Why Data Matters in Financial Management

March 21, 2018
What We’re Covering

How data can be used in financial decision-making for:

• Tribal-State Relations
• Internal Tribal Budgeting and Funding
• Internal Tribal Financial Management
• External Policy-Making
Tribal-State Relations
Text **NAFOA** to the number **22333**
Data Collection

Are you from a tribe in North Dakota?

A. Yes
B. No
<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

Are you a member of a tribe in North Dakota?
Did you go to Bismarck this past weekend to the State Class B tournament?

A. Yes
B. No
Did you go to Bismarck this past weekend to the State Class B tournament?
On average, how much did you spend this weekend?

A. None – I stayed home!
B. $50 - $200
C. $201 - $400
D. Above $400
On average, how much money did you spend?

A. None
B. $50 - $200
C. $201 - $400
D. Above $400
Virtually all tribal government and tribal member spending turns to the non-Indian economy for goods, services, and labor.
Economic Impact

- Customers
  - Operations
  - Capital Projects

- Profits
  - Social Programs
  - Cultural Preservation
  - Economic Diversification
  - Education
  - Environmental Protection
  - Capital Projects
  - Vendors & Suppliers

- Money Multiplier
  - Payroll taxes
  - Sales Tax

- Workers
  - Fund Sharing
  - Compacts
Economic impact

What we need to know...

Both tribal governments and Indian people have purchasing power.

\[
M_2 = D + (\{C/D\} \times D) + (\{T/D\} \times D) + (\{MMF/D\} \times D) \\
= [1 + \{C/D\} + \{T/D\} + \{MMF/D\}] \times D
\]

\[
M_2 = \frac{[1 + \{C/D\} + \{T/D\} + \{MMF/D\}]}{[r_D + \{ER/D\} + \{C/D\}]} \times MB
\]

\[
m_2 = \frac{[1 + \{C/D\} + \{T/D\} + \{MMF/D\}]}{[r_D + \{ER/D\} + \{C/D\}]}\]
Economic Impact

Example:

Pechanga Band of Luiseno Indians

| Table 7: Total Economic Impact of Economic Activities on San Diego County |
|---------------------------------|-------------------|------------------|
|                                 | Employment        | Payments to Individuals | Purchases    |
| Direct Effects                  | 106               | $4,236,984         | $327,383     |
| Indirect Effects                | 231               | $7,504,123         | $761,756     |
| Total Effects                   | 337               | $11,741,108        | $1,089,139   |

Economic Impact Study - 2014
Economic Impact

Example:

Pechanga Band of Luiseno Indians

TRIBAL-STATE COMPACT
BETWEEN THE STATE OF CALIFORNIA AND THE
PECHANGA BAND OF LUISEÑO INDIANS

The Pechanga Band of Luiseno Indians (Tribe), a federally recognized Indian tribe, and the State of California (State) enter into this tribal-state class III gaming compact pursuant to the Indian Gaming Regulatory Act of 1988 (IGRA).

PREAMBLE

WHEREAS, the Tribe has inhabited the Temecula Valley since time immemorial; and

WHEREAS, the Pechanga Band of Luiseno Indians is a customs and traditions tribe; and

WHEREAS, the Pechanga Indian Reservation was established by Executive Order of the President of the United States on June 27, 1882, formally recognizing the Tribe’s sovereignty and land-base; and

WHEREAS, the Tribe is committed to improving the environment, education status, and the health, safety and general welfare of its members and the surrounding community; and

WHEREAS, in 1988, Congress enacted IGRA as the federal statute governing Indian gaming in the United States. The purposes of IGRA are to provide a statutory basis for the operation of gaming by Indian tribes as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments; to provide a statutory basis for regulation of Indian gaming adequate to shield it from organized crime and other corrupting influences; to ensure that the

• Revenue sharing with the state at 5% - low compared to other agreements
• Credits towards future revenue sharing
• Compacts states that the tribe has a voice on some uses of funds: i.e. funds paid to Native American scholarships
• Little objection in recent purchase of a public golf course
Economic Impact

Example:

Washington State Tribes

2010 Jobs
Total Value Added: $3.2 Billion
Non Indian: $2.5 Million

2010 Construction Jobs
Total Value Added: $27 Million
Non-Indian $12 Million

2010 Taxes
$268 Million

Study by Jonathan B. Taylor - 2014
Example:

Washington State Tribes

Tribal-State Relations:

- Tribal liaison in many state departments from the Department of Corrections to State Department of Social Services
- State agencies recognize that the sovereignty of each Indian tribe and the importance to build and strengthen relationships with tribal partners - consultation
- State Legislature passed SHB 1495 that requires students in all public schools to have an understanding of history and culture of tribes and specifically, tribes in the pacific northwest (Since Time Immemorial Tribal Sovereignty Curriculum)
- Senator Maria Cantwell a member of the Senate Committee on Indian Affairs and champion for all tribes
Internal Tribal Budgeting and Funding
Data Collection

What is your top priority for the community?

A. Job Growth
B. Healthy Community
C. Public Safety/Reduce Crime
D. Infrastructure
E. Cultural Preservation
What is your top priority for the community?

- Jobs
- Healthy Community
- Public Safety
- Infrastructure
- Cultural Preservation
What is it?

A way for governments to spend within their means by continuously focusing on the community’s priorities and reassessing those in order to make sound, long-term funding decisions that result in good fiscal health and goals that are achieved.
Priority Based Budgeting

The Philosophy:

• Prioritize services
• Do the important things well. Cut back on the rest
• Question past patterns of spending
• Spend within the tribe’s means

• Know the true cost of doing business
• Provide transparency of the community priorities
• Provide transparency of service impact
• Demand accountability for results
I want a community that...
Priority Based Budgeting

Example:

1. Transparency in the tribe: Good Governance
2. Variety of industries and stores so we don’t have to spend money off-rez: Economic Vitality
3. More elder care: Public Health
5. Culture and language preservation: Social Programs
6. Safe roads, more snow plowing, fix the potholes: Infrastructure
7. Reduce drug abuse: Public Health
8. Jobs where tribal members can be self-sufficient: Workforce Development

Feel safe anytime and anywhere on our rez: Public Safety
**Priority Based Budgeting**

**Example:**

**Tribal Member Priorities**

- **High Priorities**
  - Safe Community
  - Jobs, economic growth and vitality
  - Healthy community
  - Cultural preservation

- **Lower Priorities**
  - Safe and reliable infrastructure and roads
  - Recreational opportunities
  - Environmentally sustainable tribal community
  - Good governance/financial management

Define Priorities → Scoring of Data → Compare Data Scoring Between Offers and Programs → Decisions → Allocate Resources → Create Accountability in Good Governance/Financial Management
Internal Financial Management at the Tribe
I have a good understanding of my government’s finances.

A. Yes
B. No
I have a good understanding of my government's finances.

Yes

No
Audit of recorded sick leave and vacation time off

- Audit found 200,000 questionable hours of leave due to not recording or data entry errors
- Valued at $6 million
- Many employees were grant funded leading to compliance violations
- Potential unequal treatment of valued employees
- Also found that many employees had a SSN of 999-99-999
Financial Management

Is Good Governance a Data Priority?

YES!

• Strong financial management and governance enhances and facilitates accountability in all tribal government matters
• Demystifies tribal government decision-making
• Provides service that is responsive
• Provides analysis and long-range thinking and supports responsible decision-making
• Ensures regulatory and policy compliance
Communicating Good Governance

Data is only as good as it’s understood

- Data and financial information provided should be presented in a way that is clear and easily understood by the tribal members.
- Presenting financial statements with a detailed chart of accounts and list of all bank accounts to the governing body is necessary but seldom generates a more thorough understanding by tribal membership.
- Pictures, bar charts, and pie charts are all common ways to illustrate and compare your tribe’s financial data at a glance.
Financial Management

Reporting to Tribal Members

WHERE DOES THE TRIBAL DOLLAR GO?

TRIBAL ENTERPRISE & OTHER REVENUE

FY2016

TRIBAL MEMBER DIRECT SERVICE
$0.71

TRIBAL MEMBER INDIRECT SERVICE
$0.10

DEBT SERVICE & CAPITAL PROJECTS
$0.14

RESERVE
$0.06

FY2016 OPERATIONAL COSTS
$189.7 MILLION

34¢ GENERAL GOV’T
$65.6M

31¢ HEALTH AND SOCIAL SERVICES
$58.1M

10¢ EDUCATION AND CULTURE
$18.6M

11¢ OTHER PROGRAMS
$20.9M

8¢ COMMUNITY DEVELOPMENT
$15.9M

3¢ PAYROLL & WAGES
$9.3M

1¢ TRUST AND ENROLL
$1.3M

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FY2016 OPERATIONAL COSTS $189.7 MILLION

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External Policy-Making
Data provided examples of how grant management could be streamlined, reduce administrative costs, and make more funding available to the community

• Allows tribes to combine formula-funded federal grants that come from varied sources related to economic development, employment and job training, higher education, skill development for youth and adults to succeed in the workforce, and welfare-to-work

• Nine federal agencies participate

• Single budget, single reporting system, single SEFA

• Recovery of 100% of indirect cost rates
External Policy-Making

State/Local Government

- Property Tax
- Sales Tax
- Government Services

Tribal Government

- Federal Funding
- Enterprises

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External Policy-Making

Sources of Funding

- Property Tax
- Federal Funding
- Sales Tax
- Enterprises
  - Agriculture
  - Gaming
  - Energy
  - Investments
  - Tourism
  - Other Enterprises

Financial Reporting

- GASB
  - Government Reporting
- FASB
  - For-Profit Reporting
External Policy-Making

Sources of Funding

- Property Tax
- Sales Tax
- Federal Funding

Financial Reporting

- GASB Government Reporting
- FASB For-Profit Reporting

Enterprises

- Agriculture
- Gaming
- Energy
- Investments
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- Other Enterprises

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External Policy-Making

Why tribal governments are different than state and local governments:

• Sovereign domestic dependent nations
• Determine their form of government
• Define citizens/membership in their tribe
• Administer justice and enforce laws
• Tax tribal members
• Regulate the domestic relations of its members
• Regulate property use
• Not generally subject to the laws of states or local jurisdictions
• Federal laws that apply to state and local governments generally do not apply to tribes
• Keep information private
## External Policy-Making

### Articles on Tribal Governments

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<tr>
<th>JofA (0)</th>
<th>AICPA (0)</th>
<th>Store (0)</th>
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Your search did not match any documents

![What!?]
External Policy Making

Articles Published

• For-Profits: 1,068
• State and Local Governments: 252
• Non-Profits: 124
• Tribal Governments: ZERO!
External Policy Making

Chapters

1. Introduction to the Guide
2. Overview of Financial Reporting
3. Reporting to Tribal Leadership and Members
4. Financing and Ability to Borrow
5. Governmental Activities
6. Business and Business-Type Activities
7. Fiduciary Activities
8. Common Special-Purpose Entities
10. Federal Tax and Information Reporting

App: Illustrative Financial Statements
Final Thoughts

The journey toward data-driven decision-making requires buy-in from tribal leadership, a commitment to community outreach, and a willingness to measure and report on success transparently.

Done right, it can improve state cooperation, internally tribal financial management, and have influence in national policy-making.
Email: Jennifer@nafoa.org
Upcoming Events

NAFOA’s 36th Annual Conference

• New Orleans, LA – April 23-24, 2018

Tribal Financial Manager Certification Program

• Arizona State University – June 12-14, 2018