

# Band Administrator Workshop

March 25<sup>th</sup>, 2015

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## **Own Source Revenue (OSR)**

- What is “Own Source Revenue”
- OSR examples
- Exclusions of OSR
- OSR Planning
- Closing Comments

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## **What is “Own Source Revenue” and what is its purpose?**

- Government of Canada policy related to the revenue earned by a First Nation that over time in a comprehensive governance agreement reduces the amount that is paid by the government to the First Nation
- Similar to the Federal – Provincial transfers
- Applies to:
  - Self-Government
  - Treaty
  - Education Jurisdiction
- Contribution Funding Agreement (CFA): They can claw back a proportionate amount of any surplus stated in your audited financial statements

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## **What is Included in the OSR Calculation**

- Tax revenues (direct taxation)
- Resource royalties
- Some business profits (government owned)
- Some property and investment income
- Fees, penalties and fines (under Aboriginal laws)

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## **What is Excluded from the OSR Calculation**

Excludes:

- Claims settlements (e.g., capital transfers)
- Program transfers from other governments
- Profits from the sale of treaty lands
- Compensation from an insurance or legal claim
- Gifts or charitable donations

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## **Fiscal Transfer Approach**

Net Transfer = Contributed Funding Agreement Amount – OSR Offset

Net Transfer

– Funding amount transferred to the First Nation

Negotiated amount

– Funding amount negotiated and set out in the funding agreement

OSR Offset

– Amount of First Nation own source revenue taken into account in determining the transfer. Determined by the provisions in the OSR or funding agreement.

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## OSR Planning

- Similar to yearly budgeting, OSR should also be subject to planning
- One B.C First Nation government strategy is to limit revenues:
  - Profits earned by separate corporate entities are not subject to OSR, but if those profits are sent to the Ahousaht First Nation government (eg. as in dividends) then they are included
    - Strategy is to retain the earnings in the corporations and conduct business through the corporations or make dividend payments directly to citizens
    - Have the corporations undertake some non-program functions of government
    - Move current government run businesses into “Maaqutusiis Hahoulthee Stewardship Society”
- Largest First Nation revenue sources are fund transfers, land revenues (rent), property tax and FNGST.

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## Closing Comments

- Determining how the government OSR policy impacts Treaty First Nations OSR that comes into your community and is utilized for your membership now or in the future
- Develop a strategy to build your economic base and limit impacts of OSR
- Each First Nation must develop policies and procedures on the use of these funds by the community