

Getting First Nation Government Right – Executive Summary

Most Canadians support the concept that First Nations have a right to self-determination. While it is supported in principle, there has been little agreement on what form First Nation government should take. This research contemplates a First Nation government that assumes tax jurisdiction as well as associated expenditure responsibilities. The principles and benefits of such an approach are discussed and these are compared and contrasted with current federal and provincial policies. Case studies of tax and related expenditure models are used to illustrate the tangible benefits of such an approach. The first case study examines the Indian Taxation Advisory Board's use of budget based tax rates in property taxation regimes. The other case studies examine the Sliammon and Kamloops community improvement fees.

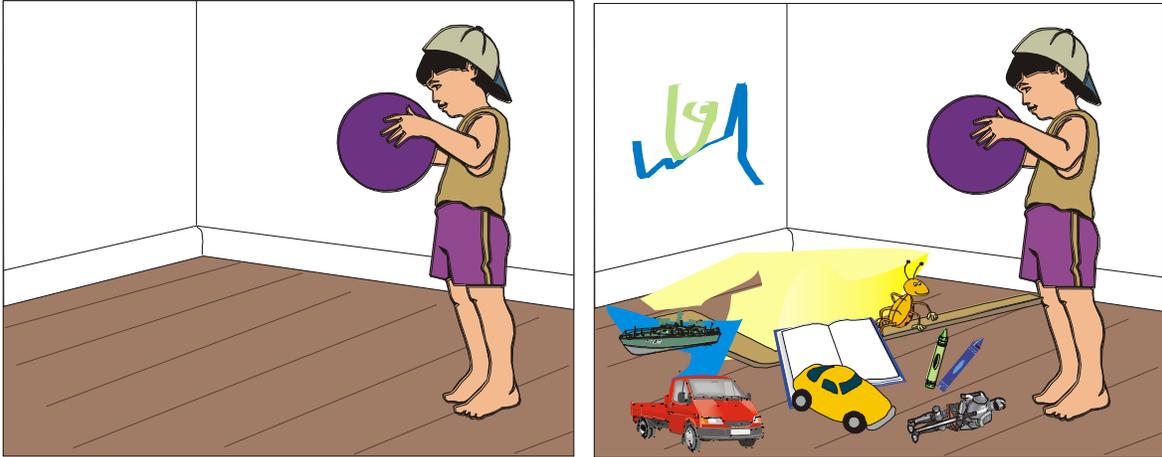
The pictures below illustrate the main difference between the status quo and a tax and related expenditure model. These pictures illustrate the improvement in incentives for accountability. The analogy of two children playing in a room has been used to portray the status quo fiscal relationship. In the current fiscal relationship there is blurred accountability because there is more than one order of government funding a service and so it is difficult to determine which one is responsible if the quality public sector services suffers. In the diagram it is difficult to determine which child is responsible for making a mess. Both children may bear some responsibility, perhaps one of them is more responsible, or entirely responsible for the mess but it is difficult to determine the share of blame that each of the children should take for making the mess.



The Status Quo: Blurred accountability?

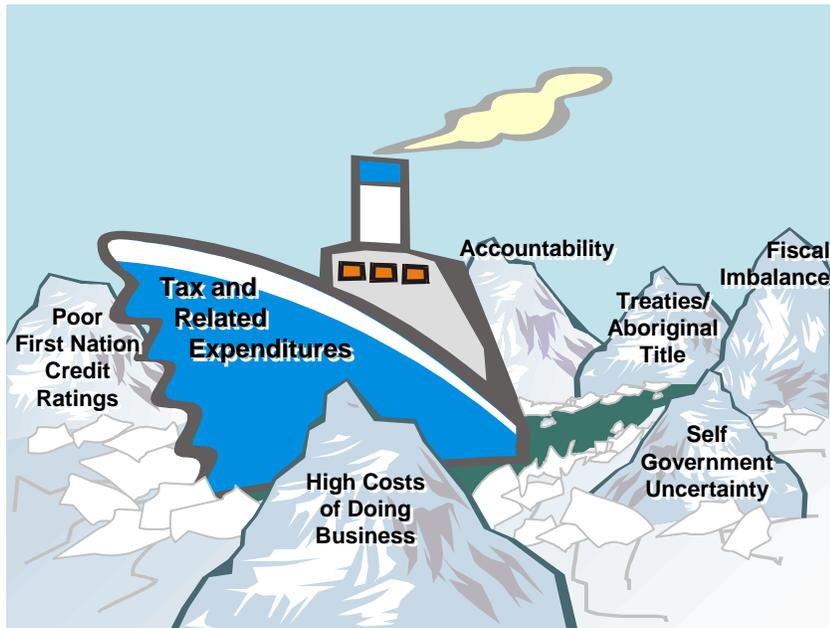
The next pictures illustrate a tax and related expenditure system in which it is clearly visible which order of government is responsible for providing which service. In this scenario, the two children are playing separately and so it is clear to see if the child is making a mess or not. In other words it is clear to see if a government is meeting its commitment to provide quality services to its constituents.





Tax and Related Expenditure: Clear accountability

While accountability is dramatically improved through a tax and related expenditure model, it is not the only benefit from such an approach. The principle of tax and related expenditures can be an icebreaker to break through political, fiscal and economic issues that are facing First Nation governments. These include accountability, poor First Nation credit ratings, treaties and aboriginal title, self-government uncertainty, and the high costs of doing business.



Breaking the ice: Tax and related expenditures can resolve some political, fiscal and economic issues.