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**An Introduction to First Nation Infrastructure Cost Sharing**

This backgrounder describes an approach to a fair and equitable recovery of costs associated with an Indigenous infrastructure project. This includes identifying users (or beneficiaries) for both the construction costs (or capital) and lifecycle costs of a project.

**Core Principles**

1. First Nation infrastructure projects should be developed to deliver on established community objectives (e.g., health, environmental, economic development, etc.)
2. The Federal Government has a responsibility to fund infrastructure projects on reserve that provide required services to First Nation community members
3. Where projects also benefit non-members and/or support economic development, the portion of the costs associated with this should be covered by the non-members or First Nation

**Capital Funding Example**

The figure below describes some beneficiaries or users of an infrastructure project and some possible funding sources that could be used to recover capital or construction costs.



**Operating Funding Example**

The figure below describes some beneficiaries of the ongoing operations of an infrastructure project and some possible funding sources that could be used to recover operation, maintenance and lifecycle costs.



**Sharing Framework**

Determining who benefits from infrastructure can be objective:

1. Differs for different asset classes
2. Capital and operating split could be different, and operating split could change over time.

An example of potential cost sharing could be based on the combination of factors outlined below.



**First Nations Fiscal Management Act Tools**

PROPERTY TAX

* Collect Property Tax from Leaseholders
	+ Levy property tax on holders of real property (leaseholders)
* Local Revenue Account
	+ Maintain revenues in a separate account from other monies, the Local Revenue Account
* General Purposes
	+ Use revenues for local purposes (beyond infrastructure, including firefighting, garbage collection, administration).
* Annual Expenditure Law
	+ Spend property tax revenues in accordance with an annual expenditure law

SERVICE TAX

Unlike property taxes (which provide local revenues that may be expended in several areas), Service Taxes are collected to fund a specific service.

* **Only for a specific service:** All revenues collected from a Service Tax must be spent only on the specific service for which they are collected
* **Only for a fixed number of years:** Service Taxes are levied for a fixed number of years to pay for the cost of the specific improvement

Capital improvement projects that may be funded by a Service Tax include: water and wastewater systems, transportation infrastructure, and park acquisitions and improvements.

* **Property Holders Pay:** The cost of the work undertaken is usually paid up front by the Nation, then recovered from property holders through a Service Tax
* **Can apply to a defined area:** Service Taxes may apply to the entire reserve, or only to a defined area

FEES

On April 1, 2016, the FMA was amended to create a new First Nation law-making power for Fees. A First Nation can charge Fees for the provision of services or the use of facilities on reserve lands. Fees can be levied in relation to water, sewer, transportation, waste management, recreation, as well as any similar service. Three things to know about fees:

1. **Specific Service**

Unlike the property taxation powers, Fees are collected to fund the costs of providing a specific service

1. **Expenditure Law**

Fee revenues must be placed in the First Nation’s local revenue account and expended under the authority of the First Nation’s annual expenditure law

1. **Spending of Fees**

All Fee revenues collected for a service must be spent only on the specific service for which they are collected

Fees can provide a more equitable allocation of costs by shifting the burden away from the general tax base to those using or directly benefitting from the service.

Taxpayers generally support the use of Fees because they reflect a “user pay” approach. Entities exempt from taxes (such as other governments) can be charged Fees.

DEVELOPMENT COST CHARGE (DCC)

First Nations may enact a Development Cost Charge Law under the FMA. DCC’s are:

* A one-time charge collected from developers of reserve land
* Used to offset some of the infrastructure costs directly or indirectly attributable to development
* Payable at building permit approval, subdivision approval, or development approval

DCCs can only be levied to help pay capital costs associated with:

* Providing, constructing, altering or expanding water, sewer, drainage, or transportation infrastructure
* Providing and improving park and recreation land

The infrastructure must service, directly or indirectly, the development for which the Development Cost Charge is being imposed.