

FISCAL FAIRNESS FOR FIRST NATIONS



- **Funding growth for core programs and services at Indian and Northern Affairs Canada (INAC) was 3% in 1996 and has remained capped at 2% annually ever since.**
- **The cap has the effect of a loss in real purchasing power of 6.4% according to INAC ... AFN's estimate is closer to 15%.**
- **This has the result of real health and safety risks for First Nations people.**

Government Contradictions

Although it is claimed that the Federal Government is spending \$10 billion per year on First Nations and this is more than enough money, officials in Indian and Northern Affairs Canada (INAC) say this is not the case.

In November 2006, INAC conducted a "Cost Drivers" study to get more detailed information than the Minister had been providing. They found that total spending on First Nations in 2005-06 was \$6.4 billion (AFN analysis of the same figures suggest the total is \$5.4 billion).

More importantly, INAC admits the negative effect this lack of funding is having in our communities.

The 2% INAC Cap

Funding growth for core programs and services at INAC was 3% in 1996 and has remained capped at 2% annually ever since. The cap applies to all education, child & family services, income assistance, Indian government support, housing, capital & infrastructure and regulatory services programs. **Due to annual population increases and inflation of about 4.5%, the 2% cap has had the effect of a loss in real purchasing power that INAC estimates at 6.4%.** The AFN and the Auditor General of Canada have both estimated the loss of purchasing power as more than this.

- Average inflation for this period is almost exactly 2% (Source: Statistics Canada Consumer Price Index)
- First Nations population growth in this period has been 25% - growing from 610,874 in 1996 to 763,555 in 2006 - an average of 2.5% per year (Source: INAC Indian Registry)

Reallocations

As a result of the 2% cap, INAC is unilaterally reallocating funds from one core service to another to cover gaps. Funding levels for capital infrastructure, housing, income assistance, facilities and operations management and post-secondary education were seriously reduced and the money was reallocated to meet increased payments to provinces for elementary and secondary education, child and family services and similar services that INAC chooses to outsource.

It is suggested by INAC that these reallocations were required because payments to provincial authorities are not discretionary in the way that payments to First Nations are. This has the absurd effect of taking money from infrastructure that maintains First Nations schools to pay increased costs at provincial schools.



The Impact of the 2% INAC Cap

INAC confirms impacts of the 2% cap and reallocations include:

- **Insufficient funding for housing** – this results in overcrowding, which affects performance in school and at work, increases family tension and contributes directly to the spread of tuberculosis
- **Insufficient funding for water and sewage treatment or to train and pay trained operators** – this means unhealthy water is used and consumed, leading to a wide variety of illnesses
- **Insufficient support for governmental operations** - this means audits and elections must be paid for from core programs
- **A gap in the quality of life on reserve** shown in human development, community well-being and all other indices

Quotes from INAC's Cost Drivers Study

“Currently there is a focus on remedial measures to plug the holes, instead of getting to the root of the problem, and putting in place what is necessary to ensure that change occurs and that the problem does not recur”

“INAC has not been able to maintain the necessary program expertise, nor support First Nations in program and capacity development”

“In order to adequately contribute towards the costs of audits and elections, Band Support Funding would need to be increased by \$12.9M”

“Since the introduction of the 2% growth cap in 1996-97 the number of (post-secondary) students has fallen by 9%”

“The 2004-05 expenditure (for housing) of \$128.2 million is 21.5% less than that for 1996-97”

“the per student expenditure for instructional services for provincial schools is growing at twice the rate of the same expenditure for band operated schools”

The Shortfall

INAC estimates the current shortfall at almost \$1 billion. New investments announced for water and capital projects in some communities amount to robbing Peter to pay Paul. The Kelowna Accord would have addressed historic shortfalls, now First Nations just keep falling farther behind.

But the current government has no plans to address the shortfall. After claiming that they are spending \$10 billion and this is enough, the Minister adds “let’s get value for the money we are currently spending”. If there is enough money, but results are so bad on the ground, the implication can only be that there is mismanagement and corruption at the First Nation level. But none of it is true. The story from his own department proves that there is no \$10 billion, what is spent is not enough, that the problems are with funding, not with management at the First Nation level.

What Can Be Done?

There must be structural change, a new system of fiscal transfers and an independent process for determining funding levels, and any new funding system must address the real needs of First Nations. **There must be sustainability.** Lost purchasing power has to be restored & funding levels must have appropriate escalators to ensure that increases in population and inflation do not create future funding crises.

Based upon our nationhood, Aboriginal and Treaty rights, and respect for First Nations jurisdiction, a fair system will enable our First Nation governments to meet all of the needs of all of our citizens, wherever they reside.

For more information, contact:
Assembly of First Nations
Telephone: (613) 241-6789
Toll-free: 1-866-869-6789
www.afn.ca

To voice your concern, write to *your* Member of Parliament at:
House of Commons
Ottawa, ON
K1A 0A6