,205,000
Permanent Fund Interest - $40,000,000.

E. In their Agreement, the Three Branch Chiefs also recommend to the Budget and Finance Committee their General Fund Branch Planning Allocations, as follows:

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>FY2022 Base Planning Amts.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fixed Costs</td>
<td>$ 18,013,778</td>
<td>10.17%</td>
</tr>
<tr>
<td>2. External Funds Cash Match</td>
<td>$ 3,500,000</td>
<td>1.98%</td>
</tr>
<tr>
<td>3. Executive Branch</td>
<td>$ 111,518,160</td>
<td>62.92%</td>
</tr>
<tr>
<td>4. Legislative Branch</td>
<td>$ 15,732,069</td>
<td>8.88%</td>
</tr>
<tr>
<td>5. Judicial Branch</td>
<td>$ 15,765,782</td>
<td>8.90%</td>
</tr>
<tr>
<td>6. Chapters – Non-Administrative</td>
<td>$ 12,675,211</td>
<td>7.15%</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>$ 177,205,000</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
F. Regarding the Personnel Lapse/Savings Fund, the Three Branch Chiefs recommend that $3,019,319 be allocated to cover the FY2021 General Wage Adjustment for the three Branches, and that $3,000,000 be allocated to the Navajo Nation Retirement Plan (BU# 118018) to cover increasing costs. **Exhibit B.**

G. Regarding the Undesignated, Unreserved Fund Balance ("UUFB"), the Agreement recommends that $20,000,000 be set aside for the FY2023 budget, which amount is consistent with the UUFB set-aside established in Navajo Nation Council Resolution No. CN-88-20. **Exhibit B.**

H. The Budget and Finance Committee agrees with the budget amounts set by the Three Branch Chiefs, as shown in boxes 1-6 in the table in paragraph D on page 3 of this legislation.

I. The FY2022 Annual Budget Calendar used to guide the Navajo Nation’s budget process, prepared by the Office of Management and Budget, is attached as **Exhibit C.**

J. A strike-through/underlined version of the Budget Instructions Manual ("BIM") for FY2022, provided by the Office of Management and Budget, is attached hereto as **Exhibit D.** This strike-through/underlined version shows the changes to the FY2021 version of the BIM.

K. The Office of Management and Budget has determined that the IDC Recovery Revenue Projection for FY2022 is $25,000,000. A copy of OMB’s memo is attached as **Exhibit E.**

**SECTION THREE. APPROVALS AND DIRECTIVES**

A. The Budget and Finance Committee accepts and approves the FY2020 budget base planning amounts presented by the Controller, as indicated in Section Two paragraph A of this legislation and in **Exhibit A.**

B. The Budget and Finance Committee accepts and approves the Three Branch Chiefs’ recommended FY2022 base planning amounts and General Fund Branch Planning Allocations, as set forth in Section Two paragraphs C through F of this legislation and in **Exhibit B.**

C. The Budget and Finance Committee accepts and approves the FY2022 Annual Budget Calendar attached as **Exhibit C.**
D. The Budget and Finance Committee accepts and adopts the FY2022 BIM, attached as Exhibit D, for use by all Navajo Nation programs and entities for the preparation of the Navajo Nation FY2022 Comprehensive Budget, as well as for the preparation of any subsequent carryover and supplemental budgets for Navajo Nation FY2022.

E. The Budget and Finance Committee directs that indirect cost funding be distributed to eligible branches, divisions, departments, offices, programs and entities of the Navajo Nation, consistent with the currently approved indirect cost proposal.

F. In accordance with the memo from the Office of Management and Budget, the Budget and Finance Committee recommends that the IDC Recovery Revenue Projection be set at $25,000,000, which is subject to revision when IDC plans are up-to-date. A copy of the OMB memo is attached as Exhibit E.

G. The Budget and Finance Committee directs that until such time as a comprehensive budget policy manual is adopted, Navajo Nation programs and entities shall be guided by the existing budget policies set forth in Navajo Nation statutes and duly adopted resolutions. The last fiscal year in which comprehensive budget policies were established was when the BIM was adopted in Fiscal Year 2014.

H. The Budget and Finance Committee further directs and authorizes the Office of Management and Budget, the Department of Justice, and the Office of Legislative Counsel to take all actions authorized under their respective enabling legislations and Plans of Operation to recommend any amendments to the Navajo Nation FY2022 BIM, for consideration by the Budget and Finance Committee.

I. The Budget and Finance Committee requests that the Three Branch Chiefs direct all Navajo Nation Programs and entities operating with external funds to provide all financial and funding information to be included in the FY2022 budget to the Office of Management and Budget, as required by the Navajo Nation FY2022 BIM.

J. The Budget and Finance Committee of the Navajo Nation Council requests the Branch Chiefs and the Standing Committees of the Navajo Nation Council follow the timelines established in the Navajo Nation FY2022 Annual Budget Calendar to ensure that all deadlines are met.
K. The Budget and Finance Committee directs the Office of Management and Budget to monitor the scheduled timelines established in the Navajo Nation FY2022 Annual Budget Calendar to ensure that all deadlines are met and, if necessary, to recommend revisions of the timelines to the Budget and Finance Committee.

L. In accordance with Navajo Nation Council Resolution No. CF-07-11, incorporated herein by reference, the Budget and Finance Committee directs that all Navajo Nation Branches, Programs and entities shall expend funds from the Personnel Lapse/Savings Fund only for the purpose of administering and maintaining the classification and pay plans established by the Department of Personnel Management.