

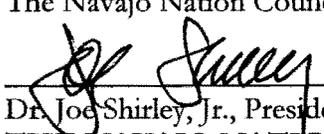


DR. JOE SHIRLEY, JR.
President

BEN SHELLY
Vice President

MEMORANDUM

TO: Lawrence T. Morgan, Speaker
The Navajo Nation Council

FROM: 
Dr. Joe Shirley, Jr., President
THE NAVAJO NATION

DATE: July 9, 2009

SUBJECT: Resolution No. CJN-18-09

Across our country, across our state and across the Navajo Nation, we face the most dire economic crisis in a generation, one currently expected to deepen before improving. The economic situation is testing a new American president, a new Arizona governor, and certainly all of us as leaders of the Navajo Nation. Real and true political leadership emerges only in a crisis, and we can only hope and wait to see if the steps President Obama has taken leads the country back to prosperity.

But as leaders of the Navajo Nation, we do not have to hope and wait. We can act with reason and foresight. It is our duty to expend the People's money in a prudent and fiscally responsible way. Prior Navajo Nation Councils enacted laws to guide us to ensure that. At this moment, we must recognize the wisdom in those laws and abide by them.

The approval of Resolution No. CJN-18-09 is contrary to the basic governing principles of prudence and fiscal responsibility. Appropriating funds from *projected* savings creates budgetary uncertainty and will directly impact governmental operations.

According to the Office of the Controller, the budget shortfall for Fiscal Year 2009 is \$12.8 million, and could likely increase to \$13.5 million. This is because the price per barrel of oil continues to be much less than originally projected. We also expect a shortfall in Fiscal Year 2010 of approximately \$15.4 million. Recently, the Council received the 2008 Audit which reported that the Undesignated, Unreserved Fund Balance is in the negative by \$18 million. By law, the fund should have at least \$15 million in case of an emergency. As such, \$33 million is required for the Undesignated, Unreserved Fund to be in compliance with the law. Finally, the Nation's Retirement Fund is approximately \$8.5 million less than what is required to ensure proper management and availability of funds for its intended purpose.

During this terrible time, I will do everything possible to continue to provide direct services to our Navajo people whose needs can be expected only to get worse. If we fail to address

our government's current and future budget shortfall in a rational and reasonable way, we risk an interruption in service delivery, which include possible employee layoffs.

The funds for Resolution No. CJN-18-09 comes from personnel savings that normally would be calculated at the end of the fiscal year and applied to the Personnel Lapse Fund. The original intent of the Personnel Lapse Fund is to provide a source of funding for Navajo Nation employees to meet cost of living demands through an annual General Wage Adjustment and to provide step increases for well-deserving employees. The ability to pay step increases for both Fiscal Year 2009 and Fiscal Year 2010, as well as to provide a General Wage Adjustment in Fiscal Year 2010, has been completely eliminated by previous Council action, as well as by approval of CJN-18-09.

The Personnel Lapse Fund is no longer being used as intended. As such, I believe the fund should be abolished and any future personnel saving should revert directly back to the programs because it is our programs, through our employees, that provide direct services to the Nation.

With this legislation, none of the appropriations could *remotely* be considered actual emergencies. None went through the prescribed review processes established to ensure accountability. In some cases, funding is designated to be used by offices clearly not established for those purposes. In others, there are carry-over funds available which make supplemental funding unnecessary. In fact, according to the Division of Community Development, the unexpended fund balance for the Nation's 110 chapters is \$52.8 million.

In an effort to reduce spending, I implemented a freeze on all travel and expenditures for the Office of the President and Vice President, effective February 6, 2009. Additionally, my office is closely reviewing other possible spending restrictions within the Executive Branch. These efforts, however, will offset the shortfall only minimally. Mr. Speaker and Honorable Members of the Navajo Nation Council, I ask that you reconsider the seriousness of our financial situation and refrain from further straining our limited resources.

For the reasons stated herein and by the authority vested in me as President of the Navajo Nation, I hereby veto Resolution No. CJN-18-09.

xc: The Honorable Navajo Nation Council Members