

## **Financial Issues**

### **New Economic Studies**

Completing treaties with First Nations could deliver more than \$10 billion dollars in economic benefits to British Columbia's economy over the next 15 years according to a PricewaterhouseCoopers report.

The report, *Financial and Economic Impacts of Treaty Settlements in British Columbia* November 2009 confirms projections made in four earlier studies. The report also assesses the impact that accelerating treaty completions will have on BC's economy by using three final agreements as benchmarks.

### **Financial Overview**

Through treaties, First Nations will be able to provide programs and services appropriate to the unique culture, economy and social needs of their communities.

### **Government Operations**

Treaties will include funding for First Nations government operations, programs and services.

In treaties concluded in BC, funding for First Nation government operations typically covers several years at a time and is renegotiated periodically.

Generally, funding provided by Canada for all First Nation government operations, programs and services to members will be combined and forwarded to the First Nation government. These funding arrangements are intended to allow for longer-term planning and budgeting. For example, in the Tsawwassen First Nation Final Agreement, the funding agreement for \$2.9 million annually is in place for the first five years at which time it will be renegotiated.

### **Funding to implement the treaty**

Treaties will include funding for First Nations to make the change from operating under the *Indian Act* to self government.

Funding is also provided to develop laws and a First Nation constitution, to determine eligibility for treaty benefits, and to undertake enrolment and ratification for treaty purposes. Including funds for transition, Tsawwassen First Nation received \$15.8 million for treaty implementation.

## **Funding for Infrastructure**

There may be one-time costs for infrastructure. An example is the BC government's commitment of \$41 million to pave the Nisga'a Highway.

## **Fiscal Accountability**

Each First Nation will develop a constitution and a government structure with greater accountability for funding than is currently provided by the *Indian Act*. For example, First Nation governments will be required to prepare and provide audited accounts and financial statements to members and to the governments of Canada and British Columbia.

## **Taxation**

It is important to clarify that under the *Indian Act*, only aboriginal people living on reserves receive tax exemptions; most aboriginal people pay the same taxes as other Canadians.

When the tax exemption came into effect under the 1876 *Indian Act* (Section 87), First Nations did not have the right to vote, own property or practice many cultural traditions. First Nations did not gain the right to vote in federal elections until 1960.

The *Indian Act* has made economic development on reserves difficult. Because it stipulates that reserve lands cannot be seized to enforce payment of a debt, these lands have never been available for use as collateral. The same is true of all real and personal property of aboriginal people or bands on a reserve. Negotiated cash and land settlements will provide First Nations people with the capital they need to begin businesses and create jobs and industries through land ownership.

Through treaties, First Nations will acquire a land base, and establish a government with powers to access revenues, borrow, receive transfers from other governments and levy taxes. The governments of Canada and BC seek to gradually eliminate tax exemptions as First Nations move towards greater economic self sufficiency. For example, under the Tsawwassen First Nations Final Agreement transaction taxes such as sales tax will be eliminated eight years after the effective date and all other taxes, including income tax will be eliminated after 12 years.

Many First Nations in the BC treaty process are reluctant to give up their tax exemption when most other First Nations in Canada will continue to have these exemptions – including those that have signed treaties in the past. Canada, BC and First Nations Summit are working together to find creative solutions to taxation and other common fiscal issues.

## **Costs and Benefits**

The BC government's share of the overall costs of settlements is estimated at \$4 billion (based on the 60 First Nations – 111 of the 198 Indian Act Bands currently in the BC treaty process).

The Treaty Commission allocates negotiation support funding so that First Nations can prepare for and carry out negotiations with the provincial and federal governments. Since opening its doors in May 1993 the Treaty Commission has allocated to March 31, 2009 approximately \$466.6 million in negotiation support funding to more than 50 First Nations -- \$371 million in the form of loans and \$95.6 million in the form of non-payable contributions.

## **Cost Sharing**

Funding for administering the treaty process and cash settlement costs are borne jointly by the provincial and federal governments. The federal government is responsible for approximately 72 per cent of the total costs of treaties and the BC government is responsible for approximately 28 per cent.

Eighty per cent of negotiation support funding to First Nations is provided as loans from the federal government and 20 per cent as non-repayable contributions from both governments. The federal government provides 60 per cent of the non-repayable contribution funding and the BC government provides 40 per cent.

Canada funds 60 per cent of the Treaty Commission's operating budget and BC funds 40 per cent.