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2% Escalator on the Departmental Budget

Background

- Pursuant to the Program Review exercises in the mid-1990s, the overall growth of the departmental envelope for funding of Indian and Inuit programming was set at six percent for 1995-1996, three percent for 1996-1997 and two percent for subsequent years.

- This decision remains in effect although the annual increase has been supplemented by a variety of adjustments targeted at specific program initiatives (such as Gathering Strength initiatives and pre-budget 2005 initiatives that included teachers' salaries, special education, water management etc.). Most of the adjustments are to remedy backlogs and historic socio-economic gaps.

- Although valuable, these adjustments do not significantly help First Nations deal with most services' year-over-year volume and price pressures because the impact of these pressures has been greater than the funding growth provided by Parliament.

- From 1996-97 to the present, INAC has received the 2% as well as an average of 0.9% associated with the variety of targeted adjustments. The demand for basic services has been 4% (2% for inflation and 2% for population). The difference of 1.1% has resulted in a shortfall of approximately $50 million per year for all basic services. Translated over a 10-year period, the Department has experienced a shortfall of approximately $400M in the A-base envelope.
- The impact on the four largest statutory programs (Child and Family Services, Income Assistance, Education and Post-secondary Education) in 2005-06 has been a growth of $95M, which is greater than the overall 2% for all basic services ($89M), resulting in reallocation from other programs and the inability to meet basic needs such as housing, water, sewer etc.

- The 2% growth allocation does not even begin to address provincial comparability issues facing the four statutory programs.

- The Government has made one time investment through Budget 2007 to support P/Ts by 33.33% for Post Secondary Education and 12.7% for social programs and committed to an ongoing annual adjustment of 3% (population and inflation) for both.

- INAC does not receive funding through this one time investment and it has created even further pressure on the Department to meet those amounts on-reserve.

- The Government needs to address the needs of First Nations on reserve in a similar fashion and INAC will be coming forward to Cabinet to address this.
Child and Family Services

- INAC supports the CFS Program to provide child welfare services to First Nations Canadians on reserve.

- The Program is a Provincial statutory program, where the province establishes the criteria under which a child is brought into care, and the associated cost of maintaining that child in care. In order to maintain provincial comparability, the First Nation Agencies must adhere to these standards, and are funded accordingly for children in care out of the parental home.

- From 1996–1997 to 2006–2007 expenditures within the CFS program have grown from $193 M to $450 M, while funding for this program based on the departmental 2% increase and $25 M receive in Budget 2005 has grown from $193 M to $260 M, resulting in the department having to reallocate $190 M (mainly from capital) to cover program growth.

- Program growth is a direct result of the increase in numbers and cost of maintaining children in care out of the parental home (5,300 in 1996–1997 to 8,500 in 2006–2007).

- CFS’s current share of the 2% is roughly $9 M a year but the actual growth in cost is on average $23.2 M.

- Even with these reallocated dollars the Program is not able to meet provincial comparability which includes a refocused enhanced prevention approach.

- In order to address the sustainability of the Program, INAC intends to come to Cabinet to request funding for
the actual cost of the program and to transition to an enhanced prevention focused approach in keeping with the provinces.