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FISCAL IMPACT REPORT

SPONSOR: Tsosie DATE TYPED: 02/26/03 HB _____

SHORT TITLE: Navajo Nation Capital Outlay Reserve Fund SB 826

ANALYST: Kehoe

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	See Narrative		Recurring	New-Navajo Nation Capitol Outlay Reserve Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 Department of Finance & Administration (DFA)
 Board of Finance (BOF)

No Response

Office of Indian Affairs (OIA)

SUMMARY

Synopsis of Bill

Senate Bill 826 creates a Navajo Nation capital outlay reserve fund within the state treasury.

Significant Issues

Senate Bill 826 creates a Navajo Nation capital outlay reserve fund consisting of money appropriated for capital projects for the Navajo Nation that would be administered and disbursed by the Office of Indian Affairs (OIA) for the purpose for which the appropriations are made. Senate Bill 826 would allow OIA to disburse up to 10 percent of the appropriation to the Navajo Nation for capital projects before work commences, with the balance of the appropriation made on a cost-reimbursement basis. The bill requires OIA to maintain a separate accounting of both ad-

vance and cost-reimbursement payments made to the Navajo Nation for each capital project, and in cooperation with the State Board of Finance, promulgate rules for implementing the provisions of the bill.

Under current law, appropriations made to the Navajo Nation are deposited in capital accounts within the state treasury and are monitored by OIA and the Board of Finance if projects are financed with proceeds from Severance Tax Bonds. Payments of all capital project expenditures, regardless of the funding source, are administered by state agencies and are made solely on a cost-reimbursement basis when agencies certify that the expenditures are within the letter of the law. Upon certification of a legitimate expenditure or completion of a project by the state administering agency, payment is made either by a warrant issued by the Financial Control Division of the Department of Finance and Administration, or BOF transfers funds to the state agency's capital project fund within the treasury, and the agency can make a wire transfer from the capital fund directly to an account of a government entity or a contractor. Capital outlay project managers at each state agency are responsible for verifying reimbursable expenditures and completion of a project.

FISCAL IMPLICATIONS

Senate Bill 826 would allow OIA to disburse up to 10 percent of an appropriation to the Navajo Nation for capital projects prior to work commencing, with the balance of the appropriation made on a cost-reimbursement basis. According to BOF, if an appropriation is authorized from severance tax bonds, bond counsel has concerns regarding the issuance of tax-exempt bonds for advance funding. It is uncertain how the state would recover the 10 percent of tax-exempt bonds if the project does not proceed as planned.

LMK/njw:yr