

THE STATE OF THE NAVAJO NATION
President Ben Shelly and Vice President Rex Lee Jim



*The Five Pillars of Nation Building
Providing Stability and Accountability for the Future of the Navajo Nation*

Presented to the
22nd Navajo Nation Council
January 27, 2014



LEADING THE NAVAJO NATION TO STABILITY AND TRUE SELF-DETERMINATION

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When the Shelly-Jim Administration took office in 2011, the Navajo Nation was in the red and we rolled up our sleeves and took ownership of the daunting task of bringing economic solvency back to the Nation. Today, we are happy to report that the Nation is in the black and the Undesignated Unreserved Fund Balance now has over \$8 million in its coffers to provide resources for any unforeseen emergencies. This was the result of exercising the line item veto to keep our fiscal house in order.

Some of these measures were unpopular, but we had to maintain a hardline approach to the dark clouds of federal sequestration and decreasing royalties looming over the Nation. As leaders, we are charged with the responsibility providing for our people, similar to our Navajo ranchers overseeing their ranches. Ask any of our elders about the important responsibility and livelihood of raising livestock for a living. They will tell you this duty requires patience, love and above all, commitment. The Shelly-Jim Administration is committed to the Navajo people.

The Navajo Nation has always had to adapt and survive with less to provide direct services to our people. We have done this through partnerships and leveraging funds with tribal, state and federal agencies. We have done this through true self-determination. Job creation and economic development remain at the forefront of our efforts, especially since we must now face the harsh reality that the once steady stream of revenues pouring into the Navajo Nation General Fund from our mineral royalties are beginning to dry up. We must think outside the box and find progress in the oldest of Navajo philosophies: *T'áá hwó ájit' éego*.

There are five pillars of nation building we have focused on since we took office. We believe these pillars are the foundation for continuing to house our tribal government for the years to come. The platform of the Shelly-Jim Administration sits atop these pillars and although we have completed much work in collaboration with the 22nd Navajo Nation Council, there is still much more to be done as we look into the horizon.

PILLAR 1

Infrastructure Development

The Navajo Division of Transportation remains committed to paving a solid infrastructure for the Nation's 14,733 miles of roads. Seventy-six percent, or 11,352 miles, are unpaved. The reality of maintaining these roads is an expensive task and NDOT has entered into several partnerships with counties in Arizona, New Mexico and Utah to address this task.



2014 is the second year NDOT has executed the direct funding agreement with the Federal Highway Administration. Through this agreement, there are no external funding reversions or losses from unspent funds. Instead, every dollar of the \$10 million provided is utilized for transportation planning and road maintenance. Furthermore, the direct funding agreement provides true self-determination for the Nation in prioritizing our road projects for the future.

In Nov. 2013, the Torreon Road Project was completed and was the only TIGER grant project selected for the State of New Mexico. This \$3.3 million project has improved over seven miles of road, which was previously potholed and dangerous for travelers, especially school children riding on the bus. This was a partnership between NDOT, Sandoval County and the federal government to address deteriorating infrastructure in the heart of the northwestern N.M. community.

There's more to infrastructure development than just roads, however. Some of these efforts truly provide for the future of the Nation. Like the work performed by the Facilities Maintenance Department. Under the guidance of the Division of General Services, the department worked with Navajo Head Start to address facilities in need of major repairs at Navajo Mountain, Lupton, Pinon and Pinedale. The facilities must be safe and sanitary for the benefit of our Navajo school children beginning their education.

The Division of Health has also provided infrastructure development through health care facility construction. Five Navajo projects are on the Indian Health Service national health care facilities construction priority list, including health centers in Bodaway-Gap, Dilkon, Gallup, Kayenta and Pueblo Pintado. The Kayenta Health Center project is under construction and received a total of \$96.6 million in federal funding. \$18.6 million was received in the past quarter and the project is 65 percent complete. In addition to infrastructure development, this project has also created jobs and economic development, with an 80 to 90 percent Navajo workforce.

The Division of Economic Development has also stepped forward with infrastructure improvements, although the entirety of their contribution isn't based on new development. One such project was the cleanup of the former Navajo Forestry Products Industry site located in Navajo, N.M.

For decades, the vacant structures have withstood the forces of nature and slowly deteriorated with time. Not only were they an eyesore, but a safety liability. The old buildings at NFPI have been dismantled and shipped out to recycling centers in California. The concrete structures still remain and work continues with the crushing of remaining concrete for recycling as well.

Division of Economic Development is also moving forward with plans for construction of the Thoreau Industrial Park Railhead. A Navajo owned company, Blue Horse Energy, LLC has been selected to provide development, operations, financing and management of the operation, which



is slated to begin in June 2015. This will be a major victory for the Nation upon completion. Other infrastructure developments include the continuation of Public Facility Projects funded by Navajo Abandoned Mine Lands. Under the umbrella of the Division of Natural Resources, Navajo AML continues to provide infrastructure development for communities on the Nation that were impacted by mining. Previously, the funding ceiling amount from AML for PFP projects was \$300,000 but that figure has been increased to \$400,000. PFP funding proposals for FY 2014 have been reviewed and scored by the PFP Committee and these projects are scheduled for development.

The Mariano Lake Chapter waterline and water system improvement project is underway and currently going through the 164 Review process. Another PFP project, the FY 2010 Cudei Chapter Home for Women and Children, is in the construction phase. For FY 2011, the Round Rock Chapter completed a pre-construction meeting and is moving forward with their PFP project. In 2013, the Crystal Chapter Multipurpose Building was issued a conditional certificate of occupancy by Design and Engineering Services.

For FY 2012, the Whitehorse Lake Chapter northeast waterline extension is under construction, as is the Supervisory Control and Data Acquisition project. FY 2013 PFP projects include Leupp parking lot and power line extension projects for Ganado, Steamboat, Tonalea, Tuba City and Wide Ruins. Other PFPs include the Cameron modular building infrastructure site development, Tachee-Blue Gap road improvement, Teec Nos Pos waterline extension, and the Mexican Water Senior Citizens Center. Six chapter projects for FY 2014 were recommended for Indian Wells, Red Lake, Smith Lake, Tiis' Tsoh' Siikaad, Tohajilee and Tselani-Cottonwood.

PILLAR 2

Economic Prosperity and Job Creation

The Division of Human Resources plays a vital role in stimulating the Navajo economy with the creation of jobs. The division stood at the forefront of legislation passed by the 22nd Navajo Nation Council to eliminate the equivalency standard for employment with the Nation and thereby opened the door for college educated Navajos for employment. Additionally, the Navajo Department of Workforce Development continues to provide employment and training for Navajo citizens. A total of 1,266 program participants were enrolled in the three Workforce Development programs this quarter.

The Division of Economic Development also has a major role for the pillar of Economic Prosperity and Job Creation. One exciting development is the Smith Electric licensed manufacturing effort. Smith Electric is an electric car manufacturing company from the United Kingdom. They are seeking international expansion for licensed manufacturers and the Navajo Nation has the opportunity to be a licensee in the U.S. The Dine' Development Corp., a wholly owned holding company of the Navajo Nation, is positioned to take the lead on this development.



The Division of Public Safety has also provided contributed to Economic Prosperity and Job Creation, in particular, their efforts with the U.S. Department of Justice for the drawdown of funds. Through efforts from the past two quarters, Division of Public Safety was able to drawdown \$52 million for USDOJ grants to reimburse the Nation for funding invested on the construction cost of new public safety buildings. The construction of those buildings created jobs in addition to new building infrastructure.

The Division of Health also provided opportunities for the Nation under this pillar. Specifically, the Office of Uranium Workers assisted Navajo uranium miners, millers, ore transporters, down-winders and their survivors through applications for Radiation Exposure Compensation Act benefits and required documentation for eligibility. The office successfully processed claims for 10 individuals that received \$1,045,000 collectively in compensation over the past quarter.

Additionally, the division's memorandum of agreement between the Navajo Nation, City of Gallup and McKinley County for the Gallup Detoxification Center was signed on Oct. 24, 2013. This provided the framework for the Department of Behavioral Health Services to assume operation of the center and continue providing direct services to individuals suffering from alcohol and substance abuse disorders. The department implemented an integrated approach to address behavioral and mental health issues.

According to Indian Health Service, Native Americans are significantly more likely to report past year alcohol and substance abuse disorders than any other race. Suicide rates for Native Americans are 1.7 times higher than all other races in the U.S. Additionally, domestic violence rates are alarming, with 39 percent of Native American women experiencing intimate partner violence, which is the highest rate in the U.S.

The Office of the Navajo Tax Commission is the primary revenue source for the Nation's success under this pillar. For FY 2014, the total tax revenue for the first quarter totaled \$35,812,548. From this amount, \$25,574,016 is earmarked for the Navajo Nation General Fund and equals 35 percent of the General Fund revenue projection.

PILLAR 3 *Healthy Lives*

The Navajo-Hopi Land Commission Office has advanced this effort through rehabilitation and recovery work in the Former Bennett Freeze Area. Specifically, they have worked with Navajo Housing Authority for a NAHASDA grant to conduct a housing assessment and development of a housing plan. Additionally, the office worked in the former Join Use Area to produce a new scope of work for the project of 48 homes in the Hopi Partitioned Land region.

It goes without saying the Division of Health takes the lead for this pillar of Healthy Lives. Through



their efforts, the Navajo Nation Health Survey ended data collection on Oct. 31, 2013 for the Central Agency. A total of 713 completed surveys and samples were collected. The survey had 199 questions on various health behavior indicators. Phase II of the data collection study is slated to begin in the Northern and Eastern Agencies in the summer of 2014.

The division is committed to protect the health, wellness and safety of Navajo individuals, their families and communities. The Kayenta Public Health nursing program provided direct services to 5,000 people in the surrounding communities, which included flu vaccinations, school health screenings and patient education. The Breast and Cervical Cancer Prevention Project provided services to 7,328 women with mammogram and cervical cancer screenings and education on breast, cervical, ovarian, colorectal and prostate cancers.

On Oct. 24, 2013, the Public Health Emergency Preparedness Program facilitated the Navajo Nation Prophylaxis Functional Exercise, a Navajo Nation-wide functional exercise. The objectives were to train and establish Point of Dispensation teams, build operational POD sites, and test communications at six sites. The Navajo Nation Public Health Command Center was operational from St. Michaels, Arizona and communicated with the six sites to dispense antibiotic pills during an anthrax exposure incident. Overall, the exercise was a success.

From Oct. 20-26, 2013, the Running for a Stronger and Healthier Navajo Nation was held at various chapters across the Navajo Nation. The event netted 200 runners, 1,500 walkers, and over 2,000 community members receiving health education. Navajo Nation Vice President Rex Lee Jim spearheaded this event and ran a majority of the route to promote wellness among Navajo people.

Division of Public Safety also contributed to the health of the Nation through efforts from the Drug and Gang Unit to seize illegal drugs. The unit conducted 40 drug and alcohol distribution operations throughout the Nation. The operations resulted in seizure of five marijuana plants, 600 grams of processed marijuana, 45-ounces of methamphetamines, two oxycodone pills, and arrests of 27 individuals under federal distribution and possession charges. The street value of the seized contraband was \$10,000.

Division of Natural Resources was another contributor to the Nation's health. The Department of Fish and Wildlife disposed of 3,913 animals, investigated 118 animal bite cases, investigated 87 incidents of livestock damage, and completed 321 rabies vaccinations. Additionally, the Animal Control Program conducted an animal sweep at Ojo Amarillo NHA housing and impounded 57 animals and issued 13 animal control citations for failure to restrain animals.

Additionally, the Department of Water Resources repaired 26 equipment items used for drilling construction, repair and maintenance purposes. They also inspected and repaired 106 windmills, rehabilitated five earthen dams for livestock and installed two 4,000-gallon water storage tanks



in Lake Valley and St. Michaels. Three troughs were also installed in Dilkon Chapter areas. The Department of Resource Enforcement assisted with the feral horse roundup in the Chinle Agency. Since July 29, 2013, a total of 1,778 horses have been seized in the horse roundups across the Nation and have either been returned to their rightful owners, put up for adoption, or sold.

PILLAR 4

Open and Accountable Government

We have worked hard in the area of providing transparency through maintaining an Open and Accountable Government. When the Shelly-Jim Administration first took office, we held numerous town hall meetings across the Nation for the development of our energy policy and to hear the concerns of our citizens on other issues. We continue progress in this area and the movement toward decentralization is an ongoing effort.

The Division of Community Development hosted Local Governance Support Center decentralization meetings in all five agencies over the past quarter. The decentralization effort was a directive from the Budget and Finance Committee on July 5, 2013 and is memorialized through Navajo Nation Council Resolution No. CS-47-13. \$3 million was allocated for DCD to form a task group and develop an action plan for decentralization.

The plan is to decentralize the five LGSC offices into 16 Administrative Service Centers that will provide chapters with legal services, financial accounting, build capacity for Local Governance Act certification, and assist with planning, completion, operation and maintenance of chapter projects. Presently, there are 34 LGA certified chapters and the decentralization effort will address this disparity.

The Administration Service Centers will be focused on four areas, the Five Management System, Project Management, Post LGA Certification and Professional Development. DCD utilized information from the Office of the Auditor General LGSC performance audit, Pacific Western Technology organizational study, Arizona State University land use planning study, and Harvard University LGA post certification study to develop the decentralization plan.

Focusing on Open and Accountable Government, the Navajo Division of Transportation hosted the NDOT Chapter Work Session in Nov. 2013 and provided transportation information from NDOT departments, Bureau of Indian Affairs and counties to provide data for direct services. The two-day work session included financial information from the Office of the Controller, Employee Benefits Program and Risk Management.

The Division of General Services provided Open and Accountable Government through efforts from the Fleet Management Department. Fleet Management held three meetings of the Motor Vehicle Review Board and issued 19 notices to appear and five second notices to appear for supervisors



that did not respond to vehicle abuse and misuse complaints. They are currently reviewing 64 such complaints.

The Division of Natural Resources and the Navajo Land Department have worked hard on the Navajo Nation General Leasing Act, which is currently under review by the Secretary of the Interior. The provisions in this Act will bring the Nation closer to true self-determination in exercising leasing authority over home sites, grazing, business sites and more. The General Leasing Act streamlines several bureaucratic processes the Bureau of Indian Affairs once had authority over.

In tandem with the Act is the implementation of the Navajo Land Title Data System by the Navajo Land Department. This new database again streamlines tribal processes related to land through technology. By making data available digitally, it also eliminates costs and waste associated with paperwork that is often lost or misfiled in some instances. The database is also a foundation and model for other tribal departments to begin automating their direct services.

The Office of the Controller completed the Sales Tax Form 600 for 2013 and submitted it to the Navajo Tax Commission on a quarterly basis. The Controller is also calculating carryover and encumbrance amounts for the Navajo Nation General Fund for the FY 2013 closeout. Additionally, they are conducting adjustments to Indirect Costs for all open business units based on the negotiated IDC cost adjustment for FY 2009-2013. For the current period the IDC rate of 16.95 percent is being utilized.

OOO also pursued the closing of the NTUA \$2.8 million loan, which is in the final stage of review before the drawdown of funds. A daily deposit total of \$18,546,599.53 was recorded for the quarter ending Dec. 31, 2013. A total of 12,912 cash receipts and 559 ACH receipts were recorded. The total revenue for the first quarter ending Dec. 31, 2013 was \$309,548,204.48 for the Nation.

PILLAR 5

Educational Opportunities

The Division of Dine' Education provided outreach to all five agencies of the Navajo Nation. These efforts included after school programs, tutoring services and field trips focused on physical activities, Toys For Tots distribution and academic achievement.

We encourage fostering Dine' bizaad and incorporating our language and culture into the education of our children. This is important because it provides our kids with self-identity through Ke' and our parents and grandparents must be proactive in this effort. The future of our Navajo Nation depends on it.

The State Tribal Education Partnership Grant provided an exchange of academic performance data between the Navajo Nation, two school districts and one state agency – Gallup McKinley



County Schools, Central Consolidated School District, NM Public Education Department – for data collection.

The foundation of Indian education is reading. To this end, the Office of the Navajo Nation Library received books from the Reader-to-Reader Organization in Oct. 2013 and distributed 7,888 books to the NNL, 2,000 books to the Office of the First Lady, 6,501 books to St. Michaels Indian School, 120 books to Hopi Junior and Senior High School, 621 books to Jeddito School, 122 books to St. Bonaventure Mission School, 100 books to Navajo Pine High School, 175 books to the Thoreau Community Center, and 2,000 books to Chinle Head Start.

The Dr. Kenneth F. Gose Scholarship Award was presented to Kathi Stanford, a teacher and librarian at Red Mesa High School. As 2013 Teacher of the Year, she presented a common vision for higher expectations among students, faculty and the education community; demonstrated a record of significant and distinguished contribution to the education profession; provided a lasting positive impact on student learning; and demonstrated a significant professional contribution.

We held several meetings and requested updates from administrators of Navajo Head Start, in order to bring the program into compliance with federal policies. Lingering issues from past audits need to be corrected and we firmly stand committed to addressing these deficiencies. The ultimate goal is to provide our young Navajo students with a safe and sanitary learning environment for their formidable years of learning. Media accounts of our oversight in these areas have been sensationalized and only increase the capacity for excuses in bringing the program into compliance.

These five pillars have given stability to the Navajo Nation for the first quarter of FY 2014. We will continue to build upon this foundation for continued success in the years to come. The Shelly-Jim Administration continues to work closely with our Navajo Nation divisions, departments and programs to streamline services through technology and maintain a strong foundation for our future.

These pillars for building our nation will foster partnerships, stimulate our economy and sustain employment for our Nation. We continue to work with the Council to bring these important projects to reality. A decade ago, nobody on the Nation or the country would have ventured a prediction that we would one day own a coal mine and secure the future of one of our most abundant natural resources. By working together, we have succeeded in this dream and other goals. Ahe'hee.



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