

CURRENT PRACTICES IN FINANCING ABORIGINAL GOVERNMENT

May 1995

Torben Drewes
Harry Kitchen

Department of Economics
Trent University
Peterborough, ON, K9J 7B8

We wish to acknowledge the helpful comments received from Douglas Brown, James Cutt, Manny Jules, and David Siegel without implicating them in any errors or omissions.

The views expressed in this report are the opinion only of the authors and not necessarily those of the Royal Commission on Aboriginal Peoples or the Institute of Intergovernmental Relations.

TABLE OF CONTENTS

List of Tables	ii
Executive Summary	iii
1. INTRODUCTION.....	1
2. FEDERAL EXPENDITURES	9
2.1 Introduction.....	9
2.2 Social Services.....	14
2.2.0 Programs and Services.....	17
2.3 Health.....	24
2.3.0 Programs and Services.....	26
2.4 Education	28
2.4.0 Programs and Services.....	29
2.5 Labour And Employment	32
2.5.0 Programs and Services.....	32
2.6 Citizenship and Immigration	33
2.6.0 Programs and Services.....	33
2.7 Housing.....	35
2.7.0 Programs and Services.....	36
2.8 Northern Affairs Programs/Territorial Transfers.....	37
2.8.0 Programs and Services.....	38
2.9 Other Federal Expenditures	40
2.9.1 Natural Resources, Agriculture, Environment.....	40
2.9.2 Business and Property.....	40
2.9.3 Defense	41
2.10 An Overview of Federal Expenditures.....	42
2.10.1 Summary of Federal Expenditures.....	42
2.10.2 Growth of Federal Expenditures	43
2.10.3 Federal Expenditures in Relative Terms.....	48
2.11 The Federal-Provincial Interface.....	52
2.12 Summary	60
3. REVENUE BASES OF ABORIGINAL GOVERNMENTS	
3.1 Introduction.....	65
3.2 Funding Sources	66
3.3 Funding Mechanisms.....	72
3.4 Own-Source Revenues.....	80
3.5 Summary.....	82
4. CONCLUSION.....	87
References	91

LIST OF TABLES

1. Social Service Responsibilities in Alberta Treaties 7 and 8	12
2. Federal Government Gross General Expenditure by Function	13
3. Federal Expenditures on Social Services	15
4. Federal Expenditures on Health	24
5. Federal Expenditures on Education	29
6. Estimated Operating Costs and Transfer Payments Related to Schools	31
7. Federal Expenditures on Housing	36
8. Shares of Northern Affairs Program and Territorial Transfers Attributed to Aboriginal People	39
9. Summary of Federal Expenditures on Aboriginal Peoples	42
10. Annual Federal Expenditure for Aboriginal Peoples	44
11. Federal Expenditures on Aboriginal Peoples by Department and in Constant 1986 Dollars	45
12. Growth of Per Capita Spending in Constant 1986 Dollars, Using On-Reserve Registered Indian Population	46
13. Growth of Per Capita Spending in Constant 1986 Dollars, Using Total Registered Indian Population	47
14. Growth of Total Federal Expenditures	48
15. Ontario Government Spending in Support of Aboriginal Peoples: 1990-91	54
16. Major Ontario Programs and Services for Aboriginal Peoples: 1990-91	55
17. Quebec/Federal Spending in Support of Aboriginal Peoples: 1992-93	56
18. Major Programs for First Nations Under the JBQNA and NQA	57
19. Provincial Programs and Services Outside of the JBQNA and NQA	58
20. Direct Funding to United Indian Councils First Nations	67
21. Consolidated Revenues of Ontario Local Governments	68
22. Siksika First Nation Revenue Sources	69
23. Kativik Regional Government: Statement of Revenues	71
24. DIAND Funding Arrangements by Type: 1991-92	78
25. Indian Band Funds: Receipts and Other Credits: 1991-92	81

EXECUTIVE SUMMARY

The purpose of this report is to address the following questions:

- What is the cost of delivering the current range of programs and services by aboriginal and non-aboriginal agencies?
- How do these costs compare with the costs of delivering similar ranges of programs and services from provincial, territorial, regional and local governments?
- What are the current financial bases for aboriginal governments? What are the present forms of financial arrangements between Canadian governments and aboriginal governments? What types of revenues are presently generated by aboriginal governments? What is the importance of own-source revenues in the whole public finance of aboriginal governments?

Public sector accounts identify aboriginal specific expenditures only when the programs and services are for the express benefit of aboriginal people. Under current interpretations of constitutional responsibilities, provinces do not perceive aboriginal people off reserve as having a status distinct from that of non-aboriginal Canadians. The federal government's unique relationship with Indians on reserve and Inuit, however, results in the availability of expenditure data for this group. The expenditure analysis is therefore devoted primarily to federal programs and services applying to this group. Of a total of \$5,062 million in federal spending specifically for the benefit of aboriginal people in 1992-93, the Department of Indian and Northern Affairs accounts for almost three-quarters of total federal spending and Health and Welfare Canada about half of the remainder. The largest categories of expenditure are Education (\$1,033.2 million), Social Development (\$816.3 million), Indian and Northern Health Services (\$703.1 million), transfers to the Territories (\$531.4 million) and Housing (\$409.6 million). The total expenditures represent 4.2 percent of the federal operating budget (net of debt servicing costs), a figure which has climbed from 2.7 percent 10 years earlier. Adjusted for inflation, per capita federal spending has increased between 7.1 percent and 26.4 percent from 1981-82 to 1991-92, depending on the population values used to calculate the per capita figures.

Provincial data on aboriginal programming are available only for Ontario and Quebec and show that Ontario devoted \$207.1 million (or 0.45 percent of its budget) on programs and services directly targetted at aboriginal people in 1990-91. Quebec's 1992-93 expenditure of \$322.9 million represents 0.7 percent of its budget. Since ethnicity of clients is generally not recorded for provincial programs of general application, an aboriginal share of provincial social

spending is not forthcoming.

Comparative analysis of costs of program delivery is difficult since the alignment of government responsibility differs significantly between the aboriginal and non-aboriginal population. Thus First Nations governments have no counterpart among non-aboriginal governments that could be used for legitimate comparisons of total program spending. However, some of the largest services are driven by formulas that base expenditures on per capita rates of spending in surrounding non-aboriginal communities and in that sense costs are comparable. The important issue of effectiveness of programs delivered by aboriginal agencies as opposed to non-aboriginal agencies is not addressed.

Aboriginal governments are highly dependent on transfers from the federal government. Information made available by the United Indian Councils of Ontario and the Siksika First Nations indicate that 90 and 80 percent of their revenues, respectively, is derived through transfers. This should not be surprising since the only tax base of any potential consequence available to First Nations governments is the property tax which generates only 8.4 percent of the consolidated revenue of federal, provincial, and local governments in Canada.

The preponderance of transfers in the revenues of aboriginal governments and agencies renders their form of great consequence for the ability of these organizations to function independently. The use of Alternative Funding Arrangements holds some promise of providing First Nations governments at least medium-term certainty in the level of funding and flexibility in program delivery. In 1991-92, however, only 20% of DIAND funding arrangements took place through AFA's.

1. INTRODUCTION

The higher principles of aboriginal self-government have been the subject of much discussion and a substantial body of literature examines the associated constitutional and political issues. By comparison, less analysis has been conducted on the more prosaic matters of public finance surrounding the development of self-government for aboriginal peoples. Yet, in our view, an examination of the nuts and bolts of fiscal arrangements applying to aboriginal people is of significant importance. With no real progress on constitutional definitions of aboriginal self-government, these institutions are, *de facto*, being defined by the current evolution of the fiscal relations between them and the federal and provincial governments. Moreover, a description of existing public finance practices is a prerequisite for prescriptive analysis that can suggest future directions.

• *Terms of Reference*

The terms of reference for this report are given by the following set of questions:

- What is the cost of delivering the current range of programs and services by aboriginal and non-aboriginal agencies?
- How do these costs compare with the costs of delivering similar ranges of programs and services from provincial, territorial, regional and local governments?
- What are the current financial bases for aboriginal governments?
- What is the importance of revenue transfers?
- What are the present forms of financial arrangements between Canadian governments and aboriginal governments?
- What types of revenues are presently generated by aboriginal governments?
- What is the importance of own-source revenues in the whole public finance of aboriginal governments?

It is therefore not the purpose of this report to advance optimal models of public finance arrangements for aboriginal governments. Indeed, in our view, economic principles may not provide complete answers in isolation from constitutional discussions. Certainly, economic analysis has much to say about the optimal production of public goods and services, the division of responsibility for delivery to various levels of government, the need for intergovernmental transfers to account for spillovers between jurisdictions, the optimal design of such transfers, and so on. But the desire for particular political models of aboriginal self-government may take precedence over

economic prescriptions. For example, principles of public finance may judge the Sechelt self-government arrangements to be an entirely rational and effective mechanism for getting aboriginal self-government to work within the existing fiscal federalism framework. But others may regard the arrangements as the thin edge of the assimilationist wedge, jeopardizing the drive to obtain recognition of an additional order of government.

More generally, a fundamental question on which the assessment of current practices of public finance turns is the following: should aboriginal institutions be regarded as municipal-style governments (albeit with enhanced powers) relying on delegated authority, or should they be treated as another level of government with inherent powers and jurisdictions?¹ The answer to this question will be based on non-economic grounds and there are optimal public finance arrangements for both.

Even restricting our objective to one of descriptive (as opposed to prescriptive) analysis, we have encountered very serious obstacles in fulfilling the terms of reference. These obstacles should be enumerated prior to the body of the report not only to provide background to the material contained herein, but also because they are informative to substantive issues that will arise in devising new approaches to aboriginal public finance.

• *Diversity of Fiscal Arrangements*

The sheer diversity of arrangements between aboriginal groups and federal, provincial, territorial, and municipal governments defies generalization. There are innumerable arrangements, each of which may be locally logical but with seemingly little commonality when taken together. To a very large extent, the present circumstances can be seen not as the expression of well-defined, over-arching principles but rather as the culmination of a long history of negotiations between the federal government and aboriginal groups, between provincial governments and aboriginal groups, and especially between the federal and provincial governments. The deals struck reflect the specific circumstances, and the time, of each situation. Perhaps this diversity could be regarded as a positive sign of the ability of the governance structure to accommodate the wide variation in needs (although our opinion of the state of affairs is less benign than that). But it does not bode well for attempts at resolving aboriginal issues with uniform, monolithic solutions.

1. There are actually two basic questions within which almost all debate will fall: Who has control over how money is spent? and Is enough money spent?

- *The Meaning of Self-Government*

There is a difficulty in interpreting the term "aboriginal government" since it continues to have largely colloquial meaning only. We have been asked to consider the term in the broadest way so as to include all significant aboriginal agencies delivering goods or services. While we do not dispute this as a valid definition of self-government, it does introduce some difficulties in a public finance analysis. For example, it is normal to consider the revenue base of a government as including, among other things, the taxable income and wealth of its constituents. But the concept of constituency becomes arbitrary for non-land-based institutions such as aboriginal social service agencies that have clients but no identifiable group over which taxation authority can be exercised.²

The definition of aboriginal self-government is an issue of some importance if the following is to be used as a basis for modelling the potential costs of self-government. If self-government is envisioned as including, for example, aboriginal school boards operating in urban areas off-reserve, we would presumably be interested in current spending on education for aboriginal students in these areas. However, the data will simply not allow an identification of current expenditure levels for aboriginal students unless they reside on-reserve or are sponsored by their bands. Similar problems arise in isolating expenditures within provincial health and social programs of universal application. Thus, the more innovative the concept of aboriginal self-government, the weaker is the link between the expenditures examined below and the sums that would be required by aboriginal government institutions to deliver a full range of programs and services.

- *Data*

In addition, data pertaining to aboriginal self-governments, broadly or narrowly defined, are severely limited. The normal statistical sources to which one would turn in analysing governmental organizations simply do not exist for aboriginal institutions. Consistent, comprehensive data on the revenue bases of existing First Nations governments are not available and even population counts are controversial. Inadequate data may be much more than an irritant for researchers in the area. Proposals for some type of equalization scheme to form the main financial underpinning for First Nations governments will clearly be hampered in the calculation of entitlements that take account of their potential revenue bases. Indeed, the Department of Indian

2. For a discussion of the public finance aspects of nonland-based aboriginal self-government, see Weinstein (1986).

Affairs and Northern Development (DIAND) has already recognized the need for better information created by current innovations in transfer arrangements.³

The data problem is somewhat ameliorated by three case studies commissioned as part of the larger public finance research program being conducted by the Royal Commission and used to inform this report.⁴ It would be misleading to suggest that the diverse circumstances of aboriginal communities could be adequately captured by only three examples. Nevertheless, the three institutions studied do span a range of governmental institutions and, taken together, provide important illustrations. The first case study has been prepared by the Siksika Nation, a land-based treaty First Nation in southern Alberta that has been aggressive and innovative in service provision to its people and in pursuing funding arrangements with the federal government. The second is a case study of the United Native Nations organization of British Columbia, a non-profit society dedicated to giving a political voice to the social and economic concerns of aboriginal peoples living off-reserve in that province. UNN designs and delivers a number of different programs including housing, legal counselling, family reunification, training and other services. The subject of the final case study is the Kativik Regional Government of northern Quebec, established under the umbrella of the James Bay and Northern Quebec Agreement and subsequent provincial legislation. Although the analogy is not exact, Kativik can be compared to non-ethnic, regional governments within provincial systems.

• *Public Goods*

Finally, the analysis is profoundly complicated by the fact that aboriginal people have access to many publicly provided goods and services that are not delivered exclusively to them. Because of this, the following report should in no way be construed as an attempt to determine the value of all expenditures made on behalf of aboriginal people and certainly not as the value of benefits derived by them. In part, the problem is related to the data inadequacies discussed above. Only some of the provincial governments attempt to isolate that part of their expenditures that can be considered to be directed to aboriginal peoples. Even Ontario, which, beginning in 1988, has

3. See DIAND (1993b), p. 16. The problem arises when mechanisms such as Alternative Funding Arrangements tend to divorce funding needs from delivery of well-specified, individual programs over time.

4. These case studies are to be submitted to the Commission independently of this report and should be referred to for greater detail.

attempted to develop a comprehensive database of programs, services and expenditures in support of aboriginal peoples is careful to note that this database does not provide an approximation of the province's total expenditures on aboriginal people. Many of its key spending ministries (Community and Social Services, Health, and Education and Training) do not keep a record of the ethnic or racial background of clients served within programs of more general application.

The difficulty runs deeper when we consider goods and services termed "public goods" in the economics literature. The public good nature of many government services renders arbitrary any assignment of consumption to a specific individual or group of individuals. What part of the cost of deploying Canadian peace-keeping forces abroad should we assign to aboriginal peoples, for example?

This is not to say that absolutely nothing can be done. Certainly, there is a potential for tracking the value of cash transfers to individuals where either the ethnic status of recipients is recorded or income surveys allow inferences to be made.⁵ There is also a "fiscal incidence" literature⁶ that attempts to quantify the impacts on individuals of government taxing and spending behaviour. However, this literature is typically concerned with the incidence by income, not ethnic, groups. More importantly, heroic assumptions are required to assign the benefits of government expenditures to individuals. Thus, for example, the number of cars owned by a family may be used as a proxy for the amount of its consumption of public roads. If the problem at hand absolutely demands estimates of the value of all government expenditures consumed by aboriginal groups, analysis can be forced to produce best guesses. But there is a risk in producing possibly suspect and arbitrary numerical values since there is a real possibility that they would take on a life of their own and be used in false comparisons of expenditures on aboriginal and non-aboriginal people. Until there is a demonstrated need for such values which can balance that risk, interest in them may amount to idle curiosity.

An examination of government expenditures on aboriginal people would have a more productive use as a basis for costing realistic models of self-government. Such institutions would probably not be assigned responsibility for the delivery of most of the "public good" types of

5. This was, in fact, done by Courchene and Powell (1992) for Unemployment Insurance, Old Age Security, and Family Allowances.

6. See Dahlby (1985) for a survey of Canadian results in this literature.

services mentioned above. Presumably, it is those programs and services which are primarily targetted to aboriginal people that are candidates for this assignment and it is this set of programs on which the following report concentrates.

- *Outline of Report*

With these caveats in mind, the following report seeks to describe as fully as possible the existing structure of public finance in Canada as it pertains to aboriginal peoples. While there will be some quantification and comparisons made, our purpose is not to address the issue of the adequacy of government spending on aboriginal peoples. That would require a different analysis than is used in this report.

Part II considers federal expenditures made on behalf of aboriginal peoples, paying particular attention to programs and services that are, or could be, devolved to or assumed by aboriginal governments. We consider these by functional category, inventory the programs behind the estimated expenditures, discuss delivery, and try to draw parallels or contrasts with the way in which they programs and services are delivered to the non-aboriginal population. A summary and historical look at these expenditures follows and a discussion of the provincial role concludes the section.

In part III, the perspective changes to look at the funding flows from the point of view of the aboriginal governments themselves, and the discussion is expanded to include all revenue components from which they do, or can, draw. This part pays particular interest to the manner in which funds are transferred to First Nations and the resourcing models used in determining the amounts of the federal transfers.

Concluding comments are offered in part IV.

2. FEDERAL EXPENDITURES

2.1 INTRODUCTION

The legal responsibilities of the federal government towards aboriginal people derive from section 91(24) of the *Constitution Act (1982)* which assigns to it exclusive legislative jurisdiction with respect to Indians and lands reserved for Indians. The exclusivity of this jurisdiction has been interpreted by the courts to extend into the normal ambits of provincial responsibility: "The legislative authority is obviously intended to be exercised over matters that are, as regards persons other than Indians, within the exclusive legislative authority of the provinces." *The Queen v. Drybones* [1970] S.C.R. 382 @ 403.

Within the confines of this legal responsibility, the federal government is able to define who is an Indian and the extent of its responsibilities towards all aboriginal groups. With some exceptions, it interprets its obligations as being primarily confined to Status Indians on-reserve and the Inuit. This is made clear in recent remarks by the former Minister of Indian and Northern Affairs:

"... my department's mandate is to provide the great majority of its programs and services to status Indian people living either on reserves or on crown land and to the Inuit in the north."

"It's a clear interpretation of our legal and fiduciary responsibility that off-reserve Indian people, status or non-status, Métis, are to be treated as all other Canadians by the delivery of services and programs which the provinces have a responsibility to deliver to all Canadians equally. So with off-reserve - with modest exceptions in the areas of social programs and post-secondary education - provinces have a clear legal responsibility to status people who live off-reserve year-round."⁷

Thus, the bulk of federal aboriginal spending consists of service and program provision on-reserve or reimbursement of provincial expenditures made on-reserve. The federal government assumes most or all of the costs of service provision to the Inuit, primarily through transfers to the Northwest Territories, to Quebec (James Bay Agreement), and to Newfoundland

7. Hon. T. Siddon, remarks to House of Commons Standing Committee on Aboriginal Affairs, May 26, 1993.

(Canada-Newfoundland-Native Peoples Agreement).

Provincial governments do not necessarily concur with the federal interpretation of its responsibilities and have a clear financial incentive to interpret the federal constitutional obligations as encompassing all aboriginal groups, wherever they may reside. It is also important to note that many aboriginal groups subscribe to the view that they have a special relationship with the Crown through the federal government, irrespective of place of residence, and that this relationship would be compromised by dealings with provincial governments. Strict adherence to their own interpretations of responsibility by both the federal and provincial levels of government would create a void into which Indians off-reserve and Métis would fall. As a practical matter, provinces have tended to include these groups as being eligible for programs of general application to provincial residents. In some cases, targeted provincial programs are made available to them and some limited provincial programs do extend to on-reserve Indians without chargeback to the federal government. For example, Ontario reports expenditures of \$207 million in 1990-91 on programs and services expressly in support of aboriginal peoples.⁸

It is difficult, therefore, to present a simple framework within which to analyze government activity with respect to aboriginal peoples. While the bulk of federal expenditures in support of aboriginal people is restricted to reserves, there are so many exceptions that Siddon's statement cannot be taken to provide a fast rule, let alone a rule of thumb. To further complicate matters, the agreed upon division of responsibilities is changing. An interesting illustration, and one that also shows the need to distinguish between financial and delivery responsibility, is that of social services.

The Administrative Reform Arrangement for Social Services agreement reached between Alberta and Canada in January, 1992⁹ realigns the delivery and financial responsibilities for social services applying to status Indians in Treaty 7 and 8 areas in Alberta. Table 1 reports on the situation before and after the agreement.

8. Ontario Native Affairs Secretariat (1991), Vol. III. This data is further explored in section 2.11.

9. DIAND news release 1-9205, January 23, 1992. This agreement is one of a series that the federal government has reached with the provinces in its attempt to rationalize program delivery and funding in the area of social services.

The agreement appears to align funding responsibilities precisely in accordance with the on-reserve, off-reserve jurisdictional rule of thumb, although this may be obscured by the fact that responsibility for program delivery on-reserve continues to involve both levels of government as well as the bands. Note also that Alberta will cost-share eligible off-reserve programs under the Canada Assistance Plan so that the federal government continues to contribute, albeit indirectly, to off-reserve expenditures on Treaty Indians. However, the confusion over jurisdiction applies to any analysis pertaining to the period prior to the agreement, to other provinces,¹⁰ and to sectors where such agreements have not been reached, in particular health care.

TABLE 1
SOCIAL SERVICES RESPONSIBILITIES IN ALBERTA TREATIES 7 AND 8 UNDER THE
ADMINISTRATIVE REFORM ARRANGEMENT FOR SOCIAL SERVICES AGREEMENT

SOCIAL SERVICE	FINANCIAL RESPONSIBILITY		DELIVERY RESPONSIBILITY	
<u>Previous Arrangement</u>	On- Reserve	Off- Reserve	On- Reserve	Off- Reserve
Social Assistance	Fed	Fed/Prov	Fed/Band	Fed/Prov
Child Welfare	Fed/Prov	Prov	Prov/Band	Prov/Band
Day Care	Prov	Prov	Prov/Band	Prov
Persons with Disabilities	Fed	Prov	Fed	Prov
Widow's Pension	Prov	Prov	Prov	Prov
Assured Income for the Severely Handicapped	Prov	Prov	Prov	Prov
Women's Emergency Shelters	Fed	Prov	Band	Prov
<u>New Arrangement</u>	On- Reserve	Off- Reserve	On- Reserve	Off- Reserve
Social Assistance	Fed	Prov	Fed	Prov/Band
Child Welfare	Fed	Prov	Prov/Band	Prov/Band
Day Care	Fed	Prov	Prov/Band	Prov
Persons with Disabilities	Fed	Prov	Prov	Prov
Widow's Pension	Fed	Prov	Prov	Prov
Assured Income for the Severely Handicapped	Fed	Prov	Prov	Prov
Women's Emergency Shelters	Fed	Prov	Prov	Prov

10. Our understanding is that similar agreements on social services have been reached in all provinces except British Columbia.

In what follows, we have attempted to discuss the public finance arrangements for the financing and delivery of programs and services to aboriginal peoples within the context of the fiscal federalism structure applying to federal and provincial governments. The example above is one of many that could be used to demonstrate that the place of aboriginal peoples within this structure is far from clear and certainly not completely guided by clear-cut principles.

In the following sections, the report itemizes, describes and quantifies the expenditures made by the federal government on programs and services in support of aboriginal peoples. The report uses (loosely) Statistics Canada's Financial Management System of categorizing federal

TABLE 2
FEDERAL GOVERNMENT GROSS GENERAL
EXPENDITURE BY FUNCTION
Main Estimates 1992-93

FUNCTION	1992-93 (\$ millions)
Social Services	\$55,358
Health	7,648
Education	3,912
Recreation and Culture	1,616
Labour, Employment, Immigration	2,674
Housing	2,103
Natural Resources, Agriculture, Environment	5,652
Protection of People and Property	4,166
Payments to Government Enterprises	1,718
Trade and Industrial Development, Tourism	2,176
Research Establishments	1,605
Transportation and Communications	3,733
Defence	12,547
Debt Charges	40,200
General Purpose Transfers to Other Governments	9,572
Foreign Affairs and International Assistance	4,096
General Government	5,989
TOTAL GROSS EXPENDITURE	164,765

Source: Canadian Tax Foundation, The National Finances, 1993

government expenditures on aboriginal peoples as a useful template.¹¹ The FMS allows a fairly consistent accounting of government expenditures at all governmental levels and uses terminology that conforms closely to standard usage. A significant exception to this last point occurs in the category of "Social Services" which is used by Statistics Canada to report all DIAND expenditures on self government, comprehensive claims, capital infrastructure, and community services. To provide a point of reference, FMS categories and total federal 1992-93 expenditures anticipated in the Main Estimates are provided in the Table 2. Each major function of significance to aboriginal issues is then treated in turn.¹² We reiterate the caveat that estimated expenditure amounts within these categories do not represent the value of federal public services consumed by aboriginal peoples.

2.2 SOCIAL SERVICES

Federal government spending within this category includes social services, social assistance, and income security programs. Except for those expenditures that can be directly related to other functions, spending by the Indian and Inuit Affairs program of DIAND is classified by Statistics Canada as social service expenditure. Total federal expenditures on social services in 1992-93 are expected to equal \$55.4 billion which, at 33.6% of total gross expenditure, is the largest single category of spending. An additional \$13.5 billion in Canada Pension Plan payments are expected (the CPP is treated as an entity separate from the federal government in the FMS). Given the size and complexity of this category, it is worthwhile reporting its significant components, in Table 3, to provide some background on the nature of federal spending in this area and allow comparisons.

Reflecting the view of the appropriate roles of government prevailing at the time of confederation, no assignment of jurisdictions for social welfare was provided by the BNA Act. The federal government has come to take exclusive responsibility for areas such as old age security and unemployment insurance while its involvement in social assistance for non-aboriginals is principally in the form of cost-sharing arrangements with the provinces.

11. Throughout, we have relied heavily on the Canadian Tax Foundation's *The National Finances* reporting and estimation of expenditures.

12. Certain accounting rules and estimating procedures were used to produce the values in Table 2. In what follows, our allocations may differ slightly from those used in the table.

Fully 81 percent of total federal expenditure on social services is accounted for by income security and unemployment insurance programs which are of universal application and largely direct transfers to persons. Devolution of the personal transfer components of these programs to aboriginal self-governments is probably not at issue. Moreover, such expenditures on aboriginal people are equivalent to those on non-aboriginals in the sense that rates of

TABLE 3
FEDERAL EXPENDITURES ON SOCIAL SERVICES
Main Estimates 1992-93

Program	(\$ millions)
NATIONAL HEALTH AND WELFARE	\$31,561.8
Income Security Programs	
Old Age Pensions	14,795.0
Guaranteed Income Supplement	4,245.0
Spouse's Allowance	465.0
Family Allowances	2,910.0
Estimated Child Tax Credit Payments	2,500.0
Shared-Cost Programs	
Canada Assistance Program	6,285.0
Vocational Rehabilitation of Disabled Persons	152.2
Alcohol and Drug Treatment and Rehabilitation	15.5
Social Development Programs	
Seniors' Programs	28.0
Child Care Programs	17.3
Other Social Development	17.4
Administration	22.2
EMPLOYMENT AND IMMIGRATION (Unemployment Insurance Benefits and Administration)	19,739.0
VETERANS AFFAIRS (War Pensions, Health Care, Economic Support, Etc.)	2,039.0
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT	1,858.8
Indian and Inuit Affairs Program	
Self Government	18.3
Comprehensive Claims	70.9
Economic Development	98.0
Lands, Revenues, and Trusts	140.3
Social Development	816.3
Capital Facilities and Community Services	397.4
Band Management	269.4
Program Management and Administration	47.7
LABOUR (Injury Compensation, Income Assistance to Laid-Off Workers)	163.0
TOTAL	\$55,361.1

SOURCE: Canadian Tax Foundation (1992), with some adjustments by authors

compensation are independent of ethnic background. Of course, since benefit amounts (as opposed to rates) are proportional to market earnings for the largest components of these programs,

per capita benefits for aboriginal participants will tend to be less than average given their low earnings rates.¹³

The federal government's participation in social assistance takes place through the Canada Assistance Plan. Under CAP, the federal government contributes on a 50/50 basis¹⁴ to eligible costs incurred by provinces and municipalities in providing: assistance to persons in need; welfare services to persons who are in need or likely to become in need unless such services are provided; and work activity projects designed to improve the employability of persons having unusual difficulty in finding or retaining jobs.

While CAP expenditures are an important and large part of the Canadian social assistance system, the federal government limits its role to one of financier. Contributions are made under federal spending powers to support provinces, which have constitutional jurisdiction in the design and delivery of programs. The Plan, *R.S. c. C-1, s. 11*, explicitly recognizes that provinces are not responsible for the delivery of welfare services to status Indians on-reserve or on Crown land. Thus, provinces generally finance 50% of the social assistance costs of non-status Indians, off-reserve status Indians (perhaps subject to a twelve month residency requirement), and Métis. The federal government is held accountable for social assistance delivered to reserves with the important exception of Ontario where the federal government's contribution is about 93% under the Canada-Ontario Indian Welfare Agreement.

Social assistance expenditures on-reserve are therefore reflected in the Social Development category of the DIAND budget in Table 3. These expenditure amounts are comparable to spending on non-aboriginals in the sense that rates and conditions for social assistance are determined according to provincial rates and criteria applying in nearby non-aboriginal communities. Note, however, that the socioeconomic status of Indians implies that equal rates could produce higher than average per capita social assistance payments. For example, the percentage of on-reserve Indian children under 18 years of age in the care of Child and Family Services agencies was 4.0% in 1990-91 compared to a national average of 0.7%.

13. Note, however, that benefit amounts received under Unemployment Insurance will also depend in a more complex way on the unemployment experience of aboriginal people.

14. Since 1989-90, annual growth in CAP transfers to Ontario, Alberta, and British Columbia has been capped at 5%, effectively increasing their share of expenditures.

The budget of the Indian and Inuit Affairs Program of DIAND, forming 3.4 percent of total federal social services spending, is devoted to programs and services available almost exclusively to eligible Indians and Inuit and is primarily spending on-reserve. The amounts largely reflect the federal government's obligation to provide on-reserve Indians and Inuit with programs and services that would normally be funded by provincial or municipal governments for non-aboriginals. The following section briefly itemizes and describes the programs within this category.

2.2.0 PROGRAMS AND SERVICES

2.2.1 *Social Development : DIAND (\$816.3 m)*

The Social Development Program consists of two categories of support to eligible Indian families and individuals residing on reserves or Crown lands, including those not yet having fulfilled the residency criterion of the provinces, and other support services: social assistance (\$591.5 m) and welfare services (\$204.8 m). Fully 98 percent of the total expenditure in this Program relates to transfer payments to various First Nations, provincial governments, and other agencies responsible for the delivery of programs.

Social assistance provides income support and supplementation to single individuals and heads of families who, through unemployment or unemployability, can demonstrate need. Allowances are paid for essentials such as food, clothing and shelter. Child Out of Parental Home allowances may be issued under specified conditions for the maintenance of a child by members of the extended family or other persons in the community when the natural parents are unable to provide care. DIAND continues to operate under a 1964 Treasury Board authority whereby eligibility criteria and rates of assistance are established by local provincial, territorial, and municipal rules off-reserve. In 1992, 94 percent of bands are expected to be administering their social assistance programs.

Welfare service expenditures are largely devoted to the Child Welfare and Family Services program, accounting for 78 percent of the \$204.8 million and delivered in accordance with terms and conditions prescribed by provincial legislation. DIAND is in the process of negotiating the transfer of off-reserve Indian social assistance expenditures to provinces with the savings being diverted to the Child Welfare and Family Services program.¹⁵ The program provides for delivery

15. The re-arrangement of social services responsibility in Alberta described above was part of this process.

through trilateral agreements between the federal government, provincial governments and First Nations as well as bilateral agreements between the federal government and Indians or Indian organizations. In 1990-91, 36 community-based Indian Child and Family agencies serving 212 bands were funded by DIAND.

The remainder (22%) of the Welfare Program is accounted for by Adult Care Services providing assistance to individuals who are aged, suffering health problems, or affected by physical disability. If institutional care is required by Indian or Inuit adults, an institution is provided on-reserve or care is provided in provincial facilities with DIAND paying the per diem cost.

The last \$20.1 million of the \$816.3 million social development budget is accounted for by activity management and by the provision of advice and financial support to band councils, their staff, and community services organizations in assessing community needs for establishing drop-centres, homemaker services, day-care centres and adult rehabilitation counselling.

Inuit receive funding through transfers to N.W.T., Quebec, and Newfoundland and Labrador. Under the James Bay and Northern Quebec Agreement and the Northeastern Quebec Agreement, responsibility for social services for residents of Category I lands was effectively turned over to the Native people under agencies established by the province. The Cree Regional Board of Health and Social Services of James Bay is responsible for the administration of appropriate delivery of services to the Cree. The Kativik Health and Social Services Council performs similar functions for the Inuit. For the Naskapi, a Health and Social Services Consultative Committee was established to represent their interest with respect to services offered by other agencies. In Labrador, the Government of Newfoundland exercises primary responsibility for administering services to Inuit under a cost-sharing agreement with the federal government.

2.2.2 Capital Facilities and Community Services : DIAND (\$397.4 million)

The Community Capital Facilities activity involves the construction, operation, and maintenance of basic community capital facilities, such as water, sanitation, electrification, roads, community buildings and fire protection facilities, as well as the capacity to provide special services such as flood and erosion control. The education facility sub-activity is reported in the Education section. Housing is also reported separately.

Approximately 93 percent of the overall Capital Facilities and Community Services budget (including educational facilities and housing) is transferred to First Nations governments, with only 1.2 percent accounted for by direct delivery by DIAND.

2.2.3 Band Management : DIAND (\$269.4 million)

Federal support for the operation of band and tribal councils, accounting for \$224.6 or 83.4 percent of this category, provides for general administrative staff and the normal expenses of conducting band government operations. Funds are provided to all bands in accordance with a formula that takes into account total band membership, location, on-reserve population, the type and value of program services, and departmentally funded band employees. Bands not affiliated with tribal councils but with on-reserve populations of more than 2,000 are also eligible for funds to provide advisory services.

Direct support is made available to tribal councils for management and administration costs. In 1990-91, 485 bands and nine associated communities were affiliated with approximately 75 tribal councils functioning as program or service delivery agencies for bands of similar needs, language or culture. Tribal councils provide advisory services for financial management, technical services, community-based planning, and economic development for member bands. The range of programs delivered by such councils varies.

Transfer payments of \$16.9 million to the province of Newfoundland are included in the Band Management activity. These payments provide for the delivery and cost-sharing of programs and services for the Indian and Inuit communities within the province normally provided by DIAND in other parts of Canada. Under the Canada/Newfoundland Native Peoples of Labrador Agreement, Newfoundland extends community and economic development, education, fisheries, housing, and northern development programs to the residents of seven native communities in Labrador. The governments share in the cost of supplementary programs and services. The Agreement is unique in the arrangements between the federal and provincial governments and reflects an expectation of the imminent demise of the Indian Act at the time of Newfoundland's entry into Confederation.

The remaining \$27.8 million of the activity is expended on Indian and Inuit management development programs, funding in support of the development of Alternative Funding Arrangements, support for aboriginal participation in consultation and policy development, and

activity management.

Fully 94.4 percent of total expenditures within the program are accounted for by transfer payments with \$44.2 is to be transferred under Alternative Funding Arrangements.

2.2.4 Lands, Revenues, and Trusts : DIAND (\$140.3 million)

Under the Indian Act, the Minister exercises authority on behalf of the Crown to administer reserve lands, Indian moneys and the estates of deceased Indians formerly resident on-reserve, the elections of band councils and the passage of by-laws, and the Crown's treaty obligations. Expenditures also relate to the settlement of specific land claims; responses to litigation by and against the Crown; protection of the lands reserved for Indians; addressing environmental issues affecting the lands; and registering individuals entitled to Indian status and band membership.

Land transactions for 2,330 reserves are administered by DIAND in accordance with the Indian Act, although 9 bands of 601 are exercising delegated authority for land management. 58.0 percent of the \$140.3 million relates to various transfer payments. Transfers are made, for example, to Indian bands for land selection, registration administration, Bill C-31 test cases and forest fire protection on reserve lands. Funds are also transferred to provinces, corporations, or local authorities for forest fire suppression. Only \$1.3 million is transferred to bands under AFA agreements with most of the remainder covered by contribution agreements.

2.2.5 Economic Development : DIAND (\$98.0 million)

DIAND assumes a lead role within the Canadian Aboriginal Economic Development Strategy, accounting for 85 percent of CAEDS funds for Community Economic Development. This program funds community-based Economic Development Organizations and the Regional Opportunities Program which, together, account for \$74.0 million of the economic development budget. Smaller amounts are spent on commercial and resource development programs, and managing and administering oil and gas exploration, development and production through Indian Oil and Gas Canada. A research and advocacy program to promote Indian and Inuit employment and business issues, an Indian Taxation Advisory Board, and activity management account for the remainder (\$11.4 million, or 11.7 percent).

Transfer payments account for 71.8 percent of the budget, with \$13.9 million to be

transferred to bands under the AFA agreements.

2.2.6 Comprehensive Claims : DIAND (\$70.9 million)

Expenditures within this category relate to the settlement of accepted comprehensive claims to aboriginal title. Comprehensive claims pertain to the establishment of property rights in those areas where aboriginal title has not been dealt with by treaty or superseded by law. Approximately 80 percent of the expenditure is accounted for by comprehensive claims settlements and related self-government payments, with the remainder spent on the funding of native claimants and research and negotiation costs.

It may be appropriate to note here that comprehensive claims payments to First Nations may not be regarded by them in the same light as other program or service expenditures. In commenting on an expenditure analysis commissioned by the AFN, Chief Ovide Mercredi made the following remarks to the Standing Committee on Aboriginal Affairs:

*"The Assembly of First Nations' review isolated from its analysis those (DIAND) expenditures related to transfers to territorial governments, treaties, statutory obligations, land claim settlements, land revenues and trusts, as well as dollars associated with the department's administration. These funds should not be considered as part of any government's ongoing commitment to First Nations for programs and services. They are funds that derive from land claim or treaty commitments. If First Nations were to report their 'commitments to Canada' under these categories, the balance sheet would show tens of billions of dollars benefit to Canada from the land and water resource base."*¹⁶

2.2.7 Self Government : DIAND (\$18.3 million)

Activities within this program support definition, negotiation, and establishment of Aboriginal self-government. Included are:

- activities to support the definition of aboriginal constitutional rights
- policy development

16. House of Commons, Minutes of Proceedings and Evidence of the Standing Committee on Aboriginal Affairs, May 4, 1993, p. 42:6.

- financial support to communities for the development and negotiation of community self-government proposals
- negotiation, in collaboration with other federal departments and agencies and other levels of government as appropriate, new self-government relationships with communities or new sectoral arrangements within a region
- negotiation and administration of financial arrangements with self-governing communities
- implementation and administration of federal self-government legislation and the James Bay and Northern Quebec Agreement

65.0 percent of total expenditures within the program relate to transfer payments, with \$0.3 million to be transferred to bands under AFA agreements.

2.2.8 Program Management and Administration : DIAND (\$47.7 million)

This activity provides for the general management cadre and administrative support services internal to the Program at headquarters, regional and field office levels. Note that none of the expenditures of the Administration Program of the department have been included in this figure. In other words, the amount reported here refers only to administrative costs within the Indian and Inuit Affairs Program.

2.3 HEALTH

Health care for Canadians is primarily a provincial responsibility and the federal government's principal role is to provide financial support for programs run by the provinces and the N.W.T., and to provide health services directly to Indians and Inuit and residents of the Yukon. Total federal expenditures in the FMS Health category are listed in Table 4. These outlays do not represent the total federal effort in the health field since more than half of the previous federal obligation with respect to health insurance is now provided by way of income tax room vacated by the federal government under the federal-provincial arrangements. The estimated value of tax transfers in 1992-93 is \$7,889 million.

TABLE 4
FEDERAL EXPENDITURES ON HEALTH
Main Estimates 1992-93

PROGRAM	(\$ millions)
DEPARTMENT OF HEALTH AND WELFARE	\$7,551.7
Health Insurance	6,186.5
Indian and Northern Health Services	703.1
Other Health Programs, Medical Research Council, and Administration	662.2
DEPARTMENT OF INDIAN AND NORTHERN AFFAIRS	
NORTHERN AFFAIRS PROGRAM	59.3
Contribution to NWT for health care of Indians and Inuit	
	54.0
Contribution to YT for health care of Indians and Inuit	5.3
DEPARTMENT OF LABOUR	2.0
TOTAL	7,613.1

SOURCE: Canadian Tax Foundation (1992), with adjustments by authors

Federal health insurance transfers to provinces are made through the vehicle of *The Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act*, or Established Programs Financing for short. Provinces are formally obliged to make access to hospital and health insurance programs universal without financial barriers, to make benefits comprehensive, to make eligibility fully portable from province to province, and to make administration publicly accountable. As well, all monies transferred under EPF must be spent by the provinces within the areas of health and post-secondary education. Beyond this, provinces are

free to design and implement their own systems. Thus, unlike CAP transfers, health insurance transfers are block grants in the sense that they are independent of actual provincial expenditures on health and are formula driven.¹⁷

The fiscal aspects of health care delivery to aboriginal peoples are particularly complex. Like non-aboriginals, non-status Indians, off-reserve Indians and Métis generally look to the province for hospital and medical care programs. The Medical Services Branch of Health and Welfare Canada is responsible for health care on-reserve, but much of the federal expense for hospital services involves providing transportation to off-reserve hospitals where services are then a provincial responsibility. The MSB is also responsible for the health care of all Yukon residents, but health care responsibility in the Northwest Territories was transferred to the Territory in 1988¹⁸.

Health care delivery in Newfoundland is the responsibility of the province, but MSB will provide a \$876,000 contribution in 1992-93. Under the terms of the James Bay and Northern Quebec Agreement, health care in Cree and Inuit communities is provided by the Cree Board of Health and Social Services of James Bay and the Kativik Regional Board of Health and Social Services. These Boards are funded by the Quebec Department of Health and Social Services. However, Health and Welfare Canada provides some health services in the region, primarily through the National Native Alcohol and Drug Abuse Program and Non-Insured Health Benefits Program.

Finally, HWC's Non-Insured Health Benefits Program, which accounts for about 56 percent of its total health expenditures targetted to aboriginal peoples, provides such benefits as prescription drugs, dental services, and eyeglasses, and is available to all status Indians without means-testing and irrespective of place of residence.

2.3.0 PROGRAMS AND SERVICES

2.3.1 *Indian and Northern Health Services : Health and Welfare Canada (\$703.1 million)*

This is a sub-activity of the Medical Services Branch which ensures the provision of health services to status Indians on-reserve, and Yukon residents. The direct delivery of health services by the MSB represents only part of the health benefits and services offered to Native people and the

17. Federal contributions are determined from a predetermined base amount escalated on the basis of GDP growth and apportioned according to provincial and territorial population counts.

18. Transfer of responsibility for health care in the Yukon appears imminent.

residents of the Yukon. The most substantial proportion of medical treatment is provided on a contractual or fee-for-service basis by private practitioners, university faculties of medicine, work-sharing arrangements with other levels of government, and increasingly, with native communities. The following programs are part of this activity:

- Community Health Services (\$525.8 million)

Community preventive health and health promotion programs such as health education, immunization, nutrition counselling and dental health are provided on reserve to reserve residents. Emergency treatment services, diagnostic, examination services and dental treatment are provided when not otherwise available from the provinces. Preventive and education programs aimed particularly at school age children are a priority. Training is provided for nurses, community health representatives and dental health aides.

Non-insured health benefits (NIHB) are provided for Inuit and Registered Indians. These relate to a limited number of goods and services which are not provided by provincial or territorial health insurance plans or programs, or through other forms of third party coverage. They include drugs, medical supplies, medical equipment, vision care, dental care, medical transportation, health insurance premiums and co-insurance fees. In 1990/91, NIHB expenditures were \$312,878,000, including \$86,405,200 for drugs, \$84,936,000 for medical transportation, and \$74,145,700 for dental care. The remainder is accounted for by health insurance premiums, vision care, and medical equipment and supplies.

- National Native Alcohol and Drug Abuse Program (\$54.0 million)

Culturally relevant, community based prevention and treatment services are provided and NNADAP workers receive appropriate training. Launched in 1982, it has grown to 382 projects, 10 training programs, and 45 treatment centres. Contributions to native organizations and communities for NNADAP activities are forecast to be \$51.0 million in 1992-93.

- Environmental Health and Surveillance (\$13.0 million)

Monitors community environmental conditions through environmental health and occupational health and safety inspections, water sampling and testing individuals for levels of contaminants such as mercury and PCB's.

- Hospital Services (\$48.0 million)

MSB operates seven general hospitals providing services linked with provincial and territorial health-care systems and smaller Medical Services Branch facilities such as nursing stations.

- Management Services (\$58.0 million)

Administering contracts and contributions, administrative support services, material management, financial services, edp, senior management, etc.

- Services under Indian Control (\$35.8 million)

Provides support to the transfer of health services to Indian communities and the Government of Yukon. The role of the activity is to develop the policies and methods used in transferring Federal Health Services to Indian communities; transfer payments to Indian communities, conveying resources as negotiated in the transfer agreements; in addition it provides assistance and support to communities working to implement these transfers.

There are 79 projects involving 244 Bands in various stages of the transfer process. Of these, 62 pre-transfer planning projects have been approved, 17 Memoranda of Understanding and 44 community health plans are in place involving more than 180 bands. 14 transfer arrangements have been signed.

Tri-partite negotiations between the MSB, the Council for Yukon Indians and the Yukon territorial government are continuing for the transfer of health services in the Yukon.

2.3.2 Contributions to Yukon and Northwest Territories for Health Care of Indians and Inuit : DIAND (Northern Affairs Program) (\$59.3 million)

DIAND continues to contribute to both the Yukon (\$5.3 million) and Northwest Territories (\$54.0 million) for chargebacks made by the territories in delivery of health care services to status Indians and Inuit.

2.4 EDUCATION

As in the case of social services and health, education is primarily the responsibility of the provinces under the *Constitution Act*, although the federal government is held responsible for the elementary and secondary school education of Indians and Inuit, armed forces personnel and their families, and inmates of federal penitentiaries. Once again, the federal government uses its spending powers to transfer funds to provinces under Established Programs Financing to support post-secondary education programs designed and delivered by the provinces.

Total federal expenditures in 1992-93 are expected to equal \$ 3.9 billion. The breakdown by federal department is reported in Table 5. Note that the \$1,913.6 expenditure for post-secondary assistance is only the cash component of the Established Programs Financing relating to education. The value of tax transfers for post-secondary education is estimated at \$3,733.5 for 1992-93.

TABLE 5
FEDERAL EXPENDITURES ON EDUCATION

PROGRAM	(\$ millions)
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT	\$1,033.2
Education of Indians and Inuit	
SECRETARY OF STATE	2,808.4
Bilingualism Development	320.8
Canada Student Loans Act	481.0
Post-Secondary Education Assistance	1,913.6
Social Sciences and Humanities Research Council	93.0
OTHER	81.8
TOTAL	3,923.4

2.4.0 PROGRAMS AND SERVICES

DIAND is directly responsible for maintaining schools for Indian and Inuit children or for providing educational services through a provincial or territorial government. Schooling is provided either in band schools on reserves and in communities or in provincial schools with the

costs paid by the federal government. For native students registered in provincial schools, the federal government, through DIAND, may negotiate capital and tuition agreements with provincial education authorities as was the case in British Columbia¹⁹. Or, negotiation takes place between the bands and the province (as in Ontario) although funding continues to derive from DIAND. Tuition rates generally reflect the annual provincial or school district net operating cost on which the annual per pupil tuition fees are calculated. Band-operated schools are funded by DIAND through contribution agreements with band councils or local Indian education authorities.

Under the James Bay and Northern Quebec Agreement and the Northeastern Quebec Agreement, the federal government pays 25 percent of the operating and capital budgets of the Inuit school board and 75 percent of the budgets of the Cree and Naskapi.

Over the past few years, Indians and Inuit have increasingly been taking over more control of their elementary and secondary education. At the moment, however, a variety of arrangements exist. In Northern Quebec, for example, an autonomous school division has complete control over educational services for the Cree bands. In most provinces, a majority of bands now direct their own education through a variety of arrangements ranging from separate incorporated authorities to education committees under band council direction. Federal funding for these programs or schools is based on a formula that reflects remoteness, band size, and climate. More specifically, budgets are set on the basis of a number of factors including the number of schools, floor space, student counts and miles of bus routes. Unit costs are then adjusted to reflect geographic location and frequently are based on the comparable cost of services in non-aboriginal communities.

In the 1992-93 school year, 312 schools were operated by bands and 53 schools on reserves were operated by the federal government. Roughly 47 percent of the Indian students living on reserves attend provincially operated schools in 1992/93 and 31 percent attend band-managed schools.

Estimated operating costs and transfer payments to these schools for 1992-93 are reported in

19. Arrangements in British Columbia are rapidly changing. As of July 1992, more than 25 First Nations in the province had entered Local Education Agreements with local school boards whereby DIAND funding is provided to the band which in turn funds the local school board pursuant to negotiated agreements.

Table 6.²⁰ Expenditure totals include daily and seasonal transportation, living allowances for students who must leave home for schooling, counselling and group homes or student residences, if necessary. At the post-secondary level, tuition, living allowances and support services are provided to eligible Indian and Inuit students enrolled in accredited university and college programs and entrance preparation programs. Fully 95.6 percent of the total expenditure is in the form of transfers.

TABLE 6
ESTIMATED OPERATING COSTS AND TRANSFER
PAYMENTS RELATED TO SCHOOLS

Program	(\$ million)
Band Schools	251.5
Provincial Schools	290.7
Federal Schools	24.6
Student and Educational Support	116.9
Post-Secondary Education	201.3
Activity Management and Other Services	18.3
Total Excluding Capital	891.5
Capital Expenditures	129.9
TOTAL	1,033.2

2.5. LABOUR AND EMPLOYMENT

Provincial governments have the primary responsibility for legislation affecting labour relations, but the federal government has the authority to enact labour legislation that affects a number of matters within its exclusive jurisdiction. Thus, for example, the Canada Labour Code applies to workers in industries or enterprises that are considered federal businesses or undertakings. Through the Canada Employment Centres, the federal government provides employment information services. Both levels of government pursue job creation activities and

20. Note that we have apportioned some expenditures reported in the Main Estimates as pertaining to Capital Facilities and Community Services budget to education expenditures. This conforms to the FMS reporting system.

co-operate in the area of labour market training. Total federal spending within the category of labour and employment is expected to equal \$2,036.8 million in 1992-93.

2.5.0 PROGRAMS AND SERVICES

2.5.1 *Pathways to Success : Employment and Immigration Canada (\$200.0 million)*

EIC is responsible for employment and skills development opportunities under the Canadian Aboriginal Economic Development Strategy and targets the "Pathways to Success" program of the Canadian Jobs Strategy to issues of job development, job entry, skill shortages, skill investment, and community futures pertaining to aboriginal people. In addition, the Native Internship Program offers employment of native students during the summer months in various offices of the department.

In 1991-92, the National Aboriginal Management Board was established to ensure training and human resource development programs are delivered with direct input from aboriginal peoples.

2.5.2 *National Indigenous Program : Public Service Commission (\$4.0 million)*

This program offers department managers with the public service resource incentives to encourage the appointment of aboriginal peoples.

2.5.3 *Northern Careers Program : Public Service Commission (\$3.4 million)*

Support activities such as employment counselling for job interviews and advice and assistance in preparing résumés are provided to aboriginal people residing north of 60 degrees latitude and who are seeking work within the public service in the Territories. Department managers are offered resource incentives to encourage the appointment of aboriginal people.

2.6 CITIZENSHIP AND IMMIGRATION

While both federal and provincial governments conduct programs promoting citizenship, the federal government has general legislative jurisdiction regarding citizenship and has exclusive jurisdiction in relation to Indian status. Both levels of government are authorized by the constitution to legislate in relation to immigration although the federal government assumes the primary responsibility. Federal expenditure estimates for 1992-93 total \$694.2 within this category.

2.6.0 PROGRAMS AND SERVICES

All of the following expenditures take the form of transfer payments.

2.6.1 *Native Social and Cultural Development Program : Secretary of State (SS) (\$1.0 million)*

Eligible activities are those related to the revival and maintenance of aspects of traditional aboriginal cultures and languages which reinforce the identity of aboriginal peoples.

2.6.2 *Aboriginal Women's Program : SS (\$2.6 million)*

Program funding is provided to national organizations and project funding to community and regional organizations to assist aboriginal women in influencing the development of government policies which affect women and the family unit.

2.6.3 *Northern Native Broadcast Access Program : SS (\$11.3 million)*

Provides production and distribution funding to aboriginal broadcasters to operate and maintain regional network production centres and to produce and broadcast radio and television programs for aboriginal audiences.

2.6.4 *Aboriginal Friendship Centre Program : SS (\$19.7 million)*

Aimed at aboriginal people residing in or travelling through urban communities, the program provides program, capital and project funding to the National Association of Friendship Centres and 99 friendship centres located in Canadian urban areas.

2.6.5 *Aboriginal Representative Organizations Program : SS (\$6.4 million)*

Provides program funding to Inuit, Métis and Non-Status Indian representative organizations which work to enable aboriginal peoples to participate in the political, social and economic life of Canada.

2.6.6 *Aboriginal Constitutional Review Program : SS (\$3.0 million)*

Provides funding to national aboriginal representative organizations to assist them in addressing outstanding constitutional issues and participating in the constitutional renewal process. A two-year program, introduced in 1991-92.

2.6.7 *Canada/Northwest Territories Cooperation Agreement on Aboriginal Languages : SS (\$6.0 million)*

Program assists the Territory in strengthening activities related to language maintenance and revitalization. Currently in a three-year agreement signed in 1991.

2.6.8 Canada/Yukon Aboriginal Languages Agreement : SS (\$1.4 million)

Assists the Territory and aboriginal communities in developing programs that will preserve and maintain the aboriginal languages of the Yukon. 1992-93 is the final year of the five year agreement.

2.7. HOUSING

Legislative authority for housing falls primarily to the provinces, but the federal government intervenes in the housing market through the Canada Mortgage and Housing Corporation. The CMHC, a wholly owned Crown corporation, operates under the National Housing Act to assist in the provision of affordable housing. Approximately 95 percent of CMHC's budget is allocated to various federal and provincial shared-cost subsidized housing programs, with the bulk of the remainder accounted for by the market housing activities (mortgage loan guarantees, etc.). The government's expenditure control plan has curtailed the activities of CMHC since 1990 and the cooperative housing program was terminated in the 1992 budget. New units will not be constructed off-reserve effective April 1994.

Differences in the interpretation of the federal government's responsibilities in the area of housing are particularly severe. Some aboriginal peoples maintain that shelter is a treaty right forming part of the federal trust and fiduciary responsibility. The federal government does not recognize universal Indian entitlement to government financed housing and bases housing programs on social policy.²¹

On-reserve Indians access housing through DIAND's Housing Program, supplemented by some First Nations with CMHC's On-Reserve Housing Program. All other aboriginal groups rely on CMHC and a host of provincial programs. By some accounts, these groups face a "confusing patchwork of federal and provincial programs that are difficult to assess" and between which

21. Mr. John Traynor, Assistant Deputy Minister, DIAND, comments to House of Commons, Standing Committee on Aboriginal Affairs, *Minutes and Proceedings, Issue No. 10:12*.

"(t)here is a distinct lack of co-ordination..."²²

Table 7 reports total federal expenditures on housing for 1992-93. Note that infrastructure related to housing (sewer, water, etc.) is financed from DIAND's Capital and Community Facilities budget referred to above.

TABLE 7
FEDERAL EXPENDITURES ON HOUSING
Main Estimates 1992-93

DEPARTMENT	(\$ millions)
CANADA HOUSING AND MORTGAGE CORPORATION	\$2,089.7
INDIAN AND NORTHERN AFFAIRS	137.8
TOTAL	\$2,227.5

2.7.0 PROGRAMS AND SERVICES

2.7.1 *Housing Program : DIAND (\$137.8 million)*

DIAND provides a capital subsidy between \$19,080 and \$46,260 per unit, depending on the band's economic circumstances, local construction costs, and shipping costs for the construction and acquisition of new homes. Renovation projects are eligible for a subsidy averaging \$6,000 per unit. Funds are allocated annually with the exception of those bands operating under Alternative Funding Arrangements. Funds are also made available for training, management, and technical assistance to bands and are almost entirely administered by bands.

Note that Bill C-31 has had a substantial impact on resources expended under this activity. In 1990-91, 2,834 new units were constructed and 4,655 existing units were renovated at a total cost of \$125.2 million. 889 new units and 44 renovations costing \$27.5 million were provided specifically to accommodate the return to reserves of individual gaining status under the bill.

2.7.2 CANADA MORTGAGE AND HOUSING CORPORATION (CMHC): (\$272 million) CMHC operates three programs with specific aboriginal programs accounting for approximately 13 percent of its budget. The On-Reserve Non-Profit Housing Program, in conjunction with DIAND's housing program, provides a subsidy which enables bands to reduce the interest rate payable on money borrowed to finance housing projects.

22. A Time for Action, Fourth Report of the Standing Committee on Aboriginal Affairs, 1992, p. 24.

The Urban Native Non-Profit Housing Program is offered in urban areas with populations over 2,500 to provide subsidy assistance to native-sponsored non-profit housing organizations to own and operate rental housing projects. Households must be in core need and pay rents usually not in excess of 25% of income. An ongoing subsidy covers the difference between total rents paid and the actual cost of financing and operating the project. Assistance is also given to reduce the principal and interest payments used to amortize capital costs of the project over 35 years.

The Rural and Native Housing Program provides housing assistance on a lease-to-purchase and rental basis to rural, low-income, off-reserve native and non-native communities. A home ownership option was terminated at the end of 1991. Rural is defined as communities having populations of 2,500 or less. Fifty percent of the activity is targetted to native people.

Federal off-reserve housing programs typically involve joint agreements with the provinces wherein the federal government contributes 75% of costs. Actual delivery takes place through provincial or local governments and a wide variety of community agencies.

2.8 NORTHERN AFFAIRS PROGRAM/TERRITORIAL TRANSFERS

DIAND's Northern Affairs Program delivers programs and services north of the 60th parallel and administers the grants to the Northwest Territories and the Yukon Territory. The Northern Affairs Program, with an estimated 1992-93 expenditure of \$176.8 million, is further subdivided into two activities (plus program management).

The Political, Scientific, Social and Cultural Development activity, representing 47.6 percent of the Program expenditures, delivers a wide range of programs and services related to political development in the Territories, devolution of provincial-type responsibilities, monitoring of native claims negotiations and the implementation of the Inuvialuit Final Agreement, and support for aboriginal organizations in their development of policy positions on various political, economic and social issues. The activity administers the Territorial transfers and provides contributions to both the Yukon and Northwest Territories for health care provided to Indian and Inuit. Support is also provided for northern scientific and technology programs.

The Economic Development and Resource Management activity (50.3 percent of expenditures within NAP) pursues economic development in the North, development of natural

resources (including fire protection), and is responsible for environmental protection of resources.

The Territories are not included in the Equalization program, but do receive unconditional transfers from the federal government with some of the characteristics associated with Equalization.

Under a 1989 agreement, the transfers are driven by a formula based on actual expenditures in 1982-83, inflated by growth in total provincial and municipal expenditures and by territorial population growth relative to national population growth. Like Equalization payments, account is taken of the revenue capacity of the territories. Unlike Equalization, offsets are introduced for other federal transfers into the territories, such as EPF transfers, CAP payments and other federal spending (including services rendered directly to Indians and Inuit). The estimated transfers for 1992-93 are \$223.3 million to the Yukon and \$822.2 million to the Northwest Territories.

2.8.0 PROGRAMS AND SERVICES

The nature of the relationship between the federal and territorial governments, coupled with the demographics of the northern regions, presents us with a problem in assigning expenditures to aboriginal peoples in a manner consistent with that followed heretofore. In 1991, aboriginal people comprised 60.2 percent of the population in the Northwest Territories (16.3 percent in the Yukon) with only 0.6 percent of these people on reserve.²³ With some small exceptions, the federal government regards its grant to the Northwest Territories as fulfilling its Constitutional obligation under section 91(24) to provide services and programs to Indians and Inuit (a position held by some to be effectively an implementation of the 1969 White Paper).

Were we to ignore expenditures not specifically targetted to aboriginal people, we would fail to account for programs and services of significant relevance to them. We have therefore chosen to apportion these amounts according to representation of aboriginal people in the general populations of the two territories. Within the Northern Affairs Program, the 1992-93 Estimates indicate a contribution of \$59.3 million to the governments of the Yukon and Northwest Territories for the health care of Indians and Inuit. This has already been accounted for in the health sector estimates in section 2.3 above. Of the remaining \$117.5 million, the share of direct benefit to aboriginal people is taken as their share of the combined population of the territories using the results of the 1991 Aboriginal Peoples Survey - 46 percent. The territorial transfers are similarly

23. "1991 Aboriginal Peoples Survey: Selected Tables and Charts" (1993), prepared by the Research Directorate, Royal Commission on Aboriginal Peoples.

apportioned using the aboriginal shares of population within each territory. The results are reported in Table 8.

TABLE 8
SHARES OF NORTHERN AFFAIRS PROGRAM AND TERRITORIAL TRANSFERS
ATTRIBUTED TO ABORIGINAL PEOPLE

Program	Total Expenditure (\$million)	Aboriginal Population Share (%)	Expenditure Attributed to Aboriginal Peoples (\$million)
Northern Affairs Program	\$117.5	45.9%	\$53.9
Transfer to Yukon	223.3	16.3	36.4
Transfer to NWT	822.2	60.2	495.0
TOTAL			\$585.3

Error! Reference source not found. **2.9. OTHER FEDERAL EXPENDITURES**

We briefly list, without discussion, the remaining programs targetted to aboriginal people.

2.9.1 NATURAL RESOURCES, AGRICULTURE, ENVIRONMENT

Aboriginal Fisheries Strategy : Fisheries and Oceans Canada (\$8.0 million)

The program is designed to increase Aboriginal participation in fisheries management and enhance economic opportunities for aboriginal peoples.

2.9.2 BUSINESS AND PROPERTY

Aboriginal Economic Program : Industry, Science and Technology Canada (\$76.0 million)

This program fulfills ISTC's involvement with the Canadian Aboriginal Economic Development Strategy and consists of four principal components. The Aboriginal Business Development Program provides start-up or expansion funds for aboriginal commercial enterprises. The Joint Ventures Program helps establish links between aboriginal businesses and existing firms.

Aboriginal financial institutions are assisted through the Aboriginal Capital Corporations Program and the Research and Advocacy Program supports research, policy analysis, conferences, and economic development studies.

Native Policing : Solicitor General (\$ 44.7 million)

Expenditures support policing services on-reserve, in keeping with the recommendations of the Federal Task Force on Native Policing. Current spending is part of a five-year plan to develop new policing arrangements, emphasizing First Nations administration and program delivery.

Aboriginal Justice Fund : Department of Justice (\$ 9.7 million)

A five-year discretionary contributions fund which provides money for aboriginal communities for policy consultation and co-ordinations, independent socio-legal research and data collection; cross-cultural training for justice professionals; testing of innovative ways of delivering public legal education and information; and community-based pilot projects to improve the responsiveness, fairness, effectiveness and inclusiveness of the justice system as it affects aboriginal peoples.

Legal Studies for Aboriginal People Program : Department of Justice (\$ 0.5 million)

Provides financial assistance to Métis and non-status Indian students who wish to become lawyers.

Native Court Workers Program : Department of Justice (\$ 4.3 million)

Assists native adults or young offenders charged with an offence by helping them understand their legal rights and obtain legal assistance. The program is cost-shared with all provinces and territories except Saskatchewan, New Brunswick, Nova Scotia and Prince Edward Island.

Aboriginal Self-Government Fund : Department of Justice (\$ 1.7 million)

A cost-shared program in support of tri-partite self-government negotiations to provide funding to aboriginal organizations representing aboriginal peoples residing outside a designated land base.

Specific Claims Negotiations and Mega Cases in British Columbia : Department of Justice (\$ 5.8 million)

These programs entail litigation support provided by the Department of Justice to DIAND for cases involving claims. As in the case of DIAND's comprehensive claims spending discussed in section 2.6.6, aboriginal peoples would not acknowledge expenditures within this category as producing benefits for them.

2.9.3 DEFENSE

Northern Rangers Program : Department of National Defense (\$4.3 million)

Northern Rangers are a sub-component of the Canadian Forces Reserves, acting as guides, advisors and survival instructors and occasionally assisting search and rescue missions.

2.10 AN OVERVIEW OF FEDERAL EXPENDITURES

2.10.1 SUMMARY OF FEDERAL EXPENDITURES

Table 9 below summarizes the values itemized in the preceding sections. The total reported in the table differs only marginally from that calculated and reported by DIAND (1993a). The difference is accounted for primarily by their inclusion of a component of the Administration Program, offset by larger figures calculated by us in the category of Northern Transfers.

TABLE 9
SUMMARY OF FEDERAL EXPENDITURE ON ABORIGINAL PEOPLES
Targetted Programs
1992-93 Estimates

CATEGORY	(\$ millions)	% of total
SOCIAL SERVICES	1,858.2	36.7%
HEALTH	762.4	15.1
EDUCATION	1,033.2	20.4
LABOUR & EMPLOYMENT	207.4	4.1
CITIZENSHIP & IMMIGRATION	51.3	1.0
HOUSING	409.6	8.1
OTHER	155.0	3.1
NORTHERN TRANSFERS	585.3	11.6
TOTAL	5,062.4	100.0

It is important to bear in mind the caveat that the values reported in Table 9 do not reflect the total value of federal expenditures consumed by aboriginal peoples. The reasons for this have been stated in our introduction. At best, the total might be taken as a ballpark estimate of the amounts that would have to be transferred to land-based First Nations governments in order for them to assume control of the programs and services currently being delivered on reserves, and at the current levels of funding. Even this should be interpreted with care. For example, the expenditures on comprehensive claims and lands, revenues and trusts are largely transfers of wealth that are not required for ongoing delivery of programs and services. Of course, any increase in own-source revenues would reduce the size of the transfer required to deliver the current constellation of programs and services.²⁴

24. Note that Table 9 does not include any "tax expenditures". The value of tax exemptions could,

The question that naturally arises is whether the expenditure amounts in Table 9 are large or small in any sense. We can approach this issue from a number of directions. First, we consider the growth of expenditures over the last decade.

2.10.2 GROWTH OF FEDERAL EXPENDITURES

Table 10 reproduces a report on the growth of federal spending on aboriginal programs and services, as compiled by DIAND (1983a). Given the slight difference between their calculations for 1992-93 and ours, we expect the similarity would also apply to these historical figures. Note that federal spending in the third column excludes debt servicing expenditures. If debt charges are included in total federal expenditures, the proportion devoted to aboriginal programming would have been 1.9 percent in 1975-76, rising to 2.9 percent in 1991-92. To provide some context, note that aboriginal people constituted 2.3 percent of the total Canadian population in 1991 according to the Aboriginal Peoples Survey. That direct federal spending on aboriginal people is disproportionately large relative to their population share may be entirely accounted for by the fact that the federal government takes responsibility for programs and services that would normally be provided by provincial and municipal governments in the case of non-aboriginals.

in principle, be calculated and treated as an expenditure by the federal government. In all probability, the low income levels on many reserves implies that this "expenditure" is not of great significance.

TABLE 10
ANNUAL FEDERAL EXPENDITURE FOR ABORIGINAL PEOPLES

FISCAL YEAR	ABORIGINAL EXPENDITURES (\$ million)	TOTAL FEDERAL EXPENDITURES (\$ million)	PERCENTAGE ABORIGINAL EXPENDITURES
1975-76	703	33,316	2.1%
1976-77	855	35,889	2.4
1977-78	985	39,413	2.5
1978-79	1,116	42,459	2.6
1979-80	1,211	44,928	2.7
1980-81	1,475	51,473	2.9
1981-82	1,652	59,759	2.8
1982-83	1,929	71,618	2.7
1983-84	2,361	78,533	3.0
1984-85	2,650	86,760	3.1
1985-86	2,736	85,786	3.2
1986-87	2,972	89,730	3.3
1987-88	3,074	96,080	3.2
1988-89	3,350	99,532	3.4
1989-90	3,756	103,883	3.6
1990-91	4,162	107,434	3.9
1991-92	4,674	115,800	4.0
1992-93	5,041	119,400	4.2

* excludes debt servicing charges

Source: DIAND (1993a)

The values reported in Table 10 are in current dollars. To factor out the effects of inflation, they have been recalculated in 1986 constant dollars for the fiscal years 1981-82 and 1991-92, using the Consumer Price Index. The results are reported, and disaggregated by major departments, in Table 11. Note that the CPI used is the annual value for the chronological year containing the majority of the fiscal year. For example, the 1991 CPI is used to adjust the 1991-92 fiscal year values.

TABLE 11
FEDERAL EXPENDITURES ON ABORIGINAL PEOPLES
BY DEPARTMENT AND IN CONSTANT 1986 DOLLARS

DEPARTMENT	1981-82		1991-92		% CHANGE
	\$	1986=100	\$	1986=100	
DIAND	1,252	1,658	3,412	2,704	63.1%
HWC	174	230	639	506	120.0
CMHC	77	102	240	190	86.3
EIC	70	93	200	158	69.9
ISTC	47	62	79	63	1.6
SS	28	37	62	49	32.4
Other	4	5	42	33	560.0
TOTAL	1,652	2,188	4,674	3,704	69.4
SOURCE: DIAND (1993a), Statistics Canada, 62-001					

While Table 11 appears to show substantial increases in aboriginal spending, much of the increase may be explained by population growth. Certainly, the large expenditure components of health, social services and education are driven by population sensitive formulae. A truer picture of expenditure growth over the decade would therefore be provided by per capita spending calculations. This is of particular importance given that growth in the aboriginal population has far surpassed that in the rest of the Canadian population, reflecting in part the effects of Bill C-31. From 1981 to 1991, overall Canadian population increased by 10.9 percent, while the on-reserve, registered Indian population grew by 34.0 percent and the total registered Indian population increased by 58.1 percent.

Adjusting the expenditures in Table 11 to per capita figures is somewhat problematic. Non-participation in census-taking and looseness in the definition of Aboriginal origin combine to make even Census population counts of the aboriginal population controversial. There is also the issue of determining the population towards which the expenditure is targeted. For example, while DIAND expenditures are largely directed to reserves, the beneficiaries of that spending could very well include off-reserve band members who continue to have a vested interest in the reserve situation. Health and Welfare Canada's health services are provided to reserve and Yukon residents, but the Non-Insured Health Benefits expenditures are consumed by all Registered Indians. A truly accurate picture of per capita growth in expenditures would therefore require analysis at a much lower level of aggregation, involving an examination of each particular program.

TABLE 12
GROWTH OF PER CAPITA SPENDING
CONSTANT 1986 DOLLARS
USING ON-RESERVE REGISTERED INDIAN POPULATION

DEPARTMENT/PROGRAM	1981-82 per capita	1991-92 per capita	% growth
DIAND	\$7,289	\$8,871	21.7%
INDIAN AND INUIT AFFAIRS	5,948	7,447	25.2
Self-Government	0	46	*****
Comprehensive Claims	107	186	74.5
Economic Development	422	256	-39.3
Lands, Revenues, Trusts	122	339	177.2
Education	1,790	2,199	22.8
Social Development	1,286	1,900	47.8
Capital Facilities, Community Services	1,397	1,620	16.0
Band Management	442	641	45.0
Program Management	292	117	-60.0
HWC	1,013	1,661	64.0
CMHC	448	624	39.2
EIC	408	520	27.6
ISTC	274	205	-24.9
SS	163	161	-1.1
Other	23	109	368.9
TOTAL	\$9,618	\$12,153	26.4%

Sources: Public Accounts: 1981-82, 1991-92

DIAND (1993a); DIAND, Basic Departmental Data, 1992

Nevertheless, some aggregate indicators (however rough they may be) would be desirable. We have therefore recalculated the constant 1986 dollar expenditures contained in Table 11 to produce per capita figures. In the Table 12, per capita adjustments are made using the Indian Register counts of on-reserve Registered Indians in the years 1981 and 1991. In Table 13, the adjustment uses the total Registered Indian population. The growth rates of these two groups, 34.0 percent and 58.1 percent respectively, should bracket most estimates of growth in the relevant population and the growth rates in program expenditures provided in the table should therefore be informative. The two tables also provide additional detail on the activities with the Indian and Inuit Affairs Program of DIAND.

TABLE 13

GROWTH OF PER CAPITA SPENDING
CONSTANT 1986 DOLLARS
USING TOTAL REGISTERED INDIAN POPULATION

DEPARTMENT/PROGRAM	1981-82 per capita	1991-92 per capita	% growth
DIAND	\$5,122	\$5,283	3.1%
INDIAN AND INUIT AFFAIRS	4,179	4,435	6.1
Self-Government	0	28	*****
Comprehensive Claims	75	111	47.9
Economic Development	296	152	-48.5
Lands, Revenues, Trusts	86	202	134.9
Education	1,258	1,310	4.1
Social Development	903	1,132	25.3
Capital Facilities, Community Services	981	965	-1.7
Band Management	311	382	22.9
Program Management	205	70	-66.1
HWC	712	989	39.0
CMHC	315	372	18.0
EIC	286	310	8.1
ISTC	192	122	-36.4
SS	115	96	-16.2
Other	16	65	297.4
TOTAL	\$6,758	\$7,237	7.1%

Sources: Public Accounts: 1981-82, 1991-92

DIAND (1993a); DIAND, Basic Departmental Data, 1992

Although comparisons must be made cautiously, we have calculated the growth in overall federal spending in constant, per capita terms. As Table 14 shows, although gross spending has more than doubled over the decade, the real growth in per capita spending is only 12 percent. Burgeoning debt servicing charges are a prime culprit in this growth. Whether or not to include debt charges in the calculation of spending growth is a matter of personal choice: while they do not provide for current program and service expenditure, they can be regarded as payment for programs and services previously received. Table 14 reports the growth in federal expenditure net of debt servicing charges in the last row. In constant, per capita terms, program spending has increased only 3.5% over the decade.

TABLE 14
GROWTH OF TOTAL FEDERAL EXPENDITURES

	1981-82 ^a	1991-92 ^b	% Growth
CURRENT DOLLARS (millions)			
Total Gross Federal Expenditure	\$79,381	\$164,807	
Federal Expenditure Net of Debt Charges	64,320	123,414	
CONSTANT 1986 \$ (millions)			
Total Gross Federal Expenditure	105,140	130,592	
Federal Expenditure Net of Debt Charges	85,192	97,814	
PER CAPITA, CONSTANT 1986 \$			
Total Gross Federal Expenditure	\$4,319	\$4,836	12.0%
Federal Expenditure Net of Debt Charges	\$3,500	\$3,622	3.5%

a. The National Finances (1991), table 6.9

b. The National Finances (1993), table 6.11

2.10.3 FEDERAL EXPENDITURES IN RELATIVE TERMS

Part of the terms of reference ask the question, "How do the costs of delivering programs and services to aboriginal people compare to the costs of delivering a similar range of programs and services from provincial, territorial, regional and local governments?". As we argued in the Introduction, a definitive answer to this question, broadly conceived, is not forthcoming due to data limitations that prevent isolation of expenditures on aboriginal people and due to the public goods problem discussed there. Nevertheless, this section explores the question to illuminate some of the issues arising in this line of questioning.

Courchene and Powell (1992) conducted some exploratory analysis of the question, calculating the per capita federal expenditures on Status Indians on-reserve south of the 60th parallel and comparing these amounts to per capita spending by all levels of government on the general population. In addition to the targetted programs discussed in this report, shares of Unemployment Insurance, Old Age Security, and Family Allowance personal transfers were included in the Status Indian expenditures. The resulting figures were: \$10,072 in 1989-90 for Status Indians on-reserve and \$10,473 (in 1988 dollars) for the population as a whole. On the basis of these calculations, per capita spending would appear to be comparable between Status Indians on-reserve and the general population. There are, however, serious difficulties with such a conclusion:²⁵

25. We hasten to add that the authors are fully aware of, and acknowledge, the limitations of their

- it must be assumed that there is a strict delineation of fiscal responsibility for on-reserve programs and services. In other words, the calculation assumes that only the federal level of government provides services to reserves. This is not entirely true;
- the calculation is performed only for Status Indians on-reserve and therefore ignores the majority of aboriginal people living off-reserve;
- the calculation for the general population includes all government spending and therefore all possible publicly provided goods and services. The figure for Status Indians is not comprehensive, incorporating only those programs and services which can be isolated. Ignored, for example, are expenditures on debt servicing, national defense, provincial highways, and so on. Comparisons are valid only if it can be assumed that Status Indians on-reserve do not benefit from these expenditures while the general population does;
- the calculations are of gross benefits from government spending, not benefits net of taxes paid. If tax exemptions have effect, comparable gross expenditures would imply that expenditures net of benefits are larger for Status Indians than for the general population.

All of these considerations would tend to adjust the comparative figures in favour of Status Indians. There is an important issue, however, that would work in the opposite direction. Per capita spending on aboriginal people should not be compared to per capita spending on non-aboriginals since net benefits received from governments is not neutral with respect to economic status. The average Canadian is not unemployed - on many reserves, the average Status Indian is. The average Canadian is not entitled to free dental care and prescriptions as are Status Indians under the Non-Insured Health Benefits program. But a non-aboriginal Canadian in dire financial straits would be entitled to such benefits under social assistance plans. The average non-aboriginal Canadian faces taxes which constitute a considerable proportion of gross income. The limited evidence we have seen suggests that on many reserves, the application of income taxation would not be revenue-raising in any case.

analysis.

For all of these reasons, comparisons of per capita government spending are fraught with difficulty, and potentially misleading. At this level of aggregation, a true picture of the relative costs of aboriginal versus non-aboriginal government provision of programs and services to aboriginal people would require a comparison of aboriginal governments with non-aboriginal governments providing the same services to a constituency of similar characteristics under similar circumstances (eg., geography). No such comparison is available.

It may be more feasible to make comparisons at a disaggregated level of functions and, indeed, this may in fact be the appropriate approach if the movement to self-government entails the reassignment of well-specified programs and services. Issues of comparability continue to exist, however. For example, Courchene and Powell calculate per capita education expenditures of \$1,835 for Status Indians on-reserve in 1989-90 and \$1,208 (expressed in 1988 dollars) for the Canadian population as a whole. As the authors suggest, the difference may partly reflect the post-secondary education allowances available to Status Indians. But it may also reflect the younger demographic structure of the Indian population, more difficult delivery conditions, remoteness allowances for teachers, and other factors which imply that the difference in spending does not translate into higher service levels for aboriginal students. Truthful comparisons would therefore require detailed case studies within sectors.

We are therefore reluctant to offer conclusions about the relative share of public expenditures directed towards aboriginal people and, in particular, whether they receive a disproportionate share. We can say that expenditures on primary and secondary education and on social assistance, which together account for a significant proportion of the total, are currently calculated by DIAND on the basis of costs in similar, non-aboriginal communities. Thus, transfers on education are linked to per student costs of the province or school boards supplying the services to First Nations and social assistance transfers to bands are based upon provincial assistance rates.

We can also say that if the question concerns the costs of moving towards self-government then the process need not engender additional costs compared to current funding levels. Short of self-government legislation, Alternative Funding Arrangements represent the upper limit on funding arrangements in terms of the autonomy of First Nations. When such arrangements are negotiated, the amounts are tied to current costs of those programs to be covered by the AFA. Therefore, if the movement towards self-government takes place simply by shifting funding authority from contribution arrangements to AFA's then this will in itself not produce increases in

government spending for programs and services delivered to First Nations. Obviously, current funding levels provide much less guidance in determining the costs of a more wholesale change in the financial relationships involving, perhaps, new forms of intergovernmental transfers, resourcing formulae tied to fiscal capacity, catchup clauses, and so on.

2.11 THE FEDERAL-PROVINCIAL INTERFACE

A description of fiscal arrangements pertaining to aboriginal people would be incomplete without some analysis of provincial programs and services. This is particularly true of aboriginal groups that, under the federal government's interpretation of its responsibilities as being limited largely to reserves, must look to the provinces for public services. Moreover, since federal and provincial delivery (and in some cases funding) responsibilities overlap, a brief look at provincial activities is necessary to complete the picture of federal public finance practices.

While we have not conducted an analysis of provincial and territorial expenditures similar to our review of federal programs and services, we have examined two provincial databases reporting expenditures on aboriginal people. The first, compiled by the Ontario Native Affairs Secretariat, provides a reasonably comprehensive representation of Ontario's fiscal activities directly relating to aboriginal groups within the province. Although Ontario cannot be taken as precisely representative of all provinces and territories, a description of its activities will be informative. The data refer to programs or services that are: specifically targetted to aboriginal groups; of more general application but with identifiable components targetted to aboriginal groups; or, of universal application but for which ethnicity of clients is recorded. There will therefore be a very large difference between the expenditure amounts recorded in the database and the true value of provincially funded public goods and services consumed by aboriginal peoples in Ontario. For example, education or health expenditures on programs of universal application and used by aboriginal people who are not status and/or not residing off-reserve will not be recorded. The second provincial dataset was assembled by the Secretariat aux affaires autochtones for the province of Quebec and will be discussed below.

According to the *Aboriginal Peoples Survey*, only 1.2 percent of the Ontario population reports itself as being of aboriginal origin although 18.4 percent of the total Canadian aboriginal population resides in the province. Of the province's aboriginal population, only 18.8 percent are North American Indians on-reserve while fully 70.8 percent are North American Indians

off-reserve. The remainder is accounted for by Métis (10.5 percent) and Inuit (0.7 percent).²⁶

The Public Accounts of Ontario show total provincial expenditures in 1990-91 to be \$45,921 million. For the same fiscal year, the Secretariat's database indicates that Ontario spent \$207.1 million (or 0.45 percent of total provincial expenditures) for programs and services in direct support of aboriginal peoples. Some care must be exercised in interpreting these figures. First, many of the programs are cost-shared with the federal government under various arrangements so that total expenditures on programs or services with which Ontario is involved is actually \$317.3 million. Second, while the proportion of total provincial spending accounted for by these programs and services is much less than the aboriginal share of the population, this is to be expected under a jurisdictional assignment of many normally provincial programs to the federal government for status Indians on-reserve. Recall that the aboriginal share of the federal budget exceeded their population share for exactly the same reason. An important, related, point to be made is that the expenditures contained in the Secretariat's database are for Ontario government programs - the sums do not represent total government spending on aboriginal peoples in Ontario even if federal contributions are included.

Table 15 reports the main expenditure categories and the value of spending by the Province within each.²⁷ The database contains 135 individual programs. To provide some insight into the nature of the provincial involvement, the following table lists the sixteen largest programs (in terms of Ontario government spending), together with information on the provision of services to reserves and the mode of delivery. These programs account for 69 percent of total Ontario expenditure on programs and services in direct support of aboriginal people.

26. While the *Survey* counts a total of 102,925 North American Indians (both on- and off-reserve in the Province), the Registered Indian population is put at 117,152 (DIAND, Basic Departmental Data).

27. Note that the expenditure amounts do not include federal government contributions to the programs.

TABLE 15
ONTARIO GOVERNMENT SPENDING IN SUPPORT OF ABORIGINAL PEOPLES: 1990-91

CATEGORY	EXPENDITURE (\$) ^a	% OF TOTAL
SOCIAL SERVICES	\$27,406,840	13.2%
HEALTH	80,930,111	39.1
EDUCATION	4,311,581	2.1
LABOUR AND EMPLOYMENT	11,565,690	5.6
CITIZENSHIP	9,134,654	4.4
HOUSING AND INFRASTRUCTURE	25,059,600	12.1
ECONOMIC DEVELOPMENT	22,708,391	11.0
JUSTICE	24,815,880	12.0
LAND AND NATURAL RESOURCES	8,711,946	4.2
LAND CLAIMS/POLITICAL DEVELOPMENT	2,247,191	1.1
OTHER	1,738,710	0.8

a. Since some programs are included in more than one category, the total of this column exceeds \$207.1 million (by \$9.8 million).

SOURCE: Ontario Native Affairs Secretariat (1991) and calculations by authors.

It is evident from Table 16 that the dichotomy between federal responsibility on-reserve and provincial spending off-reserve is not clean. In fact, the database lists 22 programs delivered on-reserve by the province and an additional 60 programs delivered both on- and off-reserve with no corresponding funding from the federal government. The former set of programs involve \$26.2 million of provincial spending and the latter, \$78.3 million.

TABLE 16
MAJOR ONTARIO PROGRAMS AND SERVICES FOR ABORIGINAL PEOPLES
1990-91

PROGRAM	ONTARIO EXPENDITURE (\$,000's)	FEDERAL EXPENDITURE (\$,000's) ^a	ON- OR OFF- RESERVE	MODE OF DELIVERY
Insured Physicians' Services	19,392.8	0	Both	Provincial
Family Benefits	16,000.0	0	On	Provincial
Remote Airports	12,008.1	0	Off	Provincial
Federal Hospital and Nursing Stations	8,335.8	18,608.4	Both	Federal
Futures Program - Ministry of Education	6,735.5	0	Off	Private
Rural and Native Housing Program	5,898.0	17,694.0	Off	Federal
Community Mental Health Services	4,982.3	0	Both	Native or Local Community Org.
First Nations Policing Arrangements	4,554.0	5,291.0	On	Provincial
Ontario Legal Aid Plan	4,490.6	2,339.4	Both	Private
Emergency Health Services	4,451.0	0	Both	Provincial
Forest Fire Control on Indian Reserves	4,000.0	0	Both	Provincial
Northern Ontario Heritage Fund Corporation	4,000.0	0	Both	Private
Off-Reserve Policing Services	3,917.4	0	Off	Provincial
Support to Native Agencies - Community and Social Services Ministry	3,766.4	0	Both	Native or Local Community Org.
Other On-Reserve Policing	3,671.5	0	On	Provincial

Source: Ontario Native Affairs Secretariat (1991) and calculations by authors.

a. The database does not apportion transfers received through EPF for health and post-secondary education.

In the remainder of this section, we examine the data pertaining to Quebec expenditures on aboriginal people. These data are not strictly comparable to the Ontario data. Aside from accounting differences, provincial expenditures in Quebec are influenced by the James Bay and Northern Quebec Agreement and the Northeastern Quebec Agreement which have significantly changed the fiscal relationship between the Cree, Naskapi, and Inuit peoples and the provincial government. There is no counterpart in Ontario. Under the agreements, for example, federal spending in the areas of health and education are channeled through the province's Ministries of

Health and Social Services and Education, respectively, although federal funding for social assistance (fundamental needs, special needs and the provision of services) for two Cree bands (Mistissini and Waswanipi) and for the Naskapi continues from DIAND. Table 17 reports direct expenditures by the Province of Quebec in support of aboriginal people, broken down to reflect the particular circumstances of the two land claims agreements.

TABLE 17
QUEBEC/FEDERAL SPENDING IN SUPPORT OF ABORIGINAL PEOPLES:
1992-93
(budgetary and non-budgetary)

Band(s)	Gross Provincial Expenditure	Federal Reimbursement	Net Provincial Expenditure
Cree	\$158,681,403	\$54,220,127	\$104,461,276
Naskapi	5,050,091	1,615,004	3,435,087
Inuit	199,311,970	39,478,733	159,833,237
Other Aboriginal Groups	65,726,123	10,543,630	55,182,493
TOTAL	\$428,769,587	\$105,857,494	\$322,912,093

Note: Values exclude spending by Hydro Quebec

With an estimated total provincial expenditure of \$48,843.1 million in fiscal 1992/93 (Canadian Tax Foundation), the net Quebec spending in Table 17 represents 0.7% of total spending. The *Aboriginal Peoples Survey* reports that aboriginal people represent 0.8% of provincial population.²⁸ Federal reimbursement for aboriginal groups other than Cree, Naskapi, or Inuit arise entirely out of housing programs where the federal government contributes 75% of urban and rural housing programs. For the three identified nations, the federal government contributes 55% towards Inuit social housing programs (\$21,795 thousand) and 60% toward northern airports (\$3,244 thousand). All of the remaining federal transfer to Quebec reported in the table is educational expenditure. By the terms of the JBNQA and NQA, the federal government contributes 25% of the Inuit and 75% of the Cree and Naskapi school board budgets.

TABLE 18

28. In comparing population with expenditure share, the fact that the data does not truly represent the value of publicly provided services to aboriginal people must be borne in mind.

MAJOR PROGRAMS FOR FIRST NATIONS UNDER THE JBQNA AND NQA
(\$ thousands)

Nation	Total Gross Provincial Expenditure	Significant Programs		
		Amount	Ministry	Details
Cree	\$158,681.4	\$62,116.2	Education	Operating Expenses: Primary and Secondary Schools
		34,863.2	Transportation	Highway Construction and Maintenance
		27,410.4	Health and Social Services	Operating Expenses: Health and Social Service Centres
		15,862.8	OSRCPC	Income Maintenance Program for Cree Hunters and Trappers
		7,996.6	Education	Capital Expenditures on Primary and Secondary Schools
		3,773.6	Finance	Administration and payments on public debt
		2,096.8	Public Security	Surete du Quebec
		1,901.8	Transportation	Student transportation
Naskapi	\$5,050.1	\$2,133.1	Education	Operating Expenses: Primary and Secondary Schools
		1,661.0	Health and Social Services	Operating Expenses: Health and Social Service Centres
		388.8	Public Security	Surete du Quebec
		384.4	Finance	Administration and payments on public debt
Inuit	\$199,312.0	\$42,684.0	Education	Operating Expenses: Primary and Secondary Schools
		39,627.1	Societe d'Habitation du Quebec (SHQ)	Low Income Rental Housing: Construction
		35,296.1	Health and Social Services	Operating Expenses: Health and Social Service Centres
		14,733.7	SHQ	Low Income Rental Housing: Maintenance
		13,885.8	Education	Capital Expenses: Primary and Secondary Schools
		11,194.9	Municipal Affairs	Northern Communities Infrastructure Improvement
		6,278.8	Municipal Affairs	Northern Communities Municipal Services
		5,665.0	Municipal Affairs	Northern Communities Infrastructure Improvement: Debt Servicing
		5,407.2	Transportation	Northern Airports
		3,234.1	Municipal Affairs	Kativik Regional Government Subsidy

To provide some indication of the nature of services and programs delivered by the Province to these three first nations, Table 18 identifies the major program components by nation.

It is of some interest to examine the provincial expenditures outside of the Agreements. Table 19 provides some detail about spending on services and programs available to other first

TABLE 19
PROVINCIAL PROGRAMS AND SERVICES OUTSIDE OF THE JBNQA AND NQA
(\$ thousands)

Group(s)	Total Gross Expenditure	Significant Programs		
		Amount	Ministry	Details
Indians Off-Reserve	\$30,696.2	\$25,720.8	SHQ	Urban and Rural Housing Programs (includes \$10,543.6 thousand federal contribution)
		4,752.2	Education	School board payments for estimated 862 aboriginal students not covered by agreements with bands
Unallocated	\$19,480.5	7,519.9	Public Security	Aboriginal programs in correctional services
		3,317.1	Native Secretariat	Operating expenses of Secretariat
		2,284.3	Health and Social Services (HSS)	Community health promotion organizations: administration and support
		1,162.1	SHQ	Administration
		1,088.6	Environment	Administration and Support
First Nations	14,530.5	3,393.8	HSS	Operating grants: Health and social service centres (Mohawks)
		1,495.5	Forestry	Forest management programs (Attikameks)
		1,010.6	Justice	Various court programs
Aboriginal Women	550.6	235.6	HSS	Community health promotion organizations
Friendship Centres	359.3	230.5	HSS	Support funding

nations and to aboriginal groups in general. The types of programs and the amounts expended provide a picture of the province's perception of the normal federal-provincial division of responsibilities with respect to aboriginal groups.

2.12 SUMMARY

We have identified over forty federal programs and services directed to aboriginal people, accounting for slightly more than five billion dollars, or 4.2 percent of the federal operating budget in 1992-93. In addition, the Ontario Native Affairs Secretariat lists 135 individual programs in that province alone for the direct support of aboriginal peoples, costing \$207.1 million, or 0.45 percent of total provincial expenditures. Finally, Quebec reports 108 programs with a total provincial expenditure, net of federal transfers, of \$322.9 million. Most of this chapter has been our attempt to address the first item in our terms of reference and we return to it now:

What is the cost of delivering the current range of programs and services by aboriginal and non-aboriginal agencies?

On a superficial level, the figures fail to answer the question in its entirety simply because expenditure data from the other provinces and from the territories are not available. Given the evidence from Ontario and Quebec, the sums may be small relative to federal expenditures but nevertheless significant in absolute terms. Ballpark estimates are possible but only if it could be assumed that the fiscal picture in the other provinces and territories is similar to that in Ontario and Quebec. The values arrived at in this manner may still be unsatisfactory for more substantive reasons, however, with the degree of dissatisfaction increasing with the breadth of the interpretation one makes of the terms of reference.

As discussed in the introduction, the broadest interpretation would require an estimate of the total value of publicly provided goods and services consumed by aboriginal people. But public sector accounting systems are simply not up to the task of determining this amount. Looking back over the programs detailed in this chapter, a host of federal government activities of considerable importance to Canadians, including aboriginal people, are missing. The Unemployment Insurance program has not been included; debt financing payments are not to be found; foreign peacekeeping activities, scientific research funding, and Old Age Security payments are left out; and so on. No attempt has been made to apportion spending on these activities to aboriginal people, given the intractability of doing so and the broad interpretation of the terms of reference must, perforce, be abandoned.

A narrower interpretation of the question may possibly be addressed, however. It may be possible to approach the question of the value of expenditures on those programs which might conceivably be transferred to newly defined jurisdictions of emerging aboriginal governments. Indeed, we would argue that this is a question of much greater interest given that the answer to it could be used to establish parameters for the fiscal matters that will inevitably arise should the federal and provincial governments begin government-to-government discussions with aboriginal people.²⁹ Even here, however, we are immediately confronted with the limitations imposed by accounting realities. Government expenditures of benefit to aboriginal people are generally captured in public accounts only when the programs are specifically earmarked for them. This, in turn, occurs automatically when expenditures are made on reserves or for the Inuit. Since current interpretations of government responsibilities place these expenditures within federal jurisdiction, it is no accident that the preponderance of this chapter is devoted to federal spending. But this is not because the federal government is the principal level of government for aboriginal people in Canada. Rather this is because the nature of the relationship between this government and aboriginal people on reserves produces a paper record when programs are delivered to them. In fact, only a minority of Canada's aboriginal people are status, on-reserve Indians or Inuit.

As a result, available data is only able to address the question of required funding for aboriginal self-government when the form of self-government is restricted to already existing, land-based First Nations governments. It is not possible to estimate current spending on, say, the education of Indians off-reserve or Métis who are attending provincially funded schools in the same manner as non-aboriginal Canadians. If the concept of self-government is expanded to include off-reserve agencies such as aboriginal school boards in urban areas, extensive, case-study research would be required with a capacity to generate original data.

The second item in the terms of reference poses the question:

How do these costs compare with the costs of delivering similar ranges of programs and services from provincial, territorial, regional and local governments?

29. We do recognize, of course, that many aboriginal people would not agree that the current level of expenditures, if it could be determined, establishes in any way an adequate level of transfers for aboriginal self-government.

Much of the recent devolution of service delivery responsibility from the federal government to aboriginal organizations has been predicated on the notion that those organizations are able to use the dollars more effectively. This chapter presents no evidence with which to address this issue since the productivity of alternative delivery mechanisms for specific programs has not been assessed. At best, the expenditure amounts can be used to compare the total program spending with expenditures on similar programs delivered to the non-aboriginal population. Data limitations again preclude any assessment in this regard for off-reserve spending by the federal or provincial governments and conclusions can only be made, therefore, for on-reserve spending.

Some comparative analysis is possible. For example, several of the largest components of federal spending discussed in this chapter are formula driven. Social assistance expenditures and federal contributions to provincial schools are determined on a per capita basis using rates applicable in surrounding non-aboriginal communities. In that sense, the costs of such programs are comparable to similar programs for non-aboriginals. However, a more aggregate comparison is made complex by the different alignments of responsibility between federal and provincial governments for the aboriginal and non-aboriginal populations.

As we have reported, federal expenditure on aboriginal peoples identified in the report constitutes 4.2 percent of total federal program spending (i.e., excluding debt payments) although the Aboriginal Peoples Survey identifies only 2.3 percent of the Canadian population. The disproportionately large share of federal spending on aboriginal people may be entirely accounted for by the fact that this level of government provides services that, for non-aboriginal Canadians, would be provided at the provincial or local level. The appropriate analysis for comparative purposes therefore requires the calculation of all expenditures on aboriginal peoples as a proportion of consolidated government expenditure in Canada. Obviously, the data is not available for this calculation and, at best, we can only speculate that the disproportionality in federal spending is offset to a considerable degree by a less than proportionate share of provincial spending being devoted to aboriginal people. Certainly, the Ontario data show that only 0.5 percent of program spending can be apportioned to aboriginal people although 1.2 percent of that province's population report themselves as being of aboriginal origin. Some caution must be exercised in drawing this conclusion since only 18.8 percent of this group consists of North American Indians on-reserve. Thus, many of them will be partaking of provincial programs and services of general application.

3. REVENUE BASES OF ABORIGINAL GOVERNMENTS

3.1 INTRODUCTION

If an army marches on its stomach, a government lives on its revenues. It must have access to a tax base of reasonable proportions relative to its responsibilities, and coercive powers of taxation. Within a federal system, lower levels of government must also typically rely to a greater or lesser extent on transfers from higher levels of government. A government's ability to implement its own set of priorities clearly depends on the size of its tax base. If transfer income forms a significant proportion of its revenues, then this ability also depends to a great degree on the manner in which those transfers are made, i.e., the predictability and conditionality of the transfers.

In the preceding sections, we have looked at the funding of government programs targetted to aboriginal peoples from the perspective of the source of those funds. We now change our perspective to look at funding from the view of the recipient aboriginal government institutions. We will be particularly interested in the extent to which these institutions rely on transfers as a source of income and the mechanisms through which they access these transfers. But, as we would for any governmental institution, we will also review existing and potential own-source revenues.

While public finance data for federal, provincial and municipal governments are publicly documented in accessible format and in accordance with well-known accounting practices, such is not the case for the revenues of First Nation governments. No comprehensive database exists from which a complete analysis of revenues can be conducted. Band councils are accountable to their members for the funds they administer and comprehensive audits are available to these members. But these audits are not necessarily provided to DIAND, which requires only that part of the audit that relates to DIAND funding as well as a judgement on the part of the auditor on whether any of the band's outside activities might negatively affect DIAND's funding.³⁰ Any attempt to assemble a database of aboriginal government revenue sources would therefore be a primary data collection exercise necessitating contact with each individual band and tribal council. Not only would this be well beyond the scope of our project, there is no guarantee of successfully assembling all the requisite data since some bands (perhaps understandably so) would be reluctant to publicize their financial situation. We have heard, for example, the fear that use of such information would

30. See remarks by Mr. D. Goodleaf, Deputy Minister, DIAND to the House of Commons Standing Committee on Aboriginal Affairs, 3 December, 1992, Issue 36, p. 33.

legitimize current funding levels when those levels are regarded by bands as inadequate. Many bands are in the process of self-government negotiations, a process that requires some determination of base funding levels. In this context, current levels of funding become strategic (and therefore sensitive) information to be used in those negotiations.

We have had access, however, to several case studies which can be used to illustrate the funding situation for First Nations and other aboriginal governmental institutions. The United Indian Councils, representing nine bands in Ontario, has kindly allowed partial access to a study of revenue bases conducted by them for their bands. In addition, three case studies have been commissioned as part of the larger public finance research program of the Royal Commission.³¹

3.2. FUNDING SOURCES

We can begin our analysis by examining data provided by the United Indian Councils, representing nine Ontario bands.³² Table 20 reports the breakdown of direct funding to the bands during fiscal years 1988/89 to 1991/92 by four sources: DIAND, other federal departments, the province of Ontario, and other sources, such as band generated funds and any other funding agency (but excluding revenue earned by First Nation enterprises).

The table is intended to be illustrative only and we stress that we were not made privy to the details of its calculation. Thus, for example, we presume but cannot be sure that the direct provincial funding includes funds transferred by the federal government to Ontario under the Indian Welfare Services Agreement. Ontario received \$68,509,877 under the agreement in 1990/91 and \$91,557,711 in 1991/92, an increase that reflects the ballooning of social assistance caseloads between the two years both on-reserve and in the general population of the province. This accounting would explain the increase in the province's share of direct funding in the last year of the table. However, a significant proportion of such spending should ultimately be attributed to the federal government.³³

31. These case studies are to be reported in full and should be consulted for a complete description.

32. This data was collected as part of an exercise to establish base year funding calculations in support of self-government negotiations. We express our appreciation to the chiefs of the United Indian Councils and to Vice-Chief Mel Jacobs for providing us with this data.

33. In fiscal 1990/91, Ontario reports a total expenditure on aboriginal-specific programs by the Ministry of Community and Social Services of 89.2 million dollars, 70 percent of which was funded by the federal government.

TABLE 20
DIRECT FUNDING TO UNITED INDIAN COUNCILS FIRST NATIONS

SOURCE	1988/89	1989/90	1990/91	1991/92
	%	%	%	%
DIAND	68.9	73.8	70.3	65.7
Other Federal Departments	8.3	5.4	4.5	5.3
Ontario	14.1	13.3	15.9	19.9
Other	8.6	7.5	9.3	9.1
TOTAL	100.0	100.0	100.0	100.0

SOURCE: UNITED INDIAN COUNCILS

The most important message of the table is the overwhelming proportion of direct funding accruing through transfers. The bands of the United Indian Councils rely on transfer income for over 90 percent of their total revenue base, a situation we have no reason to believe is unrepresentative. Contrast this to the consolidated revenue basis of Ontario local governments estimated for 1990 and reported in Table 21. Transfer payments for these governments represent only 40.5 percent of total revenue.

TABLE 21
CONSOLIDATED REVENUES OF ONTARIO LOCAL GOVERNMENTS
Estimates for Fiscal Year 1989-90

Revenue Source	Estimated Revenues	
	\$ thousands	percent of total
Property and Related Taxes	\$10,682,166	41.9%
Privileges, Licences and Permits	185,137	0.7
Sales of Goods and Services	3,285,863	12.9
Return on Investment	555,537	2.2
Other Own-Source Revenue	449,116	1.8
TOTAL OWN-SOURCE REVENUE	\$15,157,819	59.5
Federal Transfers	229,830	0.9
Provincial Transfers	9,805,044	38.5
Government Enterprises	301,367	1.2
TOTAL TRANSFERS	\$10,336,241	40.5
TOTAL	\$25,494,060	100.0

SOURCE: Canadian Tax Foundation, *Provincial and Municipal Finances: 1991*, p. 15:9.

The pattern displayed in the revenue sources of the United Indian Councils First Nations is also found in the case study prepared by the Siksika First Nation of Alberta. Table 22 reproduces values reported by the First Nation in its case study, rearranged somewhat to provide a breakdown by external and own-source revenues. The case study reports construction loan advances of \$1,347,453 as revenue for the fiscal year 1992/93 as well as transfers of education

TABLE 22
SIKSIKA FIRST NATION REVENUE SOURCES
1992-93

SOURCE	\$	% of total
TRANSFERS		
Alternative Funding Arrangement	\$10,226,125	41.6%
Comprehensive Agreement	4,086,384	16.6
Specific Agreements with Federal Dep'ts.	1,948,964	7.9
Specific Agreements with Alberta	261,077	1.1
Tri-partite Agreement: Law Enforcement	752,451	3.1
Tri-partite Agreement: Child Welfare	2,001,020	8.1
CMHC Housing Subsidies	482,619	2.0
CMHC Forgivable Loans (RRAP)	83,000	0.3
TOTAL TRANSFERS	\$19,841,640	80.6%
OWN-SOURCE		
Siksika Revenue Trust Account	2,513,313	10.1
Siksika Capital Trust Account	1,310,000	5.3
Agricultural Leases	351,106	1.4
Management Fee: Vacation Resort	150,000	0.6
Taxation of Non-Indian Interests	85,820	0.4
Rental from Non-Social Housing	115,313	0.5
Sale of Assets, Fees, Misc.	42,973	0.2
All other programs (est.)	200,000	0.8
TOTAL OWN-SOURCE	4,768,525	19.4%
TOTAL REVENUE	24,610,165	100.0%

Source: Siksika Nation Case Study

reserves of \$167,232. These values have been excluded since they do not represent flows of funding into the First Nation. All other figures are as reported in the case study.

As might be expected, the dependence on transfer income is particularly acute for non-land-based aboriginal institutions. In 1992, the United Native Nations of British Columbia generated only 4.6 percent of total revenue from own sources, primarily through transfers from the British Columbia Native Housing Corporation and one-time gains on sales of fixed assets.³⁴ Only 29.3 percent of revenues derived from transfers from the federal government (from various departments other than DIAND) and 57.9 percent from the provincial government. The remainder took the form of transfers from various non-government agencies, primarily the Law Foundation of B.C.. The year was atypical in that federal transfers have generally exceeded funds from the provincial government.

The third case study provides evidence of revenue sources for the Kativik Regional Government, showing that 65.6 percent of revenues in 1992 derive from local sources. The remainder consists almost entirely of a transfer from Quebec's Ministry of Municipal Affairs. Table 23 reproduces the consolidated statement of revenue for the Kativik Regional Government as reported in the case study. These values are fairly similar to the proportions reported for Ontario municipal governments in Table 21, but some care should be taken in interpretation. As a regional government, the KRG is empowered to impose municipal type taxes on lands and waters not taxed by Nunavik municipal corporations but revenues derived from such taxes are negligible. The bulk of the local source revenues are transfers from the municipal corporations which themselves derive their revenue from outside transfers. The Quebec data indicates that for 1992-93, the Municipal Affairs Ministry transferred \$3.2 million to the Kativik Regional government and \$25.5 million to the Northern Villages. Unlike the case of Ontario municipalities then, the reported own source revenues do not derive from taxes on significant local tax bases, directly or indirectly, but are instead ultimately transfers into the region.

34. See the United Native Nations case study report for further detail. Funding for the organization, and the share derived from own sources, are highly variable from one year to the next.

TABLE 23
KATIVIK REGIONAL GOVERNMENT
Statement of Revenues
Year Ending Dec. 31, 1992

REVENUES	\$
REVENUES FROM LOCAL SOURCES	
Rental Charges	\$189,584
Administrative Charges	454,984
Employees Rental	71,252
Corporation of the Northern Villages -	
Financing Costs	5,155,551
Housing Charges	579,871
Appropriation of Reserved Surplus	335,389
Kativik Regional Board of Health and Social Services	26,250
Kativik Regional Development Council	36,000
Interest	17,039
Other Income	71,652
TOTAL LOCAL SOURCE REVENUE	6,936,572
CONTRIBUTIONS	
Municipal Affairs	3,604,584
Employment and Training Fund (EIC)	34,365
TOTAL CONTRIBUTIONS	3,638,949
TOTAL REVENUE	\$10,575,521

Source: Kativik Regional Government Case Study

The relative preponderance of transfer income for aboriginal governments makes the method through which such transfers take place of utmost importance to their ability to act like governments, as opposed to agencies. We therefore turn to an examination of those funding

mechanisms before returning to a discussion of own-source revenues.

3.3 FUNDING MECHANISMS

Until 1956, nearly all programs and services to First Nations were delivered directly by the federal government. Since that time, responsibility for administration and delivery of many programs and services has been devolved to band and tribal councils, a process which has accelerated in recent years. But the extent of true responsibility vested with the First Nations depends to a great degree on the manner in which funding is transferred to them. The following section describes the resourcing models that exist within DIAND.³⁵ While the focus is on DIAND, note that 72% of federal expenditures targetted to aboriginal peoples is accounted for by this department. We then provide some quantitative evidence on the extent to which each is used.

As mentioned above, the process of devolution began in the mid-fifties with the funding of native educational committees. For the next thirty years, however, this process entailed only the transfer of delivery responsibility, not true policy-making authority. Funds were made available through contribution arrangements to those First Nations choosing to take part. The Penner Report was scathing in its criticism of such contribution arrangements, making essentially two arguments against their use:

- contribution arrangements are inappropriate for intergovernmental relations. Under such a resourcing model, the First Nations governmental institution responsible for delivery of programs or services becomes an agent of the federal government, not a true decision-maker. More appropriate to true intergovernmental relations would be the types of grants used to transfer funds to provinces through Equalization or EPF.
- the administrative overhead involved in contribution arrangements is grossly excessive. Under federal expenditure management rules, the Minister is accountable to Parliament for ensuring that the activities funded through contributions are satisfactorily carried out. This is in contrast to grants, which are legislative in nature and for which Parliament provides *a priori* approval. In the Penner Commission's judgement, the procedures used by DIAND in ensuring Ministerial accountability placed onerous burdens on First Nations.

35. For an economic analysis of these transfer mechanisms, see Barham and Boadway (1993).

Since the Penner Report, DIAND has established new funding mechanisms which run the spectrum from direct service delivery to largely unconditional cash transfers provided for by self-government legislation. According to Department estimates, only 11 percent of funds appropriated to the Indian and Inuit Affairs Program in 1992-93 was applied to direct service delivery.³⁶ By those same estimates, 77 percent was paid out against funding arrangements with First Nations and other Indian organizations (with the remaining 12 percent paid to provinces). In the following, we briefly describe these arrangements, which essentially differ in the degree of conditionality involved. It is important to point out that the evolution of these funding arrangements alter the degree of control accorded to First Nations, but do not generally change the amount of the funding base. Even self-government transfers are based on historical costs of program and service delivery.

CONTRIBUTION ARRANGEMENTS

Contribution arrangements fund the delivery of specified services or programs by First Nations. Substantial, detailed terms and conditions are typically required and payments may take the form of expenditure reimbursement. Financial and program progress reports may be required, as is an audit of the activity funded through the contribution. Funds are not transferable between activities and while any surplus is returned to DIAND, deficits are typically financed as well. Clearly, contribution arrangements, while maximizing ministerial accountability, minimize the flexibility and empowerment of the local community. The First Nation government simply delivers a prescribed program or service in strict accordance with set criteria, possibly involving onerous reporting requirements and annual negotiations. DIAND claims to use contribution arrangements now only for highly technical activities, such as a major capital project, or for programs carrying a large financial risk, such as social assistance.

FLEXIBLE TRANSFER PAYMENTS

A recent innovation in funding authority, FTP's were introduced in 1990-91 to provide funding for specified programs or services. Like contributions, FTP's are negotiated annually for

36. DIAND, (1993b), p. 6.

each service or program, which must be delivered to DIAND's satisfaction. The principal difference is twofold. First, funding is provided in fixed amounts, rather than as reimbursement of eligible expenses so that any unspent balance can be applied to other endeavours by the recipient First Nation (although the recipient is responsible for any deficits incurred). Second, while the results to be achieved are clearly specified (and verified through year-end program reports), the method of achieving those results is not. Taken together, these characteristics of FTP's are designed to introduce efficiency incentives into the transfer mechanism. A year-end financial audit for the activity is required.

GRANTS

Under the federal expenditure management system, Parliament approves grant funding up front. As long as the recipient of the grant is deemed eligible, the Minister is not accountable for the funds. Thus, while grants are provided for specified objectives, reporting requirements are minimal requiring only that the funds are placed in the hands of the eligible recipient. This is the type of funding recommended by the Penner Commission for band governments.

Similar authority is issued under DIAND grant funding, although the amounts involved are relatively small. Grants are used primarily for the core funding of First Nation governments, in particular for the hiring of advisors, as well as in self-government funding arrangements.

Contribution arrangements, flexible transfer payments, and grants may be combined to form a Comprehensive Funding Arrangement. Under such an arrangement, funding for separate activities are negotiated with the First Nation and the funding authority for each activity specified. Terms, conditions, and reporting requirements then vary within the financing package according to the set of authorities used. Comprehensive Funding Arrangements are negotiated annually.

ALTERNATIVE FUNDING ARRANGEMENTS

Alternative Funding Arrangements are an attempt to move towards block funding for band or tribal councils and introduces increased flexibility in the following ways:

- funding can be negotiated for up to five years, instead of the annual basis for contributions and FTP's.

- with some restrictions, funds can be shifted between line items of the budget so that, once agreed-upon service standards are met the First Nation can use any surplus in other areas.
- there is enhanced flexibility in designing service delivery, although once again, certain standards must be adhered to.

Availability of AFA arrangements for any particular council requires a "comprehensive entry procedure"³⁷ assessing the band's political accountability to its members and its financial administrative procedures. In short, the band must have reached a certain maturity in DIAND's judgement before an AFA arrangement will be made with it. In addition, not all activities are allowed within AFA's so that some specified services remain subject to other funding arrangements.

Finally, a band's funding level cannot increase when it enters into an AFA, a condition that appears to have led to some reluctance on the part of those bands that believe problems of inadequate funding must be resolved prior to locking into an AFA.³⁸ A certain degree of risk on the part of the band is involved in multi-year AFA's, although this can be reduced by negotiating arrangements of shorter duration.

It is important to note that AFA's are not comprehensive block funding arrangements to First Nations. They may be restricted to only a subset of programs devolved, with other funding arrangements applied to the remaining activities of the First Nation. Moreover, the adjustments to the funding levels are conducted on a program-specific basis rather than on a comprehensive indicator of cost increases.

SELF-GOVERNMENT

The introduction of self-government legislation with *The Cree-Naskapi (of Quebec) Act* in 1984 and *The Sechelt Indian Band Self-Government Act* in 1986 heralded the beginning of a process of self-government negotiations that have the potential to alter the funding arrangements significantly. Guidelines developed to identify general principles to apply to self-government funding arrangements specify that such arrangements are to:

- "fall within resource levels available to DIAND, taking into consideration the community's economic situation and historic levels of funding provided to that community;
- ensure that the federal government maintains its financial support of programs and services

37. Remarks by Alan Williams, Assistant Deputy Minister, DIAND to House of Commons Standing Committee on Aboriginal Affairs, February 27, 1993, Issue No. 15.

38. Cassidy & Bish, (1989), p. 125.

for these communities, with funding normally provided through multi-year comprehensive funding agreements, recognizing the fact of cost-sharing between the Indian community and the federal government;

- make available short-term financial support to defray the costs of establishing a legal and an administrative self-government framework;
- provide such finding in the form of a grant, including Operating and Capital funding, that is made through annual appropriations by Parliament;
- make annual adjustments to these grants, taking into account changes in price, volume, revenue-generating capacity and incentives to support economic self-sufficiency;
- ensure that where formula funding is based on population, the population base is defined as status Indians living on community lands; and
- ensure that any services covered by these multi-year funding arrangements meet applicable minimal national, provincial or other specified standards, and that this does not preclude entitlement to existing services or programs. " (DIAND, 1993b)

Table 24 provides DIAND estimates of the amounts transferred in 1991-92 under the various funding authorities discussed above. The interesting point to note in Table 24 is that over 73 percent of transfers (contributions and flexible transfer payments) remain conditional, subject to annual negotiation for each program area, and permissive of limited or no transferability between program areas. The additional 20 percent transferred under AFA's is conditional on the delivery of sets of program areas, although funds are fully transferable between these areas and surpluses are retained by the First Nation. In contrast, only 32.1 percent of all federal cash transfers to provinces and territories in 1992-93 is conditional (CAP accounts for most of this conditional transfer).³⁹ We consider here the EPF cash transfers to be largely unconditional since the Health component specifies only weak conditions and the requirement that the total amounts be spent within the designated areas of health and education is not binding in any province.

39. Canadian Tax Foundation (1992), p. 16:18.

TABLE 24
DIAND FUNDING ARRANGEMENTS BY TYPE
1991-92

No. of Agreements	Type of Arrangement	Total (\$ hundreds)
782	Contributions	\$294,580.5 13.0%
44	Grants	\$20,846.1 0.9%
119	Alternative Funding Arrangements	\$453,844.7 20.0%
5	Indian Self-Government	\$27,258.7 1.1%
840	Comprehensive Funding Arrangements - Grants - Flexible Transfer Payments - Contributions TOTAL	\$102,803.4 \$889,199.6 \$478,467.0 \$1,470,470.0 65.0%
1790	TOTAL	\$2,269,999.5 100.0%

SOURCE: DIAND (1993b)

The Siksika Nation case study provides an enlightening illustration of the use of the various transfer mechanisms. Federal funding for the Nation takes place through a combination of an AFA, a Comprehensive Funding Arrangement, Contribution Arrangements with various federal departments, agreements with CMHC, and two tripartite agreements with the federal and provincial governments.⁴⁰ The Alternative Funding Arrangement was signed in April, 1990 for a five year term. As previously discussed, while funds are fully transferable between the activities covered by the AFA, the resourcing level is tied to historical costs of delivering specific programs. Thus, the value of the AFA in 1992 was established by the following "Planning Elements":

40. The Nation also transferred funds from its Revenue and Capital Trust Accounts, an action which involves the federal government but cannot be regarded as federal funding.

PE 4000	Economic Development	\$ 347,162
PE 5000	Lands, Revenues, Trusts	87,376
PE 6000	Education (O&M, Post-Secondary).....	1,226,764
PE 7000	Social Development.....	4,559,687
PE 8000	Community Facilities.....	1,641,185
PE 8000	Capital Construction	1,528,920
PE 9000	Band Management	879,892

TOTAL ⁴¹ \$10,270,966

An additional \$4,086,384 was obtained through a one-year Comprehensive Funding Arrangement used to accommodate programs excluded from the AFA for various reasons. The Siksika Board of Education chose to retain specific funding arrangements with DIAND and the Department suggested that Self-Government Negotiations and Resource Access Negotiations funding be excluded from the AFA given the limited time frame of these programs. In addition, funding for employee benefits allows no flexibility in dispensation, with all unexpended funds recovered by DIAND. This funding does not, therefore, fit into the framework of an AFA. It is interesting to note that the Siksika Nation reports that the CFA involved 17 separate amendments to be finalized for one year.

The Siksika Nation also entered into specific contribution arrangements but these were with federal departments other than DIAND, primarily the Medical Services Branch of Health and Welfare Canada and Employment and Immigration Canada.

3.4 OWN-SOURCE REVENUES

As stated above, we have not had access to data which would provide an adequate description of the degree to which aboriginal groups are able to generate own-source revenues. The case studies and the United Indian Councils data provide illustrations but are not sufficient to allow generalizations. We are both surprised and alarmed at the paucity of information about the fiscal self-sufficiency, actual or potential, of emerging First Nations governments. The fiscal capacity of such governments will be a central and important issue in discussions of their viability, about the scope of responsibilities devolved to them, and about the funding mechanisms for transfers from federal and provincial governments. Unless transfers are made in a completely

41. This total differs from the AFA amount reported in the Case Studies summary of revenues for reasons that are unclear to us.

unconditional manner, a reasonable tax base will be required to establish an independent agenda.

In principle, First Nations do have the potential to cultivate some tax revenues. Section 83 of the *Indian Act* empowers bands to raise money through property taxes (including, since the 1988 Kamloops Amendment, taxes on property occupied by non-Indians) and through licensing of businesses, callings, trades, and occupations. Similar authority is available to First Nations governments operating under specific self-government legislation. It should be noted, however, that the property tax base generally provides only a small proportion of the fiscal capacity for governments in this country. In 1991, property taxes accounted for about 8.4% of the consolidated own-source revenues of federal, provincial, and local governments in Canada [Canadian Tax Foundation (1992), table 4.3]. Moreover, only the minority of bands exercise their property taxation authority.⁴²

In addition to the property tax authority, the Indian Act also allows the rather cryptic right of "the raising of money from band members to support band projects, ..." (*section 83 (f)*). No data is available on the overall fiscal importance of this authority.

Resource revenues have been important sources of revenue for some bands, and there does exist the potential for increases in resource royalties, particularly in the northern territories.⁴³ The Indian Band Funds trust accounts provide some information on the actual resource revenues generated by First Nations taken together. Table 25 reports receipts and credits accruing in these accounts during fiscal 1991-92. Under the Indian Act, band moneys are divided into capital and revenue. Capital moneys derive from non-renewable resource transactions or the sale of lands or other band assets. These funds are expended on the authorization of the Minister with the consent of the band council. Revenue moneys are

42. Current "best guesses" put the proportion of First Nations exercising property tax authority at about 8%, but we cannot document this.

43. See Courchene and Powell (1992), appendix B, for a brief discussion of potential revenue bases for First Nations south of the 60th parallel.

TABLE 25
INDIAN BAND FUNDS
RECEIPTS AND OTHER CREDITS
(1991-92)

SOURCE	\$
CAPITAL ACCOUNTS	
Oil Royalties	\$12,620,153
Gas Royalties	30,982,796
British Columbia Agreement	238,407
Land and other claim settlements	1,434,189
Sundries	5,375,121
Total	\$50,650,666
REVENUE ACCOUNTS	
Government Interest	79,234,909
Land and other claim settlements	12,624,500
Sundries	12,791,722
Total	104,651,131
TOTAL	\$155,301,797

SOURCE: Public Accounts, 1991-92

generated through land-leasing transactions or interest earned on Consolidated Revenue Fund deposits⁴⁴ and are generally managed and spent by the bands.

It should be noted that the income reflected in Table 25 is very unevenly distributed as would be expected given the geographical concentration of oil and gas resources. Our understanding is that most of the interest earnings is also concentrated in the hands of only a few bands.

The relative brevity of our discussion of own-source revenues for First Nations

44. Both types of funds are held in interest-bearing accounts in the federal government's CRF.

governments is consistent with the importance of these revenues in the overall financial picture for Indian governments. But it should also be worrisome to those First Nations governments wanting to assume more independent authority for the design and delivery of services to their people. In the absence of a fiscal capacity appropriate to the demands on these governments, there will continue to be a reliance on transfer income. As has been abundantly clear, the strings attached to these transfers can be very confining and burdensome. In addition, the current financial pressures on the federal government may very well translate into lower transfers to First Nations governments in the future.

3.5 SUMMARY

This chapter has addressed the third item in our terms of reference:

What are the current financial bases for aboriginal government?

What is the importance of revenue transfers?

What are the present forms of financial arrangements between Canadian governments and aboriginal governments?

What types of revenue are presently generated by aboriginal governments?

What is the importance of own-source revenues in the whole public finance of aboriginal governments?

While there are no comprehensive public accounts data for aboriginal governments, the four case studies of the United Indian Councils, the Siksika First Nation, the United Native Nations, and the Kativik Regional Government should span most forms of such governments. With no evidence to suggest that these cases are in any way atypical, the following observations are made with a reasonable degree of comfort that they hold generally for other aboriginal governments.

Aboriginal governments are almost completely dependent upon revenue transfers. This is certainly true for non-land based agencies represented here by the United Native Nations. The United Indian Councils First Nations derive over 90 percent of their funding through transfers, the great majority of this coming from the federal government. Despite the availability of funds from its revenue and capital trust accounts, the Siksika Nation relies on transfers for about 80% of its revenue. The Kativik Regional Government reports only about one-third of its revenue coming in the form of transfers from the Quebec government. We suspect, however, that transfers from the Corporation of Northern Villages to the regional government are ultimately provincial government transfers. If so, this government will also rely on transfers for approximately 80 percent of its total revenue.

It is not unusual for governments to derive a considerable amount of their revenue through transfers. We have shown, for example, that Ontario local governments depend on the Province for almost 40 percent of their revenues. Transfers are critical to the revenue bases even of some provinces. In fiscal 1992-93, for example, Newfoundland derived over 44 percent of its revenue from federal transfers although the average for all provinces and territories was only 19.5 percent. But the degree of dependence on transfers for aboriginal governments is unusually high and could be problematic for them for two reasons. First, transfer income can be unreliable, as the provinces are currently discovering. Quite naturally, transfers to other governments can become relatively attractive areas for fiscal restraint when budgetary pressures at the federal level are acute. Second, depending on the form of the transfer arrangement, the degree of autonomy exercised by the recipient agency may well be severely restricted.

Only 5 percent of revenue transfers from DIAND is provided to First Nations through grants which represent the most permissive form of transfer from the federal government. Considerable progress has been made in moving away from contribution arrangements which are the most restrictive transfer mechanism, although fully one-third of DIAND transfers continued to take this form in 1991-92. Another third of DIAND transfers take the form of Flexible Transfer Payments which introduces some incentive for creative and efficient program delivery. FTP's, however, continue to impose annual, program-by-program negotiation and reporting requirements on recipients. Alternative Funding Arrangements account for the remainder of the DIAND transfers and, in principle, represent the most flexible arrangements short of grants. Revenues received from departments outside of DIAND, such as Health and Welfare Canada or Human Resources Canada, generally appear to have the nature of specific contribution arrangements with the attendant accountability requirements. It would then appear that, while considerable progress has been made, much more needs to be done if the transfer mechanisms are to reflect an attitude of government-to-government relations.

We must be somewhat more circumspect when generalizing about the nature of own-source revenues among aboriginal governments since this is the weakest area of the data available to us. It is certainly true that own-source revenues play only a minor role in the revenue bases of most aboriginal governments. The interesting question is why this is so. Income taxes, consumption taxes, and health and social insurance levies combined to provide 72 percent of consolidated government revenue for Canada in fiscal 1990-91.⁴⁵ Without statutory access to these tax bases,

45. Canadian Tax Foundation (1993), Table 4.1.

aboriginal governments must rely on natural resource revenues, band enterprises, or property taxes to generate own-source revenue. Natural resource revenues produce only slightly more than 2 percent of consolidated government revenues in Canada and cannot, therefore, be expected to form a significant tax base for aboriginal governments. As well, the distribution of natural resource wealth is uneven across First Nations, which is problematic when there is no revenue sharing mechanism in place. Band enterprises are touted as employment and income creators on reserves but there is no reason to believe that they can be any more successful than the many white elephants created by federal and provincial governments elsewhere. Moreover, even when economically viable, the profits available for taxation by aboriginal governments can simply not be expected to be in any way adequate as a tax base to finance government operations. Note that in the case of the Siksika First Nation, only about 3 percent of revenue is generated through agricultural leases, the vacation resort, taxation of non-Indian interests, rental from non-social housing, and the sale of assets and fees.

This leaves the property tax as the only foundation upon which a viable tax base can be built and in this way, First Nations governments are similar to local governments. As pointed out in Table 21, property taxes produce about 42 percent of revenue for local governments in Canada. We doubt very much that aboriginal governments could come to generate a similar proportion of their revenues from their property tax bases. It would be surprising indeed if property taxes generate significant revenues for First Nations governments when many reserves were placed on the property of least economic value.

4. CONCLUSION

This report puts total federal government spending on programs and services for aboriginal peoples at slightly more than five billion dollars in fiscal 1992-93. We cannot emphasize strongly enough that this should in no way be construed as an estimate of the value of the benefit received by aboriginal peoples from the presence of the federal government. It is, at best, a starting point for the discussion of the amount which must be transferred to aboriginal self-governments were they to assume full responsibility for the delivery of those federal programs and services specifically directed to them, and do so at current resourcing levels.

The reasons for this have already been discussed in the report but bear repeating. Aboriginal peoples access programs and services of more general application but which do not record ethnicity of clients. In some cases, we are prevented from allocating these expenditures to aboriginal peoples by a straightforward accounting deficiency. In other cases, an allocation is impossible even in principle. However, this may be inconsequential if the purpose is only to establish some sense of the order of magnitude of funding required by First Nation self-governments. The set of federal programs for which an aboriginal share cannot be determined generally does not include those that might be under consideration for devolution.

The situation is not quite so fortuitous if we consider models of self-government for off-reserve Indians and Métis. These groups, by and large, access provincial or territorial programs and services for which no convenient geographical distinctions exist in the data to allow an isolation of the expenditures directed towards them. The 81.3 percent⁴⁶ of aboriginal people in Ontario who report themselves as being off-reserve Indians or Métis, for example, have self-government aspirations that may be as compelling as those of their on-reserve counterparts. But spending in the important areas of education and social services for these groups, where a devolution of responsibility to aboriginal institutions is possible, is hidden within the expenditure data of the relevant Ontario ministries by a failure to identify ethnicity of their clients. A similar problem will exist in all provincial data, although the dictates of the Quebec self-government agreements do provide for moderately more information. It is important to remember that this report has concentrated on expenditure data for federal programs and services which, being largely restricted to on-reserve Indians and Inuit, are directed to only the minority of the Canadian aboriginal population.

46. Statistics Canada (1993), Aboriginal Peoples Survey.

Inadequate data has clearly been a hindrance to the work of this report. But the inability to isolate expenditures on aboriginal programming could potentially also impede the development of aboriginal self-government. Negotiations between First Nations and the federal and provincial governments are currently proceeding by building up the necessary fiscal information on a case-by-case basis. But public acceptance of a more general development of self-government, particularly for the more innovative forms such as urban aboriginal education agencies, will await some evidence on aggregate costs. As well, the implementation process itself needs to be informed by good quality data. We would therefore urge the continued exploration and development of public finance type data for aboriginal governments, both existing and nascent.

As important as the expenditure amounts will be for the ability of aboriginal institutions to deliver programs and services to their constituents, equally fundamental is the method by which they derive their revenue. It is currently the case that aboriginal governments and institutions servicing the aboriginal population rely only to a small extent on own-source revenue. The United Indian Councils First Nations, for example, draw over 90 percent of their funding through transfers, most of this coming from the federal government. The Siksika First Nation derives a smaller proportion of its revenue from transfers, about 81 percent, thanks to funds held in its revenue and capital trust accounts.

For reasons discussed in section 3.5, it is unlikely that any First Nations have a lower dependency on transfers than the Siksika First Nation, a situation unlikely to change in the foreseeable future. A public finance analysis of aboriginal public programs and services therefore quickly becomes focused on the methods by which funds are transferred to aboriginal governments.

This has been reinforced by the fact that the majority of DIAND's Indian and Inuit Affairs Program is now transferred to aboriginal agencies. In 1992-93, 77 percent of this budget of 3.6 billion dollars was paid out against funding arrangements with First Nations and other Indian organizations, 12 percent was transferred to provinces, and the remaining 11 percent applied by DIAND in direct service delivery.⁴⁷

Recent years have seen a very rapid evolution of the transfer mechanisms for First Nations governments and direct delivery of programs and services by the federal government appears to be

47. DIAND (1993b), p. 6.

largely in the past. Alternative Funding Arrangements in particular must be judged to be a pragmatic solution to the desire of aboriginal governments to assume true decision-making authority over a more comprehensive set of activities, including the freedom to design specific programs and to reallocate funds between activities as they see fit. We understand that the restrictions that are applied in AFA's may continue to chafe some First Nations. The need for a prior assessment by DIAND of the band's "maturity" to determine eligibility smacks of paternalism.

The reporting requirements that continue to exist suggest a delegated authority. Restriction to only a subset of the First Nation's activities preclude complete freedom in designing a comprehensive set of programs and services. Periodic negotiations remain time- and resource-consuming. AFA's do nothing to resolve what most aboriginal groups would perceive to be a problem of insufficient resourcing levels. Finally, it appears from some accounts that the conditions of some AFA's have been unilaterally changed by DIAND during the course of the Agreements to the disadvantage of First Nations. If funding levels can be reduced in those cases where First Nations have been able to introduce efficiencies into program delivery, the incentive for seeking out those efficiencies is clearly destroyed. Moreover, such a practice would remove the contractual nature of the Agreements and the potential to use what could otherwise be an important means of revenue transfers to emerging aboriginal self-governments.

Models of fiscal arrangements between the federal government and aboriginal self-governments should be judged according to realistic possibilities. It is reasonable to consider transfers to provinces as setting an upper bound on the degree to which aboriginal institutions can expect complete unconditionality and long-term commitment in their funding. Provinces are, after all, deemed to be sovereign within their jurisdictions, a status to which aboriginal governments may aspire. In 1992-93, only the third of all cash transfers to the provinces attributable to Equalization payments was entirely unconditional. Moreover, they take explicit account of fiscal capacity, whether or not a province chooses to take advantage of its potential tax base. EPF transfers, accounting for an additional third of total transfers, are restricted to the program areas of post-secondary education and health. This restriction is non-binding only because provinces spend more in these areas than the amount of the transfers, implying the use of own-source revenues. EPF transfers are also subject to often rancorous renegotiation every five years. CAP transfers, which make up the bulk of the remaining cash transfers, are matching grants and therefore conditional.

Finally, in none of these cases is the level of funding received by the provinces assured

indefinitely. The Equalization program was adjusted to use a representative province standard only because the former national average standard was proving too costly for the federal government. Recent federal deficit reduction measures have produced ceilings on the growth of cash expenditures in both the EPF and the CAP programs with substantial deterioration in the receipts of provinces such as Ontario. We should therefore expect to see continuing and possibly bitter debate about the level of funding for aboriginal self-government even if the transfer mechanisms used to fund them mimic those applying to provincial governments.

REFERENCES

- Abele, F. and K. Graham (1991), "High Politics is Not Enough: Policies and Programs for Aboriginal Peoples in Alberta and Ontario", in D. Hawkes (ed.), Aboriginal Peoples and Government Responsibility.
- Barham, V. and R.W. Boadway (1993), Financing Aboriginal Self-Government, mimeo
- Boadway, R.W. and P.A.R. Hobson (1993), Intergovernmental Fiscal Relations in Canada, (Toronto: Canadian Tax Foundation).
- Canada. Canada Communication Group (1993), Guide to Federal Programs and Services: 1993, (Ottawa: Supply and Services Canada).
- Canada. Department of Finance (1993), A Working Paper on Indian Government Taxation: Draft, mimeo.
- Canada. Department of Indian and Northern Affairs (DIAND) (1993a), Growth in Federal Expenditures on Aboriginal Peoples, (Ottawa: DIAND).
- _____ (1993b), DIAND's Evolution From Direct Service Delivery to a Funding Agency, (Ottawa: DIAND).
- Canada. Ministerial Task Force on Program Review (1985), Indian and Native Programs: Improved Program Delivery, (Ottawa: Supply and Services Canada).
- Canada. Parliament. House of Commons (1983), Report of the Special Committee on Indian Self-Government, (Ottawa: Supply and Services Canada).
- Canadian Tax Foundation (1992), The National Finances, (Toronto: Canadian Tax Foundation).
- _____ (1993), The National Finances, (Toronto: Canadian Tax Foundation).
- _____ (1991), Provincial and Municipal Finances: 1991, (Toronto: Canadian Tax Foundation).
- Cassidy, F. and R.L. Bish (1989), Indian Government: Its Meaning in Practice, (Halifax: The Institute for Research on Public Policy and Oolichan Books).
- Cassidy, F. and S. Seward (1991), Alternatives to Social Assistance in Indian Communities, (Halifax: Institute for Research on Public Policy).
- Courchene, T.J. and L.M. Powell (1992), A First Nations Province, (Kingston: Institute of Intergovernmental Relations).

- Cowie, I. (1987), Future Issues of Jurisdiction and Coordination Between Aboriginal and Non-Aboriginal Governments, (Kingston: Institute of Intergovernmental Relations).
- Dahlby, Bev. (1985), "The Incidence of Government Expenditures and Taxes in Canada: A Survey", in Vaillancourt, F. (ed.), Royal Commission on the Economic Union and Development Prospects for Canada, Vol. 1, (Toronto: University of Toronto Press), pp. 111-152.
- Elliot, D.W. (ed.) (1992), Law and Aboriginal Peoples of Canada, (North York: Captus Press).
- Franks, C. (1987), Public Administration Questions Relating to Aboriginal Self-Government, (Kingston: Institute of Intergovernmental Relations).
- Hawkes, D. C. (ed.), (1989), Aboriginal Peoples and Government Responsibility: Exploring Federal and Provincial Roles, (Ottawa: Carleton University Press).
- Hawkins, N. (1993), A Review of Trends in Federal Government Expenditures on Indian Programs and Services 1983/84 to 1993/94 Through its Department of Indian and Northern Affairs, Canada, report commissioned by Assembly of First Nations, mimeo.
- House of Commons. Standing Committee on Aboriginal Affairs (1992), A Time for Action: Aboriginal and Northern Housing, Ottawa.
- Long, J.A. and M. Boldt (eds.), (1988), Governments in Conflict: Provinces and Indian Nations in Canada, (Toronto: University of Toronto Press).
- Malone, Marc (1986), Financing Aboriginal Self-Government in Canada, (Kingston: Institute of Intergovernmental Relations).
- _____. (1993), Kativik Regional Government Case Study, mimeo, (Kingston: Institute of Intergovernmental Relations).
- Ontario. Native Affairs Directorate (1987), Towards and Framework for Native Economic Development Policies and Programs in Ontario, (Toronto: Supply and Services).
- _____. (1991), Ontario Government Programs and Identifiable Expenditures in Support of Aboriginal Peoples: Analytical Reports, Vol. III, (Toronto: Supply and Services).
- Quebec. Secrétariat aux affaires autochtones (1994), Déboursés, Aides et Dépenses *Autochtones+ Pour L'Année 1992-1993, (Quebec City: Gouvernement du Québec).
- Siksika Nation Tribal Administration (1993), Siksika Nation Research Project Report, mimeo, (Kingston: Institute of Intergovernmental Relations).

Weinstein, J. (1986), Aboriginal Self-Determination Off a Land Base. (Kingston: Institute of Intergovernmental Relations).

Weller, Geoffrey R. (1991), "Health Care Devolution to Canada's Territorial North", in Per Seyerstad (ed.), The Arctic: Canada and the Nordic Countries, (Lund, Sweden: The Nordic Association for Canadian Studies), pp. 189-216.