



STATE OF THE NAVAJO NATION ADDRESS

DR. JOE SHIRLEY, JR., PRESIDENT

PRESENTED TO THE

21ST NAVAJO NATION COUNCIL

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Speaker Morgan, Chief Justice, Navajo Nation Council Delegates, Vice President Shelly, relatives, and guests, *Ya'at'eeh!* It is always a privilege to present the State of the Navajo Nation address and to share our accomplishments of the fourth quarter of the year, our challenges, and vision for the Navajo Nation.

I want to express my appreciation to the Navajo Nation Council for deliberating on and adopting the Navajo Nation Fiscal Year 2009 Comprehensive Budget. I have signed the budget legislation into law and support the budget as necessary for our Navajo governmental operations and to continue direct services to the Navajo people.

I recognize that a tremendous amount of time and effort went into developing the budget and I commend the Office of Management and Budget for the long hours spent inputting data and ensuring budget accuracy for all our Divisions and programs, including our chapter governments.

With the current national and international financial crisis upon us, we, as leaders of the Navajo Nation, must do all we can to protect and ensure the wise use of



our money more so than ever. Over the last few days the Navajo Nation's Trust Portfolio has declined in market value by nearly \$240 million dollars. The Master Trust Fund includes all Navajo Nation funds, including the Permanent Trust Fund.

The Navajo Nation Retirement portfolio has also declined by nearly \$81 million dollars, and the individual 401K accounts have declined substantially. Everywhere in the United States, municipal and state governments are drastically cutting operating budgets. This means a likelihood of reduced state and county services.

The unpredictability in oil prices also makes the Navajo Nation very vulnerable this fiscal year to a possible funding shortfall. The price for oil per barrel has decreased significantly. This has a direct impact on the Nation and raises serious concerns about whether, during our budget planning, we over projected oil and gas revenues. As you know, we relied on revenue projections from as early as March and April of this year, over several months ago, and today, the whole energy market is in turmoil. Unless we see stability in the market soon, we must begin planning for a revenue funding shortfall in order to continue providing essential governmental services. I've directed the Minerals Department, the Office of the Controller, and the Office of the Navajo Tax Commission to monitor the situation daily and to provide frequent reports to my office on the situation. By next quarter, we'll have a better idea of what to expect and what plans we'll need to make to ensure continued operations.

In the meantime, it is incumbent upon us to maintain the 10% mandatory minimum balance in the Undesignated, Unreserved Fund Balance. As has been pointed out numerous times, allocating funds from the 10% set aside puts the Nation at risk of not being able to address a true emergency should a situation interrupt or decrease the Nation's revenue stream, or should the Congress fail to appropriate



funds for a protracted period. If this should happen the Nation would be faced with a fiscal crisis it is not prepared for. Maintaining the 10% minimum balance will help provide resources when needed on an emergency basis. It is generally recognized that a government the size of the Navajo Nation's should always maintain a balance for this express purpose. We should also begin building up the Undesignated, Unreserved Fund Balance beyond the 10% minimum.

With the Council's appropriation of \$22 million dollars to the chapters for infrastructure projects and an additional \$5 million dollars for Public Employment Programs, in the current fiscal year, serious attention and priority must be given to ensure chapter compliance with the Five Management System Policies and Procedures. I impress upon all chapters to diligently work on obtaining governance-certification in line with the Local Governance Act. New chapter officials will be sworn in early next year and I've directed the Division of Community Development to begin comprehensive agency-wide training sessions to train and inform the new officials of good governance practices and the need to ensure checks and balances and accountability at the local level. We are currently reviewing our training approaches and hope to address the areas needing improvement. Without a strong system of accountability at the local level, the chances of misuse and misappropriation of funds increases to the detriment of our Navajo people.

Even though the financial crisis has taken a huge toll on the Nation's Trust Portfolio, I urge caution in the expenditure of the Nation's funds, especially the Permanent Trust Fund. I encourage the Council to seriously consider approval of the Five-Year Plan for the expenditure of the Trust Funds interests. The income available is approximately \$20 million dollars and can be used for important development projects in the form of actual construction dollars or for debt service on tax exempt loans.



Our Navajo Nation Controller has issued an RFP to seek competitive responses from various banks and is in discussions with the most responsive bank. Our goal is to enter into a loan agreement to construct at least one judicial complex which will include public safety and probation services. The income available from the one-cent sales tax increase will be used to pay the debt service or, in the alternative, we can use the available income from the Permanent Trust Fund interest or a combination of both.

Working to improve the standard of living for our Navajo people is a top priority for our administration, and I report that significant progress has been made in that regard with the State of New Mexico. Recently, the Navajo Nation and the State of New Mexico entered into a Master Agreement whereby capital outlay funding from New Mexico will be provided for powerline and waterline extensions, house wiring, bathroom additions, road improvements, senior citizen centers, multipurpose buildings and other Navajo Nation facilities. With the approval of the agreement and project list by the Transportation and Community Development and Intergovernmental Relations Committees, the Nation has achieved a huge success in streamlining the grant agreement approval process. Before, the Nation risked losing thousands of capital outlay dollars because of our cumbersome and time consuming process.

I commend the dedicated and hard work of Mr. Arbin Mitchell, Division Director for the Division of Community Development, and the staff of the Capital Improvement Office for working with the local chapters to identify the construction-ready projects. I also commend Ms. LaTonia Becenti, attorney for the Navajo Department of Justice, who crafted the agreement and coordinated with her New Mexico State counterparts to ensure a workable agreement. I also want to recognize Vice President Shelly, Secretary Alvin Warren, and the New Mexico Department of



Indian Affairs staff for their tireless efforts and commitment to this worthwhile endeavor. We look forward to processing future Master Agreements on an annual basis and thank the honorable Governor Bill Richardson for his support of the agreement and for his initiative to provide Tribal Infrastructure Funding for Native Nations within the State of New Mexico.

In fact, the Navajo Nation, through the diligent efforts of the Project Development Department within the Division of Economic Development, secured a \$2 million dollar grant from New Mexico State's Tribal Infrastructure Fund for the expansion of the Raytheon facility in the NAPI Industrial Park. The expansion has resulted in securing a long term lease with the Fortune 500 company and has created 210 new jobs with the possibility of hiring more employees as various product manufacturing lines are established. The Department also obtained a \$3.4 million dollar public works grant from the Economic Development Administration to leverage funds from the Nation and the State of New Mexico. The grant is to cover construction costs for the Rubber Gloves manufacturing and Business Incubator projects.

Additionally, the Project Development Department provided badly needed technical assistance and guidance to the Navajo Nation Gaming Enterprise for the Nation's very first, soon-to-be-opened casino. The assistance included processing the Business Site Lease, providing copies of all the essential trust documents to the National Indian Gaming Commission, and coordinating and facilitating meetings with various state entities and tribal programs to assist in construction-related matters. With their assistance, the Gaming Enterprise will provide at least 270 good paying jobs at the Fire Rock Casino, most of which will be held by tribal members.

I commend the Project Development staff for their hard work and professionalism. It is evident from their record of performance that they have created



huge economic benefits for the entire Navajo Nation.

Further, I report that on September 11, 2008, the Navajo Nation finally broke ground on the long-awaited \$58 million dollars Navajo Nation Municipal Pipeline Project. The 28.4-mile-long pipeline will connect the cities of Shiprock and Farmington and when completed, the 24-inch pipeline will deliver 4,600 acre-feet of water to the Shiprock, Tsedakahn, Nenahnezad, and Upper Fruitland chapters. There are families who have been hauling water for decades and now, finally, they'll have water in their homes. The pipeline is expected to quadruple the drinking water supply for these chapters.

The pipeline is part of the \$500 million dollars Animas-La Plata Project, which fulfills a 20-year-old water rights settlement involving both the Southern Ute and Ute Mountain Ute tribes. While the Navajo Nation was not part of the settlement agreement, we were able to obtain a benefit from it by building a coalition among the tribes regarding certain terms of the settlement agreement and by doing so in a non-adversarial way. The pipeline would not have been possible without the support of our Ute neighbors recognizing it as a project component. I commend Dr. John Leeper, manager of the Navajo Nation Water Management Branch, for working to ensure that the pipeline was included in the Animas-La Plata Project. The Navajo Nation is thankful for Dr. Leeper's hard work, dedication, and commitment to developing water projects throughout the Navajo Nation for the benefit of the Navajo people.

Two years ago the Navajo Nation received a Notice of Summary Suspension announcing that the Administration for Children and Families was suspending federal financial assistance to the Navajo Nation Head Start and Early Head Start Programs. The suspension was based upon a perceived risk to the health and safety of children enrolled in and staff working in such programs. In response to this notice, we



instituted accelerated efforts involving all necessary Nation departments and programs to ensure and protect the immediate and future health and safety of children enrolled in the Nation's Head Start and Early Head Start Programs.

This effort included the development of a Corrective Action Plan to address the summary suspension concerns, and more importantly, to ensure that the programs will only operate with staff who have provided the required declarations and who have undergone the required and appropriate background checks and assessments.

As a result of that very difficult and trying time for the Navajo Nation, I made a commitment to ensure that a fully functioning Navajo Nation Background Check office would be established to perform vital background checks and assessments, not only for Head Start employees, but for all employees hired into positions deemed "sensitive." Typically, these positions involve those who work with children, the elderly, or even individuals who are hired into "public trust" positions, like accountants, individuals who handle toxic substances or chemicals, and, in some cases, custodians. Based upon preliminary research conducted by the Department of Personnel Management there are over 3,000 "sensitive" positions within the Navajo Nation government currently subject to a background check.

Under the direction of Ms. Bernadette Bernally, Director of the Department of Personnel Management, the Navajo Nation Background Investigations Office is well underway and the plan of operation establishing the office should be presented to the Human Services Committee in the near future. The Department of Personnel Management is also working on agreements with neighboring states to process fingerprint cards. I respectfully request that the Intergovernmental Relations Committee approve those agreements when presented for approval.



The Department of Personnel Management has also secured office space, necessary equipment, and hired the Background Investigations Program Manager. I commend Ms. Bernally for undertaking this effort and for diligently working to establish this important office. I thank her for her hard work and commitment to the Navajo Nation.

Finally, after four years and overcoming many challenges, the Navajo Nation will finally see the doors of its first casino open on November 19, 2008. This is a historic time for our Nation and our people. For far too long, we've seen our neighbors from all four directions benefit hugely from the Indian Gaming industry. It is my hope that the Nation, too, will begin to reap similar benefits for our people. I believe that continuing to view gaming as an economic priority will provide the foundation for real economic development and self-sufficiency.

In closing, the upcoming national election is one of the most important elections of our time and I believe the Navajo vote can make a difference. For this reason, I am going to implement two "get out the vote" initiatives. The first involves coordinating, through our Senior Citizens Program, a schedule for our elders to take advantage of the early voting opportunities at the various county offices throughout the surrounding states. Early voting in Arizona and Utah is possible through October 31 and in New Mexico through November 1. This will be done for the convenience of our elders who might otherwise not cast a vote on Election Day if the weather is too cold.

The second initiative requires the support of the other Branch Chiefs. I propose that we authorize administrative leave the entire day on November 4, to encourage employees to vote, to encourage employees to bring family members who lack adequate transportation to the polls, and to accommodate some employees who must travel to various locations to vote in Navajo, national, and state elections.



We must take this opportunity to make our voices heard, to make positive change, and to impress upon the national and state governments that the Navajo vote counts and that we are major players in the political process.

Members of the Council, thank you and have a successful Fall Session.