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## President Shelly Delivers Message of New Projects for Economic Prosperity



**WINDOW ROCK, Ariz.** - Navajo Nation President Ben Shelly delivered a message outlining projects to create economic prosperity for the Navajo Nation. He presented his ideas during the State of the Nation address to the Navajo Nation Council during the first day of their Winter Session.

“We must redefine our economic principles. We can no longer sit in the passenger’s seat of receiving royalties and taxes, while others dictate our direction. I am proposing new initiatives that will broaden our outlook and create new opportunities to benefit our people,” President Shelly said during his 20-minute speech.

President Shelly informed the Navajo Council about budgetary issues in at the federal level. In September last year, Congress passed a Continuing Resolution to keep the federal government functioning, but the funding levels remained as the same as the previous year. President Shelly said the Navajo Nation has to prepare for potential budget cuts that could be as high as 11 percent for some federally funded programs when the Continuing Resolution expires in March.

President Shelly said one of the projects he plans to recommend to Council this spring is the Narbona Growth Fund. The fund would allow businesses formed under the Fund access to tax breaks. Also, the Fund would create tax revenue for the Navajo Nation, and the Fund would place the Navajo people as preferred shareholders, while the Navajo Nation government would serve as common stockholders.

“New companies formed under the Narbona Growth Fund will gain access to tax breaks only offered under the fund. The Navajo Nation will benefit from this new stream of tax revenue,” President Shelly said.

President Shelly introduced another initiative that would build a railroad port.

“We are working side by side with Burlington Northern Santa Fe railroad to build a trans-loading rail facility, the first of its kind in the southwest. The port authority will create an opportunity to load rail cars and ship the products on the Trans-Con railway,” President Shelly said.

Another project that is scheduled to open next month in Fort Defiance, Ariz., is a solar panel manufacturing assembly facility that when fully operational would create more than 400 jobs.

“The solar panels make renewable energy a reality, just one of several areas we are making good in our energy commitment,” President Shelly said.

President Shelly also called for a change in drilling lease processes for Navajo Oil and Gas Company, which is an enterprise of the Navajo Nation. To explore for new oil or gas, the approval of a lease could take up to three years. President Shelly proposed to grant Navajo Oil and Gas the option of choosing areas they would like to explore.

“Navajo Oil and Gas has taken the lead role in our oil and gas production. We have an obligation to them. Their success is vital as oil and gas remains a dominant force in the global economy,” President Shelly said.

President Shelly also proposed that changes be made to the Possessory Interest Tax to help new businesses compete. He asked that the tax be lowered for new businesses and to phase in the tax over a three-year period.

“We can greatly assist their efforts by amending the Possessory Interest Tax to alleviate the tax burden they face during their start up and development years,” President Shelly said.

President Shelly also asked the Navajo Council to invest \$1.5 million to develop a Navajo Land Department title plant.

“We have been working for the last five years to develop a title plant at our Land Department to assume total control of how we record titles, homesite leases, grazing

permits, businesses leases, communication towers and all forms and uses of land,”  
President Shelly.

President Shelly closed his speech by outlining some misconstrued information the Office of the Controller has told Council committees in the past couple of months about federal and state monies that were reverted.

He said that \$41 million has been reported as reverted, but the money was actually reimbursement funding.

“To say that \$41 million has gone back to the respective governments is completely inaccurate,” President Shelly said.

Reports have indicated that the Navajo Nation has reverted about \$124 million in federal and state funding, but President Shelly said the number is misleading. He said that \$50 million of the funds have yet to be drawn down, including \$33 million to complete public safety facilities in Kayenta and Tuba City.

“The Controller imposed limitations to keep programs from using their full funded amount from the states or federal government,” President Shelly said.

The Navajo Council voted to receive the President’s report in an 11 – 6 vote.

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**BEN SHELLY** PRESIDENT  
**REX LEE JIM** VICE PRESIDENT

# **THE STATE OF THE NATION**

*President Ben Shelly and Vice President Rex Lee Jim*

*Presented to the*  
**22ND NAVAJO NATION COUNCIL**

JANUARY 28, 2013

*M*r. Speaker, members of the 22nd Navajo Nation Council, Mr. Vice President, First Lady, relatives, chapter officials, staff, family and friends, I want to say thank you for the opportunity to present the state of the Navajo Nation address. I want to recognize visiting federal, state, county and tribal leaders here with us today. It is my honor again to come before you and deliver the state of the Navajo Nation: To share our progress, accomplishments gained, the continuing work in government, and challenges we offer in this winter session.

One week ago, on Martin Luther King Jr. Day, our country swore in President Barack Obama for the second time. As President Obama's addressed the Nation, he pledged to the country we would "move forward together."

This is an idea I have talked about many times in these Chambers, and today I relay the same message of unity. As leaders, we must show our people by actions how we can work as one unit.



They put their trust in our abilities as we begin this New Year, and with the new snow this morning, let us work as one for the strength of our people.

We are in one of the most challenging times of our country's history. The country is in debt unlike any before. The entire public debt is \$16 trillion. To give you an idea of how much money that is, if we were to spread out 16 trillion one dollar bills, we could cover the states Florida, Delaware and Rhode Island. Making matters more difficult, this past fiscal year, the United States government outspent its revenues by \$1.6 trillion in just one year.

For the past year, I have been talking about the possibilities of reduced federal funding, and we are in the midst of that now. Last September, Congress passed a Continuing Resolution for fiscal year 2013. The resolution will expire in March. At that time, we will be halfway into our fiscal year. The uncertainty of cuts to our programs that deliver direct services is cause for concern, which is why I have advocated for fiscal responsibility.

The Navajo Nation Washington Office advised of potential across the board program budget cuts. Some federal programs could see cuts as high as 11 percent.

It is important to share this with you so we can continue working together to protect our people. As we look ahead, our own



revenues may be affected in the next fiscal cycle. We could lose as much as \$20 million for FY 2014.

A year ago, I recommended that we save \$20 million in the Undesignated Unreserved Fund Balance to help us in times of reduced funding. Though the \$20 million has been greatly reduced, we must still practice fiscal constraint in these unpredictable times.

Having this in mind, we must redefine our economic principles. We can no longer sit in the passenger's seat of receiving royalties and taxes, while others dictate our direction. I am proposing new initiatives that will broaden our outlook and create new opportunities to benefit our people.

This Spring, we will recommend legislation that will create the Narbona Growth Fund, a holding company that gives the Nation the means to create an unlimited number of companies and investment opportunities.

We are building the fund as a corporate structure so the Navajo people are the preferred stockholders. The Navajo Nation will hold common stock. All enrolled Navajo members will be preferred stockholders, just like corporate stockholders.

New companies formed under the Narbona Growth Fund will gain access to tax breaks only offered under the fund. The Navajo Nation will benefit from this new stream of tax revenue.



We will recommend this initiative before the Naa'bi'iyati' Committee by spring with goals to have the full Council vote on the measure in the Summer Session.

Another project we are beginning for our economic future is a port authority. We are working side by side with Burlington Northern Santa Fe railroad to build a trans-loading rail facility, the first of its kind in the southwest. The port authority will create an opportunity to load rail cars and ship the products on the Trans-Con railway. The project is near ready for our investment committee review and, upon approval, construction will begin this Summer. Burlington Northern Santa Fe plans to invest \$5 million in this first stage of our Navajo Port Authority.

Members of the Council, we aimed to make technology a priority. Last month we opened the first data center on the Navajo Nation in Shiprock through our infrastructure technology plan. It is part of the American Recovery and Reinvestment Act we began in 2009, as we compiled our own stimulus recovery plan. We are now open for business with a hi-tech data center in a secure environment. It is the first Network Operating Center, which created 10 new technology jobs. We anticipate more jobs to be created.



Our new center will serve as the HUB for our new Long Term Evolution technology for voice and data needs. In other words, it serves wireless phones, iPads, laptops, or any mobile communication device. Moreover, the data center will be open for companies across the country that want to store their data, or mirror their large computer servers. Welcome to the technology age. We have just crossed over into the Information and Communications Technologies era here on the Navajo Nation in joining the rest of the world.

Part of our redefining our economic mindset means a new outlook on energy. Next month we are opening the doors of a solar panel manufacturing-assembly facility in Fort Defiance that when fully operational will employ more than 400 workers. A Navajo-owned and operated business will produce thin-film solar panels around the clock. The first shipment of panels have been ordered and when the order is filled, the panels will be destined for Singapore. Meanwhile we will sell our Navajo made panels to markets in Mexico and the United States. The solar panels make renewable energy a reality, just one of several areas we are making good in our energy commitment.



As I speak of redefining our economic agenda, we must also work to create opportunities for some of our longer standing energy developments.

Navajo Oil and Gas has taken the lead role in our oil and gas production. We have an obligation to them. Their success is vital as oil and gas remains a dominant force in the global economy. Leases to drill exploration wells takes three years and more to be approved, which only hinders the company's chance at growth. We are going to propose a plan that can cut that the lease approval time by more than half by granting them standard terms and allow them more latitude to pick and choose areas for exploration. This plan will stay consistent with responsible exploration and have proper oversight. Let's remove unnecessary restrictions that impose limitations. More timely explorations will increase oil production easily adding more jobs, more revenue, and commensurate tax increases.

As we continue to build economic strength, we must also redefine how we tax businesses. Years ago, we implemented a tax and revenue structure when coal mining companies would not sit at the table to negotiate. We added a Possessory Interest Tax to our law, mostly to leverage an equitable revenue stream. This gave us the ability to exercise our sovereignty.



Times have changed as our nation has grown. More Navajo businesses are entering into renewable energy development, taking advantage of federal tax breaks and incentives. We can greatly assist their efforts by amending the Possessory Interest Tax to alleviate the tax burden they face during their start up and development years. We can find other ways to make it work—a solution for our businesses—and for our tax revenue generation. Our businesses need help so they can become a sustained contributor to the economic health of the Navajo Nation.

We are finishing up the proposed Navajo Nation General Leasing Regulations for your consideration and approval. Congress granted us power to lease trust land without federal approval. We have been working for the last five years to develop a title plant at our Land Department to assume total control of how we record titles, homesite leases, grazing permits, businesses leases, communication towers and all forms and uses of land. With the use of this new system, we will be able to use technology to upload and download information, with chapters having immediate access. Even individual Navajos will have the ability to use their smart phones to access, upload, and download homesite lease and grazing permit information. I am in full support of the supplemental budget



request of \$1.5 million to implement the Navajo Land Department title plant.

Members of the Navajo Nation Council, you have heard and read many reports about federal dollars being returned to the United States Treasury. Reversion of Funds became a popular phrase last year. There have been so many different dollar amounts stated, some even as high as \$124 million. It's our responsibility to examine these discrepancies more closely. We have found that the Office of the Controller has not filed fiscal reports to the federal government on behalf of tribal programs. Our Historic Preservation Department has lost more than \$600,000 due to a report filed five years late. The National Park Service is now declaring our Historic Preservation Department *ineligible* for funding this year. Cash deficits have gone un-reconciled since 2002, the Navajo Housing Authority has not reimbursed the Navajo Nation some \$7 million, and federal dollars have not been drawn down.

The Controller describes \$41 million as closed accounts for fiscal years 2008 through 2012, and states the funds have gone back to the states or federal government. Yet the fact is, many of these funds are cost reimbursements. The Navajo Nation spends Navajo Nation funds and awaits either the state or federal government to



reimburse the cost. To say that \$41 million has gone back to the respective governments is completely inaccurate.

Here's another discrepancy: Of the \$124 million cash deficit, the Controller has not drawn down some \$50 million. We learned that \$33 million is for the construction of public safety facilities in Tuba City and Kayenta.

The Controller's office is already understaffed, and yet he eliminated 10 positions this fiscal year. There are no internal procedures. Programs are prevented from using the full fiscal year for spending, a limitation the Controller has imposed, above the federal government. The Controller imposed limitations to keep programs from using their full funded amount from the states or federal government. On Friday, I just learned that 198 of our staff at Social Services were not paid. This occurs regularly.

Since 1989, changes in the government that were meant to be temporary have impaired our ability to govern efficiently. With your assistance in making changes to the law I will have the ability to make important fixes and take responsible control of these fiscal discrepancies.

On behalf of Vice President Rex Lee Jim and I, and the executive branch of government, I thank you for receiving these challenges



and the state of our nation. We support you in this winter session as you deliberate on the important work before you.

Let's work together this year to help our Nation grow stronger. Our people deserve strong leadership.

May the Holy People guide you with wisdom and determination for the Navajo Nation. Ahe'hee'.