

CHAPTER BUDGET POLICIES

I. Purpose and Scope

- A. The Chapter Budget Policies (CBP) of the Navajo Nation are established to ensure all funds appropriated by the Navajo Nation are managed and expended in accordance with applicable Navajo Nation laws, policies, fund management plans, and the Chapter's Five Management System (FMS).
- B. The CBP applies to all Administrative Staff and Chapter Officials for all 110 Chapter governments as defined in the Local Governance Act (LGA), 26 N.N.C. §§1 et. seq.
- C. This CBP shall be interpreted in a manner consistent with the Chapter Budget Procedures (Appendix M of this BIM) and the ASC Plan of Operation, as amended.

II. Budget Policies Applying to All Chapter Funds

- A. Chapters shall adopt Fund Management Plans for all other Chapter fund accounts except where there are specific budgets policies showing allowable and disallowable expenditures in Section IV herein.
- B. All Chapters shall maintain a file containing all of the laws, regulations, policies, fund management plans, and plans of operations referenced in this CBP.
- C. Chapter Budget Changes.
 - 1. As a general rule, all Chapter fund accounts are restricted funds for its intended purpose. As such, funds appropriated by the Navajo Nation Council (NNC) are to be maintained in separate budgets or accounts and those funds cannot be comingled. For example, if the Navajo Nation Council appropriates funds for "stipends," those funds can only be used for that purpose. This includes carry-over budgets unless the NNC expressly authorizes its use for a different purpose.
 - 2. Unless authorized, Chapters are prohibited from reallocating funds. A budget reallocation means redesignating appropriated funds from one fund account into another fund account (or placing into a newly created account).
 - 3. Chapters may transfer funds within the same fund account after:
 - a. the S/T or CM/CSC presents a budget transfer request to the membership for approval; and
 - b. the budget transfer is approved by resolution at a Chapter meeting.
- D. All Chapters are responsible for implementing any Conditions of Appropriations (COA) approved by the Navajo Nation Council and the Navajo Nation President.
- E. Investments of Chapter funds are prohibited.
 - 1. The Navajo Nation's Master Investment Policy (BFJN-17-15 as amended) governs the investment of all Navajo Nation Funds and empowers the Navajo Nation Investment Committee with certain delegated authorities. Chapters have not been delegated any authority to invest funds.
 - 2. Any planning of investing Chapter funds shall be presented to and reviewed and approved by the Navajo Nation Investment Committee and the Budget and Finance Committee of the Navajo Nation Council. Under 2 N.N.C. § 300(C), the Budget and Finance Committee of the Navajo Nation Council has oversight over investments.
- F. As provided for under 26 N.N.C. §103(G), no Chapter funds can be used to grant monetary loans or provide per capita distributions to the Chapter Membership.
- G. LGA certified Chapters may receive funds directly from the Controller without having to go through the ASC or DCD by submitting their own request for funds except:
 - 1. fiscal year budget allocations; and
 - 2. when expressly provided in a NNC or Standing Committee resolution.

III. Administrative Expenses

- A. All non-governance certified Chapters and those Governance Certified Chapters that have not adopted their own policies shall abide by the following Navajo Nation Policies:
- 1.The rates, schedules, and other policies for personnel, salary, fringe, and payroll taxes as provided on the Navajo Nation Department of Personnel Management's website, <http://www.dpm.navajo-nsn.gov/home.html>
 - 2.Navajo Nation Travel Policies and Procedures, <http://www.nnooc.org/TravelInfo.html>
 - 3.Insurance services, see <http://www.isd.navajo-nsn.gov/index.html>
 - 4.Workers Compensation, see <http://www.isd.wcp.navajo-nsn.gov/>
 - 5.Navajo Nation Motor Vehicle Operator's Handbook, see https://www.fleet.navajo-nsn.gov/pdfs/MVOH%20Revision%20061720_opt.pdf
- B. As required in 26 N.N.C. § 2004(D), all 110 Chapters shall participate in the Navajo Nation's insurance and employee benefit programs. In the event that a Chapter elects not to participate, the Chapter shall obtain equivalent coverage from a separate carrier.

IV. Expenditure by Fund Types

- A. Chapter Activities General Fund (Fund 01)
- 1.Chapters shall develop a Fund Management Plan expressing the allowable and disallowable uses of this Fund.
 - 2.Any allowable expenditures shall be for a governmental purpose.
- B. Chapter Personnel Fund (Fund 02)
- 1.Only governance certified Chapters shall receive the full allocation of personnel funds.
 - 2.Personnel funds for non-governance certified Chapters will be administered by the Division of Community Development because the CSC and AMS are Navajo Nation Executive Branch employees within the organization of the ASC.
- C. 1982 Chapter Claims Fund (Fund 03)
- 1.Per 12 N.N.C. § 1143, the accrued interest from this Trust Fund is distributed to Chapters annually.
 - 2.Per 12 N.N.C. § 1144, each Chapter determines the most appropriate use of this Trust Fund allocation, but such uses must be for the common benefit of chapter members and for general economic development.
 - 3.Allowable expenditures are as follows:
 - a.supplies such as office/operating supplies, office equipment, and office furniture;
 - b.utility expenses such as electricity, water, sewage, solid waste, natural gas/propane, and telecommunication (telephone, cellular, or internet) for established Chapter accounts;
 - c.construction, repair, and maintenance of Chapter and community facilities;
 - d.capital outlay and matching funds such as community roads, electrification, water development, dam/reservoir projects, land development, conservation, landscaping, solar, and other related infrastructure projects;
 - e.heavy equipment such as industrial machines, tractors, vehicles, large/small machinery, and tools. Chapters shall develop policies and maintenance plans.
 - f.livestock expenses such as vaccinations, veterinary supplies, branding, livestock equipment, agricultural and irrigation restoration.

g. community events such as community dinners, catering services, entertainment, recreational development, and arts and crafts projects.

h. fees and expenses for Professional Service Contracts justifiable under 12 N.N.C. § 1144. The Navajo Department of Justice has developed contracts for use by governance-certified Chapters and non-governance certified Chapters. Non-governance certified Chapters cannot execute a contract on their own and must work with ASC to process a contract through the 164 Review Process for execution by the Navajo Nation President.

4. Prohibited expenditures are as follows:

a. personal expenses such as personal purchases, personal loans, individual community member projects, individual assistance, welfare, travel, gifts, gratuity, and individual promotional expenses.

b. Chapter Committee expenses such as trainings, stipends, travel, and consultant expenses.

c. Tribal vehicle rentals.

d. political expenses such as campaigning and political contributions.

e. payments for penalties such as fees and fines.

f. personnel expenses such as wages, fringe benefits, and taxes.

D. Summer Youth Employment Fund (Fund 08)

1. In Resolution No. TCDCMY-43-01, the former Transportation and Community Development Committee (TCDC) created a standard policy and procedure for Chapters to administer youth employment programs. TCDCMY-43-01 is used when Chapters lack policies and procedures of their own. Chapters shall consult with DOJ when developing their own policy if the Chapter policy will deviate in any way from TCDCMY-43-01.

2. This fund may also be used for internships and enrichment activities for students in middle/high school, college, vocational and technical programs.

3. Generally, this Fund is replenished by an approved Supplemental Appropriation.

E. Housing Discretionary Grant Fund (Fund 09)

1. Historically, these funds were administered by DCD but as recognized in the TCDC Resolution No. TCDCMA-20-01, Chapters began administering this fund in 1998. A copy of the TCDC resolution can be obtained from the ASC or DOJ.

2. TCDCMA-20-01 approved a template for a Housing Discretionary Fund Policy and Procedure. TCDCMA-20-01 also allowed Chapters to adopt their own policy. Chapters lacking their own policy shall follow TCDCMA-20-01.

3. Chapters shall consult with DOJ when developing their own policy.

F. LGA Grant Fund (Fund 10)

1. This Fund is for the development and implementation of a Chapter's Five Management System, as well as, for the development of Community Land Use Plans.

2. Allowable expenditures are as follows:

a. payment for specialized consultant services such as accountants and land use planners.

b. expenditures for training, travel, equipment, supplies and purchase of governmental accounting software.

c. stipends for Community Land Use Planning Committee members not to exceed \$125.00 per meeting. Federal tax withholdings will be deducted using Internal Revenue Service (IRS) Form W-4.

d. audit services.

e. pre-LGA certification and post-LGA certification activities.

G. Chapter Official's Stipend Fund (Fund 12)

1. Upon receiving notification of the annual base allocation, the Chapter shall allocate sufficient funding for stipends of the Chapter President, Chapter Vice-President, and Chapter Secretary/Treasurer for twelve (12) regular meetings and twelve (12) planning meetings for each Fiscal Year. These stipends are Fixed Costs.

2. If sufficient funds are available or the Chapter has available carry-over funds, Chapters may allocate stipends for other meetings in the following order of priority:

a. Emergency Chapter Meetings;

b. Special Chapter Meetings;

c. Agency Council Meetings;

d. District Council Meetings;

e. Regional Council Meetings.

3. Chapters may also allocate stipends, subject to funds availability, for Chapter committee members in accordance with the committee's plans of operation approved by the Membership. The allocation shall also be approved by the Membership.

4. The Chapter is required to plan for applicable insurance premiums including workers' compensation.

5. Chapter Officials shall be compensated in strict compliance with 26 N.N.C. § 1002.

H. Student Scholarship Fund (Funds 13 and 14)

1. The Comprehensive Budget Resolution No. CS-79-98 for Fiscal Year 1999 provided an independent grant of authority to allow all Chapters to administer certain Navajo Nation funds. Subsequently, the Budget and Finance Committee passed Resolution BFO-140-98 that, among other things, allowed Chapters to administer Chapter Scholarships. Chapters are obligated to manage and expend such funds in accordance with the applicable policies and procedures of the Office of Navajo Nation Scholarship and Financial Assistance Program, Chapters One and Two, and Chapter Three, Subchapter Two, Article 24.

2. Notwithstanding, Chapters may develop their own scholarship policies but such Chapter policies must be approved by DOJ.

I. PEP Fund (Fund 15)

1. After Chapters began administering the Navajo Nation Public Employment Project Funds, the former Transportation and Community Development Committee (TCDC) passed resolution TCD-111-00 which approved standard policy and procedures for use by all Chapters. A copy of this resolution can be obtained from ASC or DOJ.

2. TCD-111-00 allows Chapters to develop their own PEP Policies and Procedures. Such Chapter policies must be approved by DOJ.

J. Emergency Fund (Fund 17)

1. This fund may be used for:

a. expenses in developing an Emergency Management Plan; or

b. expenses resulting from an emergency after an emergency has been declared by the Navajo Nation Department of Emergency Management and the Navajo Nation President, which declaration directly affects the Chapter community.

2. Emergency Planning:

a. In 2017, the Resources and Development Committee approved Resolution No. RDCMY-47-17 that requested and directed all Chapters to develop an Emergency Management Plan.

b. This fund may be used to develop a comprehensive Emergency Management Plan that takes into consideration elements of mitigation, priority of expenditure, emergency response including high risk

medical situations, road closures, food and water supplies, livestock feed, fuel for heating and cooking, and emergency shelter.

c. An emergency declaration is not required to conduct emergency planning.

3. Declarations of the State of Emergency:

a. Under 2 N.N.C. §884(B)(1), the Navajo Nation Commission on Emergency Management, with concurrence from the Navajo Nation President, has exclusive authority to declare all states of emergency affecting the Navajo Nation or any section thereof. Any Chapter requesting such declarations shall work with the Division of Community Development and the Commission on Emergency Management.

b. Once an emergency declaration has been issued for the affected Chapter, the Chapter does not need to issue a separate emergency declaration as the Chapter is not legally authorized to do so.

c. Once an emergency declaration has been issued for the affected Chapter, the Chapter may use the emergency procurement procedures to purchase goods and/or services necessary to address the emergency situation.

K. Sales Tax Revenue Fund (Fund 23)

1. In 2002, the Budget and Finance Committee (BFC) passed Resolution No. BFD-191-02 that created the "Navajo Nation Sales Tax Trust Fund Plan of Operation for Distributing Funds." This was subsequently amended in 2017 by BFC Resolution No. BFMY-19-17.

2. This Fund is for infrastructure, economic development, and other governmental purposes.

- a. Infrastructure is defined as facilities and a system needed to service the geographic region served by each Chapter. This includes facilities and systems needed to support the local economy and includes roads, bridges, tunnels, water supply, sewers, electrical systems, telecommunications systems, and fixed structures such as buildings.
- b. Economic development is defined as efforts which lead to increased well-being and quality of life for a community through job creation and job retention as well as expanding the tax base in the local community.
- c. Governmental purposes are defined as purposes that advance the needs of the community by providing services or benefits to the community as a whole. Benefits or services to individual community members do not meet the definition of a governmental purpose. Under this definition stipends or meeting attendance fees are disallowed. However, stipends for the Community Land Use Planning Committee (CLUPC) are allowed since the nature of the stipend is that the work done by the CLUPC members are for the benefit of the entire community. Additionally, the purchase of agricultural products as well as motor vehicles and heavy equipment is allowable provided the use will be for the community as a whole and not for the benefit of an individual community member or a specific class of community members.

3. Allowable uses of this Fund include:

- a. strategic planning for infrastructure, economic development, or other governmental purposes.
- b. infrastructure development such as land clearances and surveys.
- c. community beautification;
- d. capital improvement plan development and administering capital improvement projects;
- e. Community Land Use Plan development such as open space plan development; community facilities plan development; and thoroughfare plan development;
- f. stipends for the Community Land Use Planning Committee (CLUPC) members;
- g. costs associated with administering land including ordinance preparation, zoning, administering home and business site leasing authority, land withdrawals, eminent domain, taxing, bonding, and regulating;
- h. purchase of agricultural products;

- i. purchases of motor vehicles and heavy equipment; and
 - j. travel expenses associated with carrying out these allowable expenditures.
4. Prohibited uses of this Fund:
- a. training and instructional expenses;
 - b. stipends other than those allowed for CLUPC members;
 - c. gifts, gratuities, and promotional items;
 - d. payment of any penalty including late fees arising from bills or IRS taxes.

L. Capital Outlay (FUNDS 24, 25, 27, 28)

- 1. Allocations from the Capital Outlay Match Special Revenue Fund shall be restricted for use for Chapter Capital Expenses.
- 2. Examples of allowable expenditures include materials, construction costs, fees, clearances, design, workforce expenses, and related costs.

M. Local Governance Trust Fund (Fund 29)

- 1. Under 12 N.N.C. §1161 et. seq., this Fund is a one-time allocation of one hundred and sixty thousand dollars (\$160,000.00) when a Chapter receives certification of their Five Management System by resolution from the Resources and Development Committee.
- 2. Under 12 N.N.C. §1166(A), each governance certified Chapter shall determine the most appropriate use of these funds except that these funds cannot be used for:
 - a. per-capita distributions;
 - b. purchase of agricultural products if such products will be used for distribution or resale to Chapter members.
 - c. training or instructional expenses or any related travel;
 - d. stipends;
 - e. travel expenses; and
 - f. purchase of any motor vehicles.

N. Unhealthy Food and Beverage Tax Fund (UFBT) (Fund 40)

- 1. The Healthy Dine Nation Act was initially approved by the Navajo Nation Council in 2014 and reauthorized in 2020 by Resolution No. CD-96-20. This Act is now codified at 24 N.N.C. §§ 1001 et seq.
- 2. In 2016, the Budget & Finance Committee approved Resolution No. BFJN-14-16 setting forth the Community Wellness Development Project Guideline and Distribution Policy. The purpose of this fund is to provide Chapters with seed money for leverage to initiate, match, and/or improve Community Wellness Projects. Such projects must improve the physical and social environment of the community to improve health and prevent and reduce the incidence of obesity, diabetes, and other health conditions. Projects may include:
 - a. Instruction:
 - i. fitness classes (i.e. Zumba, aerobic, core training, indoor cycling);
 - ii. traditional, intergenerational, and contemporary wellness workshops (i.e. Navajo philosophical and education teachings, Tai-Chi, Yoga);
 - iii. health coaching (i.e. healthy eating education, goal-setting, self-care management);
 - iv. Navajo traditional craft classes (i.e. jewelry making, beading, weaving);

- v. traditional and non-traditional healthy food preparation workshops (i.e. making chilchin, making blue corn mush, cleaning and prepping corn, pinion preparation, prepping Navajo tea);
 - vi. healthy food processing workshops (i.e. canning, food safety);
- b. Equipment:
 - i. Wellness and exercise equipment;
 - ii. Supplies;
 - iii. Storage facilities;
 - iv. Maintenance, conservation, or improvement of any of these projects.
- c. Building Recreational Environments:
 - i. walking trails, running trails, biking trails;
 - ii. skate parks, community parks;
 - iii. picnic grounds;
 - iv. playgrounds;
 - v. basketball and volleyball courts;
 - vi. baseball and softball fields;
 - vii. swimming pools;
 - viii. maintenance, conservation, or improvement of any of these projects.
- d. Social Setting
 - i. recreational, health, youth clubs (i.e. Senior Citizen events, walking club);
 - ii. equine therapy (i.e. activities and interaction with horses, trail rides, introduction to horses, saddling, training);
 - iii. maintenance, conservation, or improvement of any of these projects.
- e. Education:
 - i. health education materials;
 - ii. presentations;
 - iii. library.
- f. Community Food and Water Initiatives
 - i. healthy food initiatives;
 - ii. community food cooperatives;
 - iii. farming and vegetable gardens;
 - iv. greenhouses;
 - v. farmers' markets;
 - vi. clean water initiatives;
 - vii. clean community initiatives (i.e. community trash pick-up day);
 - viii. recycling initiatives;
 - ix. healthy store improvements (i.e. posting signs for taxable unhealthy foods and tax-exempt healthy foods);
 - x. agricultural projects (i.e. 4-H activities)
 - xi. maintenance, conservation, or improvements of any of these projects.
- g. Health Emergency Preparedness
 - i. First-Aid, Cardiopulmonary Resuscitation (CPR), Automated External Defibrillator (AED) certification, etc.
- h. Any matching funds for a project by federal, state, or county, or public entities, that have not been addressed by the Navajo Nation or other Tribal budget programming.

O. Gaming Revenue

1. The Navajo Nation Gaming Distribution Plan is codified at 12 N.N.C. §§2201 et. seq. The Budget and Finance Committee approved the Navajo Nation Gaming Revenues Management Plan (BFF-03-10, as amended by BFF-05-13 and BFAP-05-16). All revenue allocations and expenditures must comply with the Indian Gaming Regulatory Act.
2. Any host gaming chapter receiving gaming revenue shall prepare quarterly reports.

P. External Funds

1. Under 26 N.N.C. §103(D)(6), only LGA-certified Chapters and certain non-LGA certified Chapters can receive external funds.
2. External Funds requiring a funding agreement shall be pre-approved by the Naabikiyati' Committee.
3. Chapters receiving External Funds shall strictly follow all requirements and conditions in the authorized funding agreements.

V. Performance Budgeting

A. Chapters shall utilize performance budgeting as a factor when making budget decisions and development as mandated by the Navajo Nation's Appropriations Act. Measurable Chapter performance criteria are required for each Chapter budget using Budget Form 2. Performance results shall be reported by the ASC on a quarterly basis to the Chapter Officials and DCD.

B. Chapter performance assessments shall be conducted by the ASC on a quarterly basis utilizing information reported on Budget Form 2 that compares the planned program performance criteria and the actual quarterly results. Chapter performance will be based on the performance criteria scores ranging from 0 to 3 using the following scale:

1. Score 3 - Exceeded goal. Indicates the Chapter exceeding their overall goals.
2. Score 2 - Goal Met. Indicates the Chapter meeting their overall goals.
3. Score 1 - Goal Not Met. Indicates the Chapter not meeting their overall goals.
4. Score 0 - Not Reporting. Indicates the Chapter did not report actual results.

VI. Chapter Reporting

A. All monthly financial reports shall be approved by a Chapter resolution.

B. The Chapter Manager (CM) or Community Service Coordinator (CSC) shall reconcile the fund balance for each fund, update the online web-based system, and perform month-end closing activities in the fund accounting system.

C. At the monthly planning meeting, the CM or CSC shall present the monthly financial reports including but not limited to the balance sheet, revenue and expenditures, and the budget-to-actual expenditure report for the Chapter Officials' review, ASC review, and community approval. Chapter Officials shall prepare the monthly compliance review form during the planning meeting.

D. The CM or CSC shall submit monthly and quarterly financial reports and reconciled accounting reports to the respective ASC and provide fund accounting back-up to the Office of the Auditor General.

E. All financial and accounting reports are mandatory submittals on a monthly basis to ensure fiscal compliance and performance.

VII. Monitoring, Reporting of Violations, Audits, and Corrective Action Plans

A. Monitoring by the ASC is authorized under the ASC's Plan of Operation and further recognized under section IV of the Chapter Budget Procedures.

B. Any person, including Chapter Members, Officials, Employees, ASC Personnel, shall report any financially related violations to the appropriate authorities. Appropriate authorities may include: ASC, the Navajo Nation Department of Justice, the Office of the Prosecutor, the White Collar Crime Unit, Navajo Nation Department of Law Enforcement, Ethics and Rules Office, and the Office of the Auditor General.

C. The Office of the Auditor General is authorized under Title 12 of the Navajo Nation Code to audit any Chapter of the Navajo Nation.

1. Chapters shall respond in writing to an Audit Report within the specified time which may be extended upon the Chapter's request.

2. The Chapter shall develop a Corrective Action Plan for acknowledged audit findings.
 3. The Auditor General has the authority to issue sanctions for a Chapter's failure to implement a Corrective Action Plan.
- D.** The ASC shall assist Chapters in preparing audit responses and drafting Corrective Action Plans.